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The Microfinance Promise: Would it survive increased competition?

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- Competition is the catalyst for many innovations and improvements
- Competition can lead to serious systemic issues of overborrowing and defaults
- Competition does not prevent from focus on social outreach, which is a business decision of the stakeholders



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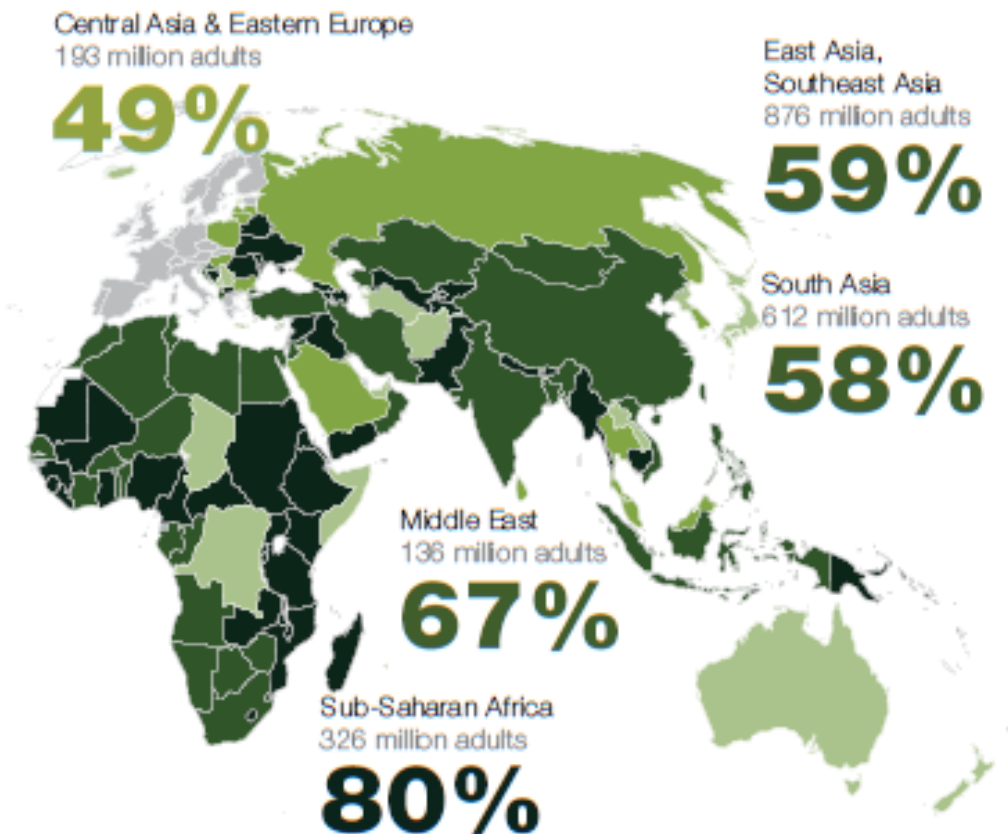
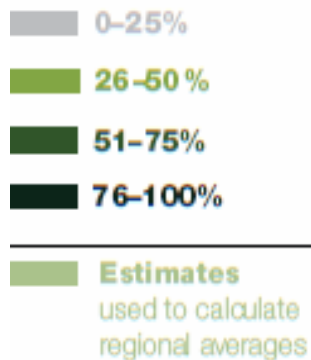
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The Underbanked Landscape: Europe, Asia, Africa

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Percentage of total adult
population who do not
use formal or semi-formal
financial services



Source: McKinsey research conducted in partnership with the Financial Access Initiative. Financial usage data from Patrick Honchan "Cross-country variation household access to financial services," Journal of Banking & Finance, 2008, Vol 32, No 11



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■ **Competition - Pros:**

- Increased productivity
- Innovation
- Focus on core strengths
- Increased focus on meeting client demand
- Reduction in interest rates for clients



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- **Competition - Cons:**
 - Overborrowing
 - Increase in defaults
 - Systemic risk



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Potential solutions:

- Self-restraint on behalf of the MFIs
- Code of conduct and client protection
- Credit bureaus
- Regulatory rules and supervision

- **A business model that focuses on both financial and social returns and includes co-operation between an NGO and a MIV**



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Concern Worldwide - Introduction

