



CONFERENCE REPORT

EUROPEAN MICROFINANCE WEEK 2015

FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

18th - 20th November 2015
Abbaye de Neumünster, Luxembourg



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FOREWORD





With a theme of *Financial Inclusion for Sustainable Development*, this year's European Microfinance Week conference brought together over 450 opinion-leaders, top management of banks, funds and other financial institutions, practitioners, academics, analysts, raters and industry commentators to present key innovations, challenges, and Best Practice in the inclusive finance sector.

Run by the European Microfinance Platform (e-MFP), the conference featured multiple workshops, plenaries and Action Groups sessions and trainings, reflecting the breadth and importance of this topic. The event was a great success, with positive feedback

in particular about the quality of speakers, networking opportunities, and new linkages forged between investors, practitioners, analysts, and other support providers.

Sustainability in inclusion has never been more important, and the session programme presented the various financial, social and environmental components of sustainability, including identifying overheated and underserved markets to better target growth and increase sustainability; incentivising long-term financing by investors; new approaches to managing risk; expanding outreach through better understanding of client needs and developing tools to reach them effectively and affordably; protecting clients from shocks in difficult contexts and providing them with a suite of financial services for sustainable livelihoods; and increasing environmental sustainability – through finance for clean energy products and improved agricultural practices.

As said in the closing remarks at the end of the conference, what these approaches all have in common is an emerging long-term thinking about the future of the Financial Inclusion sector, and of its clients.

This report seeks to bring together some of the important discussions, findings and presentations of the conference, both for those who were able to attend (but who of course could not be in all sessions at the same time!) and for those unable to be in Luxembourg at the exceptional conference venue, the Abbaye de Neumünster, back in November.

Thanks must go as always to everyone involved in both the conference and the production of this report, and we hope you enjoy it.

We look forward to welcoming you at the next European Microfinance Week, from 16th-18th November 2016.

Anne Contreras, Chairwoman
Christoph Pausch, Executive Secretary

SESSIONS



THURSDAY 19 NOVEMBER 2015

WELCOME ADDRESS

SPEAKERS Christoph PAUSCH, e-MFP

Anne CONTRERAS, Arendt & Medernach / e-MFP



Christoph PAUSCH, Executive Secretary of the European Microfinance Platform (e-MFP), opened European Microfinance Week (EMW) 2015, by welcoming more than 450 participants. This year a record number of financial institutions, government and international agencies, NGOs, investors, academics and support providers from 67 countries came together at the Abbaye de Neumünster in Luxembourg. With the theme of *Financial Inclusion for Sustainable Development* the conference's objective would be to explore a wealth of ideas on

how we can innovate in providing financial services in a sustainable and scalable way. After a brief overview of the exciting programme ahead for the coming days, Pausch emphasized the new app and social media tools to help participants network more effectively. Finally he mentioned his gratitude to the speakers, moderators, sponsors and funders which made European Microfinance Week 2015 possible.

Anne CONTRERAS, e-MFP Chairwoman also welcomed the participants to the conference on behalf of the e-MFP Board and Secretariat. Before introducing the first plenary session, she referred to the tragic event in Paris on 13th November and asked for a moment of silence for the victims and their families of this and other recent terrorist attacks around the world, including Nigeria and Lebanon.

PLENARY:

ASSESSING LIMITS: TOWARDS SUSTAINABLE GROWTH IN MICROFINANCE

MODERATOR Bob SUMMERS, MicroCapital

SPEAKERS Tanmay CHETAN, Agora Microfinance

Isabelle GUÉRIN, IRD-Cessma

Daniel ROZAS, MIMOSA Project / e-MFP

Klaus TISCHHAUSER, responsAbility Investments AG

PRESENTATIONS

Moderator Bob SUMMERS of MicroCapital opened this session exploring how MFIs can grow in a sustainable manner and introduced the speakers.

Isabelle GUÉRIN presented her research project on microcredit crises. She mentioned that microcredit crises are not behind us, stressing the need to identify the causes of crises and design preventive measures. The research had a practical outcome: a microcredit crises prevention dashboard providing a list of factors that come into play in the run-up to a crisis. Guérin introduced the three main categories of causes of crises. Crises can originate from the demand-side, supply side and the environment, and impact on three levels: i.e. the client, MFI and country. She modelled this in a graph in order to highlight the multiple interrelations between causes. As a key research outcome, Guérin noted that a crisis can happen at the clients' level without immediately affecting the MFI or country level. The most salient features of crises are excessive concentration and political pressure at the country level, competition and development speed at the MFI level, while at the client level a crisis can emerge when the offer does not match client needs or potential.

Guérin noted that crises result from unsustainable growth. This can be observed at different levels. Sustainability should be understood from a financial, sociocultural (i.e. what is the acceptability and legitimacy of MFIs or microfinance) and a political (i.e. what are the power relationships between the various stakeholders) perspective. Returning to the dashboard and its factors she explained that interact-



ing factors at each level, means that only a systemic analysis can help to understand crises. The graph can represent all sorts of crises. Guérin concluded by providing examples of microcredit crises in Tamil Nadu, India and the Dominican Republic.

Daniel ROZAS introduced the MIMOSA dashboard by asking the audience if they would drive without a dashboard. Without a dashboard you do not know your metrics and have less control over your vehicle. MIMOSA (Microfinance Index of Market Outreach and Saturation) is a tool to better understand microfinance markets. It shows how much credit a market is able to absorb and how much credit is already in the market. It bases market capacity on the Human Development Index (HDI), population density and credit bureau quality. The index can show if a market is saturated or underserved. The Global Findex is used to show how many people have taken up a loan from an MFI in the last months, which is useable as a variable for MIMOSA because of its accurate method, but it is not perfect. Global Findex data is complemented by data

from specific countries, MIMOSA field and MFI surveys. It helps to understand what the gap is between the demand and the supply side in the market. By connecting demand and supply, you will be able to make a better estimation of the market penetration and multiple borrowing.

Rozas continued with the example of Cambodia: Is it really the 2nd most penetrated market, as the Global Findex implies? According to MIMOSA, this is incorrect as the data shows there is roughly a 10 percent gap between supply and demand figures. And while the MIMOSA field survey shows that approximately 10 percent of lenders are not officially registered, these are small and cannot account for the difference. It appears the Khmer wording of the Findex survey is at fault, having captured a substantial number of informal loans as formal lending. Cambodia is still saturated, but far less than implied by Findex. By applying the data in MIMOSA in combination with the expected growth path of a region or country, Rozas mentioned that you can also estimate the market penetration in



the future which he explained with the example of Bolivia.

Summers then discussed sustainable growth with the investors in the panel. Tanmay CHETAN mentioned that goals for growth are sometimes too ambitious, overheating the market as a result. Chetan would like to see a more equal relationship between MFIs and clients in a well-regulated environment where clients have control and choice. Clients have to be able to make better informed decisions on what is actually necessary to improve their livelihoods. If not, chances of a crisis at the client level will be much higher, leading to ripple effects. Chetan mentioned that you should also check what happened in case of non-repayment. In most cases this is a result of health related incidents and loss of livelihood, both of which can be mitigated somewhat through insurance. Only a small percentage is not willing to pay.

According to Klaus TISCHHAUSER it is a big success that we now talk about oversupply instead of how to kick-start growth. We should not get into depressed mode, but remember that finance is always prone to crises. Finance is extremely important for development, but we know that growth has advantages and disadvantages. Therefore, we should aim for controlled growth while knowing that most is out of our control. We should not expect to steer away from crises, but

make sure that we can cope with crisis situations. According to Tischhauser, investors should make sure that their organisational structure does not promote overheating. His institution, for example, discourages bonus systems and does not punish staff for not investing if they fear an overheated market. Managing growth thus requires good planning, the right tools and sound risk management are key.

Summers then introduced the topic of regulation. Chetan mentioned that a lack of regulation can lead to a crisis due to a lack of accountability, as was the case in India. However, one should also be careful not to introduce overregulation. Chetan gave the example of unregistered NGOs in Cambodia, which charged high fees compared to the MFI. Central bank regulation then mandated the registration of NGOs as MFIs, leading to improved cross lending data. Tischhauser supported Chetan's message, adding that microfinance has to aim at the client, but most issues are at country level. If you want to develop the sector, market regulation is essential.

The moderator asked the panel how to choose between long- and short-term investments. Tischhauser mentioned that he prefers a longer horizon as growth of value takes a long time. His organisation often works with open-ended equity investments.

DISCUSSION

Adalbert Winkler of the Frankfurt School of Finance & Management noted that there is one key indicator for a crisis: speed of credit growth. He asked the panel if they caution that their institutions are growing at a high rate. Chetan replied that his partner institutions do not have artificially mandated growth control mechanisms, but are cautious with the speed of lending and focus on internal controls to moderate growth. He also mentioned that in Cambodia in the last 4-5 years credit provided by his institution is increasingly funded by local deposits. Tischhauser stressed that you also have to look into the details. It very much depends on the quality of the MFI, and he warned against new entrants that heat up the market with competitive products. The last question from the audience examined the issue of growth and size of the Moroccan market. Guérin replied that Morocco was a typical case where the demand is overestimated - even though many people are not served. This does not mean that they need microcredit. And beyond Morocco, the overestimation of the demand is one of the reasons for crises in other contexts. Rozas mentioned that Morocco is a very unusual market with a growth of 100 percent in three years. The crisis was due to mismanagement of fraudulent loans.

ASSESSING IMPACT IN MICROFINANCE: NEW PERSPECTIVES

MODERATOR Maha KERAMANE, BNP Paribas

SPEAKERS Laura FOOSE, Social Performance Taskforce (SPTF)

Robin GRAVESTEIJN, Oikocredit

Lucia SPAGGIARI, MicroFinanza Rating



PRESENTATIONS

Maha KERAMANE opened this session by stressing the importance of efficiency and how in order to maximise efficiency, institutions need to measure their impact. She then introduced the panellists.

Laura FOOSE started her presentation by stating that the most important part about collecting data is systematic use in order to make coherent decisions on products and services. She added that the microfinance industry today has a lot of outreach and output data, but not much outcome and impact data. She explained that the purpose of the SPTF Outcomes Working Group (OWG) is to develop practical guidelines for credible measurement, analysis, and reporting on outcomes by drawing on experience with different approaches and tools.

Foose explained that the first area the OWG is working in is identifying a core set of indicators in primary outcome areas: economic poverty, assets and housing, and business. When a set of core

indicators is ready, the OWG will host webinars to share initial findings and solicit feedback. She invited those interested to participate in the webinars. The final document should be ready for publication by mid-2016. She explained that the framework which the OWG is using to develop these indicators is linked to the health outcomes performance indicators program that was used by Freedom from Hunger (FFH). Three basic criteria were established to identify indicators: feasibility, usability, and reliability. She added it is also important to find indicators that show change over time.

The indicators that were selected by FFH were tested in Peru, Philippines and India. Foose provided the main lessons learned from FFH's project. She stated that standardisation of indicators may be difficult. During the FFH project standardisation was attempted across multiple contexts but this showed that it may be easier to standardise the dimensions instead of the specific indicators, since dimensions (e.g. context, type of organisation, motivation, and poverty levels of clients) are impor-

tant factors that influence which indicators are most relevant in each case. Interpretation of results should be done with great caution as they are context specific.

Robin GRAVESTEIJN presented Oikocredit's Client Outcome Program. This program is accompanying MFI partners with technical support in tracking and managing their poverty and employment mission by using management information system (MIS) data. Oikocredit is analysing client level datasets to track and explain outcomes and capacitates staff of MFIs to analyse and use the data. He added that Oikocredit does not collect any data, but uses already available data collected by the institutions. He emphasized that institutions can use information on poverty outreach for product development or for tracking their mission.

He then introduced his forthcoming discussion paper: Effects of microcredit on the poverty of borrowers using the PPI: Evidence from two Asian MFIs. For the purpose of this research, he used data from two MFIs; together representing a sample of more than 600,000 clients. One of the findings was that both MFIs experienced rapid growth but simultaneously a very high customer exit. Less than 50 percent of their clients would stay with the MFI for more than three years. When the MFIs became aware of this they decided to conduct a customer satisfaction study and hired an SPM Manager.

The main outcome of the paper is that microcredit has a small but positive significant effect on poverty reduction for active borrowers for both MFIs.

LAPO, a microfinance bank in Nigeria received funding from the Agence Française de Développement (AFD) to finance affordable housing for low income populations, including improvement, enlargement and construction of housing. Micro-Finanza Rating developed a measurement system to track program outcome. Lucia SPAGGIARI showed the various outcomes they had looked at: the percentage of clients upgrading from tenants to owners; the number of households that got their own toilet; the number of households with safer conditions; and the percentage of dwellings with improved roofing. She added that these outcomes could potentially lead to the following impact: higher social status and increased self-fulfilment, higher hygiene practices and improved health status, higher safety and improved quality of living standards.

Spaggiari mentioned that measuring outcomes in housing can be more cost-effective than in other areas such as consumption, poverty and income, because housing is very tangible and easier to measure when compared to other indicators, more attributable and it is often finalised in a reasonably short period of time. She remarked that although microcredit can be a useful financial tool, we should be careful in assuming that it is a poverty alleviation tool. Various rigorous randomized control trials (RCTs) have shown that microcredit can lead to higher earnings from self-employment, higher protection against income shocks, better risk management, and decreased asset selling when hit by a negative shock. However, there is no proof of impact on increased income, on increased female decision-making, and on increased school attendance. Spaggiari closed her presentation by stating that she is not advocating the use of RCTs for all microfinance institutions, but encourages others to take the lessons learned from RCT to focus the design of the systems to measure change on the type of impact that microfinance can have, versus the type of impact that microfinance would like to have.



DISCUSSION

Keramane asked the panellists whether the sector needs to review its expectations or whether we should use the lessons learned from the impact evaluation studies in order to design better products which can improve microfinance as a poverty alleviation tool. Foosse mentioned that we should identify appropriate indicators which do not only focus on poverty alleviation as a long-term goal, but also on the short- and medium-term. Gravesteijn mentioned that many organisations are still unfamiliar with the importance of using data analysis when launching new products. He also stressed that there is an issue with knowledge management as many organisations who perform data analysis do not share the information within their institution. Spaggiari remarked that we should either improve products to meet the goal of poverty alleviation or reset expectations and be transparent.

A question from the audience was on financial vulnerability and whether it is part of the studies. Many clients of microfinance are trapped in a vicious cycle of over-indebtedness. Gravesteijn said that over-indebtedness is difficult to measure for MFIs as in many cases, clients have multiple loans from different MFIs and use one to pay another. He said that the institutions can look at other indicators that show increased vulnerability and are

easier to track, for example changes in marital status. Foosse added that financial vulnerability could be included in economic poverty outcome indicators. Gravesteijn added that propensity score matching studies can help identify financial vulnerability.

Another question from the audience was on standardisation of indicators. Many MFIs have their own indicators. Should those institutions start using the standardised indicators? Foosse explained that as long as the indicators used by an MFI are useful, they should keep on using them. Standardisation of indicators is mainly for those who have not started using indicators yet. The session concluded with Florian Grohs of Oikocredit comparing Gravesteijn's results with those from the RCTs. The former showing a small and significant effect of microcredit on poverty reduction while the latter show no impact. Spaggiari remarked that there is a difference between impact and outcome. Impact implies attribution while outcome implies association. However, she added we should not stop using outcomes as an internal management tool as they are more cost-effective to measure and more usable, while the impact measurement will probably remain the only credible way of demonstrating the effect of microfinance to external stakeholders.

DOES FINANCIAL INCLUSION FOSTER FINANCIAL STABILITY?

MODERATOR Piotr KORYNSKI, Microfinance Centre (MFC)

SPEAKERS Olivier JÉRUSALMY, European Financial Inclusion Network (EFIN)

Timothy LYMAN, CGAP

Adalbert WINKLER, Frankfurt School of Finance & Management



PRESENTATIONS

Piotr KORYNSKI of the Microfinance Centre set the objectives for the session: to clarify the importance of financial inclusion, explore the relationship between financial inclusion and stability, and discuss implications for policy makers and practitioners. Korynski defined financial inclusion as access to, and use of formal financial services by households and firms. Financial stability he defined as the extent to which the financial system – intermediaries, markets and market infrastructure – can withstand shocks without major disruption in financial intermediation and effective allocation of savings to productive investment. He stressed that financial inclusion and stability can have trade-offs and synergies, which would be further explored during this session.

Timothy LYMAN of CGAP presented his research on Financial Inclusion, Stability, Integrity and Consumer Protection (I-SIP), which was launched under the auspices of the G20 Global Partnership for Financial Inclusion (GPFI). In the past,

stability was the main focus of financial sector policymakers, but since the last financial crisis, financial integrity and consumer protection became increasingly important. Financial inclusion is the newest entrant to the policy objectives of many standard-setting bodies and policy makers. The linkages between all four are little studied. CGAP just concluded a research exercise in the Philippines, which followed similar research in South Africa, Pakistan and Russia, showing that at the level of outcomes, financial inclusion reinforces the other three objectives, but is also reinforced by them in the long term. However, in the short term, and at the level of individual policy interventions, the linkages between I-SIP objectives are not well understood and therefore not systematically considered in policy making.

Lyman then introduced CGAP's approach to defining pairwise linkage zones between any two of the I-SIP linkages, using the pairwise linkages between inclusion and stability as an example. The matrix used defines trade-off zones and synergy zones – as well as a neutral zone

in the middle, for ineffective interventions that do not affect either of the objectives in question. Policy makers want to optimize the linkages, maximizing synergies and minimizing trade-offs. In order to optimize linkages among inclusion, stability, integrity and protection in designing a particular intervention policy makers should have: 1) clear definitions for each of the I-SIP objectives; 2) a structured approach to identify material linkages; 3) inter- and intra-agency collaboration; 4) regularly collected and analysed data; 5) periodic structured consultation with providers; and 6) management of I-SIP linkages by adapting policy and regulation over time. Lyman concluded by mentioning that the potential of the I-SIP methodology is not only to analyse past interventions, but also to guide policy makers beforehand.

Adalbert WINKLER of the Frankfurt School of Finance & Management introduced preliminary findings of a study conducted jointly with Tania Lopez, a PhD student at the Frankfurt School on the linkages between financial inclusion and stability.



The study was motivated by the fact that on the one hand there was financial crisis of 2008 and on the other hand, policy makers responded to the crisis by a call to achieve universal access to finance by 2020. He wondered if this should not be considered as a paradox. Winkler started out by reviewing the theory on financial inclusion and stability. Theory suggests that financial inclusion might contribute positively to financial stability due to: 1) diversification effects on the asset side and 2) the expansion of cheap and reliable retail deposits on the liability side, limiting risk taking on the asset side. However, theory also indicates that financial inclusion might have a negative impact on financial stability because it involves deterioration in lending standards. The limited empirical evidence available mainly points towards financial inclusion positively contributing to financial stability. At the same time, the available studies use different indicators for financial inclusion and stability.

Winkler then presented a cross-country analysis based on the IMF Financial Access Database. Financial inclusion was measured by the number of borrowers served by the banking sector, namely the growth rate in the period 2004-2007, depicting the pre-crisis rise in financial inclusion, and the percentage of borrowers in the working age population in 2007, depicting the level of financial inclusion. Financial stability was measured by the drop in credit growth in the period 2007-

2009. The study showed that: 1) financial inclusion seems to follow a pro-cyclical pattern; 2) stronger growth in financial inclusion does not contribute to making financial systems more stable; 3) having a high(er) level of financial inclusion has a moderating impact on financial instability; 4) caution is warranted in making strong statements that financial inclusion might foster financial stability; and 5) the case for financial inclusion has to be based on other arguments than financial stability benefits.

Olivier JÉRUSALMY of EFIN presented cases where extension of credit delivery increased financial exclusion, and therefore influenced financial stability. According to EFIN, financial exclusion is a process whereby people encounter difficulties accessing financial services which are appropriate to their needs and enable them to lead a normal life. This definition stresses the need for fairness and social justice in access to finance. However, markets do not allocate value to the principles of fairness or social justice. According to Jérusalmy, free market providers will provide anything if the price is high enough and they can expect to make a return – regardless of higher level of arrears and defaults.

He substantiated his view with two cases. One related to the sub-prime lending market in the UK where there is effectively no limit on the amount lenders can charge borrowers. The other example related to foreign currency denominated

mortgages in Romania, which increase the risk of default when the exchange rate changes. Jérusalmy promoted the quality of the credit portfolio as an indicator to assess credit practices, to identify toxic credit as well as to assess the responsible practices by policy makers on credit market regulation.

DISCUSSION

The audience asked the panel if they looked at the level of the individual or households in their researches, and to what extent SMEs were considered. Lyman answered that CGAP only looks at those SMEs which operate informally at the household level. These enterprises are not bankable by the formal sector. Winkler supported Lyman's response. Thomas Rahn illustrated the case of the Arab region, where donors continue to pour credit into markets. He asked Winkler if this approach will eventually work for the region. Winkler responded that liquidity and credit are not directly linked to financial inclusion. He stressed that we should be careful in claiming that credit is a panacea for everything. It can also be very destabilizing if the right measures are not in place. The causality between growth and financial inclusion is still unclear. The only thing we know so far is that the two do not go without each other.

Another contribution from the audience asked how the conclusions of the presented research can help practitioners. Winkler responded that although financial inclusion and stability are not perfect partners, they are promoted together. Winkler stressed to be cautious with this claim as there are not enough studies which robustly show that boosting financial inclusion will increase financial stability. Lyman agreed, and called for caution when interpreting the data.

Lyman then answered a question on how climate change has a place in this debate. He mentioned that the Financial Stability Board (FSB) recently added climate finance as a topic of concern (while also putting on its agenda explicitly for the first time the topic of stability and financial exclusion risk), though it remains unclear where they will go with either topic.

MICROFINANCE RESPONSE TO THE REFUGEE CRISIS

MODERATOR Edvardas BUMSTEINAS, EIB

SPEAKERS Alia FARHAT, Al Majmoua (Lebanon)

Jasmina GLISOVIC, Council of Europe Development Bank

Resi JANSSEN, Cordaid

Silke MUEFFELMANN, Frankfurt School of Finance & Management



refugees. Farhat stated that traditional aid architecture has reached its limits. There is a need to build a resilience agenda for both the refugees and host countries. Financial resources play an important role and mechanisms include encouraging international investment in host countries to boost the economy, developing infrastructure in the host countries to help absorb the load of influx and develop local MSMEs to help job creation for both Syrians and Lebanese.

