



EUROPEAN MICROFINANCE WEEK 2011

INCLUSIVE FINANCE FOR EXCLUDED PEOPLE
MICROFINANCE REFOCUSING ON THE
UNDERSERVED, UNSERVED AND VULNERABLE

2nd - 4th November 2011

Abbaye de Neumünster, Luxembourg

Conference report

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

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FOREWORD



European Microfinance Week is one of the largest and certainly the most significant microfinance event in Europe. Organised by the European Microfinance Platform (e-MFP) it gathers e-MFP members and other important actors in microfinance. The event brings the industry together to discuss important developments in the sector and its outcomes help to shape the global approach to microfinance.

The theme for 2011 was "Inclusive finance for excluded people: microfinance refocusing on the underserved, unserved and vulnerable", re-affirming the social mission of microfinance. e-

MFP was particularly pleased to welcome on our 5th anniversary, the 373 participants from 60 countries who joined us in Luxembourg.

European Microfinance Week provides a unique and dynamic opportunity for e-MFP members and friends. By sharing experiences and working together, we further the effective implementation of microfinance based on principles of responsibility and financial inclusion that reliably contributes towards the alleviation of poverty.

This report is a summary of the compelling sessions and workshops which took place over the three day event. We invite you to look back on the inspiring and energetic exchange and debate which took place.

We particularly look forward to welcoming you back to an equally stimulating European Microfinance Week 2012 and wish you an enjoyable read!

Marc Bichler
Chairman

Christoph Pausch
Executive Secretary

SESSIONS

THURSDAY 3rd NOVEMBER 2011

OPENING PLENARY: THE CHANGING PERCEPTION OF MICROFINANCE AND THE NEED FOR GLOBAL POLICY EFFORTS RELATED TO FINANCIAL INCLUSION

Moderator Christoph PAUSCH, Executive Secretary e-MFP

Speakers Marie-Josée JACOBS, Minister for Development Cooperation & Humanitarian Affairs, Luxembourg

Alou SIDIBE, Director General Kafo Jiginew

Emna KALLEL, Ministry of Finance Tunisia



PRESENTATION

Christoph PAUSCH moderated the opening session of European Microfinance Week 2011 in Luxembourg. He reiterated how the membership of the European Microfinance Platform (e-MFP) has expanded once more over the past year, in terms of both membership and coverage of countries.

Marie-Josée JACOBS, Minister of Development Cooperation and Humanitarian Affairs Luxembourg, welcomed the participants on behalf of the Government of Luxembourg and congratulated e-MFP on its 5th anniversary and its successful efforts which contribute to the widely accepted consensus that microfinance is geared towards economic sustainability and social impact. For that reason she fully supported the overall theme of the conference: Inclusive Finance for Excluded People.

She commented that this was particularly important, since in the current global economic crisis there is a risk that the poor may once again suffer from a situation they cannot control. In the recent past microfinance has suffered from setbacks resulting from the irresponsible behaviour of some institutions, so it is therefore appropriate to re-focus on the key objectives of the industry. This now appears to be the globally embraced objective of the industry, given for instance the recent report of the Secretary General of the United Nations on the importance of SMEs and the signing of the Paris Appeal. The importance of European Microfinance Week lies in sharing efforts to operationalize the general objectives of economic sustainability and social impact in day-to-day work on the ground at various levels: innovation, research, consumer protection and impact in rural areas.



Mrs. Jacobs then invited Her Royal Highness The Grand Duchess Maria Teresa to sign the Paris Appeal, which wants to balance the practice of mere profit maximization in the industry in favour of emphasizing quality indicators such as the role of microfinance as a development tool, the economic and social advancement of women, the introduction of codes of conduct and quality labels and focus on impact, innovation and diversification.

After the signing ceremony Alou SIDIBE of Kafo Jiginew gave his views on the theme of the conference. The three main issues for microfinance are financial viability, accessibility and the impact of services. As regards accessibility, many people still lack access to financial services. This is especially relevant to people who are also economically excluded. To reach out to these clients we must reduce transaction costs, integrate our systems with the larger financial sector and put in a concerted effort to reach them. In doing so, all major industry stakeholders have a role to play. Government bodies should facilitate regulatory frameworks that enable the inclusion of the excluded. Development partners can help MFIs overcome inefficiencies and diversify their products to the benefit of the excluded. In addition MFIs should include access and inclusion as a major objective and set

up conducive systems and policies. Kafo Jiginew is working towards that end by clustering its own cooperative network with many others, both domestically and across West Africa. This allows for major efficiency gains and more robust outreach capacity.

Emna KALLEL of the Ministry of Finance Tunisia, shared the turn-around efforts in the country's microfinance sector made by the interim government that came to power in early 2011. Having identified microfinance as a tool to reduce inequalities, an all-out effort was made to reshape the sector. Advised by international think tanks and advisory groups, the Government designed and started implementing a strategy that would broaden the current 400,000 client base exponentially. In the process the regulatory framework, institutional lay-out, product range and other impediments to growth were studied in detail and the findings resulted in the formulation of a common, national vision for the microfinance industry, supported by its major stakeholders. By bringing together the nearly 300 small, and mostly unsustainable MFIs in larger entities, by revising regulation towards a supportive rather than a controlling functionality, by involving the private sector, by revising the supportive role of the state and by emphasizing customization in product design, the stage is now set for realizing the targets of sustainability and inclusion in the years to come.

DISCUSSION AND CONCLUSIONS

The debate focused mainly on institutional reconfiguration processes as highlighted by the cases of Mali and Tunisia. The sector in many countries includes a patchwork of smaller, often rural based microfinance organizations that score high marks on deep outreach, but are frequently challenged in terms of institutional capacities such as governance, management, systems and capital lay-out. While frequently a well-appreciated social profile has been developed, organizational inefficiencies can hamper growth. In addition, servicing limited



numbers of clients, and in the case of cooperative systems only members, can limit inclusion.

In many countries, these institutions face increased competition from allegedly over-commercial competitors penetrating their operational regions. To retain their social objectives while strengthening their business and inclusion strategy, institutional configuration can be promoted and practiced. This, in general, involves grouping smaller entities in larger secondary federations, allowing for building efficiencies in operations and systems, but also adjustments in regulatory frameworks that factor in the unique features of Member-Based Organizations (MBOs). The audience provided additional examples of such efforts in El Salvador and West-Africa. Also highlighted was the need for further extending appropriate financial products, in particular savings and insurance.



PRODUCTS AND SERVICES: WHAT INNOVATION, WHAT OUTREACH, WHICH FUNDING? CLIENTS' NEEDS: WHAT DO WE KNOW?

Speakers Chris PAIN, Concern Worldwide

Marcus FEDDER, Agora Microfinance Partners



PRESENTATION

Due to an airline strike Aude DE MONTES-QUIOU of CGAP could not be present, limiting the presentations to representatives from the partnership of Concern Worldwide and Agora Microfinance Partners.

Chris PAIN of Concern Worldwide explained how this partnership has evolved. Concern, as an NGO, has an expressed preference for targeting the poorest segments of the population in the poorest countries. To do so, it shifted away from conventional sector-based programming in favour of an approach supporting asset building among the poor that acknowledges both resources and constraints at various levels of poverty. These levels range from the survival level, to the poverty level, to the livelihood level, to the asset generation level. At each level, specific interventions are supported. Essentially, the approach recognizes that while the poor graduate to higher wealth levels, the nature of support delivery needs to be adjusted to meet acquired skills and competencies. It also calls for a different institutional approach. At some point in time the

asset building work is taken over by the MFIs Agora Microfinance Partners cooperate with. This cooperation currently concerns AMK in Cambodia and AMZ, a Greenfield, in Zambia. Agora is, furthermore, an investor in a MFI in Mumbai.

Marcus FEDDER of Agora took up from there and underlined the importance of separating financial and non-financial services. Where Concern is much better positioned to focus on the latter, it needs a specialized financial institution to focus on the former. He explained that Agora's MFIs do not offer so-called "microfinance plus" services, as their transaction costs need to be covered by clients. The partnership with Concern is based on separating these services while still addressing them simultaneously.

DISCUSSION AND CONCLUSIONS

The first part of the discussion was dominated by clarifying questions on Concern's intervention strategy, such as on its costs, added value, the withdrawal strategy, the possibilities of operating in emergency situations and particularly on

the partnership model with Agora.

The panel indicated that though both organizations have distinct mandates and operations, they collaborate well because they initially focused on the establishment of an underlying vision and development strategy and they respect one-another's competencies in their respective operational domains.

The second part of the discussion focused mostly on the technicalities and specifics of Agora's operations. As regards the ownership structures of the MFIs, Concern plays a smaller role than Agora, while the board composition shows a rather more equal division between the two organisations. Furthermore, it was explained that dividends were retained. As regards the proposed exit strategy, the panel members indicated that this was not contemplated at this point.

THE FRAMEWORK FOR MICROFINANCE PRACTICES: PRINCIPLES, TOOLS, REGULATION AND SUPERVISION THE PARIS APPEAL FOR RESPONSIBLE FINANCE

Moderator Axel DE VILLE, ADA

Speakers Michaël KNAUTE, Oxus Development Network

Jean-Luc PERRON, Grameen Credit Agricole Microfinance Foundation

Eric EKUÉ, Consultant



PRESENTATIONS

Axel DE VILLE explained how the session was intended to inform participants about the Paris Appeal and to debate why they should become signatories. To offer the audience a chance to critically assess the Appeal, the session brought together two speakers who played a key role in the development of the Appeal and a consultant formerly employed by the Central Bank of West Africa to assess the Appeal from the perspective of microfinance supervision.

After commemorating the signing of the appeal by the Grand Duchess of Luxembourg, Michaël KNAUTE explained the purpose and history of the Appeal. He explained how it strives to answer the continuing mission drift in the microfinance sector. Rapid growth, high funding availability and expectations on return, increasing distance between MFIs and their clients and decreasing attention to use of credit and reimbursement discipline, has led to client over-indebtedness and excessive debt of MFIs. This,

in turn, resulted in credit risk, reputation risk, governance risk and a risk of political interference, facing the industry with two needs; externally to improve the image of microfinance, which is undermining the very essence of the sector, and internally to realign MFI policies to the double bottom line.

Several initiatives are already in place to address these issues, such as The Smart Campaign and the Principles for Investors in Inclusive Finance. However, these initiatives address specific issues and are practitioner oriented and thus difficult to communicate externally. The Appeal is not a rejection of these initiatives, but is part of a campaign of advocacy and action that more is needed to align the industry towards responsible finance and catalyse change. It seeks to bring back microfinance to its social mission, to create and rally a movement involving all stakeholders, including regulators and supervisors, and to renew the interest of donors, international organizations, media and other observers in microfinance as a poverty reduction and financial

inclusion tool by offering a clear message from the industry.

The Appeal was launched at Convergence 2015's in 2011, which brought together experts and participants focussing on microfinance, social economy and social business with its mission to reach the Millennium Development Goals. Jean-Luc PERRON referred to a document further explaining these issues on the Convergence website. He explained how the Appeal was developed as a multi-stakeholder effort within France, guided by a Convergence 2015 working group, for the organization of a 'General Assembly for Responsible Microfinance' under the aegis of an Organization Committee mandated by the G-20. These stakeholders share a common aim to move the industry towards responsible finance and now seek to broaden the base of signatories worldwide, including sector stakeholders, but also individuals, public figures and other organizations.

Perron then elaborated on the content of the Appeal. Signatories pledge the need for;

- a double objective of financial viability and social impact, through appropriate products and services for the poor, moderate interest rates, high standards of information and client protection, as certified according to recognized social performance indicators
- solid governance of adapted prudential rules and efficient reporting and control systems, overseen by an objective supervision system
- systematic application of principles and rules established by the industry to adjust and prevent the sector's mission drifts, according to national contexts
- microfinance investors to subscribe to a Code of Conduct combining financial viability and social objectives

- cooperation between MFIs and academia in impact studies and disseminating best practices
- donors upholding microfinance commitments, encouraging innovation and diversification and supporting programs in regions, sectors, and products, where needs are most manifest

Eric EKUÉ welcomed the Appeal as an important and opportune initiative, providing a holistic answer to current issues in microfinance, but also identified several challenges. Although agreeing that including public institutions is important, he warns against public interference and calls for strong communication of its multi-stakeholder character to the public. He also considered it important to include actors in developing countries and to communicate on the way forward. Several comments from the audience also welcomed the Appeal but added cautionary notes on its additionally and cost, on engaging with regulators, resourcing, and broadening it outside of the French environment.



DISCUSSION AND CONCLUSIONS

The speakers agreed that communicating a way forward is important, but that the Appeal firstly answers to a need to communicate consensus on responsible finance. Additionally political sensitivities should also be taken into consideration and this should be done on a country-by-country basis. They also assured that the Appeal is not extra - not in costs, nor in certification systems. In contrast, it seeks

to move practitioners and stakeholders to take up responsible finance based on established principles and to identify gaps that still need to be addressed. Also, the Appeal does not address regulators, but stakeholders to engage with regulators to reach appropriate regulation and self-regulation systems.

The initiative is currently coordinated by Convergence 2015 and is actively supported by e-MFP.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

CULTURE AND MICROFINANCE

Moderator Arvind ASTHA, Burgundy School of Business (ESC Dijon)

Speakers Saleh KHAN, PwC Luxembourg

Roy MERSLAND, University of Agder



PRESENTATIONS

Arvind ASHTA introduced the subject of culture and microfinance, and indicated that the session would give specific attention to religion. Different religions have different views on money and interest rates for example. The body of research on this subject remains too limited to offer clear guidance to stakeholders. He explained that this session would look at existing research versus future research needs, and at the external and internal cultural environment

of MFIs. He then presented a comparative study of Hinduism with the three monotheistic religions and its specific views on money, interest rates and financing which are considerably different from other religions. For example, Hinduism has a Goddess of prosperity; its ancient codes authorise interest rates of up to 120% to 240% per year. He included the work of Hans Dieter Siebel in Bali on how customary institutions could help in raising reimbursement. Finally, he presented a perspective on one Hindu NGOs work in microfinance.



Roy MERSLAND continued by explaining that, in his experience, religion plays an important role in developing countries and also influences the environment in which MFIs operate. This realisation led him to focus his research activities on the relationship between microfinance and religion, specifically looking into the differences between Christian and secular MFIs. He stressed that several factors increase the similarities between them, especially when they have similar donors, follow the same regulations, and have the same network. There are many ways in which religion may affect microfinance initiatives. He chose to study the effect of Christian religion on organizational performance, both social and financial. The most interesting results included that Christian institutions charge lower interest rates and have lower funding costs. This is related to their better networks. On the other hand, they also show lower returns on assets. Also, while lower costs of funding resulted in lower interest rates charged to clients for Catholic institutions, this was not the case for their Protestant peers. Furthermore, although Christian and secular MFIs equally reach

the poor, Christian ones struggle in reaching female clients. Finally, Christian institutions demonstrate that they are equally able to enforce loan repayment as their secular peers.

Saleh KHAN presented the initial results of his joint research effort with Ashta. Although still a work in progress, it shows how management philosophies and internal organizational culture can influence how an MFI operates. They are seeking to determine different types of working cultures of MFIs in order to improve our understanding of them. The two dominant culture types they assumed as working hypothesis are "profit oriented" and "socially motivated". He outlined the various sub-categories they have mapped so far within an operations culture matrix and gave examples of how such institutions might behave. Their next step will be to classify various sub-cultures within these two extremes.

DISCUSSION AND CONCLUSIONS

The research-in-progress of Khan and Ashta enticed many questions and comments from the audience. The audience indicated a missing third type of culture, namely the one in the middle - cooperative systems, which is especially important in Latin America, and these mostly operate under both social and profit motives. The panel responded by indicating that they will further investigate cultural types, but until now have only focussed on profit versus non-profit

cultures. Based on further questions on the main criteria to define sub-cultures, the panel responded that in the future they will try to map individual MFIs by looking at their behaviour, and also by asking them how they define themselves.

Mersland's findings on differences in outreach between Christian and secular MFIs appeared to be a subject of concern to the audience. While the research showed equal outreach, the audience expected higher outreach to meet Christian objectives of helping the poor, and also outreach to women to be at least similar. For that reason, the importance of continued research is stressed, especially to uncover the causes of this discrepancy. Moreover, a need was expressed to pay more attention to the demand-side in future research, to shed further light on client perspectives, as well as those of financial institutions.

Another possible case for future research presented by Mersland, on a Church-implemented credit and savings group, turns the discussion to the importance of religion and trends in secularisation versus increasing spirituality worldwide. While religion appears increasingly side-lined in many European societies, it continues to play a very important role in Africa. The panel also expects religion to remain a strong force in African societies and it is therefore vital to take it into account. Moreover, not only down-sides of religion should be considered, but also its positive impacts.

This turned the discussion to the relationship and interaction between church and credit groups, which would be an important component in Mersland's proposed research. While groups are autonomous and also include non-religious members, they are held in the church building and it is interesting to determine to what extent they can operate in isolation of church influence. The panel indicates that more research is needed to investigate if churches can provide a framework for trust and transparency in groups and whether churches could play a role in stimulating savings as opposed to credit. Attention should be given to how and in which way the church can play a role in informing and educating its members about the importance of saving.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

UNIVERSITY MEETS MICROFINANCE (UMM)

Moderator Erna KARRER-RÜEDI, Credit Suisse/e-MFP

Speakers Sascha HUIJSMAN, University of Groningen

Marion ALLET, Solvay Brussels School and Université Panthéon-Sorbonne

Thilo KLEIN, University of Cambridge

Carolina LAURETI, CERMI – Center for European Research in Microfinance



The session introduced the work of four young researchers who have been supported by the European Commission to carry out research or publish their thesis in the framework of the “University Meets Microfinance” programme.

Sascha Huijsman:
“The impact of the global economic and financial crisis on MFIs’ performance”.

UMM Award 2010

Sascha HUIJSMAN graduated from the University of Groningen (M.Sc. Corporate Finance) and is now a microfinance practitioner. Her thesis provides a preliminary study of the impact of the current economic and financial crisis on MFIs. Results from Huijsmans’ survey of 82 MFI managers worldwide show that as a consequence of the crisis, MFIs face higher financing costs, less availability of funding, decreased demand for loans and a deterioration of client repayment

behaviour. Using monthly financial data of 57 MFIs over the period January 2007 - August 2009, she investigated the impact of the financial crisis by studying structural breaks in times series of MFI performance indicators related to profitability, growth and portfolio quality. Results show that all performance indicators experience a significant negative shift, but that the timing of these shifts differs across performance indicators. Profitability and growth are the first to experience a significant downward shift in the last quarter of 2008. Earliest signs of an adverse impact on clients’ repayment behaviour are also visible late 2008, but a structural break in actual loan losses does not occur until August 2009. MFIs in Eastern Europe and Russia are most affected whereas MFIs in South America show the highest resilience to the crisis. The extent of impact depends on the MFIs funding structure, with those attracting savings significantly less affected.

Contact: huijsman.sascha@gmail.com

The audience commented on the sample and on potential evidence which could show greater vulnerability of non-deposit taking MFIs. Further research could be extended to Africa and to the Middle East and North Africa. It could also be interesting to assess the resilience of MFIs in rural areas.

Marion Allet:
“Managing environmental risks in microfinance – lessons learned from El Salvador”.

UMM Scholarship Winner 2011

Marion ALLET is undertaking a PhD in Economics and Management under joint supervision between the Solvay Brussels School of Economics and Management and Université Paris 1 Panthéon-Sorbonne. She presented her research focussing on green microfinance and seeks to assess whether it is relevant for MFIs to aim at an environmental bottom line. Beyond financial and social objectives,





Source: UMM

an increasing number of MFIs are now also looking at their environmental impact. In El Salvador, the MFI Integral started a pilot programme of environmental risk management in late 2009. The approach is very innovative as Integral intends to train loan officers to assess the environmental risks of their clients and raise awareness on environmental issues. More than a year after the beginning of the project, extensive semi-structured interviews were conducted with 60 clients (half of which form a control group), 17 loan officers, 4 branch managers and 14 top managers from headquarters in order to identify the achievements, opportunities and challenges of the programme. The study revealed that, despite a real interest from the MFI's staff, the pilot had limited results. Outreach is still low because environmental risk management has not been integrated into the MFI's processes and objectives. Change in environmental awareness and practices were modest as, beyond mere recommendations, clients would need to be provided with access to specific technical solutions (e.g. energy-efficient technologies, alternative to chemicals). Systematizing environmental management processes and developing partnerships with technical organizations could thus be key in making this type of program more effective in the future. Contact: Marion.Allet@ulb.ac.be

The audience remarked on existing incentives not to pollute or sanctions, on the measurement by MFI of environmental risks and on their perception by the clients.

Thilo Klein: "Why do India's urban poor choose to go private? Health policy simulations in slums of Hyderabad".

UMM Scholarships & Award Winner 2009, 2010, 2011

KLEIN explained that it has been shown that even the poorest in developing countries may have some marked preferences for private healthcare services compared to public ones. Past research attributed these preferences to a lack of public provider accountability, which can be observed in terms of provider attitude, and the unavailability of basic drugs in public facilities. This gives patients the

choice whether to opt for public facilities and buy external medication out-of-pocket in case it is needed, or to choose private hospitals and pay up-front for prescribed care packages including medication.

Stated preference research in bottom-of-the-pyramid markets showed that the availability of medicines is the predominant factor in hospital choice of the poor. Klein's thesis disentangles consumer preferences for the certain and the uncertain components of expenses for medicines. In line with new theories of insurance demand, discrete choice experiments for maternity care in Hyderabad slums showed that those living below \$2 USD per day have even more pronounced preferences for the insured provision of the uncertain component than higher income people. This insurance demand is an important, and so far overlooked, factor that explains low income people's predilection for private providers, such as microfinance institutions. Klein is currently a PhD candidate at Cambridge University. Contact: www.thiloklein.de.

The audience commented on the methodology used for the field survey (with pictogram cards for multiple choice questions) and on the use of the psychology literature to carry out the research.





Carolina Laureti:
 “Balancing flexibility and discipline in microfinance: innovative financial products that benefit clients and service providers”.

UMM Scholarship Winner 2009

Carolina LAURETI is a research fellow at the Centre for European Research in Microfinance (CERMi) undertaking a PhD in economics and management science, under supervision of the Université Libre de Bruxelles and the Université de Mons. In her presentation, she explained how product innovation in microfinance is aimed at responding to the variety of poor clients’ needs, i.e. to develop and sustain the offer of a range of client-led products. Her paper describes innovative market-oriented products that combine flexibility features with financial discipline, including microsavings, microcredit and microinsurance products from microfinance institutions worldwide. It shows that service providers are introducing various types of flexibility into financial contracts and that flexibility combined with appropriate enforcement mechanisms may enhance clients’ discipline. However, flexibility may require information-intensive lending technologies, raising the MFIs’ costs of screening and monitoring clients, and have a limited outreach. Contact: claureti@ulb.ac.be, carolina.laureti@student.umons.ac.be.

The audience mostly commented on the costs for the MFIs to introduce flexible products and on the penalty policies to be implemented.