Non-governmental, international, humanitarian organisation

Dedicated to reduction of suffering and ultimate elimination of extreme poverty in the world's poorest countries

In 2009, it worked in 28 countries and reached 7,321,049 people directly

Long-term development work: health, education, livelihoods, HIV and AIDS programmes

Responses to emergency situations - in 2010, to earthquake in Haiti and flooding in Pakistan

Addressing the root causes of poverty through its advocacy and development education work

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Agora Microfinance Partners - Introduction

Agora's mission is to maximise the social return on microfinance investments while realising an attractive and fair financial return for the Fund's investors and partners

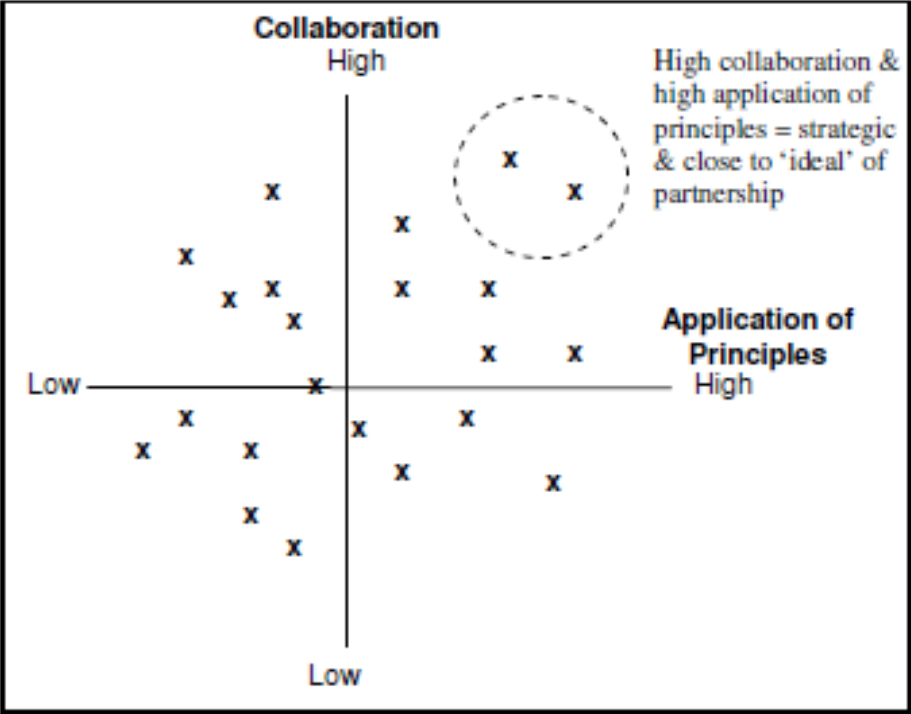
Strategy: Agora is a new microfinance venture, focusing on the poor and un-banked in Africa & Asia. As an engaged and active investor, Agora makes strategic - ideally majority - equity investments in industry leaders, mid- and early-stage MFIs and NGO-conversions

Approach: Aim to build and grow MFIs at best practice, with tight financial discipline, proactive risk management, appropriate and fair products and an innovative approach, emphasising social returns to create financially healthy institutions

NGO partnerships: Agora is a partner of the NGO Concern Worldwide and seeks to partner with other NGOs wishing to expand or exit their MFIs

Current Investments: Cambodia, Zambia & Mumbai

Concern Worldwide’s understanding of an “ideal” partnership



Source: Policy on Concern’s Relationships With Other Institutions (Partnership Policy)