Resi JANSSEN explained how Cordaid uses three approaches for their work with refugees. Firstly, Cordaid provides relief support to refugees in conflict areas, neighbouring countries and along the roads to Europe. Secondly, Cordaid supports the creation of social cooperatives for refugees in the Netherlands to strengthen their socio-economic participation. Cordaid provides these cooperatives with legal advice, training, coaching, linkages to financial services and exchange of experiences. Finally, in cooperation with

PRESENTATIONS

Edvardas BUMSTEINAS welcomed the audience and speakers and said that the current refugee crisis questions the appropriateness of policy responses. Since many refugees are potential microfinance clients, the aim of the session was to identify appropriate areas and responses of microfinance to the current refugee crisis.

increase social cohesion. In addition, the NGO has several non-financial services in place. The largest include trainings on financial education, on technical skills and vocational trainings and social cohesion activities between Lebanese and Syrian

Alia FARHAT from the leading Microfinance Institution in Lebanon, the Lebanese Association for Development - Al Majmoua, presented her experiences from the field. Lebanon experienced a rapid influx of Syrian refugees over the last years, from around 25,000 in June 2012 to over 1.5 million registered in June 2015. The NGO has financial and non-financial services in place to deal with this influx of refugees; focusing especially on building the entrepreneurial capacities of women and youth. One pilot uses group lending methodology for mixed groups of Syrian and Lebanese, with the aim to



the Stability Impact Fund, Cordaid invests in MFIs, SMEs and funds in fragile countries to stimulate entrepreneurship and job creation in order to prevent migration in the first place.

Jasmina GLISOVIC, Country Manager at the Council of Europe Development Bank (CEB), explained that CEB works with a wide range of institutions to help solve social problems that occur as a result of the presence of refugees, displaced persons or migrants in Europe. She stressed that there is a need for holistic approaches - from immediate assistance to integration. For emergency support, CEB created the Migrant and Refugee Fund to help countries most affected by the massive inflow of migrants and refugees, for example by helping to set up registration centres. For long-term integration in host countries, CEB used a combination of different support services focusing on social housing, education, job creation and microcredit. For the latter, one of the main challenges is the identification of MFI partners which are able to reach refugees / migrants with adequate services and credit risk.

Silke MUEFFELMANN of the Frankfurt School of Management & Finance provided lessons learned from various projects worldwide. She evaluated the importance of different actors in both fragile states and host countries, from the perspective of the client. The importance of actors differs in host countries and in fragile states. While banks and MFIs have a role to play in both, relief organisations such as Cordaid, have a bigger role to play in fragile states than in Europe. Also international financial institutions and the international donor community should make sure that more financial resources and funding flow to fragile states, since Europe has the economic power, sufficient financial resources and the experience with integration to deal with the inflow of refugees.



DISCUSSION

Bumsteinas asked Farhat to expand the idea of social cohesion and the importance to target both refugees and the host community. Farhat explained that usually 4 to 5 sessions were needed to build the necessary trust for group lending. Therefore financial services were only provided after the non-financial services. Bumsteinas asked Mueffelmann to explain the surprising factor that relief organisations are not needed in Europe. Mueffelmann explained that Europe has the necessary financial systems and funds and that it is rather a political decision if these funds will be relocated to respond to the refugee crisis. Glisovic added some complexity to Mueffelmann's statement that Europe can manage the refugee crisis. She stated that countries in Europe have divergent perspectives on the refugee crisis and also have different economic and financial situations, which complicates the situation.

Niclaus Bergmann from the Savings Banks Foundation for International Cooperation (SBFIC) drew attention to the practical issues of the refugee crisis. With approxi-

mately 500,000 refugees to open a bank account in Germany by the end of the year, practical issues that have to be dealt with include the lack of capacities in branches, language barriers, and financial illiteracy of the refugees. Farhat agreed and explained that their services therefore focus on the capacity building of staff members to better deal with refugees.

Mueffelmann responded to a question about the importance of informal finance services. She stated that it is rather important to find innovative ways within the formal financial sector to serve refugees. New delivery channels such as mobile phones could play an important role. Farhat concluded the discussion by addressing the legal issues with refugees. In Lebanon, Syrian refugees only receive working permits in a few sectors, including construction, cleaning and agriculture. This shows that microfinance has a role to play in developing other innovative income generating activities, but that macroeconomic solutions are also needed. Bumsteinas agreed that microfinance has a role to play in the refugee crisis, but that it also has certain limits.

BRINGING FINANCIAL SERVICES TO UNDERSERVED MARKETS

MODERATOR Bart DE BRUYNE, Independent consultant

SPEAKERS Henry DOMMEL, UNCDF

Francis VAZHEPARAMBIL, Standard Microfinance Bank Limited (Nigeria)

Kaspar WANSLEBEN, LMDF



PRESENTATIONS

Bart DE BRUYNE introduced the topic of the session by sharing his recent impressions from Rwanda, with branches of banks and MFIs popping up at every corner. So who and where are those without access to finance? The Findex study shows that in the last three years, worldwide access to finance increased from 50 percent to 60 percent of the adult population having bank accounts. Nonetheless, De Bruyne called attention to the 40 percent of the population which remains unserved, bringing us to questions of who they are, what kind of services they need and how they can be reached.

In this context, Henry DOMMEL pointed out that reaching underserved markets is a challenge for everyone, including policy makers, also revealing that the key lies in obtaining good data and analysis. He revealed that, in order to tackle this issue, UNCDF launched a special initiative called Making Access Possible (MAP) in partnership with FinMark Trust and Cenfri.

He explained that MAP is a global diagnostic and programmatic framework which relies on a holistic approach to financial inclusion; it is a stakeholder process carried out with other donors, ministries and government actors, as well as with the private sector. At the moment, maps have been completed in six different countries, with an expansion plan which will reach 25 countries in the next few years. Dommel explained that the meta-analysis reveals a few cross-cutting issues in the countries analysed. He firstly noted that, whereas societies are under stress due to issues such as epidemics or unequal growth, states do not have the capacity to provide services to their populations, thus creating difficulties to drive financial inclusion. Dommel also brought attention to the ongoing use of informal financial services, which calls for the adaptation of formal services to reflect the benefits of informal ones such as convenience and flexible terms. Finally, the data showed that one quarter of the people in the countries covered is dependent, and that young adults

are often heads of household. Financial services to cover this population, such as savings accounts, remain limited. To conclude his presentation, Dommel emphasized that the analysis of data through MAP unlocked financial inclusion, helping the industry understand specific segments and how to generate growth and employment. He admitted that many of those findings were already known, but that MAP went into more detail to confirm and better analyse the needs of the sector as well as the clients.

Francis VAZHEPARAMBIL brought in the context of micro level data by introducing the case of the Standard Microfinance Bank Limited (SMBL), located in the Adamawa state, Nigeria. As a background note, he explained that Adamawa has 3.2 million inhabitants, of which only three percent has access to formal finance. It is also a region which has been hit hard by insurgency, which led to a ten percent increase in financial exclusion in the last two years. Vazheparambil emphasized that, in addition to the region's distance and unstable political situation, Adamawa suffers from deficit of trust in financial institutions. As such, SMBL had to find soft solutions to overcome these attitude issues, such as the adoption of a village-centred approach. Vazheparambil explained that traditional systems are very active in Adamawa, thus the interaction with tribal chiefs was essential in influencing the population. In addition, the bank extended its programme on financial education, which increased trust and confidence in the financial institution. He also revealed that an important strategy was to offer savings before loans, which goes with the traditional system.

From the investor's point of view, Kaspar WANSLEBEN explained that LMDF works in isolated countries, covering markets



where financial services are missing. He acknowledged that supporting underdeveloped actors brings about two corresponding assumptions: 1) an inherent risk, where infrastructure and human capacity are lacking; and 2) a high potential. He clarified that growth patterns are much lower in underserved contexts and that, when things go wrong, the response from the system is usually inadequate due to a weak regulatory framework. Accordingly, working in these circumstances requires a long-term perspective and high risk tolerance. Wansleben used three interesting examples: 1) the Atlantic coast of Nicaragua, an unserved niche within a country; 2) the underdeveloped support to micro-entrepreneurs in Uruguay, which is a fairly developed country; and 3) the improper financial services targeting school fees in Kenya, which is a microfinance and technology pinnacle. To conclude his presentation, Wansleben mentioned three underserved areas which deserve the attention of investors: 1) smallholder agriculture; 2) youth financial inclusion; and 3) ecological challenges, such as energy efficiency.

DISCUSSION

The first discussion point, directed to Vazheparambil, revolved around staff retention in a challenging environment such as Adamawa. Vazheparambil acknowledged that it is very difficult to recruit staff. Usually, the hired staff needs to be local due to their familiarity with the region and contact with local communi-

ties. He explained that the staff must be trained, which is done in-house and has received support from UNDP. Retention is the next challenge, since SMBL does experience large staff turnover. Through a performance management system, which is reviewed every quarter, the bank tries to link incentive to performance.

A member of the audience confirmed that trust is a major issue in Nigeria, which makes it difficult to start client relationships through savings accounts. Vazheparambil responded that this approach is closely linked to traditional systems, and that it does help to start client relationships with a community-based approach. Dommel confirmed this approach by emphasizing that the MAP data showed that formal services which mimic, adapt and embed tradition can be very powerful.

Another discussion point revolved around the process to identify specific investment opportunities. Wansleben explained that LMDF relies on its close cooperation with Luxembourg-based NGO ADA to assess opportunities on the field, a process which requires time and sufficient data. These scope studies reveal how the market works and what segments are available in a specific country or region.

Dommel addressed a question related to the engagement of investors and the public sector within MAP programmes. He emphasized that MAP should be seen as a public good, and that the programmes utilise complementary data

from the public sector such as Central Banks and statistical offices. Dommel further clarified that it is the responsibility of the public sector to use the MAP data to create a roadmap in terms of policies. On the donor side, he brought attention to the need for collective efforts in terms of co-financing programmes, but also to use MAP data to strategize and implement.

The panellists and the audience agreed that smallholder agriculture remains an immensely underserved sector, especially when it comes to specific services such as crop insurance. It was concluded that it is also necessary to change the expectations and terms of investors when it comes to smallholder microfinance, which is still perceived as a high-risk segment.

The joint conclusions of the moderator and panellists revealed that there is an urgent need for the industry to come together so as to create solid partnerships and coordinate multi-actor interventions, thus promoting complementarity, ownership and holistic approaches. It was also noted that the collection and systematisation of data from the field play a crucial role in empowering and enabling organisations to make robust strategic decisions as well as to design sustainable interventions targeting underserved markets. The e-MFP Rural Outreach and Innovation Action Group can contribute to this development by further deepening access to finance and financial education for small holder farmers.

THE ROLE OF APEXES IN FINANCIAL INCLUSION

SPEAKERS Cécile LAPENU, CERISE

Dominique LESAFFRE, SIDI

Alan MOORE, ILCUF / e-MFP

PRESENTATIONS

Dominique LESAFFRE kicked off by introducing SIDI as a French solidarity investor, working through alliances and according to local agendas. He explained that even though much has been written and documented on microfinance, very little is written about the role of Apexes as local actors for the microfinance sector. What is the agenda to create an Apex body in a country? SIDI realised that it is important to define that role more clearly, and decided to publish a guidebook on the design, launching and management of an Apex, with the assistance of CERISE. The recommendations in this guidebook will be based on an analysis of selected Apexes in six countries according to five topics: legal status; governance; targets, products & services; economic model; and social performance management. Regions and countries included: East Africa Region (one Apex), Senegal, South Africa, Colombia, Guatemala and Peru.

Cécile LAPENU continued by explaining the early findings of the analyses. They used CGAP's definition of an Apex. On



the first topic, legal status, Lapenu mentioned many different forms, ranging from public, to private, to cooperative. She also mentioned that Apexes are not very much on the radar of local legislation, whereas this is considered relevant to assure access to financing and support in the local context. While some flexibility is important, it is crucial to provide more clarity on the

structure and status of an Apex body, also in the light of funding it. On the topic of governance, Lapenu sees this as the key to drive an organisation, more than the legal status. Governance must be defined by the membership, sometimes involving the “clients”, i.e. the microfinance institutions. Moreover, the relation with the state or government entities needs to be clear, including mechanisms for collaboration and overview. On targets, products and services, it is important to highlight the specific functions and added value of the Apex, as well as the financing and re-financing of its operations, the role of international funders and actors vs. national networks, technical assistance to members, and views on sustainability aspects.

The Apex must also clarify its fee structure and indicate how its (innovative) non-financial services will lead to improved professionalization. As for the economic model, there needs to be a clear idea about revenues and the competitive operating environment. Like for the previous topic, financing/re-financing of operations needs to be defined, focusing on





innovative value chain models and targets (involving sometimes extended membership such as producer organisations or social businesses). This is often context specific and difficult to replicate, also depending on membership structure, the training model for actors and knowledge and capacity levels. Concerning social impacts and performance, it has to be realised that this is a valuable, but long process, and requires effort and investment in capacity building.

Subsequently, Alan MOORE shared experiences of the Irish League of Cooperative Unions Foundation (ILCUF) in working with Apex bodies (SACCOs). ILCUF's mission comes down to "helping people to help themselves". In his experience, SACCOs need some 10-15 years to develop a mature structure, as was also the case with the ILCU Foundation, which has been in existence since 1980. He showed the different roles and functions of an Apex from the perspective of the cooperative unions (CUs), members and the public. It is important to develop a long term perspective, with a clear legal structure and operations model. Regulation is crucial for service provision, which he showed with a slide on the core functions of Apex partners they work with. This can differ considerably from country to country. Sustainability of the Apex is dependent on a number of factors, and requires more than a symbolic contribution from members. In general, it will take more than five years to become financially sustainable.

He demonstrated this through an example of Ethiopia, where the SACCO structure is still quite basic for such a big country. He concluded his presentation with a number of characteristics of a CU Apex, such as on competition, ownership, monitoring, and leadership and innovation.

DISCUSSION

Lesaffre opened the discussion by asking about the innovative capacity of Apexes; are they in the lead to innovate or are they following development patterns? According to Moore, this will depend also on the membership structure and roles of the Apex, but he would expect SACCOs to lead in such processes. On the question whether ILCUF assessed the success of the Apexes it works with, and how this is measured, Moore answered they have only recently started to do so more intensively. They are now looking further into their sustainability and the added value they provide. Lesaffre added that it is important to define what success means. More research is needed to identify quantitative benchmarks on their strategic positioning within a country, in relation to other relevant actors. This will in turn require indicators for relationships with clients, and with the environment as a whole. According to Lapenu, this requires identifying buy-in from the members, the capacity of the Apex to evolve and adapt, as well as the monitoring of this development and the use of services by

clients. Lesaffre subsequently mentioned that there are already tools for measuring success, but that the debate needs to be brought to the level of the Apexes involved.

On the question whether the funding sources of Apexes are local investments or come from outside, Lesaffre answered that next to business models proper (design and structure), this is one of the key outcomes expected from the analysis in relation to sustainability. Lapenu added that this also involves defining criteria to assess value added. Moore responded that right governance is key to generate added value and access to funding.

Lesaffre continued the discussion by pointing out that we should avoid duplication of efforts. According to the audience, this can be countered by developing skills, structure and tools on the part of Apexes, in order to be able to effectively communicate in this respect. Lesaffre replied that this is also confirmed by the early findings of the research. Besides a strong manager, it will require appropriate internal rules and governance, transparency and communication, and hence reduced distance from the membership. The Guidebook on Apexes by SIDI and partners is expected to appear in February 2016.

HOW CAN MIVS STAY RELEVANT IN MATURING MARKETS?

MODERATOR Sachin S VANKALAS, LuxFLAG

SPEAKERS Christophe BOCHATAY, Triple Jump

Loïc DE CANNIÈRE, INCOFIN

Brad SWANSON, Developing World Markets

Maria Teresa ZAPPIA, BlueOrchard



PRESENTATIONS AND DISCUSSION

Sachin S VANKALAS welcomed the audience and started the session by introducing the speakers and providing an overview of the major trends related to MIVs, based on Symbiotics' 2015 MIV survey. As of December 2014, there are approximately 110 MIVs operating in five different continents with total assets adding up to USD 10 billion. MIVs represent 10-15 percent of the total microfinance marketplace. Growth in 2014 was lower than in 2013 but all MIVs still recorded a steady growth of 13 percent in total assets and 16 percent in microfinance portfolio. Furthermore, consolidation is taking place among MIVs - In 2014, 9 new MIVs were created and 12 ceased activities either because they matured/wound-down (9 out of 12) or because they were incorporated into another entity. Finally, MIVs are diversifying their portfolio towards Microfinance Plus (MF+) microfinance products related to specific themes, such as climate change, housing or education have come

to represent around seven percent of MIV assets. There is clearly growth, but also some limitations, when compared to previous years. This leads to the question how MIVs can remain relevant to the market with competition from local banks and lenders in the market.

The panellists were then asked to introduce themselves and to react to the Symbiotics study. Maria Teresa ZAPPIA noted that BlueOrchard is an impact investor with a total of USD 1.5 billion under management. BlueOrchard recently rebranded their organisation from a microfinance investor to an impact investor, as they are now also investing in other topics such as education and climate insurance, besides traditional microfinance. Zappia challenged the statement that the market for MIVs is becoming saturated. She sees many opportunities in underserved markets.

Loïc DE CANNIÈRE from INCOFIN, started by claiming that MIV is an outdated term.

He prefers the term private equity fund. INCOFIN manages around USD 700 million in assets. De Cannière then referred to the MIV survey, mentioning that the total of USD 10 billion consists of equity stakes as well as debt investments which provide a very confusing picture.

Christophe BOCHATAY represented Triple Jump which manages approximately USD 500 million, consisting of a wide variety of funds. In general, he sees a maturing sector with more competition from local banks and increasing consolidation. He noted that MFIs are raising more deposits and undergoing rapid change in the sector due to technological innovations.

Brad SWANSON of Developing World Markets, a US-based fund manager with both debt and equity funds under management, noted that the sector should indeed "work itself out of a job", meaning that local banks should take over as they are better equipped to take on the task. He sees, however, that there remains a demand in the South for private equity as it still not sufficiently available from local sources. He hopes that in the future local actors will also take up this task.

Vankalas then continued by asking the panel whether they are mostly investing in tier 1 MFIs. How can you remain relevant in this reality when the large, mature,



tier 1, well established MFIs have multiple possibilities of financing available at their hand and are in a position to select which MIV to use? De Cannière responded that there are still many products in developing markets lacking sophistication, referring to India as an example of a matured market with a lot of standardised products. INCOFIN aims to deepen the services provided by their investees and supported Swanson's statement that equity is a good way to do so. Swanson added that Developing World Markets sees equity finance as a stage in development, just like micro-finance. When Developing World Markets invests in an MFI, the organisation prefers to exit by selling to banks. In the past 18 months, his organisation sold three MFIs to banks, of which one was a bank in the South. According to Swanson, the biggest challenge to bring an MFI to a point where an MIV can exit is not on the operation side but on the governance. Governance systems need to be ready to accommodate growth towards the formal sector.

Vankalas changed subject by asking the panel how MIVs tackle the currency devaluation issue which has caused substantial defaults in several markets. Zappia replied that there is a lot to be done in the provision of local currency and that even existing hedging options are far from optimal. In addition, in some markets the provision of unhedged local currency (e.g. Vietnam) is a must but this brings significant currency risks in fund portfolios and can only be a choice in a limited number of markets and for very small exposures. De Cannière added that imbalances occur in currencies market. He mentioned that INCOFIN is no longer in the African market because it cannot provide competitive interest rates compared to local banks.

He promoted MIVs to push for savings instead, because that is still an area where they can add value to local markets.

Vankalas then turned the subject to regulation by governments and central banks and key issues such as introduction of interest rate caps in several developed markets. De Cannière is taking this more into consideration than before and sometimes chooses not to invest. Zappia agreed with him and finds regulation a very challenging topic as she observed that many defaults in microfinance are related to regulations and political interventions.

After Swanson mentioned the importance of standardisation of social performance in the US market, Vankalas asked Bochatay to give his opinion on social performance reporting within the MIV sector. He answered that while the microfinance sector has a long tradition, MIVs lag behind on social reporting and stressed that harmonizing standards for measuring social performance is crucial. The panel agreed that expectations are too high regarding social performance measurement by MIVs. De Cannière added that MIVs should aim for SMART impact and outcome indicators and restrict the total amount of indicators. In line with social performance the panel agreed that more focus is needed on thematic funding to

diversify portfolios and to have clearer social performance outputs. Moreover, MIVs should aim to identify successful tier 2/3 MFIs in rural areas which can support their double bottom line approach. However, the panel agreed that tier 2/3 MFIs cannot be their core business.

A participant in the audience asked the panel for their opinion and experiences on diversified activities. Zappia responded that many MFIs are already investing in other services, such as housing or education, but often not in a proactive manner. The opportunity is to see how MIVs could facilitate the formalisation of such products. De Cannière added that rural finance products can also be very interesting. Swanson mentioned that potential to diversify product portfolios also depends on the structure of the MFI.

The audience finally asked if MIVs include producers from immature markets in their portfolio. De Cannière responded that INCOFIN started a fair-trade fund and he was amazed that MFIs often do not focus on farmers and producer organisations. Zappia agreed but also pointed out the risks of rural finance products and options to reduce these risks by having a broad and diversified portfolio.

FINANCIAL SERVICES TO INCREASE RESILIENCE TO NATURAL DISASTERS

MODERATOR Hannah SIEDEK, EIB

SPEAKERS Annalisa BIANCHESSI, Microinsurance Network

James KURZ, Mercy Corps

Stewart McCULLOCH, VisionFund International

PRESENTATIONS

Hannah SIEDEK welcomed the audience, highlighting that the presentations of the speakers would address the role of financial services after the Typhoon Haiyan in November 2013. Haiyan was one of the strongest tropical cyclones ever recorded, devastating portions of Southeast Asia, particularly the Philippines. The typhoon left 1.6 million people displaced in the country.