ABOUT “UNIVERSITY MEETS MICROFINANCE”

UMM is a programme which fosters cooperation between university students in Europe and microfinance practitioners. UMM has been launched by PlaNet Finance and Freie Universität Berlin and is co-financed by the European Commission within the frame of its Education for Development Programme (2009-11). In 2010, the European Microfinance Platform (e-MFP) set up an e-MFP Action Group “UMM” to further enhance students’ research and microfinance education. As of today, 47 academics from 32 universities and 49 microfinance practitioners from 25 organizations volunteer to support UMM as Selection Committee members. In total, the UMM events gathered 1,886 students, professors and practitioners from 10 European countries. More information is available at www.universitymeetsmicrofinance.eu, award winning thesis can be ordered under: www.ibidemverlag.de/Series/ → (Series: University Meets Microfinance)

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES YOUTH FINANCIAL INCLUSION

Moderator Severine DEBOOS, International Labour Organisation

Speakers María PERDOMO, UNCDF

Jared PENNER, ChildFinance

Selma CILIMKOVIC, Partner Microfinance Foundation

Janiece GREENE, Women’s World Banking



PRESENTATIONS

Severine DEBOOS introduced this session’s topic in the context of financial inclusion, highlighting that two billion people worldwide are financially excluded. In addition to identifying the specific challenges that financial exclusion presents to youth, Deboos revealed that presenters would consider the most

effective and sustainable interventions in increasing the financial inclusion of youth.

María PERDOMO presented the results of market research conducted by 18 Financial Service Providers (FSPs) in 9 countries in the framework of UNCDF’s YouthStart programme. Based on a comprehensive methodology, its objective was to analyse the youth context and background, the



policies and regulatory framework, and the supply and demand of financial and non-financial services in these countries. The key findings of this research have been published in UNCDF's "Listening to Youth" publication. In general, the conclusions showed that the situation is fairly homogenous across these countries, and that financial and non-financial service providers are often not integrated. In addition, it revealed that MFIs have developed very few specific products for youth below 18 years old. Financial services for youth continue to be expensive to service providers, in addition to facing legal hurdles in many countries. As a follow-up action, YouthStart will support pilot projects of 10 selected FSPs in 7 countries which have submitted business plans to UNCDF.

In response to questions from the audience, Perdomo recommended to keep financial products limited to simple, flexible and low cost savings accounts. Delivery channels should vary according to the client's age: teachers could act as guarantors for young children, whereas mobile banking is suitable for older youth. Perdomo also clarified the need for non-financial services for youth, such as financial education, and life-skills trainings on topics such as HIV prevention and family planning.

Jared PENNER continued by introducing ChildFinance, a global network of stakeholders involved in child finance. The organization primarily supports development of savings products for children complemented with financial education, and of local platforms for child finance. ChildFinance's goal is to reach

100 million children in 100 countries by 2015. Penner emphasised the ChildFriendly Banking Certification Criteria, which address initiatives in terms of minimum institutional requirements and (ChildFriendly-certifiable) product characteristics, and a guide for curriculum development concerning financial education of children. He also touched upon the ideal structure for a national platform supporting child microfinance. According to Penner, the main challenges to child finance are in the coordination of initiatives and the roles of donors, funders and implementers. Moreover, the current economic climate presents a hurdle to making a strong business case. It is also increasingly necessary to prove that initiatives are not exploitative and have a positive impact. ChildFinance is establishing baseline studies to assess the impact of their initiatives in 2015.

Answering questions from the audience, Penner explained that much research still has to be conducted in the field of child microfinance, calling for further cooperation with ChildFinance's Academia Task Force. In relation to integrating conditional cash transfers in child microfinance initiatives, Penner agreed that it could be a good model, but acknowledged the risk of excluding children who are not at school.

Selma CILIMKOVIC provided a practitioner's perspective on youth microfinance, presenting Partner Microfinance Foundation's project on young entrepreneurs, which combines crucial business training with loans. Cilimkovic highlighted that, in spite of having one of the most advanced

microfinance sectors worldwide, Bosnia has a complex socio-political structure when it comes to financial inclusion of youth. In order to understand and address this issue, Partner conducted a study assessing the impact of business training in combination with loans on business investment and growth. Results showed that the initial notion that business training can increase the level of business sustainability was not proven. However, a positive impact was recorded on business sustainability as the project affected youth's long-term thinking and awareness, as well as business performance and sales.

Janiece GREENE presented the work of Women's World Banking (WWB), the world's largest microfinance network of financial institutions and banks, serving over 26 million clients in Asia, Africa and Latin America. The mission of WWB is to scale up financial products and services that reduce the economic divide among the poor, particularly women, at each stage of their lives. Greene elaborated on the successes and lessons learned from WWB's youth savings and financial education programmes for girls in Mongolia, the Dominican Republic and Kenya. Today, more than 6,000 girls have opened savings accounts and 9,000 have participated in financial education programmes. Greene emphasized how giving low-income girls access to customised savings products and financial education, empowers them economically and socially. By cultivating an understanding of the importance of saving, building saving habits and opening savings





accounts they control, girls develop skills in asset accumulation, risk management, and goal setting, making them better equipped to plan for the future. Moreover, by serving girls, and intercepting them at the vulnerable crossroads of adolescence, development programmes can have the greatest impact on that girl, her family and her community. Greene also highlighted

the importance of gaining the support of parents to help facilitate account opening and regular usage.

Critical to sustainability of youth savings and financial education programmes is to build the business case to financial institutions that addresses both business and social objectives. This helps to create institutional buy-in throughout the entire organization, from board to field staff, about the importance and value of serving the youth market, which is critical to ensuring programme longevity. Additionally, selecting partner institutions with the operational capacity and willingness to integrate youth savings programmes into their performance management and incentive systems is key to ensuring successful programmes and building the next generation of loyal savers.

DISCUSSION AND CONCLUSIONS

Prior to the discussion, Anne-Françoise Lefèvre announced that the e-MFP Youth Financial Inclusion Action Group is putting together a publication, and called for the

engagement of the audience in contributing with their own experiences on youth microfinance. During the discussion, it was concluded that youth (particularly those below 18 years old) are still highly discriminated against by financial service providers, since they are considered to be a high-risk target group. This makes it very challenging to make a business case out of youth microfinance. According to Greene building business cases together with the field staff, including branch managers, could lead to more successful results.

The panel acknowledged that youth must be targeted specifically, since their needs differ from those of other groups in the microfinance industry. Service providers should pay close attention to the differences among youth, especially regarding age, gender, employment situation and whether or not they are enrolled in school. It should be clear to the institution what group they are targeting, and design relevant products. In addition, product design should be attractive to youth so as to increase their success rate and outreach.

PRODUCTS AND SERVICES: WHAT INNOVATION, WHAT OUTREACH, WHICH FUNDING?

BRANCHLESS BANKING PROGRESS AND POTENTIAL OF NEW BUSINESS MODELS

Moderator Antonique KONING, CGAP

Speakers Nizar BASHIR, Telenor

Aurore NOUMALAZAY, Orange Money

Philippe BREUL, PhB Development



PRESENTATIONS

Antonique KONING introduced branchless banking as the delivery of financial services outside conventional bank branches using information and communications technologies and non-bank retail agents. Mobile banking (MB) takes this one step further, by introducing mobile technology. She identified two models of branchless banking, one a bank-based model, with its principal example in Brazil, and a non-bank-based model, with its principal proponent being M-Pesa in Kenya. CGAP research

identified 114 implementations of branchless banking, both mobile and card-based, with 15 having more than 1 million clients as of the middle of 2011.

Koning explained that the session would focus on the link between these models and MFIs. Many MFIs are considering MB for their operations to reduce costs, so they can serve existing customers at lower costs and reach new customers. They, however, need to consider whether a MB infrastructure exists in their country. If not, building their own service is expensive and complex and this should



only be considered by the strongest MFIs. Other MFIs can use mobile phones to improve customer service, such as by sending SMS reminders for repayments. In countries with MB infrastructure, MFIs can offer mobile loan repayments and deposits to make transaction processes more efficient, or can consider working as an agent in an MB system. The role of donors should be linked to the development level of national industries, either working at the policy level by educating and advising regulators and supporting feasibility studies and knowledge creation, or at provider level, by providing technical assistance and funding or supporting MFIs to leverage mobile banking services.

Nizar BASHIR presented Easypaisa, a partnership between Telenor, a Norwegian Mobile Network Operator (MNO) and a local bank in Pakistan, Tameer Bank. A feasibility study showed that MB through mobile operators has a higher development impact than MB by established institutions, as it addresses several issues that normally exclude the poor; high perceived costs, unsuitable product features, lack of access and insufficient income. The study identified several elements that need to be in place for MB to work including; regulations that structure the framework and operation of MB for non-bank institutions, a transparent business model based on profit sharing between partners, a reliable agent network to distribute products in cash-based economies, and consumer education to raise awareness on the advantages of becoming banked.

Bashir explained that the financial sector in Pakistan is characterised by low access and penetration of key services such as savings, bill payment, credit and insurance, providing a good business case for MB. Moreover, using agent networks and MB lowers costs, allowing the partnership to target poorer populations and rural and remote areas. He explained MB is a good value proposition for all actors; agents generate additional revenues through commissions and traffic, customers get improved access and save time, banks acquire additional clients and can serve existing clients better and cheaper, and the MNO generates new income and improves services to existing clients. This shows the importance of finding the right incentive model, which Easypaisa does by capitalising on the bank's microfinance licence, experience and trust, and the MNO's national outreach, strong brand and large existing customer base. Furthermore, sharing mission and strategy is vital, as is a division of responsibilities throughout the implementation process.

Based on questions from the audience, Bashir explained how the programme is seeking further outreach to youth through social media.

Aurore NOUMAZALAY presented the case of Orange Money. MB is a strategic product for Orange as African public institutions and consumers expect it of MNOs. This prompted Orange to launch it quickly, working with leading banks to build on their expertise and relationships with central banks, and it now has

2.8 million customers in 8 countries. Partnership models depend on the market share of Orange in the region, if low, the bank leads the partnership, where high, Orange takes the lead.

Following national money transfers, of considerable importance is offering bill payment services. For this, Orange is extending its network of merchants accepting Orange Money as a means of payment (utility, TV and innovative e-commerce providers). Non-banked clients have access to financial services through the agent network. Clients can use cash-in cash-out services through agents or use remittances as a cash-in mechanism. Orange also anticipates an increase of salary payments as cash-in mechanism to Orange Money account. Their ambition is to increase their outreach to the unbanked and offer additional services, such as interest-bearing savings accounts, credit and insurance.

Here Noumazalay sees opportunities for MFIs to go beyond their traditional roles. Traditionally, MFIs act as users of MB to offer mobile based options for disbursements and payments to clients. They pay a fee for this, but can reduce costs by optimising internal processes. They also act as cash managers in agent networks to ensure cash liquidity for agents and customers for which a commission from the MNO is received. Beyond this, MFIs should work on extending their business portfolio by leveraging their own banking licenses and expertise with the MNOs customer base, brand and technical capacities. This provides them with high volumes

of cash from MNO client accounts, improving their credit portfolio capacity, and allows them to collect information on client financial behaviour and to reach new customer segments for credit.

DISCUSSION AND CONCLUSIONS

Participants shared their own MB experiences, such as solar charging devices to reach out to remote areas, and also explained opportunities for group methodologies in MB. Furthermore, concerns were voiced regarding the management of electronic cash, which the panel agrees is an important issue.

Another issue highlighted is how to customise services to country-specific contexts. The panel explained how this can be left to local subsidiaries who know local situations best (Telenor), or can be done through a centralised approach allowing for quick and efficient system configuration (Orange). On the transfor-

mational nature of MB the panellists explained how systems usually start with the banked, but based on their experiences, unbanked people are starting to use services as well. This shows the great importance of client education and word-of-mouth. As regards the benchmarks for an MFI to consider starting mobile banking, it was discussed how not only the number of customers but also the number and size of transactions is vital in determining whether break-even volumes are achieved. Next to size, the MFI also needs to have the financial backing needed to make the necessary investments as returns on investments can take quite a long time.

Philippe BREUL added that it is difficult to work with MFIs on MB as many do not have the capacities to translate client information and feedback into the right products and services. Moreover, their business processes are not sufficiently efficient, while their limited insight into



their cost structures make it difficult to determine whether MB makes sense to them. Lastly, time and effort is needed to invest in establishing a good relationship with MNOs and in determining the potential scope of operations. He refers to both cases to show how MNOs differ in their partnering strategies; whereas Telenor chose to work with one partner, based on a shared vision and mission, Orange has now a multi-partner strategy to build a diversified service portfolio and reach different types of clients.

THE FRAMEWORK FOR MICROFINANCE PRACTICES: PRINCIPLES, TOOLS, REGULATION AND SUPERVISION

NON-PRUDENTIAL REGULATION AFTER THE RUSH TO REGULATE AND BASEL II – EXPERIENCES FROM THE FIELD

Moderator Thomas FÖRCH, GIZ

Speakers Eric DUFLOS, CGAP

Ainur TURGUNBAEVA, AMFI

Florian HENRICH, GIZ



PRESENTATIONS

Thomas FÖRCH of GIZ introduced the topic by referring to CGAP's "Rush to Regulate" article by Richard Rosenberg and Robert Peck Christen of 2000. At that time, prudential regulation (PR) was regarded as conducive for MFIs that were in a process of transformation from not-for-profit to licensed financial institutions.

The presentation of Eric DUFLOS of CGAP explained in greater detail the difference between prudential and non-prudential regulation (NPR). Following the "rush to regulate" that swept the sector around the turn of the millennium, many MFIs became subject to prudential regulation



resulting from the successive introduction of regulatory frameworks for the industry in most countries. Of a more recent nature is the call to have this extended with a non-prudential framework.

An important element of NPR is consumer protection regulations (beyond safeguarding savings) that emerged partially out of various backlashes that have troubled the industry in recent years. However, other aspects of NPR have also come to the fore such as licensing of credit-only institutions, transparency considerations, tax treatment and anti-money laundering and anti-terrorism concerns (AML/CFT). Whereas there is growing support for industry-wide introduction of NPR, it is still debated which type of bodies are to function as regulators and who is to set global standards for some NPR (e.g. consumer protection). A major obstacle faced is that conventional NPR frameworks, such as AML/CFT, may not work in favour of the overall inclusion objective; hence there is a strong call for proportionality in designing NPR frameworks.

A major innovation in this respect is that financial exclusion is now increasingly recognized as imposing a genuine threat to the integrity and security of financial systems. Global Standard Setting Bodies (e.g. FATF, Basel Committee) are therefore starting to embed microfinance in their mandate as can be seen in the recent G20 Global Partnership for Financial Inclusion White Paper (<http://www.gpfi.org/sites/default/files/documents/CGAP.pdf>).

Thomas Förch of GIZ explained how in the most recent Banana Skins report NPR featured prominently in the sense that

inappropriate regulation is considered an obstacle to microfinance. Overall, the call for NPR can be attributed to the growing awareness that if not properly regulated, microfinance runs the risk of missing its mark, illustrated by the cases of Compartamos in Mexico and SKS in India. In those cases, market failures became apparent and clearly showed the dangers of asymmetry in information in combination with excessive profit seeking. So while the need to intervene is now acknowledged; the debate centres on the issue of who is to do it and how.

Florian HENRICH of GIZ focused on the importance of non-prudential regulation with regard to consumer protection. Following Duflos' presentation on the difference between prudential and non-prudential regulation he explained why financial consumer protection regulation is of utmost importance and not only "nice to have". Drawing on the concept of the three pillars of Responsible Finance (financial consumer regulation and supervision, self-regulation by the industry, and financial capability and consumer awareness), he explained how these pillars mutually reinforce each other and the importance of working on all three of them. He further elaborated on the factors that regulators and policy makers need to take into consideration when designing consumer protection strategies. Regulators should follow an incremental approach rather than rushing to regulate. He further argued that industry efforts with regard to consumer protection are crucial and at the core of responsible finance. However, the impact

of self-regulation depends on the commitment of an association's members as well as on its tools to incentivise or sanction members. He concluded with the question of how far self-regulation can complement prudential regulation.

Ainur TURGUNBAEVA, representing the Kyrgyzstan Association of Microfinance Institutions (AMFI), informed the audience on the current state of NPR in her country. In Kyrgyzstan, the overall framework distinguishes between prudential regulation to which deposit taking institutions are subject and NPR which is focusing on credit-only MFIs. The call to strengthen the latter by putting more focus on customer protection came from various stakeholders: borrowers, the regulator, MFIs, policy makers and investors. The current system shows various flaws such as a tendency to over-regulate. However, in the main it has resulted in some real progress such as that according to the proposed legislative changes, effective interest rates need to be disclosed, indexed lending and flat interest rates will not be allowed, and more attention will be given to ensure that loan prepayment schedules are beneficial to the client. Threats have surfaced in relation to the instability of the political system with recurring calls for the introduction of interest caps and a general low level of understanding of microfinance on the part of policy makers. As a network, AMFI has contributed to NPR in various ways, but the organisation has no means to enforce the introduced Code of Conduct among members, let alone beyond. Also, the

credit bureau has problems extending its authority to all players in the field, so the sensitive risk of over-indebtedness is still prevalent. For the coming years the regulator, credit bureau and AMFI intend to intensify their efforts to promote and enforce NPR.

DISCUSSION AND CONCLUSIONS

The main point of discussion was which type of organization is to be entrusted with the supervision of NPR. There does not appear to be a simple answer here as is the case of prudential regulation where responsibility is usually assigned to the central bank or the ministry of finance as the guardians of the financial system. What is clear, however, is that NPR requires an effort across sectors and domains. In mature markets consumer organizations often play an important role in cooperation with an active market authority.

Self-regulation may perhaps be an option to consider for smaller entities and



member-based MFIs which cannot be supervised by the central bank. As for delegated supervision, there are only few cases and there is limited success in that

model so far. To that end the upcoming revised CGAP Guidelines for Regulation and Supervision of Microfinance will shed some light on several of these issues.

EVIDENCE FROM THE FIELD: FINDINGS FROM OUTREACH AND THE ROLE OF SUPPORT PRACTICES

DISCRIMINATION IN MFIs

Moderator LINDA SUVATNE, Norwegian Association of Disabled (NAD)/IDDC

Speakers LEIF ATLE BEISLAND, University of Agder

ROY MERSLAND, University of Agder

ARIANE SZAFARZ, CERMi and Université Libre de Bruxelles (ULB)



PRESENTATIONS

After the introduction of the panel by Linda SUVATNE, Ariane SZAFARZ turned to the subject of discrimination in microfinance in general. Discrimination is common in all countries, and therefore also in the developing world, making it very relevant to look into its influence on people's access to microfinance. MFIs are in general benevolent institutions, but discriminatory practices still occur, which can result in loan denial or in unfavourable loan conditions. Sometimes it is difficult to isolate discrimination from other factors, making it for example difficult to determine whether discrimination based on gender occurs. Szafarz suggested that discrimination by credit



officers might be part of the explanation why some people remain un-served or underserved by MFIs. She concluded that discrimination is a recent research topic, and needs more attention. A promising development is the new European Code of Good Conduct for Microcredit, which explicitly covers discrimination.

Leif Atle BEISLAND presented a recently finished research that he conducted jointly with Mersland. They studied the barriers that hinder disabled people in accessing microfinance. They defined five barriers: exclusion by staff, exclusion by credit design, exclusion by non-disabled members in credit groups, self-exclusion due to low self-esteem, and exclusion associated with the disability itself. They asked disabled people (841 respondents in Uganda) which barriers they see as most important. The remarkable outcome of this survey was that 46% of respondents indicated that they experienced discrimination due to the credit design, making this the most important barrier in the perception of microfinance users. Based on these results, Beisland concluded that loan conditions need to be adjusted more towards disabled people's needs.

Roy MERSLAND continued by presenting a research project in Ecuador in which he compared two financial products of Banco D-MIRO. The first, product CREER, was designed to cater specifically to disabled people, while the second, VIDA, was intended for HIV/AIDS affected clients. His analysis showed that the product for disabled people was more successful than VIDA. Banco D-MIRO was able to attract an increasing number of clients to product CREER, and its loan portfolio increased accordingly. At the same time, client base and portfolio size of VIDA fluctuated strongly. Disabled clients appeared to repay very reliably, while it seemed that the institution has not been able to serve HIV/AIDS affected clients' needs optimally, resulting in a higher PAR.



Mersland was more critical on price setting for both products, with below-market interest rates charged. According to him, this restricted the capacity of the institution to further roll out the products as it significantly reduced the profitability of the institution, even though higher interest rates would be accepted in the market.

DISCUSSION AND CONCLUSIONS

The main interest of the audience was to uncover the improvements in loan conditions needed to make products more suitable to disabled borrowers. The panel responded that product improvement needs were not part of the survey and as such it is difficult to specify which conditions would need to be met to improve products and services. More research is required to discover this. The audience also suggested including a control-group of non-disabled people in future research, which will be important to determine unfavourable conditions which are specific to disabled people.

Another point of discussion concerned VIDA, and in particular the possibilities for improving this product. Mersland replied that he would recommend more support for MFIs to provide such products. Moreover, he recommends extending

services beyond credit, to also offer savings.

The audience further discussed the key points in diminishing discrimination. Important suggestions included training staff and recruiting staff with a disability to bring MFIs closer to their clients. It was agreed that it is difficult to change people's attitudes, so indeed training and awareness-raising is needed. This should be especially focussed on branch managers and credit officers. Mersland stressed that the most acute lack is in marketing efforts; especially with regards to little or no collaboration with associations for disabled people. Cooperation would give more insight into the specific needs of disabled people, allowing MFIs to provide more appropriate products. Moreover, such associations could educate MFIs in order to stimulate inclusion of disabled people.

The audience finally remarked that access to finance for other groups that are discriminated against should also be investigated, such as young people, or age-related discrimination. Moderator Linda Suvatne ended the session by wondering whether a special credit product is the way to go, and whether we should consider shifting the focus more towards savings.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

CLIENT PROTECTION – ARE WE THERE YET?

Moderator Bonnie BRUSKY, Focus Conseil et Traduction

Speakers Isabelle BARRÈS, The Smart Campaign

Lucia SPAGGIARI, MicroFinanza Rating

Ging LEDESMA, Oikocredit

Mila BUNKER, MCPI

Sadina BINA, MCO EKI Bosnia



PRESENTATIONS

Bonnie BRUSKY opened the session by reminding the audience that this is the third consecutive year client protection has been dealt with during the European Microfinance Week. The advent of client protection indicates that the microfinance sector has come full circle to refocus on clients.

Isabelle BARRÈS started with a short overview of The Smart Campaign principles and recent actions, highlighting that its “do no harm to clients” proposition only represents the baseline in social performance. In terms of recent actions, Barrès mentioned that the principles were expanded in 2011, to include non-credit financial services and incorporate a clause on non discrimination. A new principle was added to the Smart Campaign in 2011: “appropriate product design and delivery”. Furthermore, a report on the current state of practice is being finalised and should be launched shortly. The results presented by Barrès were preliminary, but they already reveal certain developments in client protection practices from both qualitative and quantitative perspectives. They show that most MFIs investigated have practices for client protection, but some principles still receive more attention than others; e.g.



prevention of over-indebtedness and transparency, when compared to, privacy of data and appropriate collection practices. Overall, it can be concluded that organizations are doing more in the field of client protection; in addition to training and assessment efforts, a new stage of changing practices is beginning to be set.