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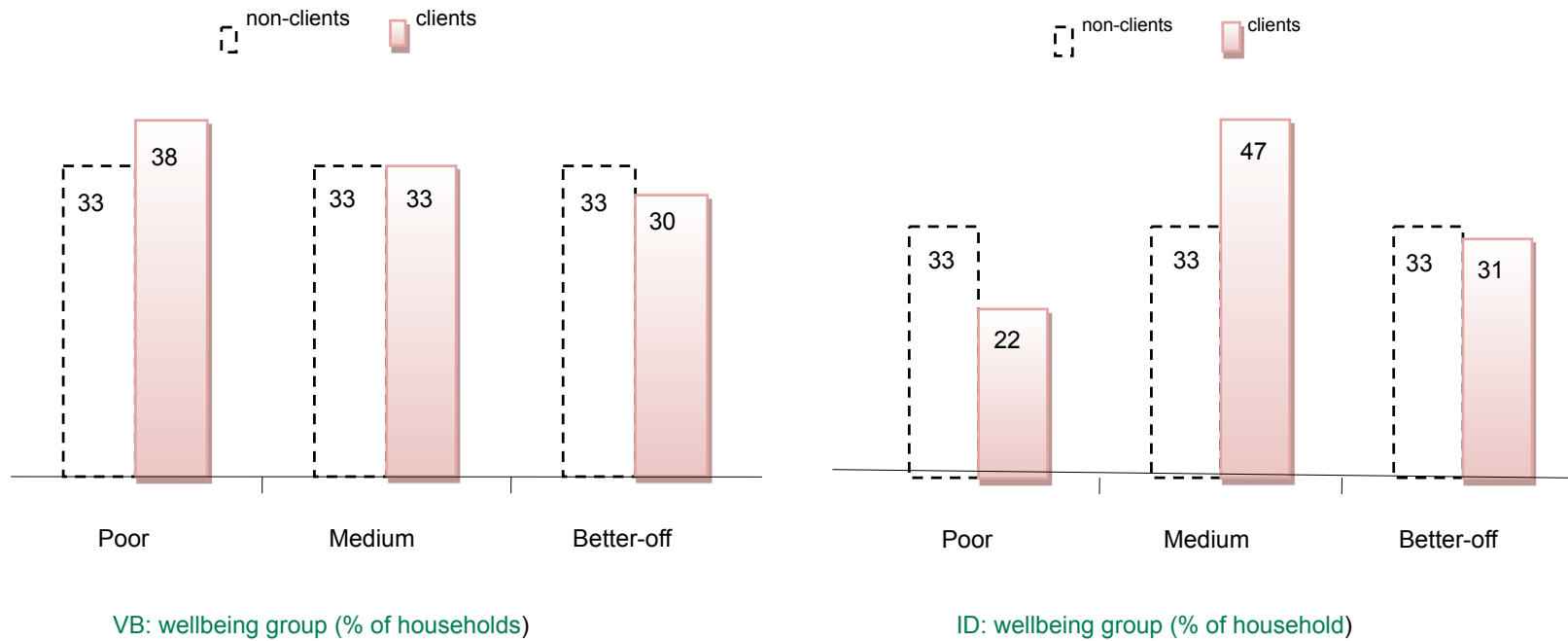
Application of Principles - Shared Strategic Vision

	Concern Worldwide	Agora Microfinance Partners
Target population	The extremely poor	The poor
Products and services	Savings, loans, insurance	A full range of financial services
Geographical outreach	Rural, initially in Concern's programme areas	National presence
Strategic vision is formalised between the partners and is consistent in founding texts	Concern's statement of vision and mission, Policy Statement, strategy	Agora's statement of vision and mission, operating principles
	Concern Worldwide-Agora Memorandum of Understanding, MFI articles of association	
Strategic vision understood and shared by the partners	Consensus reached through Africa Microfinance Initiative coordination committee, MFI board membership	
Strategic vision consistent in MFI business plan	Consensus on 5-year goals and business plan	
Strategic vision coherent with the institutional context	The MFI board oversees the development of the MFI organisational policies, ensures the vision is understood and shared by the MFI management	

Competition in microfinance sector in Cambodia, 2nd quarter 2010

MFI	Change Loan Outstanding (M US\$)	% Change Loan Outstanding	Change Client Outreach	% Change Client Outreach
PRASAC	7.08	10.8%	8,235	9.9%
ACLEDA	3.40	1.7%	5,880	2.6%
VFC	2.47	10.5%	4,722	4.9%
AMK	2.14	8.2%	17,834	8.3%
CREDIT	1.47	6.0%	2,508	6.2%
HKL	1.26	3.8%	1,813	4.5%
SATHAPANA	1.68	3.9%	1,321	3.6%
AMRET	0.90	1.7%	2,023	1.0%
SEILANITHIH	-0.57	-7.6%	913	7.2%
SAMIC	-0.57	-9.5%	-524	-4.5%
TPC	-1.50	-8.1%	-5,067	-5.5%
Total Top 11	17.74	3.6%	39,658	3.7%
Total Other MFIs	1.16	8.9%	-8,620	-41.0%
Industry	18.91	3.7%	31,038	2.9%

Social outreach in AMK, Cambodia





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