Stewart McCULLOCH, Global Insurance Director at VisionFund International, illustrated Haiyan's devastating effect on people's livelihood with a video. The video showed that, following a humanitarian disaster, microfinance has the potential to support people's recovery by empowering them economically. VisionFund set up the Livelihood Restoration Loan which was launched three months after the typhoon. The critical feature of the loan has been the increased flexibility in terms of loan amount, and loan term as well as the lowered service fee. This assured that the loans were designed to work for each individual client. An impact evaluation, almost two years after Haiyan, showed that 97 percent of the 3,000 clients surveyed found that the loan had been helpful in restoring their livelihood and the majority of clients reported a quick recovery thanks to the loan. McCulloch concluded that the loan helped people to restore their income through microfinance. Additionally, the 97 percent on-time repayment rate proves that "active management of clients through disasters is also good business". The success of the livelihood restoration loan has led VisionFund to set up recovery lending in fragile African states affected by El Niño.

James KURZ, manager of Institutional Financial Services, introduced the global humanitarian relief and development



organization Mercy Corps. The organization builds financial services companies and other social-businesses to increase financial inclusion. Mercy Corps believes that access to financial services before, during and after a disaster has a meaningful impact on recovery and outcomes. Kurz gave several examples of cases when access to financial services supported people's recovery. After the Bosnia/Serbia floods in May 2014, Partner, one of 12 MFIs founded by Mercy Corps, enabled the rapid identification of victims in need of assistance to rebuild their homes and businesses. In the Philippines, following Haiyan, Mercy Corps leveraged its close relationship with BanKO to deliver emergency cash via mobile money. Since microinsurance for natural hazards is scarce and has not achieved critical scale, one of Mercy Corps newest projects includes the social-business MiCRO (Microinsurance Catastrophe Risk Organisation). With several pilots of micro- and mesoinsurance running, MiCRO is committed to the idea that microinsurance can be brought to scale by using a deal

maker in the middle of the chain. This actor can make critical upfront efforts and bear first-mover risk, bridge the gap between global and local actors and demonstrate demand and feasibility.

Annalisa BIANCHESSI provided a sector point of view from the Microinsurance Network, a global multi-stakeholder platform for microinsurance industry and experts. Given the fact that the Philippines has the highest insurance penetration in Asia and Oceania, the unfortunate disaster in the Philippines allowed for a study to understand how microinsurance service providers responded and performed in terms of claims processing and benefits payments in the aftermath of Haiyan, as well as how that affected the clients of these service providers. The study showed that as of July 2014, 111,000 out of 126,362 microinsurance claims had been paid out, with 27 percent of reported claims already paid in the first 4.5 weeks after the typhoon. The quick response was especially facilitated by strong agent-client relationships and

a good collaboration between regulators, insurers and intermediaries to serve the client's needs. Moreover, some intermediaries had a disaster team that had been trained for typhoons, allowing for a quick response. In addition, the trust between intermediaries and providers enabled faster claims settlements. The quick response after the typhoon led to a greater demand for microinsurance after the event. Bianchessi concluded that the loans brought added value to the clients and that microinsurance should be a formal part of the Disaster Risk Management Framework as it has an important role to play in disaster rehabilitation and recovery.



DISCUSSION

Bruno Molijn from Oxfam Novib questioned the possible roles of funders, if it makes sense to lobby governments to make funds available to MFIs as an important part of emergency funding. McCulloch stressed that there is a role since funds are needed. Next to funds, organisations like VisionFund play a key part to provide information on how to use those funds to best manage clients through disasters in a sensible way. Nevertheless, McCulloch mentioned that there are maybe better ways, referring to meso level insurance packages which take small amounts of premium and create institutional shock absorber schemes. VisionFund is creating one, MICRO is another example. This way, the industry could deal

with shocks themselves. Kurz agreed and stated that capital markets and mechanisms such as catastrophe bonds have a crucial role to play. Capital markets have more financial resources available than many aid agencies or governments from developing countries. In addition, Kurz mentioned that timing is an important issue in disaster relief management and ex-ante solution can make funds available much faster than donors can raise funds.

Silke Mueffelmann from the Frankfurt School of Finance & Management questioned the novelty of microfinance in disaster rehabilitation and recovery. McCulloch agreed that recovery lending is nothing new, but highlighted that the bureaucratization of the ex-ante financing

techniques is. Kurz shared his experience that it might take up to six months to raise money after a disaster, with adverse effects on the livelihoods of clients. Once ex-ante techniques are institutionalized, it is possible to make resources available a few days after a disaster has occurred.

Further discussion revolved around differing lending techniques depending on types of disasters and if prices of financial services increase directly after a disaster. Kurz explained that depending on the severity of a disaster, prices may go up. Usually science and risk profiling at larger scale determine the pricing.



TOWARDS THE IMPLEMENTATION OF SUSTAINABLE FORWARD-LOOKING RISK MANAGEMENT: CHALLENGES AND LESSONS LEARNED

MODERATOR Kevin FRYATT, Risk management Initiative in Microfinance (RIM)

SPEAKERS Ligia CASTRO-MONGE, ADA/REDCAMIF

Florian GROHS, Oikocredit

Charles ISINGOMA, Hofokam (Uganda)



indeed it is important to harmonise and be aware of respective backgrounds in order to effectively tackle challenges.

When asked by Fryatt how to avoid fire-fighting behaviour in the organisation, Isingoma responded that the appetite for risk management in an organisation, e.g. its risk culture, needs to evolve. According to Castro, backgrounds and values need to be standardised; changing behaviour and overcoming personal views and interests. When asked by Fryatt whether this means formalising the roles of management, Castro agreed and added that a change is needed to evolve from an NGO culture into a formal culture and to overcome the resistance to change.

PRESENTATIONS AND DISCUSSION

Kevin FRYATT introduced the subject and panellists, who represented different perspectives: that of MFI, investor/technical assistance provider, and consultant respectively. Ligia CASTRO replaced Claire Ozanne of PAMIGA, who unfortunately could not attend.

After presenting the Risk Management Graduation Model (RMGM), Fryatt questioned Charles ISINGOMA on Hofokam's recent transformation process, and the practical challenges that had meant in terms of risk management. Isingoma explained that probably one of the bigger challenges had been the different backgrounds of Board members. The skills gap to fulfil its oversight role required the Board to engage in training to acquire essential skills. Castro added that there are lots of tools to use, but more important is how to manage Board exposure to capacity building efforts. Boards usually get a lot of training and learn how to

use nice words, so it is crucial that they learn to really practice risk management and take on their respective responsibilities: "who is the owner of the risk?" This requires a strategic view on resolving operational issues. Isingoma added that

Florian GROHS reflected on his experience at a recent FMO event on risk management, adding that a risk manager is highly important in a financial institution. Bringing into the discussion the role of the regulators, Grohs explained that forward-looking risk management



is difficult to grasp. He gave the example of Cambodia, where a strong oversight role of the regulator was instrumental in avoiding over-indebtedness. This also involved awareness of joint risks and solutions, strong leaders, and the role of MIVs and facilitators in the sector. Castro questioned whether this is then a real concern or more a fashion, as longer term solutions are required to prevent over-indebtedness. According to Grohs, one of the roles of the regulator in this respect is to assure reserve fund provisions.

Fryatt continued by asking the panellists what should be done in the institutions to get them to move from a qualitative approach on risk towards a more quantitative approach. Isingoma mentioned the importance of a strong management information system, which is robust and collects and provides the right data for decision-making. Castro responded that there is an inherent danger with information systems to have poor quality data, therefore requiring training in registering correct and proper data sets. At the same time, she stressed to not only rely on quantitative data but also revert to the basics of qualitative understanding. A participant from the audience added to this the value of feedback from the work floor, and the 4-eyes principle of checking, i.e. to come with practical solutions rather than too much quantitative analysis. Fryatt confirmed and pointed to the need to build capacities and understanding concerning the graduation model and hence develop specific skills sets for an appropriate comprehensive risk management system. He referred to some kind of 'urban myth' that big institutions will have robust risk management systems, which is currently not necessarily the case. The Risk Management House and the Graduation Model offer tools in this respect.

According to Isingoma, in his institution, some risk analytics, like sensitivity analysis, do not yet have a risk management tool. He further explained that Hofokam had identified a need to achieve more sustainability, for which they needed to enhance the internal control processes. They established a risk management department in the period 2007-09 and after 2010, established their department of



compliance, with the aim to enhance the capacity for internal accountability. Castro pointed out that the ADA/REDCAMIF project aims to get a buy-in from users to stick to rules and compliance, in order to manage credit, operational and financial risks. She advocates including risk analysis in every strategic plan, and establishing a risk management culture as part of an organisation's foundation.

Fryatt summarised the discussion on forward-looking risk management among the panellists as being concerned with: risk gaps, risk culture in organisations and boards, and data issues. He then invited questions from the audience. A Rabobank risk manager referred to the corporate responsibility of financial institutions to bring risks under control, and to prevent microfinance causing a next financial crisis. Concerned with putting too much theoretical weight in a risk management framework, he did not fully agree with the Risk Management House fulfilling its purpose if it is built on loose sand. Although the Risk Management Graduation Model addresses Know Your Customer (KYC), from his perspective, the model does not well reflect the reality on the work floor, where 'knowing the customer' is important. What if the client is not complying with social, environmental and other issues? We should learn from crises, and not base too much on theoretical models. Another member of the audience, on the other hand, pointed to a number of good developments, and

improvement of credit performance. He stressed the importance of rewarding staff and customers through incentives and promotion if there is a good and profitable performance. A participant from Egypt added that the culture is changing, leading to a major exercise in risk management. There is now experience with top-down and bottom-up approaches. 'Crunching numbers' is not enough, you need to get buy-in and ownership, so you have to reward people that perform well.

Fryatt concluded that building the Risk Management House indeed requires considerable time and capacity building, in particular also in areas of change management and changing business culture. Castro added that this is not a standardised process, and involves everybody, not just a risk manager. MFIs need to prioritise risk management and be prepared to get their hands dirty. Grohs also pointed to training in risk culture, not only for credit risks but also operational and financial. According to Isingoma, the Risk Management Graduation Model provides a practical framework for MFIs to structure their risk management function.

MANAGING SOCIAL PERFORMANCE: SPI4-ALINUS

MODERATOR Jürgen HAMMER, Grameen Crédit Agricole Microfinance Foundation / SPTF

SPEAKERS Samir BARGHOUTH, ACAD (Palestine)

Micol GUARNERI, Independent consultant

Cécile LAPENU, CERISE



implementing in the field. She stressed that all of these practices are contained in one manual. The six dimensions in the Universal Standards are: defining and monitoring social goals; ensuring board, management and employee commitment to social goals; designing products, services, delivery models and channels that meet clients' needs and preferences; treating clients responsibly; treating employees responsibly; balancing financial and social performance. She remarked that SPI4 standardises reporting across stakeholder groups and thereby reduces the burden on FSPs. The main reasons why FSPs should use the SPI4 is because it will help them manage their social performance, spend less time on reporting requirements and more time on improving practices. She added that the SPI4 was launched in 2014 and is available for free. The only commitment for an FSP using SPI4 is that it should report the results to CERISE. She then talked about the ALINUS working group (ALigning Investors due diligence to the Universal Standards), a group of investors and fund managers committed to using the Universal Stand-

PRESENTATIONS

Jürgen HAMMER opened this session by explaining the reasons why SPTF was created and recalled the Universal Standards of Social Performance Management, a proposal to structure all the issues of social performance management (SPM) into 6 global dimensions and 19 standards.

Lapenu explained that the Universal Standards draw on good practices from leading industry initiatives, such as the Smart Campaign, MF Transparency, CERISE, Imp-Act Consortium, ILO, and practices that the financial services providers (FSPs) have already been successfully

Cécile LAPENU mentioned that the SPI4 is a social audit tool designed for MFIs to assess their practices and is completely aligned with the Universal Standards of SPM (USSPM). She explained how the SPI4 can be used as a self-assessment tool for MFIs. She mentioned that for first time SPI4 users, CERISE provides feedback on data consistency and ways to improve overall data quality. SPI4 facilitates reporting on the MIX SP indicators, which are included in the tool. SPI4 offers a variety of reporting formats including separate reports summarising the MFI's level of implementation on the Universal Standards, the Smart Certification standards, and the MIX Social performance indicators.





ards / SPI4 in their investments. Currently there are 12 MIVs who have developed a joint selection in SPI4 and test it in their due diligence process.

Micol GUARNERI guided the audience through the use of SPI 4 with ACAD and the subsequent SPM work that was conducted within the framework of TA Project financed by the EIB to support the transformation of ACAD NGO into ACAD Finance. Assisted by the TA expert team, ACAD updated its business strategy and built a full set of new policies, procedures and manuals to meet regulatory requirements. The SPM component of the project aimed at assisting ACAD to improve its SPM practices, mainly by integrating SPM aspects into the new business plan and operational manuals; integrating SPM into ACAD training curricula; identifying social indicators and integrating them into the reporting to the board of directors and coaching senior management on the tools created and SPM implementation.

Guarneri pointed out the advantages of using SPI4. SPI4 was used to facilitate the design of the TA component and of a complete SPM action plan for ACAD. It is a tool ACAD can institutionalise, an operational tool that can facilitate internal monitoring of the SPM action plan by ACAD. The set of documentation and resources associated with the SPI tool will support ACAD in actually improving practices. SPI4' was also used because it allows global reporting to a growing number of investors and is aligned



with other industry initiatives. She then presented the main USSPM findings and explained how they focused on working towards the main weaknesses by creating action plans and implementing improvements. She noted that the board of directors was regularly being informed on the progresses of the USSPM implementation action plan. She closed her presentation by stating that the main reason for success was that SPM became a part of ACAD's normal business operation as ACAD has now integrated SPM into operations of all levels. She added that the board of directors' buy-in also played a crucial role.

Samir BARGHOUTH, CEO of ACAD explained how they decided to use SPM when they underwent transformation from an NGO to an MFI. He explained that many of the employees within the organisation were afraid that ACAD was going to lose focus on its social mission by transforming into an MFI. He explained how integrating SPM in ACAD was a challenging procedure as working in the Palestinian Territories meant they needed to work with different legal and regulatory frameworks per region. He stressed that the commitment from shareholders, top management and board of directors was of crucial importance during the entire procedure. He added that an internal auditor was delegated by the board to have authority to audit the implementation of the social performance. He then went through the social action plan and the various USSPM areas to give examples of the various actions that have been implemented and the work still in progress.

DISCUSSION

Hammer explained how ALINUS can be used by investors and that it is a very flexible tool that can be adapted to specific organisational needs. A question from an EIB representative related to the workload needed to use the ALINUS tool in due-diligence. Hammer explained that a continuously growing number of organisations have done an SPI4 assessment. The CERISE tool allows them to download this information directly into an ALINUS tool. He explained how by using the ALINUS tool, investors can focus their work on data analysis and improvement plans, looking into the different areas of USSPM, instead of spending time collecting data on due diligence. He also stressed that social rating agencies will be using SPI4 in their validation procedures, and in the rating process provide a "validation" of data quality.

Another question from the audience was about the reaction of organisations in the field when investors ask them to do an SPI4 assessment. SPI4/ALINUS includes approximately 80 indicators which can take time to answer. Hammer explained that a large number of the indicators included in the SPI4 are already part of a normal due diligence procedure. Moreover, he added that about 60 percent of the indicators in the SPI4 come from the Smart Campaign indicators. Organisations that have already done a Smart Campaign - self-assessment or certification - can automatically upload these indicators into SPI4.

A question from ALIDE Benin was about the importance of reaching out to regulators. Hammer explained that there is a regulators' stakeholder group present in SPTF. For many issues, for example transparent pricing, it is increasingly being approached and getting involved in the process. Lapenu added that regulators are already working with client protection indicators of the Smart Campaign. She emphasized that CERISE is thinking about creating a similar tool to ALINUS for the regulators. However, she noted that CERISE and SPTF needs to work with regulators to understand which indicators would be of interest to them to track on a regular basis. Hammer added that now that the industry has SPI4 as a standard tool, regulators can keep track of SPM much easier.

FACILITATING ACCESS TO UTILITY SERVICES THROUGH DIGITAL FINANCE IN EMERGING MARKETS

MODERATOR Marie-Sophie TAR, PHB Development

SPEAKERS Michel HANOUCHE, CGAP

Paul MUGAMBI, Kytabu and PHB Development

Helene SMERTNIK, GSMA



PRESENTATIONS

Marie-Sophie TAR opened the session by noting that it was organised by the e-MFP Digital Innovations for Financial Empowerment Action Group. Tar emphasized that affordable access to basic services such as power, water and education is key to sustainable development. In this regard, Digital Finance Plus (DF+) is an innovative approach in the field which creates a link between access to basic services and digital finance. She invited the audience to explore the integration of DF+ into their own activities and businesses, subsequently introducing the very diverse panel of experts.

Michel HANOUCHE, firstly introduced the work of CGAP on branchless banking, which is divided into three areas: 1) building up the inclusive payment ecosystem; 2) adding other financial services to foundational blocks and increasing knowledge; and 3) using these rails to solve real-life problems such as access to energy, clean water and education – which was the origin of DF+. Hanouch mentioned that two high level hypotheses are being tested in DF+: 1) whether Digital Financial Services (DFS) has transformational potential in terms of the reach, affordability, efficiency

and transparency in the provision of essential services such as energy, education and water; and 2) whether these services would enable people to adopt a broad range DFS. In terms of the adoption of DFS this could have two components, i) whether the link to DFS incentivizes users of these essential services to register for and use mobile money and ii) whether the data generated by digital payments for essential services would help build credit profiles and open opportunities for additional products. Hanouch explained that energy was the first sector to be looked at, mostly due to the high number of people who still lack access to energy (around 1.1 billion) or to reliable energy. In pay-as-you-go (PAYG) solar systems, the costs of connection amount to USD 125-250, in contrast to USD 1,000-2,000 per household in traditional grids. In addition, the model uses consumer financing to achieve affordability, while the customer pre-pays for energy days via mobile money. In relation to the two hypotheses, it has been generally observed that: 1) the model does not scale without customer-wallet digital payments; and 2) off-grid service provision is driving uptake of digital financial services; there is a trust element created between the customer and provider.

Hanouch also talked about the DF+ readiness study, a framework developed in cooperation with McKinsey which addresses various aspects such as the telecom infrastructure, the adoption and outreach of digital financial services, the role of government and regulation, and the main players and challenges to improve the delivery of services. To end his presentation, Hanouch mentioned that CGAP is moving from energy to other services such as water and education, which will serve as a basis to test their hypotheses.

Helene SMERTNIK, replacing Arunjay Katakam, presented DF+ from the perspective of a Mobile Network Operator (MNO). To frame her presentation, Smertnik reminded the audience that digital finance is not an end in itself, but a means to target services such as education, health and other utilities. She specifically highlighted the Mobile for Development Utilities Programme, which leverages mobile technology and infrastructure to improve access to basic energy, water and sanitation services. Smertnik emphasized that mobile access extends beyond the reach of the actual infrastructure, positioning it as a unique catalyst, helping to increase access to

these services. She also clarified that the programme focuses on mobile bill payments which can be done in two ways: 1) over-the-counter; and 2) mobile wallet. From the perspective of MNOs, services can be provided in three ways: 1) pre-set; 2) customized, which requires more trust and investment; 3) shared Application Program Interfaces (APIs), which is currently an ambition rather than a widespread practice. According to Smertnik, the upscaling of mobile bill payment depends on a few variables, such as the maturity of mobile financial services and network operators, as well as the connectivity level. In general, mobile bill payment can be seen as an enabler for the customer, thus eliminating upfront cost of equipment and contributing to new revenues for entrepreneurs, to energy savings and generally higher quality of life.

Paul MUGAMBI brought in the perspective of the end client to the panel, providing practical insights to the facilitation of access to utility services. After pointing out that the creation of digital finance has produced a platform that enables people to innovate services, Mugambi divided his presentation into four specific pay-as-you-go services: 1) Electricity: Mugambi highlighted the role of pre-payment in electricity, explaining that clients are used to consuming in small bites and end up being more careful about their expenditures when this system is used. The pre-payment system for electricity also enables the client to pay from any

location by using mobile money. However, the system requires new equipment and consumer education. Mugambi also explained that the client must have some liquidity in order to pay for electricity in advance. 2) Solar energy: Mugambi classified two pay-as-you-go models: 'pay to own', where the client slowly pays for the ownership of the equipment and 'solar as a service', where the client pre-pays for energy days via mobile money. 3) Water: Mugambi explained that water management presents a number of challenges in revenue collection and reporting. In an automated service solution, the client is able to load money into a smart card which is linked to the amount of water they can collect. When presented to the machine, the smart card will send money to a central account. 4) Education: In a service resembling Amazon, clients can lease books in tailored bites, which can lower the costs down to between 50 and 70 percent when compared to purchasing. The system works according to two models, where either the parents pre-pay for their children or governments/schools pre-pay for students.

DISCUSSION

The first discussion point revolved around the high costs of bill payment services in small transactions, and how to negotiate such costs with providers. Mugambi acknowledged that costs have indeed been too high, but noted that some

providers have managed to negotiate a subsidised rate. He further clarified that these providers launched products in partnership with the MNOs, which translated into better rates for end users. Smertnik also pointed out that the costs will depend on the volume of services offered, and that GSMA is working with operators regarding the transaction fee.

On a related point, a technology provider from the audience revealed that, in addition to high transaction costs, a lot of time is spent to operate the Virtual Private Network (VPN) connection. He called for more advocacy before MNOs consider the use of APIs. Smertnik responded by acknowledging that opening APIs represents a risk for operators. GSMA is doing as much advocacy as it can in this direction. Hanouch explained that MNOs are keen to figure out a strategy to open their APIs, and that he is indeed starting to see more interest from the industry. The next discussion point concerned the models used to facilitate access to solar energy and education. Mugambi explained that solar energy replaced kerosene in remote areas, and there is a possibility to develop larger solar systems over time. He also clarified that the micropayment of books allows for flexibility and eliminates the financial burden of buying a book, and that a client can rent a book if they want. Regarding intellectual property rights, Mugambi explained that the revenue is shared with publishers who supply the content.