Lucia SPAGGIARI introduced the work of MicroFinanza, which has conducted over 600 evaluations worldwide, among them many social ratings with integrated client protection elements. In this context, she presented the results and overall judgment of over one hundred social ratings conducted by MicroFinanza. Overall, it was concluded that client protection was adequate in the majority of MFIs, but there are still significant areas of concern, especially regarding the prevention of over-indebtedness and transparency. Among her conclusions,

Spaggiari indicated that debt substitution is symptomatic to over-indebtedness and represents a better proxy than cross-indebtedness. Spaggiari also indicated that transparency in contracts can play a more conclusive role in financial awareness than the client’s education level. Spaggiari further pointed at the importance of independent certification to support an organization’s sound reputation, and of correct implementation of client protection principles. Although incurring costs to build the systems from scratch, improving client protection is associated with better sustainability once the MFI has reached the client protection “minimum critical mass” necessary to build client loyalty and the trust of the government and investors.

Ging LEDESMA provided a social investor’s perspective on client protection and moving from endorsement of the



principles to their implementation. She shared that Oikocredit strongly encourages its partners to endorse client protection principles and The Smart Campaign and over 200 Oikocredit MFI partners have already done so. Oikocredit continues to raise awareness about client protection and aims to have 80% of its nearly 600 MFI partners endorse The Smart Campaign by 2012. In developing its ESG scorecard for due diligence, Oikocredit has integrated the assessment of compliance with client protection principles with specific emphasis on assessment of client capacity to repay and transparency. She sees the main challenge for actual implementation of client protection principles in capacity building, for which Oikocredit has invested heavily in both staff training and in identifying a pool of consultants in this area in recent years. However, support to partners by qualified consultants is often deficient due to the combination of low capacities in the field and high costs. Other challenges lie in the difficulty of prioritizing which of the principles to address first at MFI level and on finding a consensus regarding fair/responsible pricing.

Mila BUNKER presented the work of MCPI, a network of MFIs and support organizations in the Philippines working towards sustainable, innovative, and client-focussed solutions to poverty. Bunker stressed that social performance management, one of MCPI's core themes, cannot be dissociated from client protection. MCPI has been faced with several issues that called for strengthening client protection over the years,

including over-saturation of microfinance services, over-indebtedness and unethical MFI practices. In this context, MCPI officially endorsed The Smart Campaign in 2010, having also committed to strengthening the capacity of its secretariat in conducting assessments. Since endorsement, MCPI has drawn several observations and lessons learned concerning client protection; such as the importance of appropriate product design and delivery, the need to translate the prevention of over-indebtedness into policies, and the role of staff training. MCPI's follow-up actions include the continuation of awareness-raising, the adoption of a microfinance code and the further coordination with stakeholders such as regulators and MFIs.

Sadina BINA first introduced the work of MCO EKI Bosnia, one of the top three MFIs in Bosnia and Herzegovina. Bina subsequently contextualized the situation of client protection in the competitive Bosnian market: financial problems of MFIs have increased due to the economic crisis and client over-indebtedness, affecting the reputation of MFIs in the country. Nonetheless, the microfinance sector in B&H is subject to the same formal supervision as the banking sector, which has embedded client protection principles. As explained by Bina, client protection is not just an EKI priority for the client's sake, but also for the protection of the institution. This led the organization to adopt and implement a formal policy on client protection including prevention of over-indebtedness, ethical staff behaviour and transparency. In spite of these well-developed policies, the greatest risk for client protection in EKI is the deviation of staff practices on the ground. For this reason, the organization has put emphasis on the monitoring staff practices, formalizing staff ethics and developing soft skills.

DISCUSSION AND CONCLUSIONS

Brusky opened the workshop's discussion by stating that client protection progressed impressively compared to the first year this topic was dealt with at the European Microfinance Week, advancing from endorsement to implementation in the field through soft-skill training. The following discussion addressed practitioners' difficulties in dealing with client protection principles, and client



expectations regarding this topic. It was concluded that all principles are fairly easy to put in place; the actual difficulty lies in the communication between field staff and client. Clients expect ethical staff behaviour and fair treatment and transparent communication with clients is crucial to client protection.

The practitioners in the panel also addressed the issue of client abuse, stating that initial statistics show that the situation is not as dramatic as portrayed by the media. They warn against generalising the cases of abuse in the industry at large, and say that more studies are needed to better interpret results, and to draw the right lessons from client protection in the field. At the same time, transparency before the media remains crucial. At a later stage, the panel also concluded that further investigation of the impact of client protection on client behaviour is also necessary.

Regarding the principle of transparency towards clients, Barrès explained that the issue began as transparency on pricing but has developed by encompassing full information on loan conditions and terms. Someone in the audience mentioned that using credit bureaus to avoid over-indebtedness could backfire as commercial companies such as issuers of credit cards are also involved in these institutions, and credit information can be used to exclude clients from credit or to enforce steep interest rates. Barrès iterated that this underlines the importance of supporting the other pillars of client protection as well (e.g. client education). There are indeed limitations to what MFIs can do to protect clients but clients will be better protected if they understand the issues at hand and protect themselves. It was also concluded that, as client protection principles and schemes advance, practitioners will have to decide on how to use them according to their structure and context.

PRODUCTS AND SERVICES: WHAT INNOVATION, WHAT OUTREACH,
WHICH FUNDING?

WEATHERING THE STORM: HAZARDS, BEACONS, AND LIFE RAFT LESSONS IN MICROFINANCE CRISIS SURVIVAL FROM THOSE WHO HAVE BEEN THERE

Moderator Daniel ROZAS, Accion International

Speakers Zhanna ZHAKUPOVA, Asian Credit Fund (ACF) in Kazakhstan

Selma JAHIC, Partner Microcredit Foundation

Patricia PADILLA, ADIM MFI Nicaragua



PRESENTATIONS

Daniel ROZAS explained the importance of learning how MFIs have weathered the historic situation they are facing; a combination of a market and an institutional crisis which was felt differently by MFIs, depending on their organisation and national context. These MFIs are now the real experts and the session intended to learn from their experiences.

Zhanna ZAKUPOVA, ACF's Executive Director, explained how ACF had a historic focus on SME development to foster job creation, broadening its scope from traders to include services and production SMEs. The crisis, which was characterised by large external debt, bad credit of financial institutions and decreasing lending, and a large decrease in SME incomes, affected the organisation both directly and indirectly. While delinquency escalated, financing costs increased both because of currency devaluation affecting

their foreign debt positions and because of increasing Loan Loss Reserves. Also, demand for loans decreased strongly, resulting in shrinking income.

To weather the storm, ACF developed an action plan in 2008, based on several strategies. Firstly, a group loan product was introduced, with smaller loans and higher margins, thus reducing risk. As it focused on rural areas it also opened up new markets to ACF. To manage bad debt, a debt collection unit was formed, which set up repayment plans with individual clients. Furthermore, ACF strengthened its communication to lenders and shareholders and worked on staff morale and skills, such as debt counselling. This resulted in renewed profits and increased interest of funders. According to Zakupova new business models, developing new products, diversification of capital sources and sharing currency risks can be correct responses to crises.

Daniel Rozas noted that diversification of capital cannot be too large, as it is important for lenders to have a meaningful stake in the MFIs survival.

Selma JAHIC explained how the crisis reduced Bosnia and Herzegovina's MFI sector to one of the worst performing worldwide. The global crisis, which caused high unemployment, went hand-in-hand with political uncertainties, social tensions and high capital inflows resulting in unsustainable growth and over-supply in the market. Furthermore, while the sector operated in a framework lacking an industry code of conduct and insight into client's credit history, Partner's own incentive systems led to insufficient loan appraisal processes and inadequate credit decisions.

This led to a quick deterioration in portfolio quality, increasing write-offs, decreasing demand for products and high insecurity among staff. In its action plan, Partner focused on differentiating itself from competitors by improving social responsibility and working on the financial education of clients. Furthermore, conforming to ISO standards helped it to improve business processes, which benefited clients. Partner also developed innovative loan products focussing on youth and farmers, including technical assistance and fostering market



of enterprising women to improving their income and autonomy. She explained how the concentration of investors on a few MFIs with appetite for quick growth led to mission drift of these organisations, with flaws in customer knowledge, loan appraisal processes and social commitment, and a high proportion of consumption loans. When the crises hit and remittances, trade and incomes decreased, MFIs became largely cut off from capital markets. These MFIs were additionally confronted with bad payment morale of their clients and a decreasing interest from investors, including socially driven investors. The flawed regulatory framework and political uncertainties added to this situation.

According to Padilla, some actions to weather the storm can be taken jointly with other socially committed MFIs, such as increasing knowledge of clients, transparency to clients, and advocacy to include social approaches in legislation. Although some actions are up to MFIs individually, such as improved cost and PAR management, a pro-active lender who helps analyse problems and is committed to help MFIs by continuing to provide capital and assuming co-responsibility is important. Other significant strategies include adjusting lending cycles to rotation of inventory, high portfolio rotation and integrated social performance management.

linkages. Partner also focused on building client trust through improving client protection. A code of conduct for staff was developed to avoid over-indebtedness and improve collection processes and staff behaviour, and a complaint window was established. Based on the positive results of Partner's strategy, Jahic recommended MFIs in crisis situations to focus on loan appraisal to limit credit exposure per client and avoid cross-borrowing and to develop industry-wide codes of conduct.

Patricia PADILLA presented how ADIM responded to the crisis. ADIM's work is based on a comprehensive approach to finance, from credit to the empowerment

DISCUSSION AND CONCLUSIONS

The discussion first revolved around financing crisis management tools. According to Jahic, funders and donors were quite willing to extend grants and subsidies to committed MFIs who proposed sound strategies for product and process innovations showing a long-term perspective of improving financial and social performance of MFIs. The discussion then turned to local currency financing. According to Zhakupova, the Kazakh government has programmes offering local currency funding. However, private lenders are also increasingly working with local currency funding. Although such funding comes at a higher price, it greatly decreases currency risk. The discussion also touched on the subject of mergers and acquisition in solving the issue of overcrowded, fragmented markets.

Rozas concluded by stating that the session demonstrated that MFIs are not immune to crisis. The three cases showed several similarities, but one element was common across all three: large capital inflows into the market in the years prior to the crisis. On the other hand, all three MFIs showed that refocusing on the clients, both at the portfolio and individual levels is a key element in surviving crisis situations.

THE FRAMEWORK FOR MICROFINANCE PRACTICES: PRINCIPLES, TOOLS, REGULATION AND SUPERVISION WHAT'S NEW YORK LAW GOT TO DO WITH IT? THE ROLE OF LOCAL LAW IN POVERTY ALLEVIATION

Moderator Jami HUBBARD SOLLI, Microjustice

Speakers Robert BRAGAR, Legal Risk Management for Impact Investors

Flavian ZEJJA, Justice for Microfinance Consumers Limited



PRESENTATIONS

After Jami HUBBARD SOLLI introduced the session, Robert BRAGAR of Legal Risk Management for Impact Investors started his presentation with a story of a New York lawyer in an Accra courtroom claiming US jurisdiction over an investment contract in Ghana to highlight the popular, but ill-conceived practice of

international investors in microfinance ignoring local laws in countries in which they invest. It is strongly advised to have international investment contracts legalized in a local context. The costs involved are limited in view of the security gained in protecting investments when necessary. He also observed a tendency towards over-legalization in microfinance.

The word credit hails from the Roman 'credo', which stands for believe or trust. This needs to be taken into account when faced with for example a case of a local MFI unable to meet its repayment obligations towards the international investor. This can be due to three reasons: an emergency, in which case rescheduling is prudent; incompetence, in which case the investor probably failed to undertake proper due diligence and thus has to blame itself; and ill-will, in which the investor has little option left but to enforce legal action because its credibility is at risk. To do that, however, the investor needs proper documentation with which to walk into a local court house and enforce its rights in the local legal system. He concluded by saying that this is actually not hard to do; what is hard is to take the decision to do it.

Flavian ZEJJA of Uganda's Justice for Microfinance Consumers approached the legal issue from a consumer perspective. He started by giving an overview of what can go wrong, and eventually did go wrong in the microfinance sector in his country. Ugandan microfinance companies committed fraud against their clients, but in the process colluded with court magistrates and bailiffs, thus taking away clients' rights and the opportunity for a fair hearing at trials, as provided by the constitution. Whereas in some of the cases MFIs apparently were out to wilfully defraud clients, he also referred to several more regular cases in which clients often receive a bad deal by lenders who make use of a high level of asymmetry of information. Clients often do not read or understand the contracts they sign and the same applies to guarantors underwriting client loans.

Jami Hubbard Solli of Microjustice also explored the same issue from a consumer right position. Often the rights of clients are guaranteed in domestic legislation, but investors and practitioners have developed tendencies to ignore those or keep their clients in ignorance of the full scope of their rights. She presented a list



of current practices that are difficult to condone from a perspective of responsible finance. Recurring items on her list were excessive collateral demands and interest rates and other, sometimes hidden, fees and charges. In one case studied it was noticed that a particular Kenyan MFI was in violation of six laws, including the country's constitution.

She stressed that both investors and practitioners should become more aware of the multiple unfair terms they offer their clients. The guiding principle for MFIs should be: if you would not sign it yourself, it probably is not fair; and for investors: follow the law of the land.

DISCUSSION AND CONCLUSIONS

A major discussion point was the alarming picture portrayed in this session of what can go wrong from a client perspective, particularly when a client becomes stressed. It was felt that particularly commercial players, so-called microfinance companies, are associated with such bad practices. More socially-driven microfinance institutions are usually more flexible with their clients.

Based on a comment from the audience, the panellists agreed that we should be careful not to picture borrowers as victims too easily, but that a lot may, and actually does, go wrong on the ground. Solli explained that research has shown that bad practices, and sometimes illegal clauses, are the norm in MFI borrower contracts, and are not limited to isolated instances of fraudsters, nor are they limited to non-regulated institutions. She mentioned that there are varying levels of egregious behaviour and not all MFIs are at the bottom of the barrel, but exemplary behaviour on client protection as evidenced by credit contracts was not found either. It is important to consider that while the industry at large pats itself on the back regarding its strong stance on client protection, things are different from the clients' perspective (and the consumer advocate's). With the aid of local lawyers, it is quite easy to determine what national law allows and does not allow in terms of contracting and consumer protection. To be a truly responsible investor, an investor should include this analysis of local laws as compared to actual MFI contracting practices in his due diligence.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

REACHING OUT TO DISABLED PEOPLE: ISSUES AND CHALLENGES ON MAKING MICROFINANCE REALLY INCLUSIVE

Moderator Anne LEYMAT, Handicap International/IDDC

Speakers Flavia BWIRE, AMFIU

George MUKASA, NUDIPU (National Union of Disabled Persons of Uganda)

Modibo DEMBELÉ, MFI Nyesigiso Mali

Joshua GOLDSTEIN, Center for Financial Inclusion



PRESENTATIONS

Anne LEYMAT introduced the subject of the disabled and their need for microfinance. Many disabled people in developing countries live in poverty and turn to self-employment for their subsistence. To set-up viable livelihoods they need financial services, but few have access to finance as they face many barriers. However, the particulars of these barriers have not yet been widely researched.

Flavia BWIRE from the Association of Microfinance Institutions of Uganda (AMFIU) presented the Ugandan Microfinance & Disability project which since 2005 is implemented in partnership with the National Union of Disabled Persons of Uganda (NUDIPU). The project's research results were also presented by Beisland and Mersland during the session on

discrimination in MFIs. She indicated that Uganda's microfinance sector is one of the fastest growing on the continent. However, disabled people remain largely excluded from microfinance, while they are often entrepreneurs and therefore potential clients for microfinance institutions. According to Bwire, the five main barriers facing disabled populations in accessing microfinance are: exclusion by staff, exclusion by credit design, exclusion by non-disabled members in credit groups, self-exclusion due to low self-esteem, and exclusion due to the disability itself.

She commented that the partners were able to act as a learning platform; sharing information and best practices across the sector. She concluded by advising stakeholders to learn more about the particular opportunities and challenges of offering microfinance

services to disabled people, to form alliances like the one between NUDIPU and AMFIU, and to conduct more research on this subject.

George MUKASA, from the National Union of Disabled Persons of Uganda (NUDIPU), presented his organisation and further elaborated on alliance with AMFIU. During the implementation of the Microfinance & Disability project, the partners found that they mainly targeted the affluent section of people with disabilities; those with regular incomes, high self-esteem and living near MFI branches. Moreover, until that time, most interventions targeting the disabled had been charity-based and were not sustainable without continued support by the respective donor, while there were no NGOs or other facilitating agencies that deliberately promoted access to financial services for disabled people. Therefore in



2009, NUDIPU launched the Savings and Credit Project to include the poorer majority of persons with disabilities, especially in remote areas. The programme aimed to provide safe savings, accessible loans, to build self-esteem, and promote participation in the community.

In this project people with disabilities, who made up at least 60% of groups, took the lead in implementation while caregivers were also included in groups to guide and assist them. Mukasa presented the results after two years, with the most important developments being that they had reached more people with disabilities than expected, many had started a business, self-esteem was improved, and more had achieved leadership positions in their groups and communities.

Modibo DEMBELÉ continued by presenting his MFI and its two pilot projects in

Mali. The projects had many aims, including training, improving accessibility and coaching disabled entrepreneurs. The latter was done, for example, by assisting with a business plan and obtaining finance. Regarding improving access to microfinance for the disabled, they created a specific product tailored to their needs, with a preferential interest rate for the first period and no required credit history or safety deposit. At the same time, sharing risks was enforced through setting up a guarantee fund. Also, his organisation improved physical accessibility by making buildings accessible to disabled people.

Dembelé's presentation of the financial and social results of the projects showed that they achieved increased inclusion of the disabled, with even better financial results than for products for non-disabled. Furthermore, the perception of the MFIs staff towards people with disabilities improved. He concluded his presentation by saying that social performance should be better taken into account by MFIs.

Joshua GOLDSTEIN from the Center for Financial Inclusion at ACCION International made the moral, legal and business case for the inclusion of Persons with Disabilities (PWD) at commercial microfinance institutions. He confirmed that PWD are reliable clients. In order for MFIs not to miss out on this potential market, they should become "disability-friendly" and he provided a roadmap to accomplish this. He emphasized the importance of mainstreaming PWD at microfinance institutions, not designing new and special products for them. The importance of partnering with local disability institutions is another key to the success of such initiatives. The Center for

Financial Inclusion's Smart Campaign has added a new principal that includes a critical clause on non-discrimination, with an emphasis on PWD. This is a strong, unambiguous signal to the microfinance industry that becoming disability friendly is expected of all signatories.

DISCUSSION AND CONCLUSIONS

Little time remained for questions and discussion but one issue that was raised was what would be the main entry point to give further access to disabled people. Goldstein replied that the entry point will depend on each specific case, but in general he believes that education and awareness-raising is key. Inclusion can be stimulated by informing MFIs and other stakeholders on the potential of disabled people as a new client group, and educating them on the barriers to accessing microfinance this population faces, and how these issues should be addressed.

Another point of discussion concerned which microfinance product would best suit the needs of disabled people and stimulate their inclusion in society. The audience and the panel agreed that savings products especially play a large role. According to the panel, the largest proportion of disabled people actually prefer saving over credit. Leymat ended the session by concluding that we should work on both the demand and supply side, and that the right partnerships are needed.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

RESPONSIBLE MICROFINANCE: IS THERE A NEED TO CERTIFY THE ACCOMPLISHMENT OF SOCIAL GOALS?

Moderator Laura FOOSE, SPTF - Social Performance Task Force

Speakers Isabelle BARRÈS, The Smart Campaign

Emmanuelle JAVOY, Planet Rating



PRESENTATIONS

Laura FOOSE, acting as both moderator and speaker, addressed the background and status quo in certifying the accomplishment of social goals. She also shared some points of Paul THOMAS, of ESAF India, who was unfortunately absent. Foose first highlighted the shift in attitude towards microfinance, where the crises in Andhra Pradesh and other overheated markets have created concerns on client welfare and excessive profit. These concerns were accompanied by a call for standards by members of the Social Performance Task Force, and for developing ways to certify compliance. The Smart Campaign, for instance, is developing certification for client protection principles, whereas rating agencies developed rating products to verify responsible financial practices and social performance.

The different initiatives to certify the accomplishment of social goals do not have the same role for each organization. As the social performance spectrum ranges from the baseline of client

protection to social commitment, MFIs do not need to use all initiatives available within this spectrum. However, adopting universal standards of social performance management ensures MFIs have a way to prove that they are a double or triple bottom line MFI and set clear expectations for both social performance management and reporting.

Foosé mentioned that there are currently seven categories of standards which can guide different microfinance actors, i.e. MFIs, investors and donors, networks and associations and social rating companies and auditors. The session focused on certification of client protection principles through The Smart Campaign's Client Protection Certification Programme.

Isabelle BARRÈS further elaborated on this programme and emphasized that her presentation built on the session "Client protection – are we there yet?". She reviewed the three pillars of client protection: regulation for client protection and supervision, financial education and capability, and industry standards and

codes of conduct, and explained how the latter includes certification. She continued by presenting the background and timeline of the programme. A task force was launched in June 2010 with a broad group of representatives from 30 institutions, and in February 2011 a Technical sub-committee of the Certification Task Force was created to define adequate standards for client protection. After a period for public comment between October-December 2011, follow-up actions will include a testing period for indicators and benchmarks until early 2012. In the course of 2012, the task force will launch the pilot Client Protection Certification Program with eligible microfinance rating agencies. Actual certification will include standard operating procedures based on the Campaign's seven client protection principles.

The two main rationales for this certification scheme are to enable financial institutions worldwide to demonstrate their adherence to the Campaign's core Client Protection Principles as verified by third-party assessors and to highlight to the public that financial institutions meet minimum client protection standards. Certification will also allow organizations to differentiate themselves. Although certification does not guarantee "100% no harm to clients", the effort makes the probability of harm very low. Barrès further explained that there has been a focus on cost containment, but client verification particularly will be costly. One proposed strategy to reduce costs was to combine client protection certification with social ratings.

Emmanuelle JAVOY provided further insight into Smart Campaign certification, addressing practical aspects related to topics such as the certification process and the indicators used. She explained that qualified rating agencies will be



performance initiatives should be combined and audited together, and universally recognized by the industry. Barrès reiterated that due diligence could be extended in order to combine the different needs of the MFI (i.e. ratings, CPP certification).

This point was taken up further by a representative from MCPI from the Philippines, who claimed that no certification is needed for The Smart Campaign from the MFI perspective, since institutions should endorse and implement it for internal purposes. In turn, Foosse presented the perspective of Paul Thomas, who argued that certification actually makes a strong political statement through external validation for the organization.



Another topic of discussion during the workshop was whether ratings will lose market share due to Smart Campaign certification. Javoy defended that, if certification gains more attention, it is because it brings more value to an organization. In addition, combining client protection certification with social ratings could provide valuable information which is normally not documented. As the Smart Campaign certification is not enough to fully demonstrate social commitment, organizations need to consider what exactly they intend to portray and how to do so. During the discussion it was also revealed that The Smart Campaign is encouraging rating agencies to cover the full spectrum of social performance management.

When questioned why certification will only be piloted in MFIs, Foosse agreed that MIVs also need to be involved, and perhaps also to offer incentives to MFIs to implement such schemes, such as lower interest rates and better access to funding.

licensed by The Smart Campaign to certify institutions according to the client protection principles. The choice of rating agencies for the pilot phase was based on their experience and objectivity, and to allow certification to be combined with other ratings improving efficiency and reducing costs. Javoy revealed that much work is currently being done on the standardization of the certification framework, while piloting of indicators and processes will be developed in the coming months. Another follow-up action will be the implementation of a global certifying board, with representatives of rating agencies and other stakeholders. She anticipated that the progress toward certification will vary across institutions worldwide, since some MFIs are more ready than others and it is related to the

regulative environment in which they operate. Javoy foresees a system of collaboration with institutions such as credit bureaus for the adaptation of the indicators to the local context.

DISCUSSION AND CONCLUSIONS

Foosse began the discussion by addressing MFI networks in the audience, questioning whether certification would cater to actual needs of practitioners, or whether client protection principles should be only seen as guidelines. The response was that their experiences show that practitioners must be involved in the social rating process, and stressed that certification must be combined with social ratings. One participant argued that all social

PLENARY: MICROFINANCE, WHAT IS IT FOR? RESULTS AND ASPIRATIONS

Moderator Renée CHAO-BÉROFF, Pamiga

Speakers Marc LABIE, CERMi – Centre for European Research in Microfinance

Philippe SERRES, AFD

Mayada EL ZOGHBI, CGAP

Frances SINHA, EDA Rural Systems



PRESENTATIONS

Renée CHAO-BÉROFF started the session by calling for a realistic revision of our beliefs, objectives and tools for microfinance, to determine where we stand now, and how we have to re-orient. She sees the sector at a critical juncture with opportunities to set out the course of microfinance in the future, to take on the current economic crisis and ensure the sector supports existing and future vulnerable populations with financial services.

Philippe SERRES from AFD agreed that microfinance is experiencing a crisis of adolescence, not a fundamental one. He gave participants an overview of some of the current and possible future crises in national microfinance sectors. He also discussed how studies do not show the development effects that many believe microfinance has, and in fact show credit is often used for consumption instead of productive investments. He saw a turning point, an end to the microfinance myth, not just for sector stakeholders, but also the public coming to understand that

microfinance is not the panacea for poverty reduction. The sector needs to take a stance that it can meet more modest, but important, objectives in conjunction with other development efforts; of financial inclusion, smoothening financial flows and needs, as a cornerstone in the formation of local financial sectors, in structuring social networks and as an instrument that alleviates the effects of crises.

He also stressed that it should not be overlooked that studies also show positive effects of microfinance. These demonstrate that impacts differ between the markets studied, the products offered and the types of clients. He reiterated the importance to adhere to the objective of creating inclusive financial systems that look at the financial needs of clients and are not based on preconceived notions of needs; from governments, of donors, of investors, or of MFIs. We also need to drop the taboo that credit for non-productive investments is not a part of microfinance; managed responsibly, meeting financial needs for consumption is vital in meeting financial needs of the poor.

Mayada EL-ZOGHBI of CGAP considered this session as a good opportunity to reconsider our way of thinking about microfinance and our underlying theory of change. She stated we can profit from thinking about microfinance as utility, one that gives access to consumption goods, productive goods, or services. As such, microfinance cannot be inherently good or bad, only its use determines benefits. However, in our theory of change, we focus mostly on credit, and equate productively used credit as good, leading to development, and non-productive usage as leading to continued borrowing without long-term benefits to the client.

While this might partly be the case, El-Zoghbi stressed that monitoring loan

usage is not only costly and often ineffective, we might also be infringing on the rights of the one that is paying for the right to borrow. She also asked the audience to consider whether it might be our own unrealistic expectations and the marketing of these without collecting sufficient data to back them up that led to the present backlash. Considering the utilitarian nature of microfinance she also stated that we should not be surprised to see both positive impact and no impact in research, but that these results should stimulate us to improve the services we provide to the poor.

Marc LABIE started with a positive note on the strong development of microfinance, before cautioning the audience that realism on possible impacts is needed. He considers this is due to a mismatch between supply and demand. Much has been learned, but there remains information dissymmetry, and a lack of information on decentralised methodologies and mechanisms of social pressure. Management of costs is improving, in conjunction with our understanding of cost structures. He commented that the achievements of mainstream microfinance include many promising results and experiences, but also challenges that arise from the sector's maturing process.

Instead of disillusion, the sector should refocus on its basic premises, towards a double bottom line, both focussing on improving professionalism and assigning higher priority to social objectives. According to Labie, MFIs should strive to benefit clients by offering better and cheaper services and new adapted products responding to actual client needs, and be transparent to clients on how they benefit. MFIs need to truly engage with unmet demands, for example by developing rural finance products, offering money transfers outside of remittances and offer savings



as a proper product, instead of a way of funding other operations.

To answer the main question of the session, Frances SINHA introduced the Seal of Excellence, which aims to take microfinance beyond the “ethical” concerns of client protection to look at how inclusive and effective microfinance can be in practice. She stressed that stakeholders in microfinance include investors and promoters, who are looking for “decent” returns, staff, who deserve fair working conditions and ultimately the clients who need useful financial services at a reasonable cost. As such, she commented on the emerging trade-offs, between growth, profitability and efficiency on one hand, and responsible finance and meeting client needs on the other. Growth is easier with standardised products, operations seem more efficient with high client-staff ratios, while a client focus calls for thorough understanding of clients, and developing systems, delivery mechanisms and products that meet diverse client needs, including the needs of poorer clients in poorer regions.

Therefore, the Seal is a work in progress, alongside other initiatives in social performance. It aims to recognise and promote excellence in poverty outreach. It would reward MFIs that include the lower 30-40% of the financially excluded,

working in less developed regions with good client retention. It would also recognise effective strategies to add value for clients, for example financial planning, livelihoods interventions, and health related services, which are increasingly seen to be most effective in contributing to poverty reduction.

DISCUSSION AND CONCLUSIONS

In the following discussion the audience identified additional issues such as the role of technology in addressing the shift towards inclusive and responsible finance, and the costs to MFIs to further identify demand and how demand is structured. The panellists agreed that technology is important, but is part of the search for better products and services. The panel also cautioned against elevating technology to an objective in itself. As regards the costs of identifying particular needs of clients, the panel believes that funders can help but that they need to consider what kind of initiatives they support in terms of vision and objectives. In addition monitoring and evaluation is required to identify better solutions to what is needed; such solutions will look differently in different locations, and as such will require serious efforts from MFIs to adjust them to their context.



FRIDAY 4TH NOVEMBER 2011

RATING RESPONSIBLE FINANCE: FEEDBACK WORKSHOP (ORGANISED BY THE RATING INITIATIVE)

Moderator Tony SHELDON, Ford Foundation

A variety of representatives from rating agencies, investors, donors, MFIs and the Rating Initiative were part of the core group of participants



PRESENTATIONS OF RATING AGENCIES AND RESPONSE FROM MFIs

Ivo KNOEPFEL of onValues presented key findings of their study on the Responsible Finance Rating (RFR) project. It showed sufficient MFI interest in RFR as a flagship rating product. MFIs see it as a better tool to help them balance commercial and social objectives while coming to a better understanding of underlying risk profiles compared to current standard financial rating. For this to happen, RFR needs to have a transparent methodology without a loss of detail in financial rating. Moreover, it needs to be clearly communicated that RFR is not a new product but a methodological upgrade of an existing rating product.

As not all investors and donors actually require or even request ratings, the biggest potential bottleneck for uptake of RFR is support and demand from these actors. Consequently, there is a clear need to create demand among them in order to achieve market pull instead of market

push for RFR. In terms of recommendations for the Rating Initiative (RI), onValues recommends avoiding subsidising RFR directly (e.g. to MFIs or rating agencies), as this could send the wrong signal to the market. Rating agencies could be supported via an extended pilot testing phase where additional research and development costs of RFR are subsidised. It would also be important to develop a short guide summarising currently available rating products, and how RFR incorporates and improves upon these, in order to reduce market confusion.

Emmanuelle JAVOY, of Planet Rating (PR) explained how MFI sustainability is affected by factors that are not covered in a standard financial rating, such as the analysis of institutional risk via risk relevant social criteria. PR strongly believes that Client Protection Principles (CPP) and key elements of Social Performance Management (SPM) should be included in the core "financial rating" product. The current terminology of "financial rating" vs. "responsible finance rating" is inadequate, as it suggests that RFR is

a new product and not an upgrade on existing tools. When retroactively applying RFR grading to previously conducted ratings, PR found a slight decrease in grades for 39% of the sample. PR estimated a 20-25% increase in cost for RFR in comparison to traditional financial ratings, but believes efficiency gains are possible.

Representatives of two MFIs (EKI, Buusaa Gonofaa), rated by PR, welcomed the RFR approach as a tool for performance measurement of, and realignment to, the social mission, specifically by the inclusion of CPP. It was also mentioned as a tool for understanding the MFIs market position, for providing insight into internal accountability and for examining asset growth and its implications. The importance of investor and donor support for RFR was also underlined, e.g. to prevent poor investment decisions.

Lucia SPAGGIARI explained how MicroFinanza Rating (MFR) focused on integrating relevant social risk factors, including CPP, into its existing financial rating dimensions. They are currently considering adding responsible service delivery to the existing definition, including CPP, reputational risk, social responsibility towards staff etc., to come to a single grade for RFR. When applying the system to previously conducted ratings, half of them showed no change in outcome, while in others either a small decrease or increase was noted. MFR estimates an additional cost of 25% over a standard financial rating. MFR emphasises the importance of clear communication when launching RFR, particularly in terms of what it does and does not cover. She anticipates that the availability of RFR will result in a decrease in demand for traditional financial and social ratings.

A representative of ASHI, an MFI rated by MFR, commented that her MFI recognised the value of the RFR for internal evalua-



that affect long term sustainability. New social parameters were integrated into their rating analysis, such as a balance between financial and social goals, social responsibility to staff and the level of profitability. These parameters, which can be combined as a composite grade, have a 23% weighting influence on the final grade. She indicated that extra staff and time accrued to a 30% increase in effort and cost. M-CRIL envisions RFR as a replacement for current financial ratings, but believes that stand alone social ratings will continue to be requested, as RFR only covers key aspects of mission achievement and SPM. She concluded that RFR is needed more than traditional financial ratings, especially in India.

FEEDBACK FROM INVESTORS AND DONORS

The moderator concluded that rating agencies recognise that the RFR is a significant improvement on the standard financial rating. Some key questions remain that he posed to the audience and panel:

1. Is there a market willing to pay for the RFR?
2. Do investors see sufficient value in the RFR to pay for ratings?
3. What type of incentives and/or subsidies are necessary to jump start the market for the RFR?
4. How much consistency/alignment in methodology and procedures can be achieved among the rating agencies without requiring standardisation?

tion purposes and to offer strong social performance knowledge but she mentioned that its time consuming preparation requirements call for standardisation in documentation requirements between RFR and full social ratings. Also, she stressed the importance of field visits, and the need for more comprehensive internal reports for evaluation purposes of MFIs, compared to investor versions. She considers the combination of financial and social rating methodologies a positive development, but mentioned that RFR does not replace social ratings.

Damian VON STAUFFENBERG of Micro-Rate (MR) stressed the importance of integrating social dimensions in the raters' core product, but stated that social

ratings will continue to be important. As such, for RFR it is important to identify and integrate key social indicators without incurring additional cost, as increased costs will impede RFR from replacing standard rating services. The real challenges lie in further distilling social components so that they can be seamlessly integrated into the standard financial rating. To date, MR has not achieved this since social analysis has essentially been included as an add-on and does not permeate the entire report as it should. In terms of grading, MR advocates separate financial and social scores, as investors have very different preferences.

For Gunjan Grover of M-CRIL, it was important to capture social risk dimensions

Representatives of investors and donors in the audience mentioned being interested in RFR, as it combines social and financial information and can also be used for periodic monitoring. Furthermore, RFR would be an appropriate product in cases where they do not require social ratings. As such, they would be willing to support it in some way, but most would also require contributions from MFIs. Some participants mentioned surprise that such social considerations were not included in ratings before, as focusing on clients should be common business practice in the industry. As financial and social performance are interdependent, social factors should be an integral part of reports and weighted within overall financial analysis.

Several participants took on the issue of communication and marketing. They considered it vital that the difference between RFR and social rating are clearly and proactively communicated to make sure the concept of social rating is not diluted. Another commenter added that the improved methodology compared to standard financial ratings needs to be marketed. However, the audience was also cautioned that that we need to have clear and realistic expectations on what RFR can achieve in responding to crisis situations and negative events as MFIs are part of markets characterised by competition, market developments and inadequate/absent regulation. Moreover, MFIs appear to be more looking for social audits, providing guidance, rather than social ratings.

Participants then took up why ratings are not standard and fully covered by Development Financial Institutions (DFIs). A representative from AFD mentioned that although AFD subscribes to rating reports it does not pay for ratings directly when investing, as they consider investments commercial agreements, and thus investees should be able to pay for it. Another commenter mentioned that DFIs have to be made aware of the need for social performance measurement and the importance of external, expert opinions.

The moderator then asked the audience whether subscription services would be a realistic option to cover incremental devel-



opment costs of RFR. One comment was whether specialised financial ratings integrating social components, can be expected to compete with commercial rating companies limiting themselves to credit ratings if these are also accepted for by banks and investors. As such, one solution would be for investors to pay for, and not just subscribe to, RFR. Also, it is important to position RFR in comparison to mainstream ratings (explaining differences and similarities) so that investors are aware of the value the specialized MF rating agencies bring. This calls for a joint industry effort to provide a strong signal to the market, in which

transparency and awareness building for investors are key. Another comment is that such a process should be partially peer-led, for example through Principles for Investors in Inclusive Finance (PIIF), and eventually move towards investor transparency and grading/rating investors. A closing remark was that next to valuing ratings we should also encourage the dissemination of best practices. RFR is a good opportunity to get investors on-board, but the sector should generally be pushing for greater transparency and ultimately greater sustainability.

PLENARY: SETTING UP THE RIGHT INCENTIVES FOR RESPONSIBLE FINANCE: THE CHALLENGES OF IMPLEMENTING BALANCED GOVERNANCE

Moderator Antonique KONING, SPTF/CGAP

Speakers Cécile LAPENU, Cerise/e-MFP

Emilie GOODALL, UNPRI

Monica BECK, KfW/EFSE

Jacco MINNAAR, Triodos Investment Management



PRESENTATIONS

Antonique KONING opened the plenary session by stressing that responsible finance is currently a hot topic. During the recent global financial crisis, the role of corporate governance in the financial sector was emphasized. Also in microfinance markets and institutions that have faced difficulties the role of governance has been underscored. At the same time, the microfinance sector is going through a “soul-searching” process, and business models and benefits are being reviewed. There is also an increased recognition of the importance of responsible finance and adherence to microfinance’s double bottom line, with increased emphasis on client protection and a renewed focus on social performance. Finally, as equity investments are increasingly prevalent, the sector needs to define what type of equity it wants to attract and to establish the role of governance in this process.

After Koning introduced the panel, Cécile LAPENU started off defining “balanced governance”. She clarified that governance in itself refers to decision-making mechanisms which stakeholders use to regulate their activities. Balanced governance in the context of microfinance is aimed at making decisions to develop a strategy towards financial sustainability, while delivering the greatest positive impact. It is also about making sure the social mission is embedded in the MFIs business plan, and is monitored and audited at the board level.

As decision-making is influenced by different stakeholders at different levels, achieving balanced governance is challenging and it is crucial to understand the synergies between various stakeholders, and that trade-offs might be necessary. Still, Lapenu stressed that balanced governance at MFI board level is aimed at mitigating trade-offs between financial and social objectives by promoting a clear focus on social objectives and client protection, as is illustrated by recent efforts such as inclusion of objectives to reach rural areas in the Saint Louis Finance shareholder agreement and strong commitment to client protection principles in boards. At the sector level, balanced governance relies on social norms, rules and coordination to develop the sector according to shared values, common goals towards development and transparency. Adoption of joint due diligence between MIVs, and collective efforts against over-indebtedness of MFIs are good examples of increasing harmonization. At both levels, risk management mechanisms taking into account the clients and their level of satisfaction can play an important role in reaching balanced governance.

Koning then turned to the question of how investors balance the interests of

multiple stakeholders in governance. Monica BECK explained that KfW developed a strategy for responsible finance already in 2006/2007. She argued that Development Finance Institutions (DFIs) should be in the lead to promote responsible finance since they have an embedded social and developmental goal. Boards of Directors, in particular those of Holdings or Funds, are an ideal platform for donor/investor coordination. KfW in its role as anchor investor in many vehicles promotes good cooperate governances and responsible finance.

Jacco MINNAAR addressed the same question from a fund manager’s perspective, stressing that an important aspect of governance is to identify common issues throughout the microfinance value chain, horizontally and vertically. Horizontally, Minnaar advocated fund managers have a role in managing investor expectations in microfinance and educating investors. Vertically, he highlighted the crucial governance role of the investment managers taking equity stakes in the board at the MFI level, where the interest of the investor must be balanced with client benefits.

When asked to identify the role of indirect investors in incentivizing responsible finance, Emilie GOODALL highlighted the need for policies and procedures for regulating this issue. While she sees the need to educate investors on client protection and social performance, she acknowledges that making a business case for their inclusion in investor discussions is crucial to attract funding from indirect investors. She explained that the key in finding a balance to this dilemma is to emphasize the long-term benefits as these are material factors affecting investment performance.

Koning then asked about the higher-than-expected focus on financial performance



among public investors. Minnaar explained that he does not consider the levels of financial returns DFIs are requiring an issue, but rather their active engagement in MFI boards to help balance financial and social returns. Beck clarified that DFIs mainly use commercial funds which they raise on capital markets. They have to charge market-based prices to protect the institution's equity and to attract the interest of investors. To illustrate this situation, Beck presented study results which show that, although DFIs are the most expensive in terms of providing loans to MFIs, MFIs prefer working with DFIs since they provide strategic input and long-term and consistent engagement.

DISCUSSION AND CONCLUSIONS

In dealing with the question on the role of microfinance investment managers in governance, Lapenu indicated that e-MFP has recently launched a document "Strengthening governance for responsible finance: examples from European investment funds", which brings lessons



learned and concrete examples of shareholder agreements.

Beck elaborated on KfW's governance at the board level. She explained that KfW has a strict internal policy regarding this theme, which is important due to the challenging nature of working in multi-stakeholder governance boards. In addition to a training course for board members, KfW provides a structure to monitor progress and establish improvement.

Continuing on this issue, Minnaar stressed that governance at the board level begins with the selection of members. Like KfW, Triodos has strict criteria regarding which staff can be represented in boards. In a broader sense, it is important to have a balance between local and international representatives on the board, and a basic criterion should be knowledge of finance, something that is not always the case in practice. Investment in knowledge transfer is also of importance, thus allowing good governance to move beyond what is stated on paper. He also emphasized the importance of finding the balance between inadequate representation and control versus over-governance.

Koning asked the panel to indicate some of the hot issues they currently experience in microfinance boards. Minnaar pointed out that the discussions within the microfinance sector are very similar to the ones taking place in the financial sector at large, which essentially address speculation and volatility. The microfinance sector, which was supported by patient investors in the past, is also experiencing the effects

of increasing pressure to achieve quick returns. Goodall referred to pressure in a broader sense, when explaining about increasing pressure from civil society groups on social responsibility of financial institutions, for example on policies of pension funds. Lapenu stressed that there is more need to integrate social performance and transparency. While MFIs and their boards need to focus more strongly on reaching these goals, investors should take more pride in supporting them.

Koning concluded the session by highlighting the importance of governance in reaching long-term goals and by calling attention to the need for further active engagement by investors. She also drew attention to capacity of board members and to the dilemma between micromanagement and over governance. Koning further stressed that strategies to manage expectations throughout the microfinance chain are imperative.

PRODUCTS AND SERVICES: WHAT INNOVATION,
WHAT OUTREACH, WHICH FUNDING?

AGRICULTURAL MICROINSURANCE: A PROMISING APPROACH TO REDUCE RISKS FOR FINANCING AGRICULTURAL ACTIVITIES FOR FARMERS

Moderator **Therese SANDMARK**, Grameen Credit Agricole Microfinance Foundation

Speakers **Nadia OURIEMCHI**, Terrafina Microfinance

Pranav PRASHAD, ILO's Microinsurance Innovation Facility

Sébastien WEBER, Planet Guarantee



PRESENTATIONS

Therese SANDMARK explained that the session was intended to show developments, challenges and opportunities of agricultural microinsurance based on several cases from the field. Nadia OURIEMCHI first presented a project of Terrafina Microfinance. She identified microinsurance and especially crop and livestock insurance as vital to development, as the security it provides allows farmers to invest and it improves their access to other financial products by reducing financial risks. An important aspect of Terrafina's strategy is risk reduction through product diversification and measures that reduce the likelihood and impact of the events for which farmers are insured.

Pranav PRASHAD identified agro-microinsurance as an important strategy to induce MFIs to go into agricultural lending, by mitigating financial implications of production-related vulnerabilities

in the sector. As such, it addresses both the risks to the client and to the MFI. ILO specifically focused on index-based insurance as a means to expand outreach by offering more manageable and more efficient solutions to MFIs and insurers. They supported pilot projects to develop best-practices for crop and livestock insurance with the aim that such best-practices can be replicated by other microfinance players.

Sébastien WEBER of Planet Guarantee explained how it is important to increase agro-insurance coverage beyond current very low levels in Africa. He explained how the large variety of risk factors and risk exposure levels requires a broad range of tailored products, for which insurance companies lack the capacity and sector experience. Index-based insurance is often required as products which cater to individual losses bring moral hazard, high administrative costs and are limited by distance between institution and farmer. Planet Guarantee has built a platform in

West Africa, with AECF and IFC, to extend insurance to 60,000 farmers and raise awareness of agro-microinsurance. Vital components are affordability, transparency of products and procedures, and tailor-made products. For scaling-up, he stressed the importance of implementing a tailored management scheme with the possible use of mobile technology to improve products, and distribution through new channels, such as input providers.

OURIEMCHI then discussed project implementation, which started end 2009, as a process with many challenges, commencing with identifying risks and prioritising between those which allow risk-reduction strategies, and those requiring insurance coverage. She also explained how community-based approaches offer opportunities, by providing checks and balances against moral hazard and lowering transaction costs, but are also time consuming and expensive due to capacity building and training needs. Designing products for different risks proved difficult, in some cases due to limited knowledge on risk probability. This also resulted in high premiums. The main challenges to her were: how to scale up operations, how to reduce operation costs, how to improve risk reduction strategies by prevention measures, educating and sensitizing clients to insurance, and lack of legislation supporting microinsurance schemes.