SUCCESSSES AND FAILURES IN MIV GOVERNANCE: THE CASE OF AFRICAP

MODERATOR Georgina VÁZQUEZ, Calmeadow

SPEAKERS Hany ASSAAD, Avanz Capital

Paul DILEO, Grassroots Capital

Emile GROOT, Independent consultant

Ira LIEBERMANN, Lipam International



PRESENTATIONS

Georgina VÁZQUEZ of Calmeadow opened the session by welcoming the speakers and participants. She explained that the session would provide insights into the successes and failures of the first African MIV: AfriCap. She emphasized that there is little known about what is going on inside MIVs and their governance structures. Calmeadow recently funded a study on AfriCap carried out by Grassroots Capital to learn more about

the governance structures of MIVs. The session aimed to share the study as well as the experiences from AfriCap board members and a board member of the company providing technical assistance (TA) to AfriCap.

The study was presented by Paul DILEO of Grassroots Capital. According to his findings, the major achievements by AfriCap were: 1) AfriCap fulfilled the goals of its Development Finance Institutions (DFIs) and founders to move first, be creative,

and break new ground. 2) Clear commitment of the board members to AfriCap's success. Board members were engaged and, in most cases, generous with their time and expertise. On the other hand, several important lessons were learned. Firstly, as a board you have to set clear strategic, financial and social priorities. As the structure changed from a closed end fund to an investment company and later into a holding structure, the strategy, staffing and governance should have been changed accordingly. Secondly, you have to match goals with adequacy of resources. AfriCap's, overambitious goals led to a wide spread of investments. The fund had less than USD 50 million at its disposal but made 21 investments. In contrast, an average-sized fund would have only 12 investments. Thirdly, you have to address leadership challenges, especially if there is no dominant shareholder. The supervision of fund managers could have been better: with the goal of AfriCAP to transfer to local governance and management, the Board needed to carefully support the transitions. Fourthly, there was no feedback loop which measured performance and used outcomes to plan and take necessary action to address divergences.





Hany ASSAAD of Avanz Capital, who was involved with AfriCap from 2000 to 2007, provided more context on the development of AfriCap. The Development Financial Institutions (DFIs) wanted to invest in microfinance, while at the same time they stopped their private equity funds. As an exception, African DFIs were given the mandate to start a private equity fund, based on positive experiences of ProFund. Assaad then explained how the structure moved from a private equity fund to an investment company and then into a holding company. This would nowadays no longer be possible as it diffuses the boundaries of liability. The distinction of roles between investors, fund managers and board members changes with every revision of the governance structure. He stressed that within AfriCAP, roles of the board and fund manager were not always clearly defined, leading to chaotic meetings and unstructured decision-making. Assaad also stressed that nowadays the governance structure and strategy should be defined at the beginning. Finally, Assaad mentioned that currently the average number of investments of a fund is 12. AfriCap made 21 investments as a small fund, making it hard to effectively govern investments. In addition, the geographical scope, focusing on the entire continent of Africa, was considered too big.

Emile GROOT explained about the role of DFIs in MIVs. He raised the question what a DFI should do within the board of an MIV. Groot mentioned that, as a DFI, you have to take responsibility for your investment and focus on the long-term. Secondly, DFIs should advocate a decent remuneration structure in order to attract best qualified people and to achieve the set investment goals. Thirdly, DFIs should focus on environmental and social issues. Fourthly, as a DFI investment officer you should assign an independent person



to represent you in the board after the investment is made. Taking part in the board of the investee yourself will lead to a blurring of functions. Lastly, as a DFI you should train corporate governance specialists that can help the board to run in a proper manner. Groot concluded that inappropriate MIV corporate governance structures were often the reason for MIV failures, observed during his time spent at FMO's restructuring department.

Ira LIEBERMANN presented insights on the governance structure between AfriCap and the board of Fintech Africa, an affiliated company that provided technical assistance (TA) to AfriCap investees. Liebermann was part of the Fintech board. Fintech raised USD 8.5 million to support AfriCap investees. According to Liebermann, it was generally agreed that Fintech's support was useful but that it is hard to measure the impact of the TA provided. However, Liebermann was able to raise several important issues regarding tensions with AfriCAP management on appropriate interventions such as choosing which IT system to use. Another issue related to transparency. Some investment agreements made by AfriCap included the delivery of TA of which Fintech's board was unaware. Furthermore, Liebermann mentioned that it was difficult to get information regarding the performance of MFIs, making reporting on the MFIs difficult. Finally, he noted that TA support is only as good as the quality of the MFIs. He stressed that some of the weaker MFIs were unable to absorb the TA provided

alongside AfriCap investments, making it much less effective.

DISCUSSION

The first question from the audience revolved around relations between the AfriCap and Fintech boards. The audience wondered whether Fintech was on the board of AfriCap. Liebermann replied that the president of the board of AfriCap was in Fintech's board, but not vice versa. However, in hindsight, this could have been a good idea. Liebermann stressed that Fintech's board had to be well aware of the developments within the fund's board to determine the investees' ability to absorb the TA. The audience then asked if the fund should have focused more on a particular segment. Hassaan replied that this is not advisable as private equity funds look for risk adjusted returns and as such, should not become too specialised.

Finally, a member from the audience commented that a TA company should aim to get a return on TA investments so you can reinvest in TA again. He then asked if the manager of AfriCap had the qualities to perform his or her tasks. Groot answered that there was a mismatch between tasks and capacities with the first fund manager while between the second fund manager and the board of AfriCap there was a mismatch in expectations of what the fund should invest in.

CONVENIENT PRODUCTS FOR INCONVENIENT TIMES: THE ROLE OF FINANCIAL SERVICES IN CONFLICT SITUATIONS

MODERATOR David BARTOCHA, GIZ

SPEAKERS Marloes HUIS, University of Groningen

Sitara MERCHANT, Aga Khan Agency for Microfinance

Thomas RAHN, GIZ Jordan

PRESENTATIONS

David BARTOCHA opened the session by stating that microfinance in conflict areas is getting increasingly important. The session aimed at answering the question of how the financial sector can operate in such areas.

Thomas RAHN from GIZ presented the actions of the regulator in the Palestinian case which made it possible to navigate the financial sector through political conflicts such as the Gaza War in July 2014. The Palestine Monetary Authority (PMA) takes several actions to increase the resilience of the financial sector. Firstly, the PMA takes pre-crisis measures. Continuous preparation takes place to ensure business continuity and financial preparedness during future crisis. Banks, for example, are prepared to provide alternative sites if necessary and go through scenario settings to test their reaction in crisis situations. Secondly, during a crisis the PMA assures a stable



infrastructure and implementation of applicable crisis scenarios takes place. The PMA makes sure that banks have enough cash available to serve clients' needs and maintain trust, coordinates opening hours and takes decisions whether justification

is given for opening branches, provisions exemptions and loan rescheduling when necessary. Thirdly, post-crisis the regulator evaluates the crisis management in terms of financial inclusion, financial and physical infrastructure as well as internal communication of the PMA steering unit. Rahn concluded that a number of lessons can be learned from the Palestinian case.



Marloes HUIS, from the University of Groningen, presented results of a cross-sectional study by Nina Hansen and Marloes Huis researching the social impacts of access to microfinance services. The ProMIS program implemented by GIZ in Sri Lanka provides microfinance services through MFIs to marginalized people. The MFIs encourage saving, provide trainings and loans. Since 2009, 20,000 marginalized people have profited from access to microfinance services. The cross-sectional study among 480 marginalized individuals in four war-affected regions showed that the program had positive outputs in the treatment group. 67 percent of the cli-

ents saved money; 35 euros on average. 84 percent of the clients participated on average in 2.12 trainings and 45 percent of the clients used the received micro loan to expand economic activity, 41 percent to start a business. The impact assessment showed that the program also had positive higher order impact. Microfinance services combined with training increased the empowerment, financial and social integration as well as inclusion of marginalized people.

Sitara MERCHANT, from the Aga Khan Agency for Microfinance, introduced the SEEP / Citi Disaster Risk Reduction (DRR) Program as a member of the multi stakeholder steering committee. The program aims at bringing together a wide range of institutional actors to promote a common agenda around DRR for low income financial markets. Firstly, it aims at improving the resiliency of financial services providers and communities they serve. Secondly, the program focuses on creating awareness of the need for disaster preparedness, given the more frequent and severe crisis, and building consensus among key stakeholders around effective disaster risk reduction practices. Lastly, it aims to strengthen the capacities of financial service providers and their clients to anticipate, cope, and recover from the negative impacts of disasters. Initially, the DDR program secured funding for 1.5 years. The activities of the steering committee to date include: 1) a Kick-Off event

September 28, 2015 in Washington DC; 2) Bilateral discussions with SC members to identify current initiatives for knowledge sharing; 3) Desk review of market mapping tools for DRR diagnostics of financial services market; and 4) Development of a country level framework for engagement to be pilot tested in India in 2016.

Merchant also shared her experiences from the work of Aga Khan Agency for Microfinance (AKAM) whose mission is to affect demonstrable, measurable, and lasting improvement in the quality of life of its clients by delivering appropriate financial services to diminish the vulnerability of the disadvantaged and enable economic and social inclusion. AKAM works closely with the other Aga Khan Development Network (AKDN) agencies as part of a coordinated approach that brings together many inputs and disciplines. Merchant shared two examples from AKAM's financial institutions in Afghanistan, The First MicroFinance Bank Afghanistan (FMFB-A) and Syria, The First Microfinance Institution Syria (FMFI-S). The Afghanistan example illustrated the importance of building client resilience through a housing finance product that is coupled with Construction Appraisal and Advisory (CAA) in a country which is a seismic hot spot. FMFB-A has more than 55 thousand clients; with an outstanding portfolio of USD 61.5 million. The housing finance portfolio accounts



for 15 percent of the total portfolio (USD 9.5 million) and 17 percent of clients (9.3 thousand). The Syria example illustrated how FMFI-S maintains its client centric focus, putting clients at the centre and structuring processes to meet their needs, which has mitigated institutional risks during the current crisis. Between 2011 and 2015, the cumulative loans disbursed added up to more than 74 thousand with a value of over USD 65 million. While FMFI-S' sister agencies, Aga Khan Foundation and FOCUS Humanitarian, have distributed aid to more than 35 thousand households.

DISCUSSION

Rahn, when asked to provide other elements of financial sector resilience, mentioned the institution's survival, the client's survival – including the clients' trust in the financial system, and the infrastructure between the financial institution and the client. Bartocha asked if, based on the Palestinian case, the conclusion could be drawn that good regulation is more important than the political situation. Rahn disagreed as a crisis situation is not only about regulation, but also about leadership and cooperation between actors. Lastly, there is no single concept that is applicable to all countries. The regulation of the financial sector is very costly in Palestine and this might not be appropriate for other countries.



FOLLOWING A (SOCIAL) STANDARD: COMPLIANCE, CODES OF CONDUCT AND MORE

MODERATOR Christian HERTZ, Linklaters

SPEAKERS Craig CHURCHILL, ILO

Karl DAYSON, Salford University

Beatrice GITHINJI, Chase Bank (Kenya)



According to Githinji, the main challenge Chase Bank faced during the implementation of the ESMS was the lack of awareness and understanding by staff on the need to carry out environmental and social due diligence on the borrowers. She explained that Chase conducts continuous training and has incorporated the ES trainings in the induction training of new staff. The bank has also created a budget for external trainings on environmental and social risk identification, management, mitigation and monitoring. Moreover, managers are being trained on how to effectively communicate the benefits of proper ES management to clients. Finally, the policy is being revised to include the criteria of risk identification, categorisation and management. According to Githinji, the main benefits of the ESMS implementation is compliance with current and potential investor's requirements, compliance with legal requirements, the mitigation of credit and reputational risk, improved loan book quality, new lending opportunities such as renewable energy, and improved internal capacity due to staff training.

PRESENTATIONS

Christian HERTZ started this session by introducing the panellists. He mentioned that there are different motivations for organisations to comply with social standards. Some organisations comply because standards are imposed by law or by investors. Other organisations comply because they want to follow market trends, and others commit to comply with self-imposed standards.

Beatrice GITHINJI explained that Chase Bank implemented the Environment and Social Risk Management System (ESMS) as a result of investors' and legislative requirements and self-motivation. The bank also adopted the International Finance Corporation performance standards to ensure environmental and social sustainability. They assigned a consultant who together with ILO, acting as the Africa Agriculture Trade & Investment Fund (AATIF) compliance advisor, assisted the Bank in implementing the ESMS. Together they created the ESMS policy, resulting in: 1) an exclusion list defin-

ing which projects the bank should not finance due to non-compliance issues; 2) a categorisation tool which categorises the environmental social risk for each of the project the bank is financing; and 3) an evaluation checklist.





Karl DAYSON presented on the European 'code of good conduct' which was initiated by the European Commission (EC) in 2007. The Commission identified four priority areas: improve legal and institutional environment for microcredit; improve climate for employment and entrepreneurship; promote best practice in the sector; provide financial capital for non-bank MFIs. Dayson explained the strategic and intrinsic motivations for developing the code. He talked about the global microcredit crisis during the late 2000s and how European microcredit had to be differentiated and gain access to private capital as public money available for microcredits was decreasing. Moreover, there was no consistency on accounting measures due to the different national legal frameworks, and no agreement on what is considered sustainable. He stressed that the involvement of the EC was a powerful centrifugal force. Even though the Code was a voluntary act, the EC supported those involved and facilitated its development. He added that there was a desire for high performing actors in the microfinance industry to capture the market and its resources. Furthermore, the code was a vehicle to drive internal change within organisations.

In order to develop the code, they reviewed existing international codes to identify the best practices globally which in turn formed the base of discussions with the EC. There were six stakeholders' workshops including regulators, investors

and practitioners, and constant discussion with the main European MFI trade bodies. When the code was finalised, they tested its implementation with several organisations. Dayson mentioned that motivations are usually less about altruism and more about limiting the market. He stressed that the role of the EC was catalytic as diverse and competing FSPs needed something to hold them together during the process. The EC was also verifying whether the objectives included transparency, external credibility, performance improvement, standardisation, and addressing non-compliance.

Hertz explained that FSPs need to comply with the code if they want to access EU financial capital. The Code includes a core part of fundamental clauses that all organisations need to comply with. The rest of the clauses vary depending on the type of organisation. Dayson remarked that organisations that want to comply with the Code are given 18 months to prepare for the implementation. The Code was designed this way to encourage participation.

Craig CHURCHILL presented 'Microfinance for Decent Work', ILO's action research program that aims to measure the impact of MFIs on the improvement of working conditions, namely occupational safety and health, reduction of child labour, informality, over-indebtedness and vulnerability to shocks. Partner MFIs had to initially identify which of the

aforementioned challenges their clients are facing, and then find ways and solutions to tackle them. Churchill provided examples of various innovations the MFIs introduced in order to tackle the problem identified. For example, MFIs that identified poor working conditions as an issue, offered their client trainings on work safety and loans aimed to improve the working environment. All innovations implemented aimed to improve clients' social and economic performance. ILO's partners showed that having more empowered and better performing clients will lead to their own economic and social empowerment.

DISCUSSION

A question from the audience related to the impact of the ESMS on credit risk for Chase Bank. Githinji mentioned that the impact was twofold. Firstly, Chase Bank was able to revise the loan review process for loans that did not meet environmental standards. Secondly, the ESMS assisted them in factoring in future values of property used as collateral in a more efficient way factoring in the current use of land. She added that having the ESMS has assisted in improving the reputational risk through financing sustainable projects.

Hertz closed the session by providing the main conclusions. Social standards can make a difference not only on a social level but also on a business level. Initial motivation for developing and following various social standards may differ for different actors in the sector, but in the end, the measures taken and what we do to achieve them is very similar. Social standards may be initially self-imposed decisions by institutions wanting to do more than what's necessary but when many key players align their positions, these self-imposed standards can end up being industry standards and those not complying may lose part of the market.

RISK MANAGEMENT PRODUCTS FOR SMALLHOLDER FARMERS AND HERDERS IN THE FACE OF DISASTER (e-MFP UNIVERSITY MEETS MICROFINANCE ACTION GROUP)

MODERATOR Arvind ASHTA, ESC Dijon

SPEAKERS Veronika BERTRAM-HÜMMER, Leibniz University Hannover / DIW Berlin

Anaar KARA, PlaNet Guarantee

Maria Livia DE RUBEIS, Università Cattolica del Sacro Cuore Milan



PRESENTATION

Arvind ASHTA introduced the theme and the participants, referring to the University Meets Microfinance award given to Veronika BERTRAM-HÜMMER. He found the publication, dealing with index-based insurance after disaster, of much relevance among the many new publications and tools on microfinance having become recently available.

Bertram-Hümmer presented the results from an impact evaluation of an index-based insurance on households' disaster recovery. She explained that index insurance only disburses money if a regional index, which is exogenous and publicly observable (e.g. regional precipitation), passes a pre-determined threshold. Her study focusses on the Index-based Livestock Insurance in Mongolia, a rather successful case of an index insurance product which generated a high demand already during the pilot stage that allowed scaling up to the national level. Bertram-Hümmer

showed the positive impacts of index insurance payments after a 'once-in-50-years' winter disaster in 2009/10: Insured herding households had a significantly larger herd size one to two years after the disaster than comparable, uninsured

households. Due to the insurance payments, the insured households were able to receive credit more easily and to afford not to sell off their livestock during and after the disaster.

Anaar KARA continued with a presentation on agricultural and health insurances aiming to break cycles of poverty and stabilise the revenues of low-income populations and promote well-being of farmers. While index-based insurance can be based on different datasets, she showed how PlaNet Guarantee's insurance solutions have a positive impact on the players in the value chain including the smallholder farmer, banks/MFIs, agribusinesses and input dealers. These positive impacts can range from mitigating climate impacts, promoting investment to stabilizing income. She then provided examples of how this has worked in the Sahel region, where they assessed insurance needs for the entire value chains in Mali, Burkina Faso, Senegal and Côte d'Ivoire.





DISCUSSION

The audience then asked the panelists about the potentials for upscaling. According to Kara, this is certainly possible considering the apparent demand, but it also depends on pricing. She agreed that the joining of insurances with credit systems is a good start; this is a product they are currently offering. The meso insurance market offers further potential for scale. As for agricultural input systems, it is an area PlaNet Guarantee is working on. The audience also thought there is good potential in this area.

On the question if people were buying more livestock with the insurance disbursements or with credits, Bertram-Hümmer said that this has not been analysed. She also mentioned that it is also not clear why people drop out of a scheme. The latter question cannot be answered with the data at hand and would require more specific investigation.

The audience also wanted to know if less rain is affecting the schemes in the Sahel region. Kara responded that this will be defined by the design of the indexes. Ashta asked whether the insurance schemes performing better had more health centres. Kara concluded that this has not been analysed, even if the insurance schemes show better absorption capacity against shocks.

They developed insurance indexes, and then engaged in partnerships with local partners for the distribution of the insurance schemes. She concluded with some quotes from clients in such schemes. When asked by a Rabobank Foundation representative in the audience on the definition of proper premiums and contracts, Kara said that cost is indeed a challenge and PlaNet Guarantee would like to see longer reinsurance contracts as one way to bring costs down.

Maria Livia DE RUBEIS had just come back from a study on mutual health schemes, in the context of the Zina project in Madagascar. This project aims to improve and achieve sustained access to health care services for informal workers (borrowers of MFIs and farmers), as well as to enhance synergies between public and private actors. De Rubeis analysed the operations of three different Mutual Health Organisations (MHOs) in different regions of Madagascar, which are run

under the coordination of a central platform based in Antananarivo. The study aimed to compare the results and differences in coping with different shocks. She explained that differences in consumption patterns and healthcare services costs, as well as in clients' financial capabilities, determine the choice of the health services to be covered under the mutual scheme and the amount of the premiums. Phase 3 of the project runs up to 2018. By expanding areas and services it is expected to ultimately contribute to the National Health Strategy. When asked whether the approach is replicable in other countries, De Rubeis responded that the use of a platform that centralizes some of the costs of the mutual schemes can be advantageous when field missions to the implementation zones (which are strongly needed) do not impact the platform's budget. Regarding sustainability, she believes that this is slowly being achieved through the scaling up of subscriptions.

PARALLEL SESSIONS

From time to time, as part of European Microfinance Week, e-MFP organizes special parallel sessions for e-MFP partners. Such sessions are designed to address a very particular topic of interest to a select audience, but are not part of the European Microfinance Week program. In 2015, e-MFP organized two such parallel sessions.

MICROFINANCE FOR INVESTORS: AN INTRODUCTION

MODERATOR Laura HEMRIKA, Credit Suisse / e-MFP

SPEAKERS Bernd BALKENHOL, Université de Genève

Roland DOMINICÉ, Symbiotics

Alex SILVA, Calmeadow

Dolores TORRES, CARD Bank (Philippines)

Pierre VAN HEDEL, Rabobank Foundation / e-MFP



This session was specially designed for investors new to microfinance but who are interested in learning more about the sector and wanted to take the opportunity of the conference to do so and to meet all the relevant sector stakeholders. It was developed in collaboration with ALFI, the official representative body for the Luxembourg investment industry. The session provided the attendees with a broad overview of the sector and focused on the following issues: Dolores TORRES shared her insights on the challenges of operating a large, complex MFI providing a broad array of products and services; Bernd BALKENHOL discussed the state of leading-edge research into the experience of microfinance clients; Pierre VAN HEDEL presented how Rabobank Foundation, one of the oldest financial institutions in Europe, provides agricultural finance to serve small farmers in some of the poorest



countries in the world; Roland DOMINICÉ reviewed investment trends over the past decade on the basis of Symbiotics MIV's survey; Alex SILVA, as founder of the

first microfinance investment fund in the world, Profund, shared his perspective of the changes in the sector over the past 20 years.