DISCUSSION AND CONCLUSIONS

Sandmark started the discussion by asking the panel to explain the opportunities and challenges of scaling up. Prashad explained that Indian agro-microinsurance schemes, although now covering millions of farmers, also started small and product take-up was slow. For him, critical factors were customer education and awareness, a broad variety of products being available, quick claim processing, and persistence of implementing partnerships. To be effective, such partnerships need to combine expertise and capacities in finance, distribution, risk and impact assessment and re-insurance. Availability of re-insurance with global players, especially for weather index based crop insurance, has helped product development and diversification of risk as well as competitive pricing. He also considered it important to move from covering farmers who are taking loans for farm inputs to include non-borrowing farmers which can have a larger demonstration impact. Also technological developments proved vital for product development, process efficiency, and building trust between client and insurer (for example, through remote satellite imaging of affected crop and radio frequency identification systems for cattle). Index-based systems for cattle insurance, based on remote sensing to detect grass availability also proved a great advancement.

According to Weber, another critical factor of agro-microinsurance is the effective mix of risk coverage between local cooperatives or communities, who also play a role as a check and balance against fraud, local insurance companies, and re-insurance companies. To work with local cooperatives effective premium sharing systems need to be put in place, and there are usually significant capacity building needs.

Based on the discussion on partnerships, Sandmark asked the panel to explain how to build partnerships in order to access



the right capacities. Weber stressed the importance of experts to develop indexes, to research communication and marketing needs, and to research on risk probability and impact. Furthermore, technical assistance and capacity building providers should be included to train farmers and raise awareness. Insurers and re-insurers are needed to work on product development and pricing for agro-microinsurance.

Michael Hamp, Senior Advisor Rural Finance at International Fund for Agricultural Development, IFAD, who participated in the roundtable, mentioned the IFAD publication "The Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods" which brings together many cases of index-based insurance, as well as a tool for the implementation of weather-based index-insurance, both available through the IFAD website (<http://www.ifad.org/ruralfinance/pub/weather.pdf>, http://www.ifad.org/ruralfinance/dt/full/dt_e_web.pdf)

Another comment stressed the importance of trust in addition to prediction and scalability, focusing on pay-out expect-

tations among farmers, and the issue of farmers not benefitting from insurance early on, as risks affecting their crops did not materialise. According to Prashad, the complex relationship of trust between client and insurer is greatly benefiting from improved information transfer, and therefore awareness of disaster occurrence and related crop failure. Furthermore, clarity in the basis of calculating premium, coverage and disbursement policies, and using the right language in communicating with farmers are important in building trust. The panel stressed that building trust can take a long time, and is both based on knowledge of the insurance product, and experience of quick claim processing.

Next, the discussion turned to how agro-microinsurance schemes can cope with greater weather unpredictability. According to the panel, such unpredictability needs to be built into new models to calculate risk occurrence and impact to create more refined products.

THE FRAMEWORK FOR MICROFINANCE PRACTICES: PRINCIPLES, TOOLS, REGULATION AND SUPERVISION

RURAL OUTREACH & INNOVATION e-MFP ACTION GROUP: LESSONS LEARNED FROM MEMBER BASED MFIs ON GOVERNANCE AND STRATEGIC ALLIANCES

Moderator Laurent BIOT, SOS Faim

Speakers Luis PANZER, Cresol

Alou SIDIBE, Kafo Jiginew

María GONZALEZ, Coop. Jardin Azuayo

Victor CHATI, Coop Los Andes



PRESENTATIONS

Laurent BIOT of SOS Faim, started with an overview of the activities of e-MFP's Rural Outreach & Innovation Action Group. Recently, the results of a larger study into value chain finance were published. Currently the Action Group is looking more deeply into the functioning of member-based organizations (MBOs) in rural finance. This involves five case studies on MBOs in Latin America and Africa, four of which were presented during the session. The new study looks predominantly into two main features: governance and strategic alliances. Although the cooperative finance sector in many countries developed a poor public image, especially when imposed by governments, this picture is rapidly changing now, which is acknowledged by the UN appointing 2012 as the Year of Cooperatives. MBOs are frequently plagued by lack of good governance

due to the fact that they are self-financed, self-managed and self-governed. Smaller players particularly have to draw professional levels of expertise from quite a limited pool of members that often have to perform multiple roles. The cases show how MBOs have dealt with this problem. The topic of strategic alliances is also examined because many rural MBOs are too small to survive alone when confronted with increasing competition. Alliances are a potential solution to this.

Victor CHATI PEREZ of Cooperative Los Andes in Peru, presented a fairly young coop. Formed in 2001 it provides savings and loans to some 29,000 active members in the poor rural Apurimac region with an outstanding credit portfolio of USD 22 million, 85% financed from the intake of members' savings. It is governed in a decentralized manner from 12 regional offices. Governing members are trained to

effectively perform their responsibilities. As regards alliances, the coop traditionally has strong linkages with farmers' associations and with several international agencies. Yet, to prepare for the future it has created a second-level organization of like-minded institutions in 2008 in order to reach economies of scale, form learning networks, developing new financing opportunities and to put in place a collaborative lobbying effort. At the same time in its own region it has joined forces with other coops in a local union in order to make the local economy more dynamic.

Alou SIDIBE presented Kafo Jiginew, a Malian organization formed by cotton farmers in 1987. It now has 302,000 members, works through 19 local branch offices and has an outstanding loan portfolio of USD 33 million, nearly all of it financed by savings. In the area of governance it trimmed down the number

of branches from 113 to 19, but conserved its 167 service points. In addition the Board of Directors was trimmed from 22 to 9 elected officials. This reform contributed to meeting regulatory requirements, reduction of operating costs, reduction of loan processing time and professionalization of the organisation. The reform also resulted in a diversification of the portfolio, which is now less dominated by cotton loans, reducing institutional vulnerability. On the other hand a weakening of links with members was experienced. As regards alliances, Kafo Jiginew is now working on geographical expansion (urban and in rural area of Office de Niger), but most important is its participation in the West African Confederation of Financial Institutions (CIF) which six larger financial cooperatives in five countries have joined. This has shown to be very successful in cutting down training costs, due to greater independence from external technical support, and in the area of developing new products and setting up mutual institutions such as banks and insurance companies.

Luis PANZER presented the case of CRESOL in Brazil. It started in 1995 as an initiative of social movements that capitalized on cooperation with government facilities. It now has a loan portfolio of USD 418 million and has collected USD 137 million in savings and deposits, serving 45,000 borrowers. CRESOL is a network of 79 rural cooperatives. This also results in decentralized patterns of governance, although the organization is now contemplating the hiring of operational managers. Alliance-wise, CRESOL operates at three levels: local (with for instance insurance facilities to expand services to members), national (with government, banks and national unions of coops) and international (for the purpose of technical assistance).



Maira GONZALES of Jardin Azuayo Coop in Ecuador explained that the organization was established in 1996 in response to a natural disaster. It now has 205,000 members, a USD 205 million loan portfolio, mostly generated from USD 192 million in voluntary savings. It works with a decentralized system of governance through its 27 offices, but has centralized technical issues. This allows for adapting product design to actual needs of clients. Through its alliance with a local NGO it provides intensive training and education to its members. Locally it also works with government and rural service networks. At national level it participates in various financial services networks and internationally it works with partners on technical assistance, product development and long-term finance.

DISCUSSION AND CONCLUSIONS

The following discussion focused on three main points: cooperating with producer organizations, participation of women, and competition in the market. As regards the first point, all organizations work with

farmer organisations, particularly in the area of appropriate product design. Producers usually know very well what works for them and what does not.

As regards participation of women, in some cases this is relatively low due to persistent social conventions, in Mali resulting from socio-religious and in Brazil from a machismo culture. In such cases it should not be forgotten that small agricultural production may be the traditional employment domain of the family. Continued education and training show some positive results, but the process is a slow one.

It was confirmed that in most cases rural areas have become the hunting grounds for commercial competitors applying aggressive marketing strategies, mostly selling consumer loans. Yet, it does not necessarily affect the operations of the cooperative systems given their internal cohesiveness and adapted services and lending rates in combination with additional educational services. As Chati Perez expressed it - our clients are members, not customers.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES SUPPORTING MICROFINANCE IN THE SOUTHERN AND EASTERN MEDITERRANEAN

Moderator Sophie WIESNER, ADA

Speakers Luciana TOMOZEI, European Investment Bank

Francesco CONSIGLIO, FEMIP Special Operations

François DUROLLET, PlaNet Finance/e-MFP

Milena BERTRAM, Finance in Motion

PRESENTATIONS

Sophie WIESNER introduced how the session would examine the microfinance sector in Southern and Eastern Mediterranean Arab countries (the MENA region), in the light of recent developments in the region including the Arab Spring, economic decline, fewer opportunities for young people, inequalities, and protests and demonstrations. These events created new challenges but also brought about new opportunities for the microfinance sector, and the panellists were asked to identify lessons learned and offer recommendations for the future.

Francesco CONSIGLIO highlighted the support of the European Investment Bank (EIB) to the microfinance sector in the region. Local challenges include the low penetration of microfinance, especially in more remote areas, the concentration of investment funds on a few stronger MFIs in the region, the strong need for bottom-up capacity building, starting with loan officers, and finally various legislative issues. He then turned to the impact of the revolutions on the microfinance sector, which took the sector and sector supporters by surprise. Particularly important was increased reputational risk due to the perceived link between MFIs and governments. Lessons learned included that risk management should be more structured, governance and staff satisfaction could be improved, and the sector should focus more on new opportunities brought by socio-political and economic changes.

Luciana TOMOZEI continued to present the experiences of the EIB, indicating that Europe responded to events in the region by increasing its support towards democracy building and strengthening financial



inclusion. She deemed that there is a need for joint actions by the EC, EIB and other international actors to support microfinance sector development in the Mediterranean region. While the EC ensures regulatory support and strengthened knowledge sharing, the EIB provides expertise and funding. She presented a key action in this sense, namely the MicroMED programme which the EIB developed together with the Luxembourgish Government (Ministry of Foreign Affairs – Direction for Cooperation) and with the participation of ADA to support microfinance in the region. The programme is piloted in Tunisia, which had a leading role in starting reforms. Two continuing needs were identified in the Tunisian case: technical assistance and capacity building. The latter will be aimed at microfinance institutions for developing governance, risk management and staff skills.

Milena BERTRAM presented the challenges and opportunities in the region

after the Arab Spring, based on experiences of Finance in Motion and the Sanad Fund. Before the Arab Spring, microfinance portfolio growth was good and PAR stayed relatively low despite the economic crisis. However, after the revolution portfolios stagnated or declined, as did portfolio profitability and quality, although developments vary between different countries and regions. For example, in Egypt she found that some MFIs were not affected, which was probably due to their location outside of Cairo.

The challenges she identified as most important after the Arab Spring included political instability, security issues, reputational repercussions, but especially the economic downturn and how this affected many MFI clients. Many MFIs and banks had to close and institutions increasingly focussed on collection. Communication problems occurred as it was difficult to reach people, and employee morale suffered. However, she



also stressed that new opportunities arose from political and economic openness, future employment creation, growing solidarity between different groups in society, and huge media attention.

François DUROLLET presented opportunities and challenges for microfinance in the MENA region from PlaNet Finance's perspective. He explained how the region is characterised by a young population with high unemployment, an adverse economic situation, and a large but underserved market for microfinance. Reforms that are now undertaken will take a long time; regulatory and legal frameworks are needed, as well as a credit bureau and building effective MFI networks. Tunisia can be used as an example where joint efforts were taken to develop the microfinance sector. For MFIs, key issues he advised to work on are governance and transparency. Other issues to address are youth unemployment, reaching out in rural and remote areas, and Islamic finance.

DISCUSSION AND CONCLUSIONS

Mrs. Kallel gave a first reaction by sharing Tunisia's experiences with reforming microfinance after the Arab Spring. An important issue was that during, and immediately after the revolution MFIs had great difficulty to collect payments from clients, which negatively affected them. They were further affected by difficulties among Tunisia's NGOs which could not continue to offer non-financial support to their clients. Also, based on her experiences she suggested later in the reform process to take on savings and capacity building programmes.

The discussion first focussed on Islamic finance. Although posing challenges to the sector due to its interest structure, it is recognized that this market is growing. Interest in Sharia products appears highly different between markets, but it is estimated that about one third of Islamic clients would choose Sharia products. Consiglio remarked that interest is higher in more remote areas.

Capacity building needs of the sector in the region was another important discussion point. To meet these needs, coherence between different actors is highlighted, in addition to a bottom-up approach to meet actual needs. It will be challenging to align government, financial institutions and other actors in some countries, but this was mentioned as vital to establish a sound framework focused on financial inclusion. "Training the trainers" formats will be necessary to spread knowledge more effectively. It is also recognized that civil society plays an important role in rebuilding the sector.

Wiesner concluded the session by asking the panel to provide final recommendations to European microfinance actors and e-MFP members. Consiglio recommended thinking small so we can achieve more, while Tomozei advised to coordinate efforts and gather players in the sector in platforms. Duroillet also recommended to coordinate, and not to forget about Islamic finance. Bertram concluded that we should learn from each other and look at best practices for the development of legal frameworks.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

EU & EIB SUPPORT FOR BUILDING INCLUSIVE FINANCIAL SYSTEMS: STRATEGIES AND INITIATIVES

Moderator Bonnie BRUSKY, Focus Conseil et Traduction

Speakers Stefaan PAUWELS, European Commission

Emmanuel MOYART, ACP/EU Microfinance

Célestin MURENGEZI, European Commission

Edvardas BUMSTEINAS, European Investment Bank



PRESENTATIONS

Bonnie BRUSKY opened the session by highlighting the diversity of EU development funding. She explained that EU funding is meant to bring about social and economic development, which matches well with the mission of microfinance. The EU is in fact a potential source of highly diverse funding opportunities for microfinance actors.

Stefaan PAUWELS framed his presentation by emphasizing that the EU considers microfinance as a tool for social and economic development, rather than an objective in itself. The European Commission can intervene at different levels of the financial system: the policy level, support services to MFIs, MFIs and clients. He explained that, as a public grant funder, the EU is well placed to address needs at the macro and meso levels, given their public goods character. The EU also provides substantial assistance at micro

level; typical areas are assisting MFIs to expand outreach to marginalized areas or to develop savings services. Ultimately, the aim of EU micro level support is to crowd-in private funding sources. At the client level, the EU can provide support, among others, in the area of financial literacy, skills development and facilitating access to existing financial service providers. Going forward, among the key challenges for EU assistance to microfinance is the need to better exploit complementarities between grant funders and investors, e.g. through blending mechanisms.

Emmanuel MOYART presented one of the EU channels for microfinance funding: the ACP/EU Microfinance programme, which supports the sustainable development of microfinance in ACP countries. Its objective is to contribute to poverty alleviation through economic growth, and more specifically support pro-poor access

to finance, consumer empowerment and capacity building, and equitable and efficient local markets. According to Moyart, the programme aims to reach the above-mentioned four levels of the financial system (macro, meso, micro and clients). The programme has two implementation modalities: contribution agreements with international organisations, whereby the ACP/EU Microfinance jointly provides funds with other institutions for specific actions (e.g. technical assistance), and a call for proposals, in which it provides grants to institutions supporting the responsible offer and delivery of financial services to excluded groups.

Célestin MURENGEZI presented the Non-State Actors and Local Authorities (NSA-LA) thematic programme of the European Commission, which complements the EU's work in bilateral cooperation with its three objectives. Firstly, this thematic programme strengthens the





capacity of civil society organizations, by supporting concrete actions in developing countries in partnership with local NSA-LA. Secondly, it creates awareness-raising and delivers development education within EU member states through initiatives such as the project “University meets Microfinance”. Lastly, it puts emphasis on coordination and networking amongst different stakeholders worldwide in order to facilitate a structured dialogue in supporting actions aiming at achieving more efficient cooperation. Murengezi also underlined the specific eligibility and principles of NSA-LA actions.

Concerning the involvement of this thematic programme in microfinance, grants are directed to actions fostering capacity building of partners, sometimes in combination with on-lending. All in all, those actions must comply with the Guidelines established for microfinance activities. He concluded that sustainable development is the vision guiding various EU-funded programmes in different themes as well as in microfinance.

As such, he emphasized the need for the programme to continue its ambition of selecting the best projects paying attention to the balance between social and economic development (in capacity building or loan provision in areas not already covered by other providers of microfinance services). He illustrated the work of NSA-LA through a case study in the Central African Republic, a project it co-financed with Planet Finance which addressed MFIs and clients (micro level), as well as cooperative unions (meso level) through technical assistance.

Edvardas BUMSTEINAS started by emphasizing that the European Commission and European Investment Bank (EIB)

are part of the same union, which creates a platform for close cooperation in microfinance. The EIB has total microfinance commitments of €881 million in the EU, Africa the Caribbean and the Pacific (ACP), and Mediterranean partner countries. Africa remains a major focus of EIB microfinance operations outside of the EU. Regarding financial instruments, Microfinance Investment Intermediaries remain the main channels, specifically through specialized MIVs. As part of its strategy, the EIB is increasingly exploring additional risk-sharing mechanisms in larger co-financing structures, and making further use of seed funding to support innovation. Bumsteinas also revealed that the EIB is targeting segments which it understands well, but currently does not address (e.g. MSMEs). Due to positive precedents, the EIB is willing to invest in further involvement in EU microfinance projects.

DISCUSSION AND CONCLUSIONS

Brusky opened the discussion by concluding that, in spite of their different approaches to microfinance, the EU organizations presented during this workshop act under the same policy directives. This very fact calls for the identification of complementarities and synergies and for the development of risk-sharing instruments among the different institutions.

Axel De Ville built upon the complementarity issue and emphasized that e-MFP could play a great role in facilitating the cooperation between different donors and stakeholders in the microfinance sector. Murengezi stated that different EU actors need to explain more clearly what they are doing in order to allow for closer and more synchronized cooperation. In addition to identifying their own achievements and weaknesses, organizations should look at other supporters of the microfinance industry such as development cooperation agencies and through e-MFP determine what they can learn and how they complement each other. Building on EIB experiences with such platforms, Bumsteinas suggests a



permanent centre for microfinance expertise within the European Commission to enable closer cooperation and cross-fertilise ideas.

Another topic discussed during this workshop was the importance of financial and social ratings as conditions for the EU and the EIB to provide loans to microfinance projects. Murengezi explained that NSA and LA have the right of initiative in designing their proposals. Consequently, the costs relating to financial and social ratings are eligible under the NSA-LA programme if they are already foreseen in the budget of proposals submitted in the framework of the call for proposals. As such, they must only be justified by project design (something to be checked during the evaluation exercise of proposals). Moyart mentioned that ratings per se are not mandatory in the realm of ACP/EU Microfinance, but considered to be a good tool in defining, together with project partners, the specific indicators to be used in specific initiatives.

Axel de Ville lastly called attention to the fact that many sessions during the European Microfinance Week's addressed the policy level of microfinance and that the European Commission could take the lead and increase involvement in regulatory issues, since it is one of the only institutions with the influence to do so.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

TRAINING: CENTRALIZED LENDING PRACTICES AND CREDIT SCORING FOR MSEs: WHAT ARE THE BENEFITS FOR MFIs?

Trainers Peter HAUSER, Business & Finance Consulting

Michael KORTENBUSCH, Business & Finance Consulting



PRESENTATIONS AND DISCUSSION

Michael KORTENBUSCH's presentation "Establishing a centralized micro lending model", had the objective to present the potential of centralizing loan approval decisions, micro lending and credit scoring. He challenged the audience to consider the implications of centralizing the credit approval process to increase efficiency and reduce operational risk at branch level. Microfinance remains highly decentralized and he proposed that centralization will allow microfinance institutions to remain competitive in maturing markets. Implementation of centralization requires staff to become more specialized. This is particularly true for loan officers who are working in sales. Loan approval, monitoring, collection and training are moved to specialized units in the back office. Risk management is improved because many of the operational risks are shifted from the front office to the back office where they are easier to control.

Kortenbusch discussed two examples where a centralized model was implemented and achieved positive results, demonstrated by increased disbursements, decreased PAR and decreased processing time. He closed with a challenge: MFIs should begin thinking about this concept and how it could be adapted in their institutions. He stressed

that the future of microfinance depends on institutions becoming more efficient - and thus serving their clients better.

Based on comments from the audience, Kortenbusch explained that a centralized model does require MFIs to hire new staff beyond a restructuring process in order to achieve significant efficiency gains. He provided several options for product improvements in centralized systems, by creating units with a regional focus in the head office, and by benchmarking to allow for better evaluation.

With his presentation "Credit Scoring; why and how to get started", Peter HAUSER aimed to present the potential benefits of credit scoring and explain the basic requirements needed for an MFI to develop and implement scoring. Hauser presented the benefits of credit scoring in properly assessing a potential borrower. He demonstrated that our perceptions of credit risk are not always accurate and that credit scoring can help make better decisions based on statistical data.

Hauser continued by explaining the principles of scorecard development, whereby variables are exported from the MIS and a statistician looks for correlations with repayment history. Based on the strength of variables found correlating with repayment, the scorecard is developed. Such a scorecard is more

accurate at measuring the risk of default and provides the opportunity for automatic credit decisions on loans that are either very high risk or very low risk. This gives the MFI more time to evaluate those applicants who are medium risk while saving staff time overall.

He concluded that good portfolio quality at MFIs often comes at the expense of a high rejection rate and the exclusion of potentially good clients. Therefore, credit scoring can not only help institutions to increase profitability, but can also help them to reach clients that would otherwise be underserved.

Based on comments from the audience, Hauser explained that different scoring systems can be built for different regions and products. Also, he explained that a credit scoring system is not software by itself, but can be integrated either into the main software platform of the MFI (if technically possible), or it can be integrated into a separate platform to support the scoring function.

Hauser then clarified how scores are used in the loan approval process through a profitability analysis of good loans versus bad loans. Typically the loss on a bad loan is more costly than the profit on a good loan. Also he stresses that credit scoring can be applied to loans of all sizes, but it is important to have a sufficient number of observations to build a system differentiating between good from bad clients. Of importance in this respect is also that systems take into account both business and personal characteristics. For example, character is important in microfinance. We can take this into consideration by asking the loan officer to assign a character evaluation which is used then in scoring. As such, he also does not see credit scoring as fundamentally conflicting with achieving a social mission. The important thing is that MFIs are forced to collect information about their client and they can decide what to take into account in scoring systems.

PRODUCTS AND SERVICES: WHAT INNOVATION, WHAT OUTREACH, WHICH FUNDING?

ENERGY AND MICROFINANCE: LESSONS LEARNED AND WAYS FORWARD

Moderator Daniel PHILIPP, MicroEnergy International

Speakers Hector MADARIAGA, FONDESURCO

Emmanuel BEAU, SIDI

Nabot DOKHUOEVA, Microloan Organisation Madina Va Hamkoron

André FABIAN, Independent (formerly GIZ)

Franziska HEIDENREICH, Myclimate

Lucienne BLESSING, University of Luxembourg

Feisal HUSSAIN, UNCDF



this initiative both answered to the expected needs of FONDESURCO's clients, while in addition provided an opportunity to use microfinance as a means to contribute to environmental sustainability. By adapting the energy products to specific needs of FONDESURCO's clients, this provided a clear value addition to micro, small and medium-sized enterprises (MS-MEs) (e.g. hotels, restaurants) in a tourist area of Peru. According to Madariaga, the implementation of the microenergy initiative could not have been possible without the technical input of its supporting partners. Whereas FONDESURCO is specialized in providing microcredit services, MicroEnergy International and ADA supported them with their expertise both in the field of renewable energy and microfinance.

PRESENTATIONS

Daniel PHILIPP moderated a session which was interactive in nature, with ample opportunities for questions and answers between panellists and the audience. Philipp emphasized the diverse composition of this international panel, including technical, university and project-level stakeholders. The idea of the session was to give an overview of the field of microfinance and energy facilitated through innovative examples of MicroEnergy International's network.

Hector MADARIAGA shared FONDESURCO's first experiences with the implementation of energy projects involving solar water heaters and improved cooking ovens in its microenergy programme supported by ADA and MicroEnergy International. As Madariaga emphasized,

Emmanuel BEAU introduced SIDI's project on energy access for farmers in Senegal, explaining that the project was initiated based on specific demands of its field partner. Through a bottom-up strategy, the field partner studied the demand for energy products and screened existing initiatives in Senegal and also addressed the possible role of microfinance. In combination with a study done by a local farmers' union on energy expenditure, it was concluded that farmers were paying an average of 10 USD/month to access poor energy services. The project aimed to provide farmers with clean and solar energy for the same monthly expenditure, while reducing their dependence on outside sources. The credit design consisted of long term loans, thus providing lower-risk monthly payments. In order to address the need to monitor the system locally



from a technical perspective, farmers had a subsidized workshop, which turned the initiative into a true social business.

Nabot DOKHUOEVA presented the household insulation project implemented by Madina, in partnership with GIZ in Tajikistan. Madina is an MFI active in a mountainous area of Tajikistan, where poor household insulation in -200 C winters endangers the local population and causes heating expenditure to skyrocket. In 2010, a credit line was started for home-improvement investments in insulation and products such as heating stoves and solar energy. Although facing initial scepticism from the local population, the image of insulation improved as the project started showing economic and environmental benefits, thus attracting larger Tajik organizations which wanted to learn



from Madina's experience. Effects also trickled down to the local economy; Madina is currently working with a local co-operative to produce insulating windows.

André FABIAN, formerly involved in the same project, also provided his perspective. He clarified that GIZ's focus within the project was initially on resource management and counter degeneration of natural resources due to the burning of timber for fuel, which is common in this region. In this sense, the project was designed to adapt energy use to the regional resource availability and to create a long-term social and environmental impact. In spite of limited experience with microfinance of this specific GIZ programme, the integration of a microfinance element, which was assisted by another GIZ programme in the country, allowed the project to recuperate its costs in two years. Madina, the local partner, took care of implementing credit line systems, whereas GIZ covered the capacity-building aspect in all steps of the value chain.

Franziska HEIDENREICH addressed the topic of energy and microfinance from a carbon-financing perspective, linked to the issue of carbon emission reduction. Heidenreich emphasized that quality of energy-efficiency products with regards to carbon financing is essential in Myclimate's approach, since high quality is a prerequisite to generating carbon credits. She stressed that additional benefits of these projects should go beyond CO₂ reduction, which makes it essential to find the right project partners. Another important aspect of such projects is that benefits extend beyond the project's lifetime. In terms of product characteristics, she explained that both renewable energy and energy-efficiency products have po-

tential for carbon financing, but stressed that the choice of products should be driven by client demand. Regarding the microfinance elements of carbon-financing projects, Heidenreich stressed the need to create local markets instead of handing products out.

Lucienne BLESSING used her mechanical engineering research background to address the practical needs of clients in regards to product development, explaining how research brings together three essential elements of product development: the user, the context of the user and the microfinance situation. Developments in design methodology which could contribute to microfinance products are future needs assessments, product-service system development, life-cycle analysis to address product sustainability, researching cultural aspects to identify a product's impact on people's behaviour, and lastly training to build capacities of people to develop their own products. Regarding the specific role of her university, Blessing mentioned that the university is already involved e.g. in researching the interest of big banks in microfinance initiatives, as well as in projects on energy-efficient building and biogas. The inter-linkage between these initiatives is yet to be developed, and she can imagine that interest exists in linking the topics to microfinance, given the large interest in Luxembourg on microfinance.

Feisal HUSSAIN presented UNCDF's Clean Start Programme, which combines alternative energy access and financial mechanisms for the poor. The programme started from a carbon emission mitigation strategy, but after realizing that a poor person spends more per unit of energy than a rich person, the whole programme was re-oriented towards the way people



access energy. The key, as emphasized by Hussain, was in reducing expenditure. The Programme built on lessons learned from the microfinance industry: working through MFIs, achieving scale and strengthening the value chain by working with energy companies in product adaptation, investing in knowledge-transfer and trainings, and influencing policy and the regulatory environment.

DISCUSSION AND CONCLUSIONS

The first topic of the final discussion was whether credit products containing an energy component had lower interest rates. The panellists responded that projects can charge relatively low interest rates, for example based on the involvement of social investors, because projects benefit from high repayment behaviour as energy costs of clients were lowered, or as prices for energy products decrease once projects reach scale.

The audience also asked the panellists' opinion on how regulation can be used to provide incentives to microfinance stakeholders to engage in green businesses and products instead of conventional ones. The panellists called for moderation in the provision of incentives, especially if these revolve around subsidy systems.

The concluding topic was the cooperation between small MFIs and large-scale companies. Most panellists were positive in this respect, and recognized its importance in scaling up and replicating projects, but also called for caution. In working with large companies, attention is needed during product development to ensure the resulting product is suitable for microfinance. It was also stressed that reaching scale requires appropriate profit and risk-sharing mechanisms.

THE FRAMEWORK FOR MICROFINANCE PRACTICES: PRINCIPLES, TOOLS, REGULATION AND SUPERVISION

THE ROLE OF GREATER TRANSPARENCY IN OVERCOMING THE CURRENT MICROFINANCE CRISIS AND THE REPUTATIONAL THREAT TO THE MICROFINANCE INDUSTRY

Moderator Sachin VANKALAS, LuxFLAG

Speakers Arman VARDANYAN, Dual Return Fund-Vision Microfinance

Dina PONS, Incofin

Luis VIADA, MicroRate

Jacco MINNAAR, Triodos Investment Management



PRESENTATIONS

Sachin VANKALAS opened the session by outlining the importance of transparency in the microfinance sector, with several incidences which have been widely discussed during European Microfinance Week. These individual cases led to negative publicity for the microfinance sector as a whole and call for increasing transparency to overcome reputational threats to the industry.

Arman VARDANYAN explained that in order to achieve more transparency and prevent bad practice, Dual Return Fund evaluates key social performance indicators of MFIs and provides a Social Responsibility Report addressing over a 100 indicators. These indicators measure performance in seven main areas: social governance, labour climate, financial inclusion, client protection, product

quality, community engagement and environmental policy. He indicated that pro-active external communication is important in increasing transparency in the sector. Dual Return Fund regularly communicates with microfinance stakeholders and the general public about social performance at the level of the Fund and its investee MFIs through reports, fund updates and articles in the media.

Dina PONS explained what Incofin does to promote greater transparency. She stressed the urgent need of transparency, as public trust in microfinance has been damaged due to the negative media attention. Tangible proof is needed that an organisation operates in a socially responsible manner. Incofin took several measures, including measuring and promoting social performance at MFI level, working on the promotion of collective guidelines

on MIV level, and reporting on achievements at the investor level. She ended her presentation by indicating what is needed to move forward. At the MFI level, social reporting needs to be enhanced, not just measuring and reporting, but communicating results better. At the MIV level, an alignment of the social performance message is needed and we need to investigate how to grasp all aspects through one certification system. Finally, at the investors' level, awareness-raising is needed to ensure a realistic view of microfinance and what are the expected achievements.

Jacco MINNAAR shared Triodos Bank's actions to achieve greater transparency. He stressed the responsibility banks have to society in using deposits wisely. Transparency is therefore one of the main pillars of Triodos Bank. They focus on transparency throughout the entire value chain



and developed standards for each phase in the chain. Achieving trust and having meaningful relationships with stakeholders to develop a common mission and vision is important. He asked the audience how they define reputational risk. The response, to which he agreed, was “to promise something but not to deliver it”. Minnaar stressed that risk in microfinance is often defined as risk of negative media attention and public backlash, while the actual risk is in financing something that has negative effects on society.

Luis VIADA of MicroRate explained in more detail the public relations component of the crisis the microfinance sector is currently facing. He indicated that public perception has been shaped by negative reports from India and Nicaragua so we should address the public better and define what microfinance can and cannot do. He explained how the media focuses on these individual cases of where microfinance went wrong or did not deliver, portraying them as representative of the entire industry. He stated that we can choose not to respond and hope that the negative reports are forgotten, or we can do a better job of staying ahead of developments and communicating their impact and relevance to the public. He then described the findings of MicroRate’s Luminis service that analyzes Microfinance

Investment Vehicles and provided examples of 3 MIVs that demonstrated trade-offs between their financial return, risk and social objectives. This type of clarity, which allows clear and independent comparison of investment alternatives, will be a key contributor to the overall transparency of the microfinance industry.

Vankalas briefly presented the LuxFLAG Microfinance Label which ensures that a labelled Microfinance Investment Vehicle is actually and sufficiently investing in microfinance. The label further aims to reinforce clarity, transparency and credibility towards investors, to enhance the visibility of labelled MIVs in international platforms, and to help them in reaching the international investment community.

DISCUSSION AND CONCLUSIONS

The discussion first focused on whether the MIVs in the panel were faced with negative publicity themselves and how they coped with this. Pons indicated that effects were mostly indirect, with bad practice in certain regions in India affecting the sector in the whole country. Their strategy was to appoint a marketing manager and join efforts with other investors to educate the public, although it turned out to be difficult to change public ste-



reotypes of the sector. As such, she stressed that MFIs also need to send out a clearer message.

Explaining the effects on his organisation, Viada indicated that remaining silent is not an option; MIVs need to send out a more balanced, realistic message, including transparency on the shortcomings of microfinance. Minnaar indicated that Triodos pro-actively communicates to investors and the public, but that dealing with negative publicity should not take precedence over offering a better product and preventing bad practice. It is suggested to apply social indicators for internal use better, as a risk management and product assessment tool, and not only for external communication.

When discussing best-practices for communication with the public, the banking and pharmaceutical sectors are mentioned as effectively communicating. It is also suggested to set up an association taking care of communication, as all stakeholders face these same issues, although at different level and at a different intensity.

When the discussion turned to the operating costs involved in increasing transparency, Pons replied that when social performance indicators are already in place additional costs remain limited. She also referred to websites with user-friendly and free toolkits to develop a code of conduct.

Vankalas closed the session by concluding that the industry should focus on both external communication/public relations and internal improvement within the organisation, and try to join our efforts in doing so.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

ADDRESSING CRISIS SITUATIONS: FUNDAMENTALS AND LESSONS LEARNED FOR RISK MANAGEMENT IN MICROFINANCE

Moderator Samuel KREBER, Ernst & Young Luxembourg

Speakers Marjolaine CHAINTREAU, Citi Microfinance

Sebastian MALDONADO, MFI Maquita

Birgit GALEMANN, IFD/BFC



PRESENTATIONS

After a short introduction by the moderator, Samuel KREBER, Marjolaine CHAINTREAU of Citi Microfinance presented the results of the 2011 Microfinance Banana Skins report. The main aim of this report is to create the vocabulary and framework for discussing risk issues in microfinance by presenting a list of 21 risks that could affect the scaling of microfinance. The third edition of the survey, published in 2011 by the Centre for the Study of Financial Innovation (CSFI), shows clearly the changes in risk perception of the industry from "risk in a booming industry" in 2008 to "losing its fairy dust" in 2011. In the 2011 risk ranking, credit risk remained the leading concern among respondents, above reputational risk which now takes second place, and also before competition in the market. Microfinance is no longer considered as the panacea or silver bullet as it was sometimes portrayed to be. She explained this development by referring to the increasing awareness that the reality of microfinance is catching up with its long

embraced perception. It may be expected that the high ranking of reputational risk will come down once the industry at large explicitly recognizes the high level of diversity in the microfinance sector in terms of institutions, business models, missions and clients, as well as the increasing mainstreaming of microfinance institutions within the larger regulated financial sector. Ultimately, microfinance is defined around clients and services and not around institutions.

Sebastian MALDONADO of Maquita MFI in Ecuador is in charge of risk management in his organisation. He introduced the audience to the comprehensive risk management system installed at Maquita. This system differentiates between different risk categories; liquidity, credit, market and operational. He emphasised that proper risk management clearly contributes to the financial sustainability and social performance of microfinance institutions. In fact, adequate risk management must be regarded by investors and practitioners as a precondition for the same.

Birgit GALEMANN, International Finance Development, explained in great detail how reputational risk can be minimized or contained by creating and then sustaining the trust of clients and (re)financing partners of MFIs. Critical in risk management is liquidity management and she presented a new Asset Liability Management (ALM) process that was developed in collaboration with several practitioners and which is designed to make it relatively simple to introduce.

ALM was designed on the premise that liquidity risk can be managed by ensuring that all cash outflow commitments can be met at all times and by minimizing costs of forgone earnings on idle cash. To show how that is to be achieved she introduced a Liquidity Management Tool consisting of three Excel workbooks for forecasting cash flows on branch as well as on head office & consolidated level and to interface with the MFI's accounting system. Whereas liquidity management is a comprehensive affair, in her experience it can also be properly done by smaller MFIs once underlying calculations at branch offices

are automated - the process then becomes easy to adhere to. The main drawback in practice is that often MFIs are taught about risk management issues but then left alone with the implementation of the process and derivation of underlying calculations. As such, it is important to offer continued support in implementation of tailor-made risk management systems.

DISCUSSION AND CONCLUSIONS

Participants wondered if proper risk management procedures would be enough to withstand any type of crisis. Apart from exceptional cases such as in man-made or natural disaster situations, the presenters maintained that this indeed was likely to be the case. Regarding credit risk, one solution lies in calibrating the probabilities of default (by asset class), based on proper analysis of the client's default behaviour, and in appropriate stress-tests of the organization's financial health.

The discussion continued and in general it was agreed that indeed analysis and seg-



mentation of past and current default could be an important tool for MFIs to prepare for crises. For example, sudden increases in prices, particularly of food or fuel, as well as a variety of other events directly affecting incomes of MFI clients occur with some frequency. Still, many

MFIs tend to be taken by surprise each time this happens when instead they could be well-prepared, based on analysis of previous events and learning from past experiences.

EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

LUXEMBOURG ROUND TABLE ON MICROFINANCE (LRTM): A MULTI-STAKEHOLDER NATIONAL INITIATIVE FOR FACILITATION, STIMULATION AND INNOVATION

Moderator François BARY, Lux-Dev

Speakers Daniel FEYPEL, Luxembourg Ministry of Foreign Affairs – Development Cooperation

Bertrand KLEIN, Deloitte Luxembourg

Marc ELVINGER, LMDF

Daniel DAX, LuxFLAG

Josée THYES, ATTF



PRESENTATIONS

François BARY welcomed the opportunity to present the Luxembourg Round Table on Microfinance (LRTM), a multi stakeholder initiative to facilitate innovation and cooperation between Luxembourg's microfinance actors. The focus of the session was on concrete projects and their outcomes and the added value of these cooperative formats. Daniel FEYPEL fur-

ther presented LRTM and took the audience through the history of microfinance in Luxembourg, which started in 1993 with NGOs but quickly included financial institutions and other stakeholders. As such, LRTM brings together private, public and civil society sectors. LRTM has an informal structure, but is about to launch its charter in which it formalises its mission. This mission combines the promotion of microfinance as a means of devel-



opment, and the promotion and sharing of the core competencies of Luxembourg as a financial and microfinance centre.

Bertrand KLEIN presented the first concrete case, a partnership between Deloitte and PlaNet Finance Luxembourg (PFL) for skills sponsorship. This involves technical, short-term missions by Deloitte staff to provide microfinance projects with specific expertise and advice, supporting the PFL team. For Deloitte, the project fits well in its CSR policy. It also builds senior staff competences by exposing them to new environments that require flexibility and development of new skills and improves staff commitment and motivation. PFL accesses specific knowledge with minimal costs to its organisation. Since the project started in 2008, 14 missions have been executed in 10 countries.

Marc ELVINGER explained how the Luxembourg Microfinance and Development Fund was set up by the Ministry of Development Cooperation and ADA to broaden financial inclusion by providing smaller microfinance institutions with appropriate financial resources. He explained the in-



novative funding structure of this €25 million fund, where founding shareholders earn the right to a larger say in the fund's investment strategy by assuming some of the risks of retail shareholders and accepting lower returns. Currently the fund has shareholders from a broad variety of Luxembourg institutions involved in microfinance willing to balance their return on investments with development objectives such as operating in more difficult regions and working with relatively long loan maturities.

Daniel DAX presented LuxFLAG, an independent, not-for-profit organisation supporting the financing of sustainable development by providing clarity to investors by awarding labels to investment funds which meet specific criteria. It positions itself in between investors and MIVs to assure investors that an MIV actually invests, directly or indirectly, in the microfinance sector. An important advantage to MIVs is that the label offers transparency and credibility towards investors, but MIVs need to meet certain requirements, such as: have a microfinance portfolio corresponding to at least 50% of the MIV's total assets; have at least 25% of its microfinance portfolio invested in MFIs rated by a microfinance rating agency recognised by LuxFLAG; be subject to EU or equivalent supervision; be profit-oriented, and have a governance structure separating custody from asset management. He continued by showing the fast growth in the number of labels awarded, which shows the increasing interest.

Josée THYES presented the cooperation between ATTF and ADA in offering a risk management excellence workshop and coaching programme to MFI management of top-tier MFIs who have or are about to create a risk management department. Although these organisations have substantial means at their disposal, the partners believe risk management can bring great benefits to their organisations and lead to higher impacts. To reflect this, these MFIs also have to pay part of the costs of the programme. The programme aims to share Luxembourg's expertise in the banking area, more precisely in the risk management area. The programme is divided in 2 parts: a workshop in Luxembourg on risk management after which a restricted number of MFIs are selected for the coaching exercise. The coach assists the selected MFIs in implementing, integrating and engraining risk management in their organisation. This coaching process can be extended to up to three years, while other employees of the MFI follow the next edition's workshop. The risk management experts, who work on a pro-bono basis, are sourced through PRIM, the Luxembourg Financial Centre's Risk Management Association. Since 2008, the programme has conducted 4 workshops, with 70 participants from a large number of MFIs. 12 MFIs have been coached.

DISCUSSION AND CONCLUSIONS

The discussion mostly revolved around the way LRTM fosters cooperation between its members. Bary commented that LRTM offers an informal platform for members to exchange ideas, who then move on to implement them in smaller groups. He explained that it is this informal way of sharing that fosters the type of joint efforts that were presented today. LRTM offers a place for people to meet and it stimulates innovation.



EVIDENCE FROM THE FIELD: FINDINGS FROM RESEARCH AND THE ROLE OF SUPPORT PRACTICES

MANAGEMENT INFORMATION SYSTEMS: PLANNING AND SELECTION. “IS THE ‘SOFTWARE AS A SERVICE – SAAS’ MODEL NOWADAYS A REAL OPTION FOR MFIs?”

Moderator Sandra MOREAU, European Microfinance Network

Speakers Tom BAUR, Triodos Facet

Tibor SZEKFÜ and Éva FARAGÓ, Fejer Enterprise Agency (FEA)

Jean POUIT, MyTransfer/e-MFP

Teshome DAYESSO, Buusaa Gonofaa

Sandra MOREAU started the session by explaining its objective: to present the different Management Information System (MIS) models available to MFIs and share the experience of two MFIs, one from the South and one from the North. First, Tom Baur of Triodos Facet presented the advantages and disadvantage of the three strategic solutions available to MFIs when considering how to select their MIS: to buy it, build it, or outsource it to an application service provider (ASP). He explained the different pricing models when investing in a MIS. Finally, he described the challenges faced by MFIs when choosing the “Software as a Service” or “SaaS” options, as such, outsourcing MIS.

Tibor SZEKFÜ and Éva FARAGÓ of Fejer Enterprise Agency (FEA) explained their outsource model that they started to develop in Hungary about ten years ago. At that time, FEA joined forces with an IT company called CREDINFO to develop its own system, but then proceeded by offering this system to other MFIs in the country. The system is currently used by 25 MFIs in Hungary. They explained how the system is continuously growing and being improved to meet client needs. Currently they are expanding in other European markets, and they are involved in a pilot project to implement the system in Norway.

Jean POUIT of MyTransfer explained the computerisation phases that an MFI goes through, from a simple Excel sheet to a centralised database. He made recommendations on how to select the most suitable MIS depending on the particular MFI's circumstances. He then described the three rounds of software reviews of MFIs which CGAP undertook.



Teshome DAYESSO of Buusaa Gonofaa in Ethiopia explained his experiences when Buusaa introduced its MIS system. The lessons learned included that MIS is more than installing a software application. There is a selection process involved that can be cumbersome and it is important that the institution changes its modality of operation, otherwise effective implementation will not be possible. He continued by describing common failures in the implementation phase, before describing in his particular case, the poor performance of the vendor and its system. Another lesson learned was that MFIs should not try to solve two issues at the same time: getting the bugs out of the system and getting the MFI business process properly redesigned. His final message was that poorly designed procedures and business process, once automated, are still inefficient.

QUESTIONS AND ANSWERS

The discussion of this session was organised on a Q&A basis. Based on the question which strategic option works best for MFIs with weak in-house technical capacities, it was concluded that MFIs should first specify in detail their business processes, products and services. When it comes to selecting the right option it was recommended to look at advantages and disadvantages beyond technical capacities, as there are solutions to resolve these, by hiring expertise, or seeking assistance from networks, associations, investors or donors. The easiest solution is in many cases to outsource, but this depends on the service contract and the telecom price and availability. The panelists recommend seeking the help of an independent advisor.



Based on a question regarding governance of the MIS implementation process, the panellists stressed the importance of proper vendor management, in all phases, from selection, to guidance, to maintaining strong control and ownership over the entire implementation process.

The third question related to human resource needs in adapting MIS to MFI business processes and vice versa. According to the panellists this is vital as MIS in a MFI is a fusion of human, system and process factors. Senior management needs to acknowledge this and actively support staff training, changes in the organisation, and should champion the process of MIS implementation. In large organisations, there will be a need to assign promoters in key departments who also act as MIS contact person.