INTRODUCTION TO MICROFINANCE

MODERATOR Laura FOSCHI, ADA

INTRODUCTION Tim KESSELER, Permanent Representation of Luxembourg to the European Union

SPEAKERS Josien SLUIJS, NpM Platform for Inclusive Finance / e-MFP

Kaspar WANSLEBEN, LMDF

Syed Mohsin AHMED, Pakistan Microfinance Network (PMN)



This session was organized together with the Luxembourg Ministry of Foreign Affairs in the framework of the Luxembourg Presidency of the European Union. It was specially designed for the representatives of the Development Cooperation (CODEV) working group of the European Council in order to provide them with an introduction to microfinance and financial inclusion. After an introduction by Tim KESSELER, the speakers covered the following topics: Josien SLUIJS set the scene providing an overview of the sector and presented its challenges and opportunities; Kaspar WANSLEBEN presented the role of investors in achieving the sector's objectives and facing the challenges; and Syed Mohsin AHMED shared his decades-long experience of providing microfinance in Pakistan.



6th EUROPEAN MICROFINANCE AWARD CEREMONY

MASTER OF CEREMONIES Hedda Pahlson-Moller (OMSINT / TIIME)

SPEAKERS	Welcoming remarks by Werner Hoyer , President of the European Investment Bank
	Keynote speech by Peter Maurer , President of the International Committee of the Red Cross
	Address by the President of the High Jury, Her Royal Highness the Grand Duchess of Luxembourg
	Address by Romain Schneider , Minister for Development Cooperation and Humanitarian Affairs
	Acceptance speech by the winner of the 6th European Microfinance Award



Crédit Rural de Guinée (CRG) was announced as the winner of the 6th European Microfinance Award, focusing this year on *Microfinance in Post-Disaster, Post-Conflict Areas & Fragile States*, for its innovative response to the Ebola outbreak in Guinea. The Award was presented during European Microfinance Week by Her Royal Highness the Grand Duchess of Luxembourg, during the ceremony on 19th November held at the European Investment Bank Headquarters in Luxembourg.

CRG was hit by the Ebola virus outbreak beginning in early 2014. Unlike many others, CRG continued to operate, while taking special measures to prevent infection and protect both clients and staff. This included contacting clients and processing payments by phone, rescheduling loans for affected entrepreneurs (including cancelling debt in cases of death), continuing disbursement of new loans, and providing clients with the means to withdraw their savings. CRG also provided grants to the families of staff who were victims of Ebola. In addition, CRG launched a

national awareness campaign to inform clients and the general population of measures to prevent the transmission of the virus. Over 4,000 people participated in these sessions. With support from the World Food Programme, CRG is currently distributing compensation to over 1000 Ebola survivors who continue to be stigmatised by their communities, as well as to 55,000 affected families.

CRG was one of three finalists for the Award, alongside First Microfinance Institution Syria (FMFI-S), which has been



operating in the country since 2003, including throughout the civil war that has ravaged the country and its people for the past four years, and Taytay Sa Kauswagan Inc. (TSKI), from the Philippines, which suffered a devastating earthquake and Typhoon Haiyan in 2013.

The importance of providing continuity and resilience to vulnerable clients in these difficult contexts was highlighted during the ceremony by the inspiring keynote address of Mr. Peter Maurer, President of the International Committee of the Red Cross (ICRC) who provided historical context for these challenges. "With record numbers of people displaced since the Second World War – over 60 million people are currently fleeing violence worldwide – and the average duration of displacement has increased to 17 years."

Dr Werner Hoyer, President of the European Investment Bank, also addressed the audience and argued that "microfinance can be a formidable tool for helping local communities increase their resilience even under the most difficult circumstances."

The audience appreciated the finalists' short films, which were followed by comments from Mr Romain Schneider, Minister for Development Cooperation and Humanitarian Affairs.

Her Royal Highness the Grand Duchess of Luxembourg announced the winner, adding "Even in times of war, epidemics and natural disasters, institutions such as Crédit Rural de Guinée have continued not only to provide services to their clients, but also to adapt their services to the needs of their population."

When accepting the prize, the Director General of Credit Rural de Guinee, Mr. Lamarana Sadio Diallo said: "We are proud to accept this Award and will use the €100,000 prize to continue supporting clients, mitigating the impact of Ebola and boosting the solidarity fund to help clients increase their resilience against the outbreak and economic challenges".

FRIDAY 20 NOVEMBER 2015

PLENARY

SUSTAINABLE DEVELOPMENT GOALS AND FINANCIAL INCLUSION

MODERATOR James MILITZER, NextBillion

SPEAKERS Susy CHESTON, Center for Financial Inclusion at Accion

Martine SCHOMMER, Luxembourg Ministry of Foreign and European Affairs / e-MFP

Ulanbek TERMECHIKOV, Kompanion Financial Group (Kyrgyzstan)



PRESENTATIONS

James MILITZER introduced the panellists and explained how each one of them would approach the topic from different perspectives. Martine SCHOMMER presented the 2030 Agenda on Sustainable Development Goals (SDGs). The agenda includes 17 new global goals, subdivided in 169 targets, important parts on means of implementation and the global partnership, and a set of principles concerning the follow up and review. The Agenda follows the principle of universality. The SDGs are built on the MDGs and cover the three aspects of sustainable development: social, economic, and environmental. She added that such an agenda requires both financial and non-financial means of implementation. Schommer then introduced the Addis Ababa Action Agenda (AAAA), a global agenda for financing sustainable development and an integral part of the 2030 Agenda. In the AAAA the means of implementation have been decided. She remarked that official development aid remains crucial but is insufficient. This is why the AAAA addresses all financial sources: public, private, domestic and international. Financial inclusion and microfinance are among the tools of the AAAA, offering support to



MFIs and other financial service providers (FSPs) and encouraging the use of innovative tools such as mobile banking, payment platforms and digitalized payments. According to Schommer, this opens the doors to the microfinance sector to deliver results in a more innovative way.

Susy CHESTON presented the state of global financial inclusion by sharing the results of the FI2020 Progress Report on financial inclusion. The report discusses five essential areas for achieving financial inclusion: financial capability, client protection, addressing customer needs, technology, and credit reporting and data analytics. She asked the audience to assign a score from 1 to 10 on how the world is performing for some of these areas, before sharing the results of the report. Cheston then explained that customer needs scored a 3, mainly because of the tremendous gap between access

and usage as the number of people who have dormant accounts is extremely high, and because there are still significant populations excluded from financial services. Financial capability scored a 2, as traditional financial education programs have not had much success in changing financial behaviour. The report assigned a 5 to client protection. This is a relatively good score as many national governments are actively working on client protection and there is self-regulation within the sector. Credit reporting and data analytics received a 4, whereas technology scored a 7. She noted that technology is still underutilised.

Ulanbek TERMECHIKOV stated that Kompanion aspires to be the leading community development financial institution in Central Asia. Kompanion would like to share its knowledge with its neighbouring countries as they are facing the same



challenges. The MFI is integrating financial products with technical support. Termezchikov stressed that Kompanion's clients are often not in need of a loan, but in need of business advice on livestock management. Kompanion is offering technical assistance via a technical support unit of agronomists and veterinarians. Kompanion also offers educational workshops that aim to empower the rural poor, who do not have access to natural resources and assets, with skills that enable them to become more efficient farmers and improve their income and well-being. He added that smart investments are simple and understandable investment ideas accompanied by clearly arranged technical materials. He concluded with Kompanion's integrated Impact Measurement System (IMS) which includes 33 indicators measuring how well the organization is progressing towards its mission goals.

DISCUSSION

Miltzer stated that microcredit is no longer widely considered to be a poverty alleviation tool but is now included and represented in the SDGs. Cheston remarked that SDGs include financial inclusion, which is more than microcredit. She added that according to the Centre for Financial Inclusion (CFI), financial inclusion is defined by five dimensions: 1) a full range of products including savings, payments, insurance and credit; 2) delivered with quality, including addressing customer needs and client protection; 3) leaving no-one behind; 4) delivered through a diverse and competitive market which is supported by sound infrastructure and regulatory frameworks; and 5) delivered to financially capable clients. On a question regarding the role of microcredit when fostering entrepreneurship, Schommer explained that microfinance, including microcredit, micro-insurance and other types of micro-products, can be a tool but it is not the only tool. However, she added that microfinance has the advantage of bringing together multiple stakeholders; civil society, private sector and public sector. This is one of the main points of the AAAA: pooling resources and stakeholders.

Cheston expressed the need to shift financial capability efforts to focus on customers' behaviour. She noted that financial capability is not the ability to understand differences in interest rates, but people being able to use all available financial instruments in their own best interests. She remarked that there is a fair amount of financial education being provided, but it does not really equip people

with the means to act on their own behalfs. She added that through the use of technology, microfinance has reached vulnerable populations that had no access to formal financial services and were unaware of how to use them for their own best interests. She stressed the need to address this issue with some urgency given the entry of new base of the pyramid customers into financial systems.

Regarding the 'no-one left behind' principle, the audience asked how it can be achieved as it is extremely challenging to reach the poorest of the poor. Cheston noted that financial inclusion means that everybody can have a safe and affordable way to transfer and save money. This can be achieved via either formal or informal services, but one benefit of formal services is that they are regulated and should have elements to ensure client protection. She gave the example of reaching remote rural areas and noted that if an institution is designing services that work for the last mile, it is designing services that work pretty well for everyone else as well. She also mentioned that many FSPs impose age caps on their clientele which results in excluding older populations from financial services. This is another area the sector can improve when working towards 'leaving no-one behind' solutions.



MFIs AND AGRICULTURAL CREDIT AND INSURANCE: DOES IT HAVE TO BE AN UNHAPPY MARRIAGE?

MODERATOR Phillipe GUICHANDUT, Grameen Crédit Agricole Microfinance Foundation

SPEAKERS Paul CASTLE, Foundation Syngenta

Issouf SORE, Réseau des Caisses Populaires du Burkina (RCPB)



PRESENTATIONS

Phillipe GUICHANDUT opened this session by welcoming the speakers, the audience and introducing also the Microinsurance Network (MIN), as this session was part of the activity of the Agri Working Group of the MIN. Guichandut gave an introduction to microinsurance for agriculture, stressing that index-based insurance is a tool with the potential to reduce small-

holder vulnerability, enhance food security and support productivity by unlocking access to credit and investment in agriculture. The index-based approach reduces administrative costs and allows for utilization at different levels. Nevertheless, challenges remain in terms of matching the actual loss and pay-out (“basis risk”), delivering at scale and low-cost as well as gaining the trust of farmers. Guichandut finished by inviting the panel to address

the question of why few stakeholders in microfinance are involved in agrifinance and whether MFIs are the most appropriate partners to deliver microinsurance in agriculture.

Issouf SORE expressed his conviction that microinsurance would be an asset to MFIs. He introduced Réseau des Caisses Populaires du Burkina (RCPB), the largest credit and savings co-operative network in Burkina Faso and its pilot project with PlaNet Guarantee, a microinsurance broker, to establish an agricultural insurance. Sore underlined that only 10 percent of their portfolio is dedicated to agriculture finance. Within this pilot, RCPB serves as intermediary between PlaNet Guarantee and farmers. Now in its second year, the pilot project has experienced a sharp increase in beneficiaries, but challenges in terms of limited awareness and high costs remain. Sore stressed the importance of educational training and the role of MFIs in the process as well as the importance of lobbying for subsidies to reduce the combined costs of insurance and credit to farmers. Sore concluded that as yield risks caused by climate change will increase, microinsurance will be crucial to safeguard people’s livelihood, ensure the sector’s financing, improve national productivity and enhance food security.

Paul CASTLE shared experiences of The Agriculture and Climate Risk Enterprise (ACRE), a commercial company created to reduce the burden of weather and other risks for small farmers. The company launched by the Syngenta Foundation in 2014, uses different delivery channels, including agribusinesses and NGOs. Castle highlighted that ideally ACRE also works together with MFIs as the program aspires to link insurance with credit. Education is an important part of ACRE in order to create demand. Firstly, smallholders and MFIs need to be made aware and educated on

index-based insurance to create understanding and trust. Secondly, key questions that need to be addressed to create understanding among MFIs include: 1) The social impact addressing how many farmers would improve their livelihoods due to better access to financial services; 2) the portfolio growth addressing how many more MFIs would lend if most of the risks were covered; 3) the product differentiation involving the extent to which MFIs would increase their competitiveness if it included insurance; and 4) finally the portfolio protection encompassed by how much MFIs would reduce their loan defaults. MFIs' concern about how smallholders can be protected if beneficiaries cannot repay loans especially needs to be addressed. Castle finished his presentation by stating that he is optimistic that MFIs and agricultural insurance can be brought together.

DISCUSSION

Guichandut opened the discussion by asking Sore about the costs for farmers. Sore highlighted that although the insurance adds to the costs of credit, it has an advantage to the insured person since it reduces the risks of yield uncertainties. Castle, addressed Guichandut's question about advantages and disadvantages when working together with MFIs. He emphasized that, while NGOs are appropriate partners to introduce a large num-



ber of farmers to a new product, MFIs are appropriate actors to distribute the product combination of credit and insurance. Nevertheless, the program is open to other partners, provided that these are able to educate credit institutions and the public at large. Moreover, new partners should ideally also be able to combine credit and insurance in their product offer.

Sore, answering whether the risk in Burkina Faso is not the lack of irrigation rather than drought, stressed that the country has a national strategy to ensure irrigation using water from reservoirs. However, farmers in the country are 95 percent dependent on actual rainfall while also

floods represent a risk, Sore concluded that this vulnerability shows that more needs to be done than simply irrigation.

Addressing the question of subsidies, Castle stated that subsidies should always be avoided since the constant flow of subsidies can often not be assured in countries. Sore disagreed by highlighting that beneficiaries are generally receptive to insurance and loans as long as product affordability is assured. He underlined his point with the fact that in Europe around 50 percent of agriculture is subsidized - compared to only 3 percent in Africa. Guichandut ended the session by stating that although some questions remain, there is certainty that the combination of MFIs and agricultural credit and insurance will work, as long as the governance of MFIs show a strong motivation to do so.



FINANCIAL DIARIES & DIGITAL FINANCE – INSIGHTS AND INNOVATIONS

MODERATOR Michel HANOUCHE, CGAP

SPEAKERS Wolfgang BÜCKER, GIZ

Richard LEFTLEY, MicroEnsure

Julie ZOLLMANN, Kenya Financial Diaries



PRESENTATIONS

Michel HANOUCHE opened by mentioning that the session would start with a presentation on the Kenyan financial diaries, and then focus on innovations made within digital finance services (DFS), including how insights from demand side research can be used to drive innovation and experimentation. Hanouch introduced the speakers, who would be showcasing three innovative cases of DFS.

Julie ZOLLMANN presented her work on behalf of Kenya Financial Diaries. Zollmann's team visited 300 Kenyan families every two weeks, trying to record cash flow, transaction of money and savings. The financial diaries provided several insights. Firstly, households often do not have enough money, not just for assets and education, but also to fund financial services which would be beneficial to

them. Households have to make trade-offs. Secondly, households often have volatile incomes, going up and down by 54 percent per month. Thirdly, the financial management challenge is complicated. Households have several financial tools for different financial tasks, such as savings in the house, ASCAs or ROSCAs, pensions or shop credit. This also relates to the fourth point, as households have to make trade-offs between the tools, which can either be helpful for stretching ('liquidity') and growing ('investing') money. Fifthly, Zollmann mentioned that people face a large number of moderately severe risks. Households cannot insure for all of these risks and need to make trade-offs. Finally, Zollmann stressed the importance of social networks in mitigating impact of shocks.

Zollmann then explained why M-Shwari, a digital savings and credit product, works

in this context. Before the introduction of M-Shwari, liquidity management was largely limited to savings in the house, which is a serious challenge considering the small amounts of liquidity available for households. M-Shwari allows users to have quick access to liquidity and provides infrastructure to reach nearly everywhere, including the very poor, filling low income households' critical need for liquidity. She concluded by sharing some opportunities for DFS to help low income Kenyans. Firstly, Zollmann emphasized that DFS gives the poor access to existing social networks with greater speed and efficiency. Secondly, DFS caters to their flexible payment needs by delivering services when needed. Thirdly, DFS can help to ease trade-offs between investments and liquidity by keeping savings locked for investment while enabling borrowing for cash flow liquidity. Lastly, DFS can focus on more than credit, for example connecting people to new employment opportunities.

Richard LEFTLEY presented the development path of MicroEnsure's microinsurance products over time. MicroEnsure started working with MFIs in 2002 to test whether there was a business case for microinsurance. This resulted in simple products linked to credit, but clients soon wanted more. It became clear that MicroEnsure needed to scale up but would then need a bigger revenue stream from a wider client base. Leftley had realised at the time that the best results would likely come from embedding their products into a loan, savings account, airtime purchase or mobile wallet.

As a result, MicroEnsure worked with telephone companies to develop the next version of their product. Several key attributes made telephone companies such a distribution channel: their trusted brand, the accessible points-of-sale and



their clear payments channel. MicroEnsure, together with Airtel and various insurance companies, has rolled out a structure which offers free insurance for the customer based on their airtime purchases, which is in fact paid for by the telephone company. The next step in the structure is a small upsell to cover family members in the insurance and finally moves into a fully paid service with extra products and benefits. As a result of the insurance products, telephone companies saw an increase in overall revenue and average revenue per user. Leftley is now preparing for the next step: bringing insurance directly to the client.

Wolfgang BÜCKER presented the case of develoPPP – a program to enhance transparency, efficiency and traceability of business operations in the coffee value chain in Uganda. The goal of the program, together with SAP, was to develop a smartphone-based application, capturing buying and payment transactions digitally on all levels of the Uganda Coffee Farmers Alliance (UCFA) – from farmer to exporter. They then trained smartphone-users and farmers in order to improve central monitoring and evaluation of transaction data. This has led to an increased production of approximately 10 percent, a reduction in transaction costs of 11 percent and an increase in trust and transparency in the organizational structure of UCFA. The main challenges revolved around the power supply and internet network, security, and time

constraints because of double record keeping.

The next step, according to Bücker, is to integrate DFS in the system, including mobile payments and designing agricultural loan and savings products for farmers to overcome the financing gap between coffee seasons. Bücker emphasized that the production and sales data from the current smartphone application will serve as a track record for the loan and savings product. The DFS should be easily accessible via mobile phone, suitable for smallholder farmers and adapted to the value chain actors. The new services will be combined with financial literacy training in the field.

DISCUSSION

The first question from the audience revolved around the effects of DFS. Zollmann answered that DFS is really helpful to give the poor low-stakes experience using financial services, allowing them to learn how things work. Credit is not easy to get in Kenya, and where before you would need a complicated system which was difficult to understand for people, DFS allows social experiential learning to happen more quickly. And if for some reason a customer gets blocked by the Kenyan credit bureau, because of non-repayment, M-Shwari helps that customer to clear their record. She, furthermore, stressed that the fine of the credit bureau

is relatively small (USD 20), making it easier for customers to make and learn from mistakes. Leftley added that MicroEnsure aims to keep life insurance products simple by blocking exclusions, so that people will understand and use the product.

Another question from the audience revolved around the future of MFIs in the era of DFS. Leftley mentioned that there will always be a group that benefit from MFIs and group lending. However, mobile money will compete with microfinance and he stressed that MFIs should embrace technical innovations. Bücker emphasized that the client relation that MFIs have will remain important. The final question from the audience related to the future of index-based insurance for farmers. Leftley mentioned that because of issues related to distribution and high premiums, he is not very optimistic about weather-related insurances.

Hanouch concluded by noting that:

- 1) poor customers have broad financial needs;
- 2) DFS is not only a risk for MFIs but also an opportunity; and
- 3) there are multiple models to provide financial services to low income customers. Providers need to balance between offering sufficient value to customers, while providing the services in a sustainable and scalable way.

GREEN MICROFINANCE IN LATIN AMERICA AND CARIBBEAN (LAC): TRANSLATING SUCCESSES ABROAD

MODERATOR Davide FORCELLA, CERMi – Proyecto CAMBio

SPEAKERS Lukas KAHLEN, MicroEnergy International

Irene LODER, Frankfurt School of Finance & Management

Arantza LOZA, Inter-American Development Bank



PRESENTATIONS

As an introduction to the session, Davide FORCELLA provided a general framework of green microfinance, which revolves around three main dimensions: 1) strategy; 2) risk management; and 3) opportunities in product development. However, Forcella pointed out that it is very difficult to have a complete overview of this segment, since clear reporting is missing. To address this issue, Forcella and Enclude partnered up and engaged in a data-collection mission across different projects dealing with green microfinance.

Forcella revealed that in 2014, among the MFIs reporting to the MIX Market about their environmental management (620), around 31 percent declare to have green loans. This is a trend which is increasing in all regions of the world. Preliminary results from another study done for the Inter-American Development Bank in Latin America and Caribbean (LAC) revealed that the uptake of green microfinance is quite high in the region where around one third of the MFIs analysed (over 200) had activities related to green microfinance between 2012 and 2015.

He revealed that the Caribbean region manifested particular demand for further development of green products, while still having limited outreach compared to other regions in LAC. Forcella concluded that the interest and activity in green microfinance is increasing significantly among microfinance institutions (MFIs). However, he also clarified there has been a clear gap between the potential and the actual utilisation of green products.

Arantza LOZA reminded the audience that the poorest are also the most vulnerable to the effects of climate change, and that access to technology through microfinance is a means to remediate their situation. On this note, she introduced EcoMicro, a programme financed by the Inter-American Development Bank (IADB) and aimed at building the capacities of Latin American MFIs so that they can provide their clients with the financial means to acquire the necessary technologies. Loza explained that EcoMicro relies on a holistic approach which looks at the entirety of the institution, a process divided into three steps: 1) helping the MFI's management to understand and buy into the idea; 2) working with the

risk management structure of the MFI, helping the staff understand that climate change is a risk which should be considered; and 3) developing the products together with the MFI. In terms of lessons learned stemming from the various projects, Loza summarised that adopting green microfinance products in the context of a MFI requires: 1) a high level of acceptance at the management level; 2) a risk-free proposition aimed at helping the client; and 3) wide partnerships, which might require knowledge outside the MFI. In addition, she pointed out that the work of EcoMicro requires a high level of adaptation, because the different countries in Latin American are vulnerable to climate change in different ways.

Irene LODER, replacing Carola Menzel, presented another experience with green microfinance in Latin America called Microfinance for Ecosystem-based Adaptation (MEbA). She explained that, as a point of departure, MEbA acknowledges that MFIs deal with very complex ecosystems within their areas of activity, which can vary widely across different branches. According to Loder, this is why MEbA engages with in-country experts to collect and interpret data before starting the product development stage, which is tailored to the region. She explained that, once the region-specific instrument is developed, MEbA looks at the procedures of the MFI to support risk management. Loder revealed that in general, Latin America is a mature microfinance market with mature MFIs, and the intake of green and climate-smart microfinance products has benefited from the existing infrastructure and capacities. In other contexts such as Ethiopia and Nepal, where institutions are struggling with more basic issues, products must be simplified and other forms of institutional capacity build-

ing may be needed. In her concluding remarks, Loder reminded the audience that MEbA's objectives lie on balancing benefits and opportunities with new challenges and risks, which she divided into the fields of profit, people and planet. Loder noted that economic incentives to MFIs can be created through investments in resilience and adaptation clean energy projects, but they require real-time due diligence, a strategic approach integrating the triple bottom line institutionally and provide clients with suitable finance products to enable them to invest and manage risks.

Lukas KAHLEN started his presentation by showing 'before and after' photos to the audience. The 'before' photo showed a traditional cooking stove, whereas the 'after' photo showed an improved cooking stove financed through a green loan offered by the Colombian MFI CONTACTAR. According to Kahlen, the improved cooking stove had a direct impact on improving the lives of rural communities in terms of health, social and economic benefits. The photos subsequently served as a basis for Kahlen to introduce the work of MicroEnergy International (MEI). He explained that MFIs supported by MEI have implemented a similar two-hand business model consisting of three main actors: 1) the MFI itself; 2) a local technical supplier; and 3) the beneficiaries. In this model, the MFI first identifies –with support of entities such as MEI– the demand for energy products and services among their current and future clients in order to identify potential renewable and/or efficient technology options that most benefit their clients. Once the technologies are identified respective local suppliers are evaluated and selected.

When there is a match between these two entities, they establish a commercial agreement. This usually entails that the supplier promotes, markets, installs and maintains the product whereas the MFI provides the financing for the technology upfront to the supplier, which the beneficiaries repay in the form of a loan. Among the technologies financed through green loans, Kahlen highlighted a few: efficient fridges, solar water heaters, improved cooking stoves and solar crop dryers. Kahlen concluded his presen-



tations with four major lessons learned: 1) ownership by the MFI's management is key for successful implementation, green loans should be seen as part of the portfolio and must be profitable; 2) knowledge transfer to the MFI is paramount, which will require an energy champion at the MFI level; 3) demand and supply must be matched, making it crucial to define a clear partner profile; and 4) the product must be customised to local conditions, thus requiring an in-depth needs assessment with local entities, such as universities and NGOs. Kahlen also noted that this is the right time to engage in green microfinance in Latin America, since there have been a number of successful pilots in the last few years. Moreover, the supplier market becomes more mature and thus more reliable as partners to microfinance institutions. The latter also attracted competition from other MFIs in the region. To take advantage of the momentum for green microfinance in LATA he mentioned three interesting vehicles: 1) Foster the so-called network approach, i.e. implement such green loan programs through local MFI networks; 2) increase the range of technologies by certifying an entire catalogue of products for interested MFIs; and 3) foster the so-called one hand model in which one entity offers both the financial services as well as the technology. With the correct use of these vehicles, green microfinance has the potential to increase first its outreach significantly and thus also to achieve the SDGs.

DISCUSSION

The round of discussions started up with a heated debate among the panellists on the issue of outreach and scale of green microfinance products. Whereas Loza claimed that the industry must be cautious about how large the green microfi-



nance opportunity really is, Loder defended that such products might actually be a way for an MFI to diversify its portfolio. Nonetheless, she emphasized that awareness needs to be raised at the institutional level prior to upscaling the green microfinance projects. Forcella stressed the huge potential in the light of climate change, but that we need the right mechanism to reach people. Kahlen highlighted that there is a large market from the end-user perspective, since a lot of people can benefit from green products. He confirmed the point that caution is needed in terms of implementation. Upscaling will only be possible after lessons learned from different pilot projects will create more and more standardised processes.

A further discussion point dealt with the real business case of green microfinance products to MFIs and to their end-clients. Loza clarified that EcoMicro only provides grants in terms of capacity building to MFIs, but it does not have a say on how the institutions will incentivize their end-clients. She further elaborated that MFIs are piloting green loans with their own balancing sheets. Loder also explained that green loans should be income-generating loans, and this should be the motivation for MFIs to engage in those products. Nonetheless, she noted that technical assistance is still provided in the framework of projects. Kahlen agreed that, without technical assistance, it is not possible to implement green microfinance projects. The industry should call for ways to integrate this process into the framework of the MFI.

IMPLEMENTING INNOVATION IN INCLUSIVE FINANCE: THE NETWORK APPROACH

MODERATOR Benjamin MACKAY, ADA

SPEAKERS Jack BURGA CARMONA, COPEME

Syed Mohsin AHMED, Pakistan Microfinance Network (PMN)

Allan Robert SICAT, Microfinance Council of the Philippines Inc. (MCPI)



PRESENTATION

Ben MACKAY shared the backgrounds of the panellists and said the aim of the session was to share ideas on innovations, challenges and possible solutions. He then presented his definition of innovation and the general context of innovation through networks: "Changes to target markets, products and services, delivery channels or processes that open up new opportunities for increasing the productivity of both MFIs and the clients they serve". According to Mackay, innovations have struggled to reach scale and are often difficult to replicate in different contexts. Nevertheless, he believes that networks have proven capable of pooling scarce resources, whether financial, human or technical. This provides members of the network with the necessary tools, methodologies and financial or other incentives to innovate more efficiently and effectively with new products and services.

Subsequently, Allan SICAT explained about the Microfinance Council of the Philippines Inc. (MCPI), and how the sector landscape has changed. The aim of financial inclusion is to remove exclusion of in particular low-income farmers, off-grid clients and youth. He then provided some examples, starting with DevSEA, which deals with sustainable energy solutions for micro and small businesses. Together with ADA, they work with two pilot MFIs, and he explained about the approach and advantages. They start with an energy needs assessments of clients, for which they then do a technology and supplier assessment. Sicat considers this to be the commercialisation phase of MFIs for which they develop and provide tailored loan products. The second example presented was on climate-smart agriculture, with integrated farming systems expanding the agricultural options for small farmers with innovative loan products. The results of these two pilot cases are not yet promising, as there are still many challenges to be tackled at the network level in efficiency and costs of

technical assistance. As next steps, they aim to improve the business model and broaden the scope of the pilots to a 'bigger green initiative' at the network level. When Mackay asked him about how to manage high staff turnover (staff starting their own businesses), Sicat explained that they develop guidebooks to maintain knowledge and expertise within and among the MFIs. Similar, for scaling up and innovations, they need to get bigger buy-in at a green network level, including accreditation and tax incentives.

Jack BURGA CARMONA presented the experiences of COPEME in Peru, which aims to help micro and small entrepreneurs in Peru. For 25 years they have worked with two main services: Microfinance and Business Development. He then introduced the 'Rural Expert', a mobile application, allowing small rural producers to get the right technical and microfinance information to obtain credit. They select service providers on the basis of added value, although they still encounter challenges in getting the business models right and add value for the network and members. There are obviously cost implications for scaling up and sustainability. COPEME works with loan products based on market trends which offer a broad service portfolio which is more than solely finance solutions. They have a relatively small team, which according to Mackay must mean some challenge to manage and innovate. Burga Carmona explained that there is good commitment and sharing of experiences, also during the field visits which they see as a 'learning cooperation'. They get donors' support for the payment of some services, in order not to exclude smaller or poorer members. For their network members to manage such schemes, it is important to differentiate and build capacities.



DISCUSSION

On a question regarding the structure of the Mwallet, Ahmed responded that Mwallet is a digital wallet for which all proper regulation is in place. They now want to also improve on a documented payment system, which is still not much liked in Pakistan. PMN is not aimed at retail, but works through agents to establish low-cost health and disaster insurance schemes. He attributed the relatively low rate of outreach in Pakistan to the late start and rollout of such schemes.

Sicat added that microinsurance in the Philippines has already a regulatory framework, but is indeed quite expensive and difficult to roll out. As for green finance in rural areas, technical assistance officers engage with clients, after which the supplier assesses potential services to be provided. Burga Carmona added that there is indeed much potential in services to be developed, but that it is important and a challenge to certify their quality. Even if he agrees that insurances are interesting, they are still expensive for the poor, and hence COPEME focuses more on other innovative low-cost loan products.

Syed AHMED then introduced the Pakistan Microfinance Network (PMN). This network has a Microfinance Growth Strategy 2020, addressing financial exclusion in Pakistan with an Inclusion Strategy. After presenting some poverty figures of Pakistan, Ahmed pointed to the bigger picture of the Sustainable Development Goals. He sees PMN as a national Apex body to address strategic rather than operational issues, using research and knowledge as the pillar of advocacy and product innovation, such as mobile wallets for savings (Mwallet). Dealing with some 3.8 million borrowers, it is crucial to manage risks, for example through microinsurance and disaster management. Fortunately, several consecutive governments have contributed to a number of positive developments for inclusive finance in Pakistan. This was possible

because the central bank of Pakistan (SBP) has played a major role in leading the industry. Through some of these initiatives, PMN aims to reach 10 million borrowers. A Medium Term Framework, which is said to need some USD 2 billion in funding, encompasses capacity building, disaster risk management, and a regulatory framework for non-bank microfinance institutions. When asked by Mackay how to manage and get funding for all this, Ahmed replied that it is important to have a good business plan to engage with funders and to develop a proper ecosystem for that plan to work. It also requires a clear revenue model, with membership fees, training fees and consultancies, and fees for enquiries by the Credit Bureau. In addition, he mentioned funding for research and income from fees generated through their digital platform.

MORE INCLUSIVE FINANCE FOR YOUTH: SCALABLE AND SUSTAINABLE DELIVERY MODELS FOR FINANCIAL AND NON-FINANCIAL SERVICES

MODERATOR Jared PENNER, CYFI

SPEAKERS Ata CISSE, UNCDF

Aymeric FUSEAU, Positive Planet

Katia GOMEZ, ADOPEM (Dominican Republic)



PRESENTATIONS

Jared PENNER introduced the topic and noted that the case studies discussed in this session can be found in the latest publication of the e-MFP Youth Financial Inclusion Action Group: *More inclusive finance for youth: scalable and sustainable delivery models for financial and non-financial services*¹. He remarked that an enabling macro-environment is crucial for both scalability and sustainability. Providing services to youth of legal age in urban areas allows for high sustainability and scalability while targeting rural populations is more challenging. He stressed that investing in youth financial services is a multi-year investment. Profitability, scalability, and sustainability cannot be achieved within a short time frame, even in the presence of significant external grants.

Ata CISSE introduced the UN Capital Development Fund's programme YouthStart and noted UNCDF is the United Nations leading agency focused on financial inclusion. YouthStart was initiated in 2010 in partnership with the MasterCard Foundation and is active in eight African countries, partnering with ten Financial Service Providers (FSPs). YouthStart provided grants to FSPs in order to design, test and scale up responsible, affordable, and accessible youth products and identify and build partnerships with financial training providers to reach youth. The main products include loans and savings and the objective of the program was to reach up to 200,000 youth by the end of 2014. By June 2015, YouthStart's partners surpassed that goal as they reached more than 600,000 youth, collected USD 16 million, gave USD 11 million loans to 80,000 young entrepreneurs and provided financial education trainings to more than 660,000 youth. Most of the loans provid-

ed were used to pay for education or start up a business. Cisse remarked that youth have higher repayment rates when compared with other clients mainly because of the provision of financial education.

Cisse identified three factors that assisted partners to scale up their programs. The first factor was integrating youth into the programs by using young leaders and clients of the FSPs as youth officers to help promote the FSPs services and products, deliver financial education and serve as role-models for other youth. Secondly, YouthStart encouraged FSPs to partner with Youth Serving Organisations (YSOs) to deliver non-financial services to increase its outreach, in particular to vulnerable groups such as young women and out-of-school youth. Thirdly, FSPs provided youth with targeted and concise financial education trainings. With regards to sustainability, Cisse mentioned that nine out of the ten partners have institutionalised youth services in their organisations. Many of them have accomplished sustainability by either finding other revenue streams via cross-selling, or by increasing savings volume by providing savings accounts to more affluent youth that can then be used to target more vulnerable groups of youth. Using youth officers has also been proven significant as it helped minimise labour costs. Penner commented on partnership mismatches and asked Cisse how YouthStart managed to deal with this challenge. Cisse mentioned that mismatches and partnership failures occur because the objectives of each partner are not well understood by the other. It is extremely important for partners to share their expectations with each other and keep strong lines of communication open between parties.

¹ Available at <http://www.e-mfp.eu/resources/european-dialogue-no8>



Aymeric FUSEAU talked about the experiences of the Youth Entrepreneurship Program (YEP) initiated in 2013 in Egypt, Lebanon, and Palestinian Territories. YEP's goal is to foster the economic empowerment of youth, to strengthen MFIs' capacities and improve their support services in targeting youth. YEP's methodology includes the adaptation of the financial and non-financial services offered by MFIs to the needs of targeted youth, the training of field staff on the newly adapted services, and the establishment of exchange forums for the various stakeholders. Fuseau explained the model used by Al Majmoua MFI in Lebanon. The first step was identifying the target youth and classifying them to existing entrepreneurs; fresh graduates; and formal or informal workers. After this classification youth received training relevant to their needs and had to prepare a business plan. Successful participants received a loan and further one-to-one coaching.

Fuseau mentioned that the socioeconomic and political situation and instability are the main challenges YEP is facing. This instability decreases start-up opportunities, as the Syrian crisis is affecting youth employment and has caused a lack of motivation to existing entrepreneurs. Penner remarked that in order to receive a loan, youth need to provide 25 percent of the capital themselves, mainly via savings. Moreover, they need to have at least one year of working experience. These terms and conditions were another challenge on scalability of the project in terms of outreach.

Katia GOMEZ talked about MÍA, ADOPEM's youth savings program. ADOPEM is a regulated bank with 70 branches in the Dominican Republic. ADOPEM has currently 29,501 MÍA savings accounts representing seven percent of the bank's portfolio. In the Dominican Republic, youth receive an ID card at the age of 16 segmenting ADOPEM's clients in two groups; younger youth: 0 to 15 years old and older youth: 16 to 24 years old. Younger youth need to have a guardian to open a savings account and although both youth and the guardian can deposit, only the guardian can withdraw. Older youth can open a savings account with their own ID and they are the only ones who can access their accounts. ADOPEM does not charge transaction fees but imposes a dormancy fee if the account stays inactive for a period longer than six months. To avoid charging dormancy fees and incentivise youth savings, ADOPEM calls young clients with inactive accounts or accounts with a decreasing balance to remind them of the importance of saving. ADOPEM offers passbooks to youth and encourages them to keep it in a safe place and maintain control over it. Gomez said that ADOPEM's goal with the MÍA savings accounts is to create a culture of saving amongst youth and children. She emphasized the importance of providing financial education both to the parent and the youth to achieve this, and stressed the significance of being a child-friendly institution. Gomez focused on the importance of cross-selling to achieve sustainability, emphasizing that 81 percent of youth

accounts have been created after a member of the family was already a client of ADOPEM.

DISCUSSION

Gabriella Crescini from Swisscontact asked Gomez whether MÍA is profitable since there are no transaction fees in place. Gomez explained that ADOPEM is about to break even on MÍA but cross-selling brings extra revenue in the bank. She added that ADOPEM has received a grant to kick-start MÍA. The discussion was continued by Penner asking Cisse whether the youth products have changed the organisational culture of partners. Cisse mentioned that there was a lot of awareness raising within partners' institutions and she emphasized that management buy-in is of crucial importance to incentivise the staff. Penner closed the session by encouraging the audience to review the Youth Action Group's publication which describes each case study in great detail and offers further lessons learned and recommendations for practitioners.

A FOCUS ON FARMERS: SOLUTIONS FOR BUNDLING FINANCE AND TRAINING TO MEET SMALLHOLDER NEEDS

MODERATOR Michaël DE GROOT, Rabobank Foundation

SPEAKERS Gabriella CRESCINI, Swisscontact

Jorge CRESPO VELASCO, Fundación Sembrar

Mike WARMINGTON, One Acre Fund

PRESENTATIONS

Michaël DE GROOT welcomed the audience, introduced the speakers and announced that unfortunately Maria Elena QUEREJAZU from Fundación Sembrar could not attend the session. She was represented by her colleague Jorge CRESPO VELASCO.

Crespo Velasco introduced the Fundación Sembrar, a Bolivian non-profit entity which uses a particular service package to achieve its mission to fight poverty and ensure food availability. Fundación Sembrar addresses the country's rural areas in particular, since around 33 percent of Bolivia's population lives in rural areas where poverty is especially high. Smallholder farmers in rural areas face constraints as they have limited access to capital and assets, lack adequate technology and do not meet the standards of the market. In addition, they face risks in terms of production and crop, climate and weather, as well as price and market. To support farmers in addressing these constraints and risks, a particular model was created. Over the last six years, the ATF (Asistencia Técnica y Financiera) model has been providing a combination of services: access to credit, bundled with the provision of technical assistance and market access facilitation. These services are offered by two separate institutions. Fundación Sembrar provides technical assistance to improve yields and productivity as well as market access facilitation through the provision of market and price information, while financial services are provided by the microfinance institution Fundación SembrarSartawi. Crespo Velasco stressed that the productivity results were great, illustrated by, for example, the milk production being doubled. He concluded that producers need financial



resources, but must be supported with a comprehensive package.

Gabriella CRESCINI of Swisscontact, presented an innovative way to enhance agricultural productivity: microleasing bundled with training provision. The development organisation realised that access to local financial services is often constrained for landless people, women and micro farmers and micro entrepreneurs who lack collateral. Microleasing eliminates the need for individuals to borrow or commit their resources up front. Risk is mitigated instead by a collateralized and insured asset and creditworthiness is based on future prospects and potential cash flows. In 2006, Swisscontact commenced 'greenfielding' with K-Rep Development Agency, a research and development microfinance NGO in Kenya. The project started with cow leasing and extended to other livestock and agricultural assets, until in 2009 Juhudi Kilimo was established. Three years later, the social enterprise reached profitability

and Swisscontact exited in 2015. Crescini stressed that a good model is required in order to make microleasing successful. First of all, working assets with quick turnover are required in order to repay lease and increase farmers' income. As high quality products are not enough, it is important to insure products at the same time. Secondly, technical assistance and training provision is an important part of the model - on both the farmer side and the financial service provider side. Currently, Swisscontact has more pilots running in other East African and Latin American countries. The development organization now works with more mature financial service providers (FSPs) to reach profitability over a shorter time period. Nevertheless, this remains a challenge since FSPs are often not agricultural specialists, a lot of investment capital is needed for microleasing and "there are not a lot of patient and risk-taking financial service providers on the market". Crescini concluded with the remark that a lot of work with the investment market



and accompanying technical assistance for the FSPs is required to make micro-lending successful.

Mike WARMINGTON from One Acre Fund described the particular service bundle that the organization developed in order to serve smallholder farmers. One Acre Fund developed a repeatable and scalable model, currently serving over 250,000 farmers, located primarily in East Africa. The service bundle includes: 1) asset financing in the form of farm input loans, such as seed and fertilizer; 2) distribution of the farmer's order to the rural areas where the farmer lives; 3) market facilitation to maximize profits from harvest sales through improved storage and links to market; and 4) training on modern agricultural techniques which is largely focused on increasing yields. Warmington stressed that the service bundle is taken on credit, which farmers pay back on a schedule that suits their cash flow over the course of the season. As a result of this service package, including training, the average One Acre Fund client increases their farm income by at least 50 percent, and realizes more than a 100 percent return on their investment. Warmington highlighted that, despite a solid repayment history, One Acre Fund still face a number of challenges with the training program. Firstly, the uniform

training program might not necessarily address the differing experience range and training level of farmers. One Acre Fund is currently looking into customization of training without losing efficiency. Secondly, the long-term health of soil as well as risks posed by climate change need to be addressed. And lastly, the time constraint that training poses. The organization currently addresses the question how to achieve more efficient training; with one possibility being technological solutions such as mobile payment in order to reduce the time of group meetings before the trainings.

DISCUSSION

De Groot opened the discussions by asking Warmington whether One Acre Fund deliberately focuses on food crops rather than on cash crops. Warmington affirmed, stating that the aim is to ensure food security first while access to market is secondary. Addressing the question if training costs are factored into the margin of interest rate charged, Warmington stressed that it is. The interest rate is made transparent and competitive. However, he also highlighted the need to scale up since after six years, One Acre Fund is not financially sustainable yet. Addressing questions regarding default risk, Warm-

ington stated that the default rate is very low as farmers recognize the value of the services, the approach uses joint liability and in addition, farmers need to finish their payment before they can enjoy next year's services.

Bakir Lashkari from Rabobank Rural Fund addressed the transparency of donations that the Fundación Sembrar receives. Crespo Velasco emphasized that donations flow to the technical assistance side and that investors are informed about the economic and social role of the investment they make. Responding to the question if multiple trainings are really necessary, Warmington stressed that it is indeed necessary since repetition, follow ups and check-ups are crucial to achieve change. Crescini agreed, stressing that implementation and practice change after training. De Groot drew attention to the fact that questions remain on how to feed 9 billion people in 2050. He asked for ideas, also given the background that before the 1980s, extension services by governments in Africa were cancelled due to demanded budget cuts by the IMF. Warmington and Crescini agreed that, if country structures allow it, governments have a role to play to deliver training. Supporting countries in doing so is one possible approach.

IMPLEMENTING DIGITAL FINANCIAL SERVICES TO EMPOWER THE POOR – SUCCESS STORIES

MODERATOR Philippe BREUL, PHB Development

SPEAKERS Fatoumata CAMARA, WSBI

Bram PETERS, FINCA

Andrew TUSHABE, UOB (Rwanda)



PRESENTATIONS

Philippe BREUL introduced the speakers and the topic of Digital Financial Services (DFS) by showing what we have learned so far in digital field application, agency banking and mobile banking based on well documented cases: 1) Musoni Kenya plummeting loan turnaround time from 72 to 6 hours; 2) Indian MFI Ujjivan increasing loan officers' caseloads by 134 percent; and 3) Opportunity Bank Serbia, providing instant credit decisions in response to 80 percent of loan applications. For clients, it leads to lower barriers and faster loan disbursement, while institutions benefit from increased revenue from enhanced loan officer, field-staff and back-office efficiency, and they save costs by eliminating physical files, reducing fraud and improving client service.

Fatoumata CAMARA presented the case of the Tanzania Postal Bank (TPB). The bank, together with WSBI and the Bill and Melinda Gates Foundation had the

goal to "double the number of savings accounts" in the period 2008-2015 and chose a mobile banking platform to serve excluded and poor customers. In order to reach this goal, TPB used a segmented approach targeting VICOBA (Village Community Banks) apexes, VSLAs (Village Savings and Loan Associations) and Youth sports clubs. Each segment was served with specific, tailored products to ensure user convenience, accessibility and affordability. Camara then highlighted the business model for VSLAs and VICOBA. Members are able to access their member account through multiple channels, including digital financial services such as Airtel Money, Tigo Pesa and M-Pesa. Their member accounts are, at the same time, directly related to the VSLA/VICOBA deposit account. The approach of the bank resulted in 47 percent higher profit, asset growth of 48 percent, an increase in savings deposits of 41 percent and an increase in lending of 59 percent with a non-performing loan ratio of 3.2 percent.

Breul asked the audience to react to the presentation. Based on a question on whether TPB or WSBI brought in the technical knowledge, Camara replied that WSBI was involved in the technical assistance. On a question on how the new technical infrastructure influences the partnership between VICOBAs and their members, she mentioned that VICOBAs will keep their members and meeting infrastructure. However, TPB provides them with digital structures to facilitate payments and loan repayments.

The session continued with Bram PETERS presenting the DFS of FINCA Tanzania. He showed a video to set the stage and show the opportunities that their services can provide. Peters explained how FINCA rolled out its DFS until 2015 with mobile payments and agency banking services. He further explained that these DFS have led to a reduction in costs for FINCA as agency banking lowers funding costs by mobilising deposits, while mobile banking reduces operational costs.



Moreover, DFS have led to an increased customer experience in the markets where FINCA operates by increasing outreach through deeper penetration and a denser coverage. Peters compared FINCA's model with the business case of MNOs which looked to protect their existing business and increase revenue through transaction fees. MNOs often look for additional revenue streams, for example by charging fees for transactions. However, Peters stressed that, as a bank or MFI, you should look at the total costs benefits of an agency or mobile payments model, which is significantly cheaper compared to a full banking branch.

The main lessons highlighted by Peters were that the head office should ensure business ownership of the delivery channel right from the start. Next, MFIs and banks have to start with the learning process and should have the basics right before scaling up in order to keep the digital channel under control. Lastly, introducing DFS will change the traditional group lending model. MFIs have to be ready to change their interaction with customers.

DISCUSSION

When Breul gave the floor to the audience, one participant asked what the most important lesson was regarding the scaling up of the agents model. Peters stressed the importance of liquidity management. This is monitored in real-time using a simple Excel-based tool. Another question revolved around one of the lessons learned in his presentation: do not adapt the channel to existing products and procedures but develop products, procedures and the channel in tandem. Peters emphasized that banks should not stop offering old products, using the example of the group lending model. After introducing the new services, group meetings were no longer necessary to make payments. New group-lending models had to be introduced that still provided value to group meetings as an internal control system.

The last case was provided by Andrew TUSHABE of UOB (Rwanda) who presented their mHose mobile banking service. The service aims to remove cash handling to improve efficiency and staff safety, increase operational efficiency, and improved but branchless customer access

to services. UOB offers customers bank accounts with a wide array of services, such as credit, savings and life insurance. UOB currently has 57,000 mobile banking customers (of which 12,400 active users), 214 agents and an operational presence throughout Rwanda. The challenges related to the new DFS were linked to technical literacy, coverage and quality of the service, agent availability and liquidity, and the management of loan groups. Possible solutions to tackle some of these issues are the introduction of overdrafts for agents, direct debit of loan repayments from customer accounts and linking with Mobile Money Transfers (Tigo Cash, MTN Mobile Money).

Tushabe concluded by highlighting solutions implemented to improve loan repayments. Firstly, he mentioned that groups have to function properly by having consistent group meetings, timely information on arrears and group repayment reminders with immediate follow-up. Secondly, you have to improve the customer experience by supporting customers to use mHose and ensure a high level of service from agents. Finally, you have to define roles and responsibilities of the staff involved, for example by sharing KPIs with sales managers and refine customer and agent registration and activation procedures.

A member of the audience asked for further explanation on the relationship between Tigo and the UOB. Tushabe replied that UOB is responsible for bank-related activities while Tigo leads the promotion of the product. Another question from the audience related to the charges on digital transactions. Peters provided the example of Vodacom which raised their transaction fees from m-Pesa to FINCA. As a result, transactions plummeted. He repeated that indirect costs of offices should be taken into consideration before starting to charge higher fees. Mobile transaction costs will overall be cheaper than a transaction in a branch.

COLLABORATIVE EFFORTS DRIVING SUSTAINABLE DEVELOPMENT

MODERATOR Jenny NASR, Microinsurance Network / InFiNe.lu

SPEAKERS Jorge RAMIREZ, European Microfinance Network (EMN)

Josien SLUIJS, NpM Platform for Inclusive Finance / e-MFP

Sahar TIEBY, SANABEL



PRESENTATION

Jenny NASR opened the session, underlining the interest and need for collaboration in the sector. She then gave the floor to Josien SLUIJS, who opened her presentation stating that much can be done in terms of providing access to finance and inclusive finance as still 2 billion people lack access. On the other hand, we should also realise that much is already being done. We have built quite an extensive network of institutions providing financial services. If you look at the current situation of the sector, you see that there is a changing focus. Investors increasingly look at how to play their part in the many themes related to the sustainable development goals (SDGs), such as health, climate and water, where access to finance takes an essential part.

NpM gathered investors in the Netherlands to join their efforts and link them with government, private sector, civil society actors and knowledge institutes, calling it 'The Dutch Diamond Approach'.

In this context, stakeholders sit together to develop business cases, a prerequisite to make initiatives independent from subsidies, ready for up-scaling and involvement of the private sector. A recent example of cooperation is a statement signed by the Dutch investors in the Inclusive Finance sector to include more 'green' in their business strategies, which was then offered to the Ministry of Foreign Affairs. Such complex matters as 'greening the industry' require involvement of many actors. Another example is the research 'Finance for Smallholders', promoting access to finance for farmers. Since they play an important role in the food security agenda, NpM members shared their success cases in reducing risks. Risk, or perceived risk, is one of the largest obstacles in making sure farmers have access to finance. By working with 'organised farmers' (producer organisations, cooperatives, special finance structures), risk can be reduced.

Results of such analysis are widely spread through, for example, expert meetings in African countries. The work of a net-

work like NpM is to initiate activities that individual members would not take on, but are important for the sector at large and for microfinance clients. Besides the above mentioned examples, NpM works on issues like policy development projects on law and regulation as well as joint expressions on taxation policies.

Jorge RAMIREZ of EMN stressed that the work of microfinance cannot be separated from non-financial services, in particular when taking the SDGs into account. He pointed in particular to SDG 1 on 'no poverty' and SDG 1.4 mentioning microfinance explicitly and SDG 8 on 'decent work and economic growth', referring to access to finance and the capacity of domestic financial institutions. In terms of what networks can contribute, Ramirez points out that they can help tracking the performance of the sector, facilitate capacity building, and advocacy at EU and national levels (in the case of EMN). He continued by articulating the EMN Strategy 2015-20, which has clearly set out to increase impact by 100 percent on the following indicators: delivery, transparency, good governance (referring to the European Code of Good Conduct)², collaboration with mainstream financial institutions.

Sahar TIEBY introduced the SANABEL Microfinance Network, covering 22 Arab countries in the Middle East and North Africa. It was only established in 2002, but is already feeling 'mature' with some 92 member in 80 financial services, and comprising 12 networks. They worked a lot on rules and regulations and on regulatory frameworks such as for the interpretation and harmonisation of financial inclusion. However, their coverage is still limited, now serving some 3 million

² See session 'Following a (social) standard: compliance, codes of conduct and more' page 34



people by 15 institutions on a population of approximately 370 million. There is a need for more capacity building and support mechanisms. They are struggling with structuring in large part also due to shocks and security issues, as they are operating in the most violent regions. They have increased cooperation with regulators and policymakers to get more engagement and work out concrete steps. Some seven countries have now adopted regulatory frameworks, yet national financial inclusion strategies still need to be defined. They aim at doubling outreach next year in order to enhance the impact to their societies.

DISCUSSION

There was a question from the audience on whether the SDGs are really being taken seriously by the microfinance sector, and whether the priorities for networks regarding the promotion of the SDGs should focus on regulations or advocacy. According to Sluijs, networks differ considerably as their member base differs. In the case of NpM, their member base consists of investors. An example of how they contribute to the SDGs is by signing a joint statement in which they commit to 'greening the inclusive finance sector'. In promoting a responsible sector and aligning and contributing to themes described in the SDGs, they agree to implement and add value through advocacy and joint efforts.

Tieby referred to the evolution of their members, which demanded first and foremost the development of materials and skills and the adoption of standards to build credibility. They now work with

some members of SANABEL on capacity building, while the more advanced members focus on advocacy. In addition they work with regulators in the region. Ramirez explained that it will differ from country to country; some work on regulations and others on capacity building. It is not always easy to find a balance.

Nasr subsequently asked about the main social protection issues that the European networks are faced with. Sluijs responded that an important element of working on social performance and client protection is financial education. This is a topic that requires a broader approach than can be provided by individual members. When asked by Nasr about the main constraints for scaling up, Sluijs pointed to the 2 billion people that still need to be reached. We have to find ways to reach them and techniques will play an important role in this effort. Regarding the role of investors in the inclusive finance sector in the important SDG themes, it is crucial that we scale up and develop business cases to attract commercial funding. For developing and piloting business cases, grant funding is required. In that respect, NGOs are now getting less funding and have transformed into investors in this sector. Tieby added that this is also the case in her region. They are now working jointly with CGAP for the coming years, but overall she is concerned that funding and investor patterns are still the same as ten years ago. There is a need for more coordination, illustrated by the abundance of support in retail and a lack of support in infrastructure. Furthermore, she stressed for the development of institutional strategies and support mechanisms.

On the question what the main challenges are for small and medium sized enterprises (SMEs), Ramirez mentioned that the regulatory framework for SMEs is outside the scope of microfinance. It is clear, however, that such a regulatory framework is much needed in combination with accompanying support mechanisms. Sluijs added that it is still an evolving segment of the market. There are a large number of initiatives supporting this development. In some cases they outnumber actual SMEs. Dutch investors realise that advancing the SME segment contributes to developing a middle class and job creation which is essential in contributing to stable situations in countries.

The final discussion revolved around migrant workers and the current refugee crises. Ramirez said that MFIs can collaborate with relevant actors to link with countries of origin, share best practices, and technical assistance to build capacities. Remittances have a big potential in this respect. Sluijs added that the Dutch government has increased funds available for SMEs because of the belief that a stable economic situation reduces the need to seek better opportunities elsewhere. She again stressed that the work with investors is important to help create stable economies and societies. Some of the Dutch investors, like Cordaid, even chose this as their focus. According to Tieby, refugee crises are to be tackled at national rather than regional level. Even if the region can provide coordination, local action is required for real practical and legislative solutions. She concluded that we should make more use of digital technologies, such as smart cards for savings and credits which are now increasingly used in refugee camps.

CLEAN COOKING OPTIONS TO DECREASE MORTALITY AND MITIGATE CLIMATE CHANGE AND AIR POLLUTION

MODERATOR Yekbun GURGOZ, CCAC

SPEAKERS Noah ELBOT, XacBank (Mongolia)

Caroline OCHIENG, Stockholm Environment Institute (SEI)

Thomas THIVILLON, Entrepreneurs du Monde



PRESENTATIONS

Yekbun GURGOZ gave a short introduction to the theme of the session, highlighting the work of the Climate and Clean Air Coalition (CCAC) and contextualising the influence of cooking stoves on air quality and climate change. 3 billion people still cook and heat their homes using solid fuels: wood, crop wastes, charcoal, coal and dung in open fires and leaky stoves. Most are poor, and live in low- and middle-income countries. She mentioned that around 2 million people worldwide die prematurely due to poor air quality stemming from the emission of black carbon or particulate matter. Gurgoz also pointed out that the negative effects of black carbon on climate change could be partly avoided with an increasing use of improved cooking stoves. From this perspective, Gurgoz explained that this session would look at the behavioural challenges and success factors in different cooking stove adaptation programmes.

Caroline OCHIENG started her presentation by noting that the Stockholm Environment Institute (SEI) has several branches worldwide, including one in Nairobi. Subsequently, she explained SEI's

focus on households with the following fact: more than half of the population in developing countries lacks access to modern energy, thus relying on biomass for everyday activities such as cooking. Ochieng also demonstrated that around 70 percent of the population in Sub-Saharan Africa does not have connection to electricity, which will worsen by 2030 due to the region's population growth. The use of biomass to generate energy has serious impacts on people's health and on the environment. She mentioned that household air pollution from solid fuels is the number one risk factor for people's health in Sub-Saharan Africa, and number two in Asia. The effects, as Ochieng explained, go beyond health. Traditional cooking stoves depend on wood fuel, whose collection results in deforestation and long-term scarcity. In addition, health and education services depend on electricity to function.

Ochieng stated that the solution to the problem requires concerted efforts going beyond the energy sector. She noted that the adoption of improved cooking stoves in developing countries is one of the most important solutions to address the impact of biomass use. Nonetheless, it brings a series of behavioural and cultural chal-

lenges, such as the adaptation of traditional cooking to the new equipment.

In a specific example from the field, Thomas THIVILLON introduced the Nafa Naana ("easy benefits" in Dioula) programme, implemented in Burkina Faso since 2012. He explained that almost 90 percent of the Burkinabé households rely on wood fuel for cooking, and more than 100,000 hectares of forests are cut down annually. In this context, the mission of Nafa Naana is to make clean and affordable energy products available to the poorest households. Thivillon said that this is done by selecting a range of lighting and cooking products, the latter including wood, gas (LPG) and charcoal stoves. Nonetheless, he noted that Nafa Naana is in the process of introducing more advanced, but affordable, wood and LPG stoves. These products rely on an international standard set up by the Global Alliance for Improved Cooking Stoves. Thivillon further noted that Nafa Naana bridges the gap between manufacturers of cooking stoves and distributors. He also called attention to Nafa Naana's role in conducting market research to collect consumer information, arranging the imports of products, carrying out marketing campaigns and providing financial ser-

vices. Nafa Naana pays 70 percent of the products upfront to manufacturers to address their working capital challenges, and it also provides distributors with deferred payments. Thivillon also explained the structure of the financial services provided to microfranchised retailers, who receive a 3-month payment term with a 20-30 percent initial payment. Regarding key accounts such as associations and federations, a payment facility is also provided by Nafa Naana, so that they can re-sell the product to their members with a payment plan. Thivillon revealed that nearly 30,000 products have been sold since 2012, representing a disbursement for payment plans of around EUR 375,000. In terms of impact, he estimated that the programme has helped save nearly 52,000 tonnes of wood, avoided the emission of 111,300 tonnes of CO2 and saved EUR 3 million in fuel purchases since 2010.

Noah ELBOT briefly introduced XacBank and emphasized the bank's strict triple bottom line policy. He contextualised the challenge presented by Mongolia's natural disaster: the "dzud", which causes a lot of people to lose their livelihoods in the countryside and move to the city. The migrant population is mostly accommodated in Ulaanbaatar's "ger" area in nomadic homes which are not connected to the heating grid. As a result, the population resorts to traditional coal stoves, thus creating a thick layer of black smoke during the cold winters. Elbot specified that the black smoke over the city greatly exceeds the WHO's standards. He also explained that the population in the "ger" area spends up to 40 percent of their



winter income on fuel, also representing a financial burden. In order to address this issue, the XacBank and its institutional partners joined forces in 2009 to make a quick impact through an eco-product programme, establishing distribution centres in the "ger" districts and selling World Bank-tested stoves and insulation tools. He explained that the programme subsidized up to 80 percent of the stove and generated carbon credits. Elbot also highlighted that the stove is a culturally important piece in the household, which resulted in a lot of marketing efforts towards convincing the local population to replace it. In the end, the programme reached a successful penetration rate of 70-80 percent in the "ger" areas.

DISCUSSION

A member of the audience claimed that access to gas in rural areas is very difficult, and wondered whether Nafa Naana faced a similar challenge regarding LPG stoves. Thivillon clarified that the gas infrastructure in Burkina Faso is not bad, and that the programme also provides fuel re-fills. In addition, the fuel is subsidised by the government. Gurgoz expressed that it is important to move away from subsidised rates, since co-financing adds more value and sense of ownership to the product. She then invited the panellists to comment on the success factors of their programmes.

Elbot mentioned that some of the strong points of XacBank's eco-product pro-

gramme were its city approach and strong institutional partnerships, which created a solid business case. Ochieng commented that success factors will vary per context. She mentioned that, in the case of rural Kenya, the product has to be paid for upfront, and that the stove has to address real needs; the user cannot keep on alternating between the traditional and the improved stove. Thivillon agreed that the products are still failing to incorporate some of the benefits which users are looking for and to go beyond the issue of emissions.

In a question related to the involvement of MFIs in Nafa Naana, Thivillon mentioned that the products are sufficiently affordable, and require a type of technical skill which MFIs do not have. In addition, he clarified that this is not a highly profitable business. A member of the audience agreed that MFIs are not good at promoting the product, but can still be involved as a loan provider.

To conclude the session, Gurgoz and Elbot summarised the ideal configuration for the implementation of improved cooking stove programmes consists of: 1) ensuring availability of alternative revenue streams; 2) making sure of adaptation to consumer needs; 3) providing the right quality and affordability; 4) being able to rely on availability of fuel in the local market; 5) securing seed funding and a conducive regulatory framework; and 6) moving away from subsidies with a commercial approach.

PLENARY

WHERE TO GO FROM HERE: THE FUTURE OF MICROFINANCE

SPEAKERS

Marc LABIE, UMONS – CERMI

Blaine STEPHENS, MIX

Blaine STEPHENS introduced the topic of the plenary by referring to the movie “Back to the Future”, which has 21st October 2015 as the date when Marty McFly visits the future. Stephens invited the audience to reflect on the movie’s predictions which were accurate and those which were not. Bringing the session back to microfinance, he used the outcomes of the closing panel of European Microfinance Week 2012 to take a look at predictions which became a reality in 2015.

The first prediction made in 2012 was that microfinance clients would be able to use a service analogous to Yelp, a website that connects people with local businesses, thus being able to look up specific MFIs and their price propositions and services. Stephens said that we are not quite there yet, but several enablers for that vision are in place. He rated each enabler with a number of stars, ranging from 1 (lowest) to 3 (highest). He rated smart phones with 1 star, emphasizing that it is a tool which is increasingly available in developed and developing markets, but that prices are still high. Geospatial information received 2 stars; it



is becoming more and more prevalent in the context of financial inclusion, helping regulators to better understand reality. At the same time, it helps clients to find services such as providers and agents and helps businesses in expanding and finding opportunities. Stephens also emphasized that more than 42 governments have committed to mapping financial inclusion

to date, despite the remaining challenges such as data standardisation and openness. The next enabler, client feedback, received 1 star. Stephens called attention to the importance of client feedback in the democratisation of expert advice. In microfinance, there has been a strong focus on connecting to client feedback, such as hotlines on financial service providers. However, Stephens stressed that such efforts remain tentative but we are heading in the right direction. Similarly to client feedback, mobile financial services also received 1 star. There has been an enormous growth in the usage of mobile wallets and other mobile-enabled services, but they have not yet moved to a broader spectrum.

Stephens then invited the audience for projections of the microfinance industry for 2018. Through the online polling system, the audience were able to vote on questions covering three areas: 1) the ecosystem; 2) the institutions; and 3) the clients. The questions and results, commented on by Marc LABIE, were:





1. What market infrastructure development underway today will have the greatest impact on financial inclusion in the coming years?
 - a. Nigeria's e-ID cards with embedded MasterCard payment technology.
 - b. Cote d'Ivoire's launch of multi-operator mobile registration and payment of school fees.
 - c. India's push for electronic social benefits transfers to Aadhaar (unique ID) linked accounts.

Item c received the highest percentage of votes (47%), followed by items b (10%) and a (43%). Labie commented that there is no doubt that technology has the potential to push the frontier, but that we have to learn from history that replication is not easy. He emphasized that, in order for replication to work properly, it must be socially and culturally embedded. In addition, Labie mentioned that the issue is not with the technology itself, but the level to which people will be able to incorporate and use it. In this light, we must think of objectives and risks in employing new technologies.

2. What is your opinion in terms of the potential crises that the microfinance sector could face in the future?
 - a. The ones that have happened over the last ten years have generated enough knowledge for limiting the risk that others happen.
 - b. The industry has not learned enough from previous crises and a similar situation could happen again.

- c. The crises that the sector has already experienced are very diverse; they do not help predict future crises.

Item c received 57% of the answers, followed by items b (30%) and a (13%). According to Labie, crises are inevitable. However, industry should ask itself whether it is normal that crises come from the same wrong decisions by the same stakeholders. He pointed out that many crises came down to the same causes, including inadequate governance, growth and competition and policies, as well as overloading good clients. In that respect, there will not be much change from what we already know.

3. Which of these statements will hold the most insight on funding of institutions in the sector in the coming years?
 - a. Donor and development-oriented funding will continue the move away from 'microfinance' and towards SME finance, agricultural finance and basic account access.
 - b. Social investor capital will increasingly focus on institutions that demonstrate responsible finance practices and client impact.
 - c. Global social investors will tend to move away from microfinance, leading microfinance institutions to finance themselves on local markets (deposits, local debt, etc.).

Item b received half of the votes, followed by item a (31%) and c (17%). Labie agreed with the audience at first instance, but called attention to the timeframe of this question. Whereas microfinance was historically seen as socially positive, public opinion and markets nowadays are starting to develop more diverse viewpoints regarding its impact in the long run. He mentioned that the issue of double bottom line is essential, and that only a minority of institutions are really pushing for it. Labie said that the market and public opinion will eventually be able to distinguish between different segments and develop proper impact investment assessment alternatives.

4. What tools will prove most effective in increasing access to financial services by underserved segments (e.g. youth, elderly, and women)?
 - a. Funding (e.g. targeted at developing products for segments, addressing financial capabilities)
 - b. Product design
 - c. Policy setting (e.g. targets, regulations)

Item b received 57% of the votes, followed by items a (28%) and c (15%). Labie mentioned that the three elements have a strong impact, and would like to share the optimistic view of the audience on product design. He questioned whether new products will mean better financial inclusion and whether the margin will be passed on to the consumer. In terms of policy setting, Labie called for stronger attention to the industry's history, reminding the audience that savings as a way to improve service to client in terms of financial inclusion has not received enough attention.

Based on a question from the audience regarding technology ownership and service delivery decisions, Labie emphasized that the big issue is whether funds are delivered to people who need them, in an efficient manner, while making sure that the margin is reasonable. Another member of the audience called attention to mobile technology as a possible source for unexpected crises in the future of microfinance. Stephens closed by expressing his hope to check the results of the online poll in three years.

CLOSING OF THE EUROPEAN MICROFINANCE WEEK 2015

SPEAKER Anne CONTRERAS, e-MFP Chairwoman



Anne CONTRERAS reminded the audience of the theme of European Microfinance Week 2015, *Financial Inclusion for Sustainable Development*, emphasizing that sustainability has various dimensions. In its financial dimension, Contreras noted that sustainability is translated into better identifying overheated markets and targeting underserved markets, as well as encouraging funding of the sector. She also called attention to the industry's long-term outlook versus short-term returns. Contreras remarked that sustaina-

bility in the sector calls for new approaches to manage risks and expand outreach. This touches upon the better understanding of client needs and the development of tools to reach them effectively and affordably. In its social dimension, Contreras remarked that sustainability involves client protection and the provision of suitable financial services for sustainable livelihoods. Environmentally, sustainable financial inclusion revolves around green energy products and alludes to the improvement of agricultural practices.

Contreras noted that the above-mentioned themes were covered extensively during the three conference days by a number of experts and, as each of the plenaries has made clear, long-term thinking is crucial in financial inclusion and the future of microfinance clients. She concluded the session by thanking the audience, the sponsors of the European Microfinance Week 2015 and gave special note to the translators, to the supporting team of the Abbey of Neumünster, and to the team of the European Microfinance Platform (e-MFP).

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Veronika	Bertram-Hümmer	Leibniz University Hannover / DIW Berlin	Germany
Gilles	Angely	LH Invest	France
Heinz	Duenser	Liechtenstein Development Service (LED)	Liechtenstein
Christian	Hertz	Linklaters	Luxembourg
Ira	Liebermann	Lipam International	United States
Zoltán	Decsi	Local Enterprise Agency Heves County	Hungary
Zoltán	Farkas	Local Enterprise Agency Heves County	Hungary
Éva	Francia	Local Enterprise Agency Heves County	Hungary
István	Kaknics-ujhelyi	Local Enterprise Agency Heves County	Hungary
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Eleanor	De Rosmorduc	Luxembourg for Finance	Luxembourg
Kenneth	Hay	Luxembourg Microfinance and Development Fund	Luxembourg
Kaspar	Wansleben	Luxembourg Microfinance and Development Fund	Luxembourg
Anenmarie	Arens	LuxFLAG	Luxembourg
Sachin S	Vankalas	LuxFLAG	Luxembourg
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James	Kurz	Mercy Corps	United States
Clive	Munn	MFTSE Affairs S.A.	Luxembourg
Almir	Sultanovic	Micro Credit Foundation EKI	Bosnia and Herzegovina
Bob	Summers	MicroCapital	United States
Fabiola	Diaz	Microcredit Summit Campaign	United States
Raluca	Dumitrescu	MicroEnergy International GmbH	Germany
Lukas	Kahlen	MicroEnergy International GmbH	Germany
Richard	Leftley	MicroEnsure	United Kingdom
Piotr	Korynski	Microfinance Centre	Poland
Gadwin	Handumon	Microfinance Council of the Philippines, Inc.	Philippines
Allan Robert	Sicat	Microfinance Council of the Philippines, Inc.	Philippines
Rolan Glenn	Salazar	Microfinance Council of the Philippines, Inc. (DevSEA Program)	Philippines
Aldo	Moauero	MicroFinanza Rating	Italy
Lucia	Spaggiari	MicroFinanza Rating	Italy
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Jenny	Nasr	Microinsurance Network	Luxembourg
Mahamat	Charfadine Madjir	Ministère de Finance et du Budget du Tchad	Chad
Nejla	Ben Abdallah	Ministère des Finances Tunisie	Tunisia
Mahmoud Montassar	Mansour	Ministère des Finances Tunisie	Tunisia
Ali	Ouerghi	Ministère des Finances Tunisie	Tunisia
Fethi	Ben Mimoun	Ministère du Développement de l'Investissement	Tunisia
Mika	Vehnämäki	Ministry for Foreign Affairs of Finland	Finland
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Martine	Schommer	Ministry of Foreign and European Affairs / e-MFP	Luxembourg
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Blaine	Stephens	MIX	United States

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
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Tara Chand	Chaudhary	Nirnayak Saving & Credit Co-operative Ltd.	Nepal
Josien	Sluijs	NpM Platform for Inclusive Finance / e-MFP	The Netherlands
Corinne	Ostertag	OFI LUX	Luxembourg
Andrea	Dominguez	Oikocredit	Uruguay
Robin	Gravesteijn	Oikocredit International	The Netherlands
Florian	Grohs	Oikocredit International	The Netherlands
Gunter	Jansen	Oikocredit International	The Netherlands
Kawien	Ziedses Des Plantes	Oikocredit International	The Netherlands
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Qudsia	Asif	Organization for Social Development Initiatives	Pakistan
Aasim	Siddiqui	Organization for Social Development Initiatives	Pakistan
Bruno	Molijn	Oxfam Novib	The Netherlands
Michaël	Knaute	OXUS / e-MFP	France
Aldric	Luyt	Oxus Group	France
Syed Mohsin	Ahmed	Pakistan Microfinance Network (PMN)	Pakistan
Hamza	Ghannam	Palestine for Credit & Development «FATEN»	Palestine
Marion	Allet	PAMIGA	France
Quentin	Antoine	PAMIGA	France
Claire	Ozanne	PAMIGA	France
Zeljko	Djuric	Partner MKF	Bosnia and Herzegovina
Fuad	Sehovic	Partner MKF	Bosnia and Herzegovina
Philippe	Breul	PHB Development	Belgium
Maylis	Luna	PHB Development	The Netherlands
Victorin	Salifou	PHB Development	Belgium
Pete	Sparreboom	PHB Development	France
Marie-Sophie	Tar	PHB Development	The Netherlands
Aurélié	Wildt Dagneaux	PHB Development	France
Anaar	Kara	Planet Guarantee	France
Négui	Audrey	Positive Planet	France
Azalea	Carisch	Positive Planet	France
Aymeric	Fuseau	Positive Planet	France
Luca	Giacopelli	Positive Planet	Germany
Susann	Seifert	Positive Planet	Germany
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Tamás Kodzó	Diosi	Primum Found Management S.a. r.l.	Luxembourg
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Pauline	Angoso	Proparco	France
Jean-Gabriel	Dayre	Proparco	France
Patrick	Wallerand	PW Consult	Belgium
Andreas	Drossel	PwC Luxembourg	Luxembourg
Maria	Huynh	PwC Luxembourg	Luxembourg
Matthieu	Lauzier	PwC Luxembourg	Luxembourg
Wayra	Villarroel Zambrana	QUATRIM S.R.L.	Belgium
Michaël	De Groot	Rabobank Foundation	The Netherlands
Pierre	van Hedel	Rabobank Foundation / e-MFP	The Netherlands
Antony	Mayodi	Rafode	Kenya
Aracely	Castillo	Redcamif	Nicaragua
Allan	Pérez	Redcamif	Nicaragua
Indra Nur	Fauzi	Regional economic Development Institute (REDI)	Indonesia
Maïga	Amourata	Réseau des Caisses d'Epargne et de Crédit Nyèsigiso	Mali

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Issouf	Sore	Réseau des Caisses Populaires du Burkina (RCPB)	Burkina Faso
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Simon	Gupta	responsAbility Investments AG	Switzerland
Klaus	Tischhauser	responsAbility Investments AG	Switzerland
Vivian	Wegelin	responsAbility Investments AG	Switzerland
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Estelle	Marcoux	SIDI	France
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François	Legac	SOS Faim Luxembourg	Luxembourg
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Laura	Foose	SPTF	United States
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Gabriella	Crescini	Swisscontact	Switzerland
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Christophe	Favre	Symbiotics SA	Switzerland
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Angelo	Solarte	TSKI	Philippines
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Henri	Dommel	United Nations Capital Development Fund (UNCDF)	United States
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Cécile	Godfroid	Université de Mons	Belgium
Marc	Labie	Université de Mons	Belgium
Laure	Radermecker	Université de Mons	Belgium
Cece Etienne	Lamah	Université libre de Bruxelles (ULB) - Solvay	Belgium
Dube	Fireyihun Fikru	Université libre de Bruxelles (ULB) - Solvay	Belgium
Marion	Allimant	Université libre de Bruxelles (ULB) - Solvay	Belgium
Nalitiana Oliva	Andrianantenaina	Université libre de Bruxelles (ULB) - Solvay	Belgium
Guillaume	Bidubula Juwa	Université libre de Bruxelles (ULB) - Solvay	Belgium
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Pam Suthasinee	Songsrisod	Université libre de Bruxelles (ULB) - Solvay	Belgium

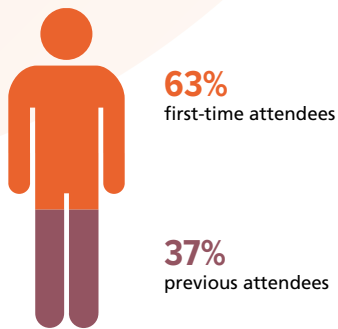
FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Akm	Zahirul Haque	Université libre de Bruxelles (ULB) - Solvay	Belgium
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Wondirad	Hailu Abebe	Université libre de Bruxelles (ULB) - Solvay	Belgium
Marlyse	Ngo Bakang	Université libre de Bruxelles (ULB) - Solvay	Belgium
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Adèle	Voyeux	Université libre de Bruxelles (ULB) - Solvay	Belgium
Gauthier	Malnoury	Université libre de Bruxelles (ULB) - Solvay	Belgium
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Veronica	Vergani	University of Bergamo	Italy
Bernd	Balkenhol	University of Geneva	Switzerland
Marloes	Huis	University of Groningen	The Netherlands
Sophia	Cramer	University of Lucerne	Switzerland
Afsheen	Abrar	University of Twente	The Netherlands
Saba Nisar	Ahmad	University of Twente	The Netherlands
Andrew	Tushabe	UOB	Rwanda
Edmund	Higenbottam	Verdant Capital	Mauritius
Mai	Nguyen Thi Tuyet	Vietnam Microfinance Working Group	Viet Nam
Stewart	McCulloch	VisionFund International	United Kingdom
José	Goncalves	Wallberg Invest S.A.	Luxembourg
James	Militzer	William Davidson Institute	United States
Fatoumata	Camara	World Savings and Retail Banking Institute (WSBI)	Belgium
Fiona	Joyce	World Savings and Retail Banking Institute (WSBI) / e-MFP	Belgium
Noah	Elbot	XacBank	Mongolia

FEEDBACK AND STATISTICS

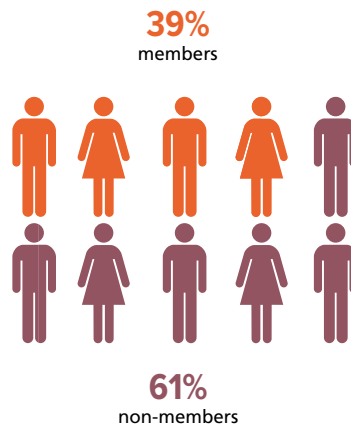


Following European Microfinance Week 2015, all participants were invited to take part in a satisfaction survey. e-MFP would like to share the feedback received.

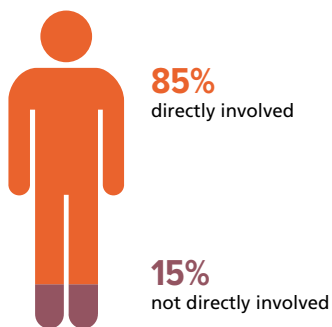
FIRST-TIME ATTENDEES



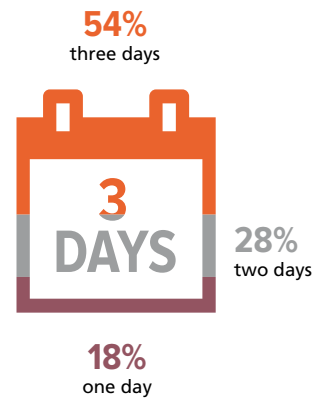
MEMBERS ATTENDING



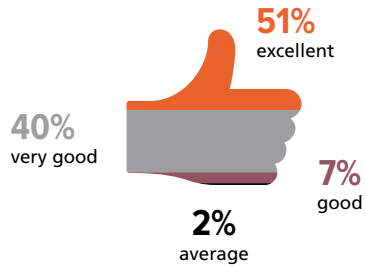
PARTICIPANTS DIRECTLY INVOLVED IN MICROFINANCE



DAYS SPENT AT THE CONFERENCE



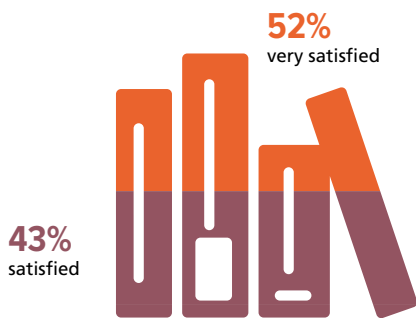
QUALITY OF THE CONFERENCE ORGANISATION



SATISFACTION WITH REGISTRATION PROCESS



SATISFACTION WITH CONFERENCE MATERIALS



IMPRESSION OF CONFERENCE FACILITIES



WERE THE CONFERENCE STAFF HELPFUL AND COURTEOUS?



89%
always

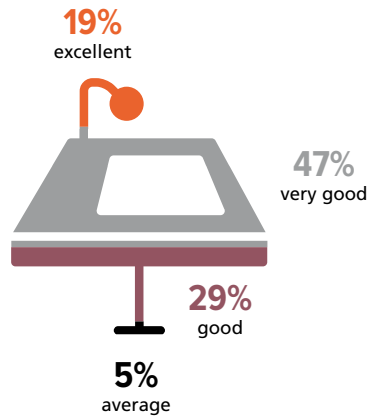


10%
mostly

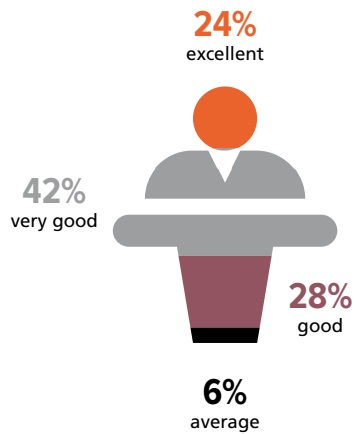


0%
only sometimes

IMPRESSION OF CONFERENCE SPEAKERS



IMPRESSION OF THE MODERATION OF THE CONFERENCE SESSIONS



PARTICIPATION NEXT YEAR



Thank you Martin Kinsella & Associates for the survey.

Below are some comments on what participants appreciated about European Microfinance Week 2015



Interesting topics, good debates between the audience and the speakers



Terrific networking opportunities and a great atmosphere

I am particularly impressed with the wide array of professionals from various areas of microfinance spread across wide geographical coverage



Excellent sharing of experiences from microfinance practitioners

A delightful conference, so professionally organized

Lot of quality choices thanks to a wide variety of interesting topics covered

It was good to bring in something which is really topical such as refugees

It was very well organized and had some inspiring debates



Excellent opportunities to make interesting new contacts

Insightful and rich, informative presentations



I enjoyed myself thoroughly and learnt a lot



Well organized conference, many professional attendees, who share their experience and knowledge

Keep up the excellent quality of the conference!

The conference was well organized and the sessions I attended improved my knowledge

Congratulations for a great event!

Thanks a lot for these wonderful 3 days

The best microfinance conference in the sector, fantastic networking opportunities and really nice atmosphere



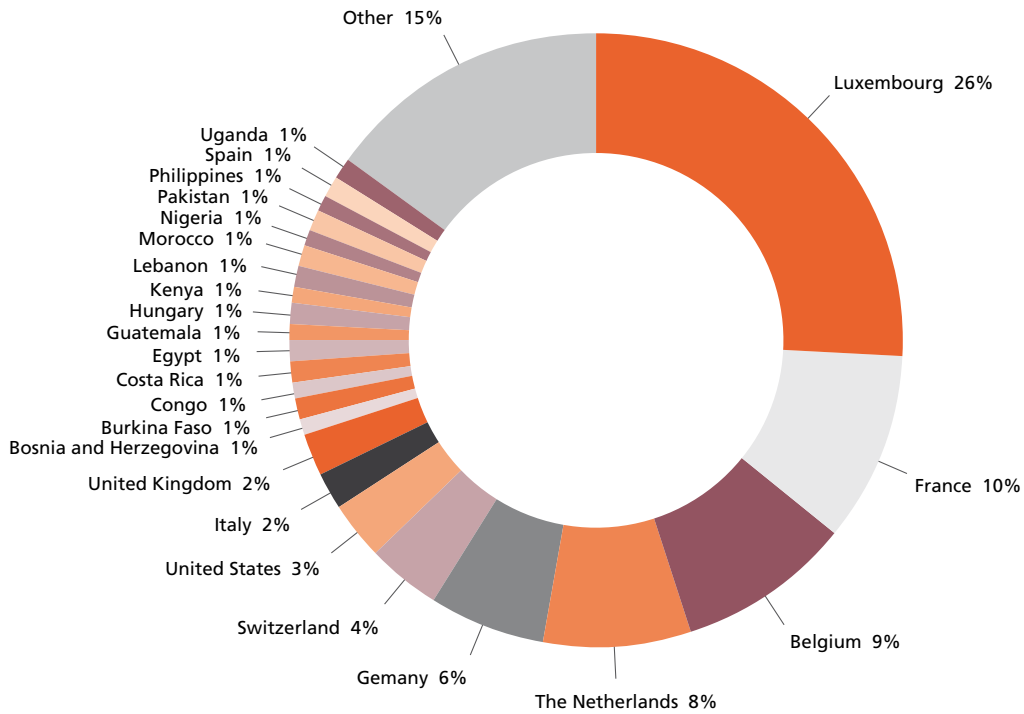
It was great on all fronts: sessions, speakers, logistics!

Congrats on another very successful conference



COUNTRIES

Number of registered participants: **466** from **67** countries



Other

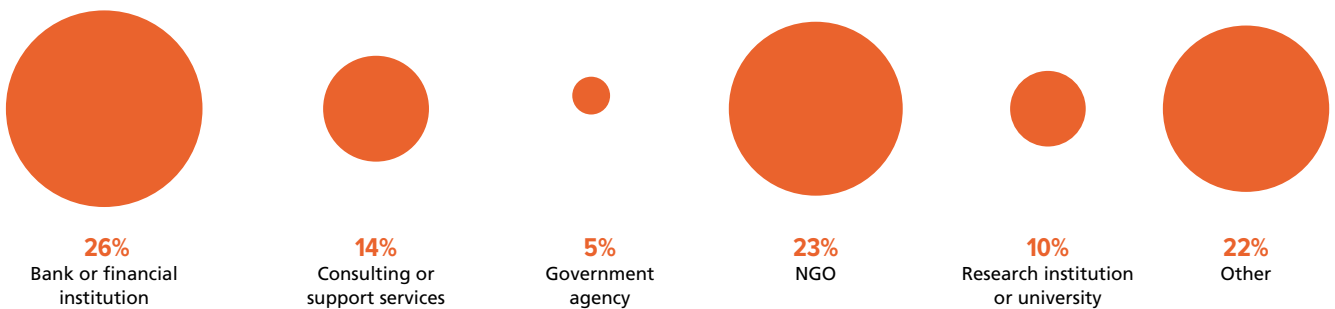
Armenia
Austria
Azerbaijan
Bangladesh
Benin
Bolivia
Cameroon
Canada
Chad
Cyprus
Czech Republic

Denmark
Dominican Republic
Finland
Ghana
Greece
India
Indonesia
Ireland
Jordan
Kyrgyzstan
Latvia

Liechtenstein
Lithuania
Mali
Malta
Mauritius
Mongolia
Nepal
Norway
Palestine
Peru
Poland

Philippines
Portugal
Rwanda
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ORGANISATIONS





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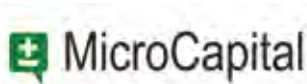


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EUROPEAN MICROFINANCE PLATFORM

The European Microfinance Platform [e-MFP] was founded formally in 2006. e-MFP is a growing network of over 120 organisations and individuals active in the area of microfinance. Its principal objective is to promote co-operation amongst European microfinance bodies working in developing countries, by facilitating communication and the exchange of information. It is a multi-stakeholder organisation representative of the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

Executive Secretariat

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NEXT EUROPEAN MICROFINANCE WEEK

16th - 18th NOVEMBER 2016

If you are interested in sponsoring this year's event and positioning your organization at the forefront of the microfinance sector, please contact the Secretariat at contact@e-mfp.eu

e-MFP would like to thank Blue Rhino Consult BV for their assistance in preparing this report.

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