The last question related to the availability of the outsource option in Africa, from a connectivity point of view. The panellists indicated that this is improving, with several ASPs offering SaaS solutions, but the limited connectivity at branch office level remains challenging.

The main conclusion reached is that the outsource model (SaaS) is a real option for MFIs, but not yet in every country. (Affordable) connectivity can be a major

hurdle, although this is improving due to investments in telecommunication networks. Another key challenge that remains is the shallow market of ASPs that offer solutions specifically for MFIs, but this situation is also improving. And finally, since many MFIs still go for the buy option, proper vendor management by the MFIs remains crucial, but this capacity is unfortunately often lacking.

PLENARY: WHAT NEXT FOR MICROFINANCE?

Moderator Emmanuel DE LUTZEL, BNP Paribas/e-MFP

Speakers Marc BICHLER, e-MFP Chairman

Tilman EHRBECK, CGAP

Hector DAVID CÓRDOVA, FEDECACES



PRESENTATIONS

Emmanuel DE LUTZEL started the session by celebrating the large number of participants, from a broad range of countries and regions that gathered together for European Microfinance Week 2011. He also thanked the sponsors for their support. Marc BICHLER then presented the topic of the 4th European Microfinance Award in 2012 - "Microfinance and food security". He commented that he believes it is an opportune choice, because of pending threats posed by the food and the economic crisis, and due to its central role in people's lives, cross-cutting issues such as climate change, rural development and health.

De Lutzel expressed the need for a joint effort to steer the future of microfinance in the right direction. He asked each panellist to state what he believes is most important in the future of microfinance. For him, the main issues at hand are the euro crisis, technological development, legislative developments and the Arab Spring.

Tilman EHRBECK started by reflecting on the developments since last European Microfinance Week. He was impressed by the progress made, and distinguished four areas of progress. Firstly, he sees an acceleration in the sector's refocus on clients, with savings being integrated in services, extended insurance services and outreach, important product innovations in credit such as different payment schedules



based on a deeper understanding of client needs. Secondly, he sees how responsible finance is increasingly integrated into microfinance practices. Thirdly, he identified continued innovations in delivery mechanisms, such as mobile money; to meet the broader range of clients needs, a broader range of providers is required to reach more people with more services at lower cost. Fourthly, there remains positive tailwind in the broader field of financial inclusion, as global and national policymakers recognize how an inclusive financial system helps the progress of families, small enterprises, and the economy as a whole. However, for the future, he does see a risk that other, bigger events, such as the euro crisis and disappointment with the banking system, overshadow recent accomplishments.

Hector DAVID CORDOVA thanked e-MFP and DGRV, an important partner for technical support for FEDECACES, for the opportunity to express his opinion and ideas on the future of microfinance at the conference. He increasingly sees the challenges facing the sector as global challenges. Any strategy to counter current challenges of the microfinance sector in his country, or in any other country, needs to take into account how the country is integrated in the world economy. He expressed the need to engage with clients to develop a greater range of services and products that meet their needs during the crisis. To adhere to the bottom line in such times, it is important to work on capacity building towards employees, rationalise costs and offer additional services to support families. Furthermore, strengthening institutions and their early warning systems, self-regulation and

networks at the national level between socially driven MFIs are vital.

Marc BICHLER explained how a broader look at the international discourse on development makes him optimistic on the future of microfinance. He witnessed growing awareness of microfinance as a poverty alleviation tool worldwide for the past 8 to 9 years, including at the United Nations level. Microfinance was mentioned as a useful tool in the "Financing for Development" conference in 2002, but came especially to the forefront in 2005, during the Year of Microcredit, through the Nobel Prize awarded to Grameen Bank in 2006, and the 2008 Doha conference on "Financing for Development". Here, microfinance was identified as an effective tool in reaching the Millennium Development Goals, while in 2010, the G20 set up a working group on Inclusive Finance. From this, he concludes that microfinance is ever more present in the debate on tools for development.

He furthermore added that there were great opportunities in striving for increasing productivity. Revenue generating activities are key to sustainability, not just financial sustainability but also social sustainability. This needs to be better demonstrated in evaluation and monitoring. He also stressed the importance of technology in increasing productivity.

DISCUSSION AND CONCLUSIONS

The first point of discussion was how microfinance can be an effective tool for countering increasing vulnerability and insecurity in this time of multiple crises. Bichler stressed that microfinance can play

a role in softening the effects of crises for individuals, but we need to be realistic. Córdova mentioned that before microfinance can be an effective poverty reduction tool in times of crisis the important aspect of price needs to be addressed. Also, the excesses of several MFIs damaged the public's perception of microfinance, and it is important that the sector acts before governments feel compelled to enact legislation. For this, MFIs need to focus on services and products based on good practices that have a positive effect on clients.

The discussion then turned to the Basel Committee's proposal to increase capitalisation levels of MFIs because of higher perceived risks. The panel responded that within cooperative systems and many other MFIs, risks are partly collective and mitigated through group dynamics. Moreover, it was stressed that MFIs are used to work in a riskier environment, and we need to strengthen their risk management strategies. Ehrbeck also commented that the Basel Committee is only focusing on deposit-taking institutions. For him, retail credit risks are actually higher in developed banking markets. Moreover, studies of the impact of the last big crisis in 1997 in Asia have shown that most MFIs actually weathered the storm better because MFIs knew their clients better than commercial banks and because the local level activities that MFIs typically financed were far less correlated with global economic swings.

The next point of discussion was on whether mobile services are an opportunity or a threat to MFIs. The panel considered it an opportunity, particularly as credit provision still requires close contact with clients, trust, and often group methodologies to build collateral. In savings on the other hand, mobile technology can be of benefit to MFIs to lower transaction costs, and thus reach more clients and allow for smaller savings amounts. As such, Mobile Network Operators (MNOs) support financial service provision.

Finally, the discussion turned to the need for platforms and institutions to scale up knowledge and knowledge sharing. The panel agreed that it is needed to better understand demand and develop better products and services on that basis. They identified large gaps in certain regions, services and sectors. Donors were also mentioned as playing a role in the smart division of labour between microfinance actors, and in investing in an enabling environment for learning and information sharing.

LIST OF PARTICIPANTS

FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Arman	VARDANYAN	Absolute Portfolio Management	Austria
Daniel	ROZAS	Accion International	Belgium
Mathilde	GASTON MATHE	ACP/EU MICROFINANCE	Belgium
Emmanuel	MOYART	ACP/EU Microfinance	Belgium
Francesca	AGNELLO	ACRA	Italy
Gabriele	ZOJA	ACRA	Italy
Wendé	BEKELE	ADA	Luxembourg
Clara	BRETIN	ADA	Luxembourg
Axel	DE VILLE	ADA	Luxembourg
Emmanuelle	LAMBERTY	ADA	Luxembourg
Quentin	LECUYER	ADA	Luxembourg
Patrick	LOSCH	ADA	Luxembourg
Benjamin	MACKAY	ADA	Luxembourg
Corinne	MOLITOR	ADA	Luxembourg
Bruno	OBEGI	ADA	Luxembourg
Marilène	OBERLIN	ADA	Luxembourg
Carla	PALOMARES	ADA	Luxembourg
Emma	PAUL	ADA	Luxembourg
David	QUIEN	ADA	Luxembourg
Francesca	RANDAZZO	ADA	Luxembourg
Bram	SCHIM VAN DER LOEFF	ADA	Luxembourg
Natacha	SEKER	ADA	Luxembourg
Luc	VANDEWEERD	ADA	Luxembourg
Sophie	WIESNER	ADA	Luxembourg
Sebastian	SOMMER	ADG	Germany
Patricia	PADILLA LOPEZ	ADIM MFI Nicaragua	Nicaragua
Juan Ignacio	IZUZQUIZA RUEDA	AECID	Spain
Sigita	BUBNYS	AFC Consultants International	Germany
Jean-Hugues	DE FONT-RÉAULX	Agence Française de Développement	France
Marie-Laure	GARNIER	Agence Française de Développement	France
Caroline	ROZIERES	Agence Française de Développement	France
Philippe	SERRES	Agence Française de Développement	France
Marcus	FEDDER	Agora Microfinance Partners LLP	United Kingdom
Maria	LARGEY	Agora Microfinance Partners LLP	United Kingdom
Guus	ROZENDAAL	AgriFinance Africa	Netherlands
Tamara	PEPIC	AgroInvest	Serbia
Mila Mercado	BUNKER	AHON SA HIRAP INC	Philippines
Xavier	HEUDE	Aide à l'Enfance de l'Inde	Luxembourg
Abed	MOUQUADEM	Al Majmoua	Lebanon
Gëzim	BASHA	Albanian Savings & Credit Union	Albania
Ahmed Nashaat	MOKHTAR IBRAHIM	Alexandria Business Association - SME Project	Egypt
Yannick	ARBAUT	Allen & Overy Luxembourg	Luxembourg
Florent	TROUILLER	Allen & Overy Luxembourg	Luxembourg
Nixon	BUGO	Alliance for a Green Revolution in Africa (AGRA)	Kenya
Héctor Samuel	PÉREZ	Alsol Contigo, S.A. De C.V. sofom E.N.R.	Mexico
Sofie	DESMET	Alterfin cvba	Belgium
Bernard	ORNILLA	Alterfin cvba	Belgium
Anne	CONTRERAS	Arendt & Medernach	Luxembourg
Matthieu	TAILLANDIER	Arendt & Medernach	Luxembourg
Flavia	BWIRE	Association of Microfinance Institutions of Uganda	Uganda
Khadija	YOUSFI	Association Sidi Mellouk du Developpement	Morocco
Tisiana	BAGUET	ATTF - Financial Technology Transfer Agency	Luxembourg
Yves	MATHIEU	ATTF - Financial Technology Transfer Agency	Luxembourg
Josée	THYES	ATTF - Financial Technology Transfer Agency	Luxembourg
Patrick	WALLERAND	ATTF - Financial Technology Transfer Agency	Luxembourg
Barclay	O'BRIEN	Ayani (Universalia Associate)	Australia
Frédéric	LERNOUX	Belgian Bankers Academy	Belgium
Emmanuelle	HUMANN	BGL BNP Paribas	Luxembourg
Florence	LINSTER-LEPICARD	BGL BNP Paribas	Luxembourg

FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Eugène	MPUNDU	BGL BNP Paribas	Luxembourg
Herman	ABELS	Blue Rhino Consult BV	Netherlands
Michelle	ARTS	Blue Rhino Consult BV	Netherlands
Gustavo	FERRO	Blue Rhino Consult BV	Netherlands
Robbie	HOGERVOST	Blue Rhino Consult BV	Netherlands
Ximena	ESCOBAR DE NOGALES	BlueOrchard	Switzerland
Marie Anne	DE VILLEPIN	BNP Paribas	France
Emmanuel	DE LUTZEL	BNP Paribas / e-MFP	France
Jan	BERGMANS	BRS - Belgian Raiffeisen Foundation	Belgium
Kurt	MOORS	BRS - Belgian Raiffeisen Foundation	Belgium
Arvind	ASHTA	Burgundy School of Business (ESC Dijon)	France
Ryan	ELENBAUM	Business & Finance Consulting	Switzerland
Peter	HAUSER	Business & Finance Consulting	Switzerland
Michael	KORTENBUSCH	Business & Finance Consulting	Switzerland
Anna	SEMENOVA	Business & Finance Consulting	Switzerland
Teshome	DAYESSO	Buusaa Gonofaa MFI	Ethiopia
Frédéric	HAUPERT	Care	Luxembourg
Georges	GLOD	Caritas	Luxembourg
François	PITIGNE THIOMBANE	Caurie - Microfinance	Senegal
Joshua	GOLDSTEIN	Center for Financial Inclusion at ACCION International	United States
Julia	MEYER	Center for Microfinance	Switzerland
Amos	FON	Center for Microfinance and Micro -Enterprise Development - CEMMED	Cameroon
Sabo	ALTINE	CENTRAL BANK OF NIGERIA (CBN)	Nigeria
Istifanus	MUTHIR	CENTRAL BANK OF NIGERIA (CBN)	Nigeria
Musole Mwana	MUPENZI MOISE	Centrale des Mutuelles d'Épargne et de Crédit du Congo (MECRECO)	Congo
Christine	DAHM	Cercle de Coopération	Luxembourg
François-Xavier	DUPRET	Cercle de Coopération	Luxembourg
Florent	BEDECARRATS	CERISE	France
Marie Anna	BÉNARD	CERISE	France
Cecile	LAPENU	CERISE / e-MFP	France
Marion	ALLET	CERMi - Centre for European Research in Microfinance	Belgium
Carolina	LAURETI	CERMi - Centre for European Research in Microfinance	Belgium
Anais	PÉRILLEUX	CERMi - Centre for European Research in Microfinance	Belgium
Ariane	SZAFARZ	CERMi - Centre for European Research in Microfinance	Belgium
Annabel	VANROOSE	CERMi - Centre for European Research in Microfinance / Universidad de Piura	Belgium
Marc	LABIE	CERMi - Centre for European Research in Microfinance / Université de Mons	Belgium
Aude	DE MONTESQUIOU	CGAP	France
Eric	DUFLOS	CGAP	France
Tilman	EHRBECK	CGAP	United States
Mayada	EL-ZOGHBI	CGAP	France
Antonique	KONING	CGAP	Belgium
Jared	PENNER	Child and Youth Finance International	Netherlands
Charles	DENOTTE	Citi	Luxembourg
Erol	ÖZBILEN	Citi	Luxembourg
Francis	PEDRINI	Citi	Luxembourg
Hervé	SCHOUMACHER	Citi	Luxembourg
Marjolaine	CHARENTREAU	Citi Microfinance	United Kingdom
Chris	PAIN	Concern Worldwide	Ireland
Ligia	CASTRO-MONGE	Consultant	Luxembourg
Stefanie	DECKER	Consultant	Luxembourg
Eric	EKUÉ	Consultant	Senegal
Olivier	ERVYN	Consultant	Belgium
Karel	JANSEN	Consultant	Netherlands
Xavier	MOMMENS	Consultant	Belgium
Frédéric	PONSOT	Consultant	France
Fedde	Potjer	Consultant	Netherlands
Maren	RICHTER	Consultant	Germany
Sebastian	MALDONADO	Coop. Maquita Cusnunchic Ltda.	Ecuador

FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Victor	CHATI PEREZ	COOPAC LOS ANDES	Peru
Tamara	CAMPERO	CORDAID	Netherlands
Frans	GOOSSENS	CORDAID	Netherlands
Ry	HONG	CREDIT MFI	Cambodia
Lamarana Sadio	DIALLO	Crédit Rural de Guinée S.A	République de Guinée
Erna	KARRER-RÜEDI	Credit Suisse / e-MFP	Switzerland
Luis	PANZER	Cresol	Brazil
Pier Carlo	BARIOLI	Cresud spa	Italy
Dominique	MOREL	CTB	Belgium
Kristine Kaaber	PORS	Danish Forum for Microfinance	Denmark
Christian	KRUSE	Danish Forum for Microfinance (CARE Denmark)	Denmark
Davide	STEFANINI	Danish Refugee Council - Global Credit Facility	Denmark
Sherali	PARMANOV	De "Microcredit Organisations of SABR"	Uzbekistan
Jean-Luc	NEYENS	Degroof Gestion Institutionnelle - Luxembourg	Luxembourg
Bertrand	KLEIN	Deloitte Luxembourg	Luxembourg
Thomas	FOERCH	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Germany
Roland	GROSS	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Germany
Florian	HENRICH	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Germany
Therese	ZAK	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Germany
Paul	ARMBRUSTER	DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V.	Germany
Nina	HILDEBRANDT	DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V.	Germany
Yordanos	PASQUIER	Direction de la Coopération Internationale Monaco	Monaco
Charles	RUYS	Each B.V.	Netherlands
Frances	SINHA	EDA Rural Systems Pvt Ltd	India
Christine	GREGOIRE	EFA	Luxembourg
Thomas	SEALE	EFA	Luxembourg
Tima	BECIROVIC	EKI Microcredit Foundation	Bosnia and Herzegovina
Sadina	BINA	EKI Microcredit Foundation	Bosnia and Herzegovina
Marco	PAOLUZI	Ente Nazionale per il Microcredito	Italy
Giovanni Nicola	PES	Ente Nazionale per il Microcredito	Italy
Aurélié	DAGNEAUX	Entrepreneurs du Monde	France
Thomas	THIVILLON	Entrepreneurs du Monde	France
Michel	VANDEVOIR	Entrepreneurs du Monde	France
Anja	GRENNER	Ernst & Young S.A.	Luxembourg
Samuel	KREBER	Ernst & Young S.A.	Luxembourg
Joby	CHATHELY OUSEPH	ESAF Microfinance and Investments (P) LTD	India
Kadambelil Paul	THOMAS	ESAF Microfinance and Investments India	India
Ekkehart	SCHMIDT-FINK	Etika	Luxembourg
Ilaia	URBINATI	Etimos Foundation Onlus	Italy
Michele	CHIAPPINI	European Commission	Belgium
Stefaan	PAUWELS	European Commission	Belgium
Célestin	MURENGEZI	European Commission - DG EuropeAid Development and Cooperation	Belgium
Edvardas	BUMSTEINAS	European Investment Bank	Luxembourg
Giovanni	GENTILI	European Investment Bank	Luxembourg
Marie	JACQUESSON	European Investment Bank	Luxembourg
Adela	SVOBODOVA	European Investment Bank	Luxembourg
Luciana	TOMOZEI	European Investment Bank	Luxembourg
Julienne	YANOGO	European Investment Bank	Luxembourg
Perrine	POUGET	European Investment Bank / e-MFP	Luxembourg
Cyril	GOUIFFES	European Investment Fund	Luxembourg
Saiyi Suzuki	NAVARRO	European Investment Fund	Luxembourg
Stefan	OBERBICHLER	European Investment Fund	Luxembourg
Sandra	MOREAU	European Microfinance Network	Belgium
Christoph	PAUSCH	European Microfinance Platform	Luxembourg
Juana	RAMÍREZ	European Microfinance Platform	Luxembourg
Niamh	WATTERS	European Microfinance Platform	Luxembourg
Tomas	FLORES	European Microfinance Program - ULB / Solvay	Belgium
Roxane	LIENART	European Microfinance Programme	Belgium
Elisa	PERSICO	European Microfinance Programme	Belgium
Francesco	GRIECO	European Microfinance Programme - Université Libre de Bruxelles	Belgium

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Michael	MARX	FAO Investment Centre	Italy
Hector David	CORDOVA ARTEAGA	FEDECACES DE R.L.	El Salvador
Marie Pascaline	BONKOUNGOU DIASSO	Fédération des Caisses Populaires du Burkina Faso (FRCPB)	Burkina Faso
Nandor	BENCZUR	Fejer Enterprise Agency	Hungary
Eva	FARAGO	Fejer Enterprise Agency	Hungary
Tibor	SZEKFU	Fejer Enterprise Agency	Hungary
Francesco	CONSIGLIO	FEMIP Special Operation	Luxembourg
Milena	BERTRAM	Finance in Motion GmbH	Germany
Crispin	NZUZI NSIKIKASA	FINCA RD Congo sarl	Congo
Bonnie	BRUSKY	Focus Conseil et Traduction	France
Diego Luigi	DAGRADI	Fondazione Giordano Dell'Amore	Italy
Maria Cristina	NEGRO	Fondazione Giordano Dell'Amore	Italy
Oscar Anibal	ORDONEZ SALAZAR	Fondesurco	Peru
Hector	MADARIAGA	Fondo de Desarrollo Regional (Fondesurco)	Peru
Frank	DE GIOVANNI	Ford Foundation	United States
Anthony	SHELDON	Ford Foundation	United States
Javier	PERCY	Forolafr	Peru
Katia	GOERTZ	Frankfurt School of Finance & Management	Germany
Yekbun	GÜRGÖZ	Frankfurt School of Finance & Management	Germany
Sabine	SIEBENBROCK	Frankfurt School of Finance & Management	Germany
Marc	ELVINGER	Friendship International	Luxembourg
Renata	GARCIA	GFA Consulting Group	Germany
Christiane	SCHRÖDER	GFA Consulting Group	Germany
Thomas	RAHN	GIZ	Germany
Philippe	GUICHANDUT	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Jean-Luc	PERRON	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Therese	SANDMARK	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Julien	SCIAU	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Christophe	CHABAUD	Grameen-Jameel	France
Geoffroy	LEFORT	Guf	France
Joëlle	GUSTIN	Handicap International	Luxembourg
Leo	SOLDAAT	Hivos	Netherlands
Stéphane	BUTHAUD	HumanoGames	France
David	MUNNICH	I&P	France
Ben	NIJKAMP	ICCO	Netherlands
Florian	BERNDT	ICON-INSTITUTE Consulting Group	Germany
Christin	DÖRING-MAZRAANI	ICON-INSTITUTE Consulting Group	Germany
Tanja	LINGOHR	ICON-INSTITUTE Consulting Group	Germany
Heinz-Werner	MARPMANN	ICON-INSTITUTE Consulting Group	Germany
Isabel	STIGLER	ICON-INSTITUTE Consulting Group	Germany
Anne	LEYMAT	IDDC / Handicap International	France
Elsa	WURM	IEP Strasbourg	France
Louise	AUBREE	IESEG	France
Soudeyna Ndiaye	BA	INAFI International	Senegal
Marco	VAN ANDEL	INAFI International	Senegal
Dina	PONS	Incofin	Belgium
Rita	VAN DEN ABBEEL	Incofin	Belgium
Loubna	AJJAN	Innpact Sàrl	Luxembourg
Astrid	BORMANS	Innpact Sàrl	Luxembourg
Moya	CONNELLY	Innpact Sàrl	Luxembourg
Arnaud	GILLIN	Innpact Sàrl	Luxembourg
Patrick	GOODMAN	Innpact Sàrl	Luxembourg
Rebecca	HELD	Innpact Sàrl	Luxembourg
Kelly	MUKENDI	Innpact Sàrl	Luxembourg
Esther	SOMMER	International Disability and Development Consortium	Belgium
Birgit	GALEMANN	International Finance Development	Germany
Michael	HAMP	International Fund Agricultural Development - IFAD	Italy
Severine	DEBOOS	International Labour Organization	Switzerland
Pranav	PRASHAD	International Labour Organization	Switzerland

FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Jean	JAECKLÉ	iuil	Luxembourg
Lamoudou	MANE	Ivoire Elevage	Côte d'Ivoire
Maira	GONZALES	Jardin Azuayo	Ecuador
Diego	ULLOA	Jardin Azuayo	Ecuador
Flavian	ZEIJA	Justice for Microfinance Consumers	Uganda
Alou	SIDIBE	KAFO JIGINEW	Mali
Zhanna	ZHAKUPOVA	Kazakhstan / Microcredit Organization Asian Credit Fund LLC	Kazakhstan
Simon	BLEIDIESEL	KfW	Germany
Monika	BECK	KfW / EFSE	Germany
Merullen	INACIO	KixiCredito	Angola
Martin	KAMAU	KWFT DTM	Kenya
Faith Negbe	OSAZUWA-OJO	Lapo Microfinance Bank Ltd.	Nigeria
Bob	BRAGAR	Legal Risk Management for Impact Investors	Netherlands
Heinz	DUENSER	Liechtensteinischer Entwicklungsdienst (LED)	Liechtenstein
Pius	FRICK	Liechtensteinischer Entwicklungsdienst (LED)	Liechtenstein
François	BARY	LuxDev	Luxembourg
Pascale	JUNKER	LuxDev	Luxembourg
Laetitia	POLIS	LuxDev / Secretariat of the Luxembourg Round Table on Microfinance	Luxembourg
Kaspar	WANSLEBEN	Luxembourg Microfinance and Development Fund	Luxembourg
Malika	HAMADI	Luxembourg School of Finance	Luxembourg
Daniel	DAX	LuxFLAG	Luxembourg
Kenneth	HAY	LuxFLAG	Luxembourg
Sachin S	VANKALAS	LuxFLAG	Luxembourg
Ainur	TURGUNBAEVA	MCC Oxus	Kyrgyzstan
Malika	BODACH	MEDA	Morocco
Hind	JALOUNI	MEDA	Morocco
Franklin	ODOEMENAM	Micro Investment Consultancy Services Ltd - Nigeria/Germany	Germany
Daniel	PHILIPP	MicroEnergy International	Germany
Modou	LY	Microfinance et Développement Social	Senegal
Benoit	MONSAINGEON	Microfinance Sans Frontières	France
Ivan	SANNINO	Microfinanza Rating	Italy
Lucia	SPAGGIARI	Microfinanza Rating	Italy
Lisa	CHASSIN	Microinsurance Network / ADA	Luxembourg
Magalie	DURDUX	Microinsurance Network / ADA	Luxembourg
Véronique	FABER	Microinsurance Network / ADA	Luxembourg
Matthew	GENAZZI	Microinsurance Network / ADA	Luxembourg
Jami	SOLLI	Microjustice	Italy
Maarten	VAN SCHOTEN	MicroNed	Netherlands
Josien	SLUIJS	MicroNed / Netherlands Platform for Microfinance	Netherlands
Luis	VIADA	MicroRate Inc.	United States
Marie-Josée	JACOBS	Minister for Development Cooperation & Humanitarian Affairs	Luxembourg
Mika	VEHNÄMÄKI	Ministry for Foreign Affairs	Finland
Anouk	AGNÈS	Ministry of Finance	Luxembourg
Emna	KALLEL	Ministry of Finance	Tunisia
Daniel	FEYPEL	Ministry of Foreign Affairs - Directorate Development Cooperation	Luxembourg
Marc	BICHLER	Ministry of Foreign Affairs - Directorate Development Cooperation / e-MFP	Luxembourg
Hans	VAN DER VEEN	Ministry of Foreign Affairs of the Netherlands	Netherlands
Marten	LEIJON	MIX	United States
André	FABIAN	MLO "Madina va Hamkoron"	Germany
Nabot	DOKHUDOEVA	MLO "Madina va Hamkoron"	Tajikistan
Pacifique	MATABARO NDAGANO	Mutuelle d'Epargne et de Credit de Bukavu (MECREBU)	Congo
Silim	MADI ATTOUMANI	Mutuelle d'Epargne et de Credit ya komori - Caisse Mohéli (MECK)	Union des Comores
Franziska	HEIDENREICH	myclimate	Switzerland
Jean	POUIT	MyTransfer / e-MFP	Luxembourg
Mirza Moqem	BAIG	Narowal Rural Devevelopment Program (NRDP)	Pakistan
George	MUKASA	National Union of Disabled Persons of Uganda (NUDIPU)	Uganda
Joost	DE LA RIVE BOX	NEDWORC Foundation	Netherlands
Ab	ENGELSMAN	Netherlands Platform for Microfinance	Netherlands

FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Marloes	VAN DEN BERG	Netherlands Platform for Microfinance	Netherlands
Linda	SUVATNE	Norwegian Association of Disabled (NAD) / IDDC	Norway
Modibo	DEMBELE	Nyèsigiso	Mali
Judith	PAURITSCH	Oesterreichische Entwicklungsbank AG	Austria
Rakhat	GRAVESTEIJN	OIKOCREDIT	Netherlands
Ging	LEDESMA	OIKOCREDIT	Netherlands
Ivo	KNOEPFEL	onValues	Luxembourg
Melania	DINESCU	Oppenheim Asset Management Services	Luxembourg
Claudia	PLOB-DAMBAY	Oppenheim Asset Management Services	Luxembourg
Francis	TAKYI	Opportunity International Savings and Loans Ltd.	Ghana
Aurore	NOUMAZALAY	Orange Money	France
Michaël	KNAUTE	OXUS Development Network	France
Alexis	SURUN	OXUS Development Network	France
Anwer Fahmi Mohammad	HUSSEIN	Palestine for Credit and Development - FATEN	Palestine
Renée	CHAO BEROFF	Pamiga	France
Mathieu	MERCERET	Pamiga	France
Jackson	WANG'OMBE	Pamoja Women Development Programme - Pawdep	Kenya
Selma	CILIMKOVIC	Partner Microcredit Foundation	Bosnia and Herzegovina
Selma	JAHC	Partner Microcredit Foundation	Bosnia and Herzegovina
Samuel	BRAWERMAN	PHB Development	Belgium
Philippe	BREUL	PHB Development	Belgium
Gera	VOORRIPS	PHB Development	Netherlands
Aurelie	FELD	Planet Finance	France
Sébastien	WEBER	Planet Finance	France
François	DUROLLET	Planet Finance / e-MFP	France
Justino	ALARCON	PlaNet Finance Luxembourg	Luxembourg
Audrey	NEGUI	PlaNet Finance Luxembourg	Luxembourg
Delphine	BAZALGETTE	Planet Finance UMM	Germany
Emmanuelle	JAVOY	Planet Rating	France
Sylvia	ASHLEY	Powerdrama LTD	United Kingdom
Benoit	CAMBIER	PwC	Luxembourg
Sophie	GRALL	PwC	Luxembourg
Saleh	KHAN	PwC	Luxembourg
Judit	MARTINEZ PASAMAR	PwC	Luxembourg
Benoît	MOULIN	PwC	Luxembourg
Anja	NIEBERGALL	PwC	Luxembourg
Anja	NIEBERGALL	PwC	Luxembourg
Michaël	DE GROOT	RABOBANK FOUNDATION	Netherlands
Mary	ADHIAMBO	Rafode	Kenya
Gianfranco	VENTO	Regent's College	United Kingdom
Josephine	GONZALES	responsAbility Social Investments AG	Switzerland
Daniel	RINGLER	responsAbility Social Investments AG	Switzerland
Nancy	SOMMER	responsAbility Social Investments AG	Switzerland
Muhammad	IMRAN	Rural Community Development Society - RCDS	Pakistan
Emmanuel	BEAU	SIDI	France
Emmanuel	VUILLOD	SIDI	France
Anthony	GYASI-FOSU	Sinapi Aba Trust	Ghana
Elissandra	DA COSTA	SOAS	Italy
Laura	FOOSE	Social Performance Task Force	United States
Antoine	LEROY	Société Générale	France
Leo Armel	TCHOUDJANG	Solvay Business School	Belgium
Camara	ADAMA	SORO YIRIWASO	Mali
Laurent	BIOT	SOS FAIM Belgium	Belgium
Marc	MEES	SOS FAIM Belgium	Belgium
Nedjma	BENNEGOUCH	SOS Faim Luxembourg	Luxembourg
Tierry	DEFENSE	SOS FAIM Luxembourg	Luxembourg
Marine	LEFEBVRE	SOS FAIM Luxembourg	Luxembourg
François	LEGAC	SOS FAIM Luxembourg	Luxembourg

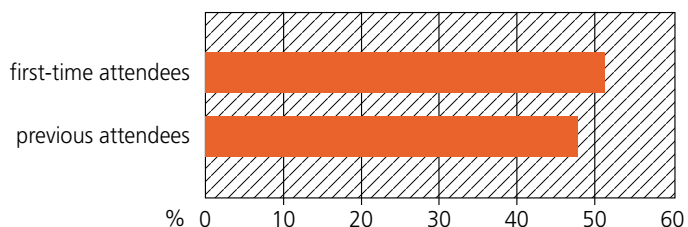
FIRST NAME	LAST NAME	COMPANY/INSTITUTION	COUNTRY
Fanélie	MEYER	SOS FAIM Luxembourg	Luxembourg
Katharina	KUHLMANN	Sparkassenstiftung für internationale Kooperation	Germany
Ilonka	RUEHLE	Sparkassenstiftung für internationale Kooperation	Germany
Riccardo	PETROCCA	Student	Luxembourg
Hans	RAMM	Swiss Agency for Development & Cooperation	Switzerland
Philipp	JUNG	Symbiotics Group	Switzerland
Fabio	SOFIA	Symbiotics Group	Switzerland
Natalia	REALPE CARRILLO	Technical University of Berlin	Germany
Ellen	ALTENBORG	Telenor	Norway
Nisar	BASHIR	Telenor	Norway
Ben	BEUMING	Terrafina Microfinance	Netherlands
Nadia	OURIEMCHI	Terrafina Microfinance	Netherlands
Isabelle	BARRES	The Smart Campaign	United States
Jordi	MUNDET	Translator	Luxembourg
Geert	VAN ISTERDAEL	Trias	Belgium
John	BLIEK	Trias / e-MFP	Belgium
Tom	BAUR	Triodos Facet BV	Netherlands
Adriaan	LOEFF	Triodos Facet BV	Netherlands
Celine	VAN SOEST	Triodos Facet BV	Netherlands
Jacco	MINNAAR	Triodos Investment Management	Netherlands
Ellen	WILLEMS	Triodos Investment Management	Netherlands
Feisal	HUSSAIN	UN Capital Development Fund	Thailand
Maria	PERDOMO	UN Capital Development Fund	Senegal
Emilie	GOODALL	UN PRI	United Kingdom
Geraldine	COONEY	Universalia Management Group	Canada
Emma	MASON	Universalia Management Group	Canada
Andreas	HEINEN	Université de Cergy-Pontoise	France
Lucienne	BLESSING	Université de Luxembourg	Luxembourg
Japhet	AFFO	Université Lille 3	France
Jacques	BONGOLOMBA ISOKETSU	Université Panthéon-Sorbonne-Paris	France
Lâma	DAHER	Université Paris 1 Panthéon Sorbonne	France
Sascha	HUIJSMAN	University Meets Microfinance	Netherlands
Thilo	KLEIN	University Meets Microfinance	United Kingdom
Leif Atle	BEISLAND	University of Agder	Norway
Roy	MERSLAND	University of Agder	Norway
Marco	RIMKUS	University of Bochum	Germany
Hans Dieter	SEIBEL	University of Cologne / e-MFP	Germany
Sebastian	GROH	University of Göttingen	Germany
Roxana	IOSIF	University of Lausanne	Switzerland
Wu	WEI	University of Nottingham	China
Verónica	TRUJILLO	University of Salamanca	Spain
Maria	FROMMELT	University of Zurich	Switzerland
Barbara	GRIMPE	University of Zurich	Switzerland
Barry	FIRTH	Vision Fund International (VFI)	United Kingdom
Ramanou	ABOUDOU NASSIROU	WAGES	Togo
Janiece	GREENE	Women's World Banking	United States
Anne-Françoise	LEFÈVRE	World Savings Banks Institute (WSBI) / e-MFP	Belgium
Ilias	SIDDIQUI	World Youth Bank - Asian Coordination Bureau	Bangladesh
Valerie	DE BRIEY		Luxembourg
Jean-Louis	GUARNIERO		Luxembourg
Maja	LESIC		Luxembourg
Stephanie	MUSIALSKI		Luxembourg

FEEDBACK AND STATISTICS

Following European Microfinance Week 2011, all participants were invited to take part in a satisfaction survey. e-MFP would like to share the feedback received from the 102 respondents.

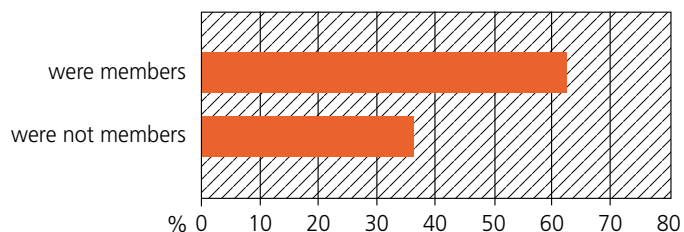
First-time attendees

51.96 percent of survey respondents were first-time attendees
48.03 percent of survey respondents were previous attendees



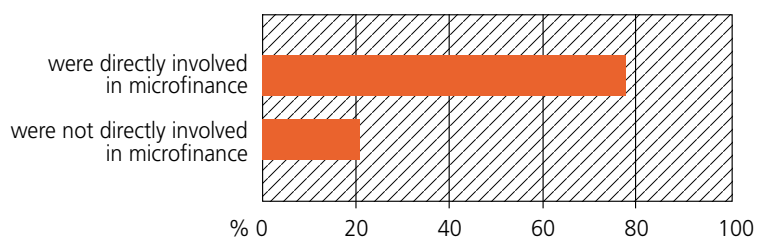
Members attending

62.74 percent of respondents were members
37.25 percent of respondents were non-members



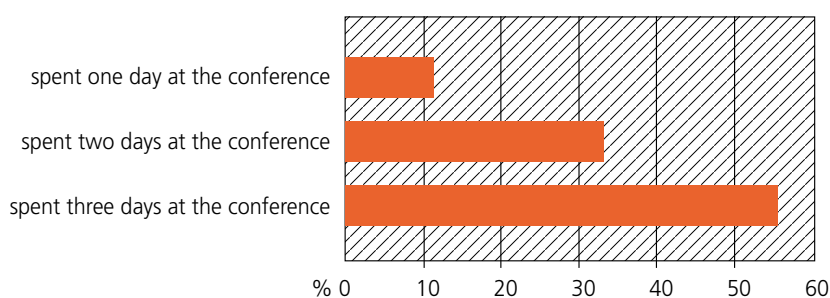
Participants directly involved in microfinance

79.40 percent were directly involved in microfinance
20.60 percent were not directly involved in microfinance



Days spent at the conference

11.76 percent of survey respondents spent one day at the conference
32.35 percent of survey respondents spent two days at the conference
55.88 percent of survey respondents spent three days at the conference



Quality of the conference organisation

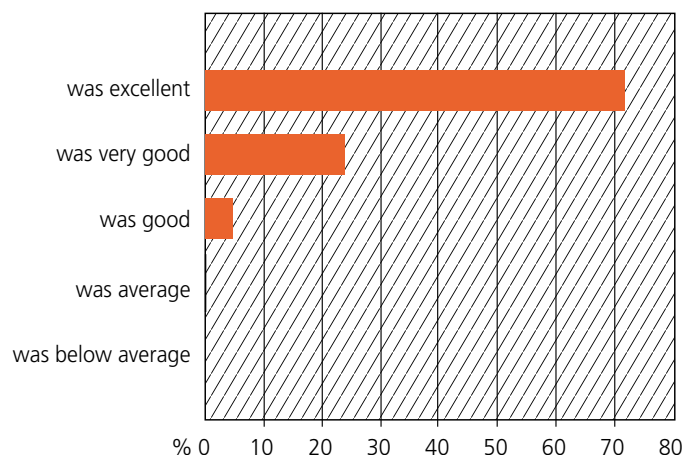
70.58 percent of survey respondents thought the conference organisation was excellent

24.50 percent of survey respondents thought the conference organisation was very good

4.90 percent of survey respondents thought the conference organisation was good

0 percent of survey respondents thought the conference organisation was average

0 percent of survey respondents thought the conference organisation was below average

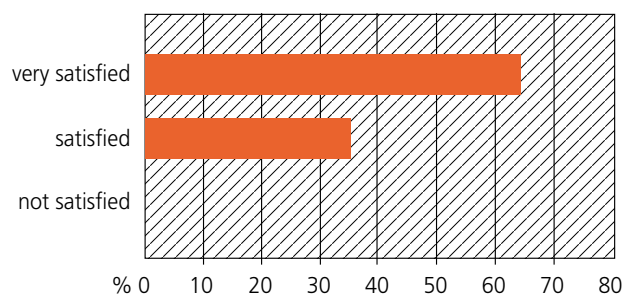


Satisfaction with the conference materials

64.70 percent of survey respondents were very satisfied with the conference materials

35.29 percent of survey respondents were satisfied with the conference materials

0 percent of survey respondents were not satisfied with the conference materials

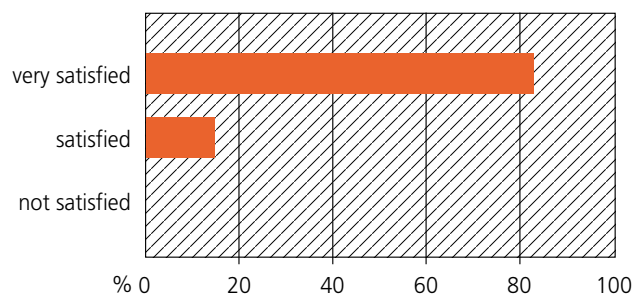


Impression of conference facilities

82.35 percent of survey respondents were very satisfied with the conference facilities

17.64 percent of survey respondents were satisfied with the conference facilities

0 percent of survey respondents were not satisfied with the conference facilities



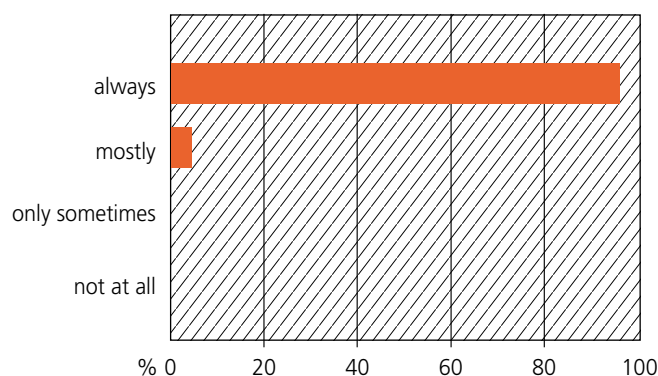
Were the conference staff helpful and courteous

95.09 percent of survey respondents said the conference staff were ALWAYS helpful and courteous

4.90 percent of survey respondents said the conference staff were MOSTLY helpful and courteous

0 percent of survey respondents were said the conference staff ONLY SOMETIMES were helpful and courteous

0 percent of survey respondents were said the conference staff were NOT AT ALL helpful and courteous



Impression of conference speakers

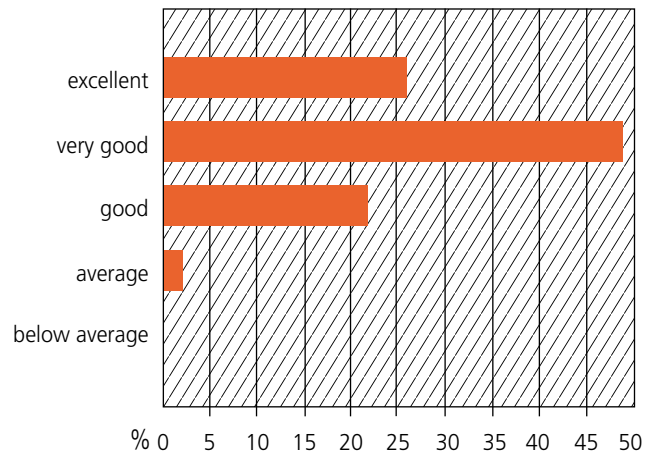
26.47 percent of survey respondents impression of conference speakers was excellent

48.03 percent of survey respondents impression of conference speakers was very good

22.54 percent of survey respondents impression of conference speakers was good

2.94 percent of survey respondents impression of conference speakers was average

0 percent of survey respondents impression of conference speakers was below average



Impression of the moderation of conference sessions

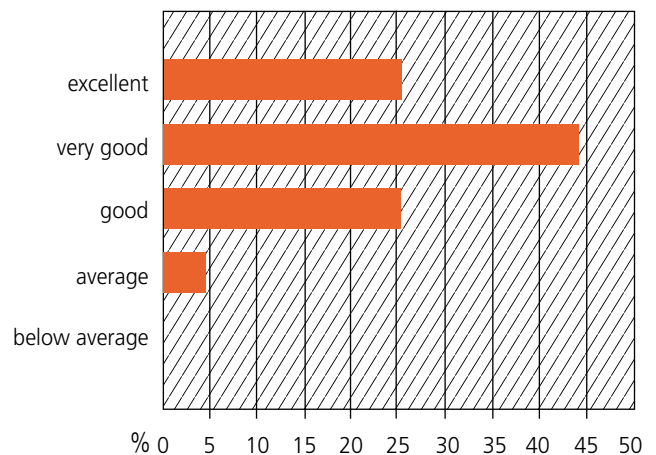
25.49 percent of respondents judged the moderation of the conference sessions as excellent

44.11 percent of respondents judged the moderation of the conference sessions as very good

25.49 percent of respondents judged the moderation of the conference sessions as good

4.90 percent of respondents judged the moderation of the conference sessions as average

0 percent of respondents judged the moderation of the conference sessions as below average

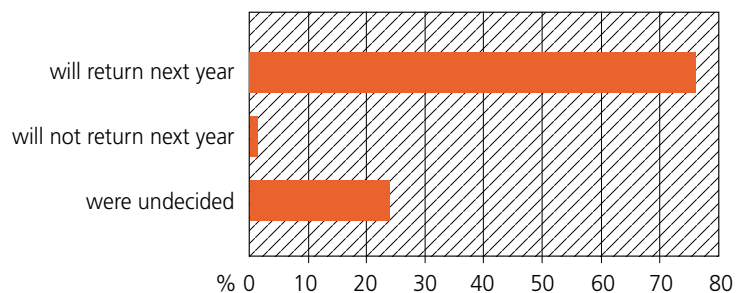


Participation next year

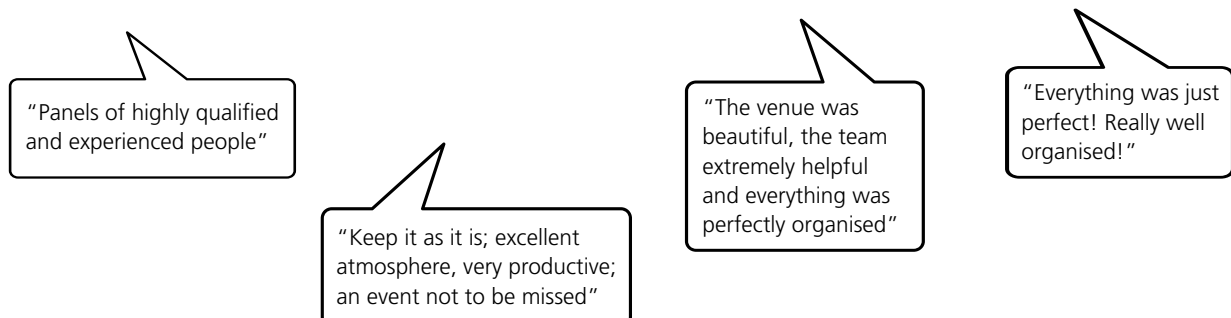
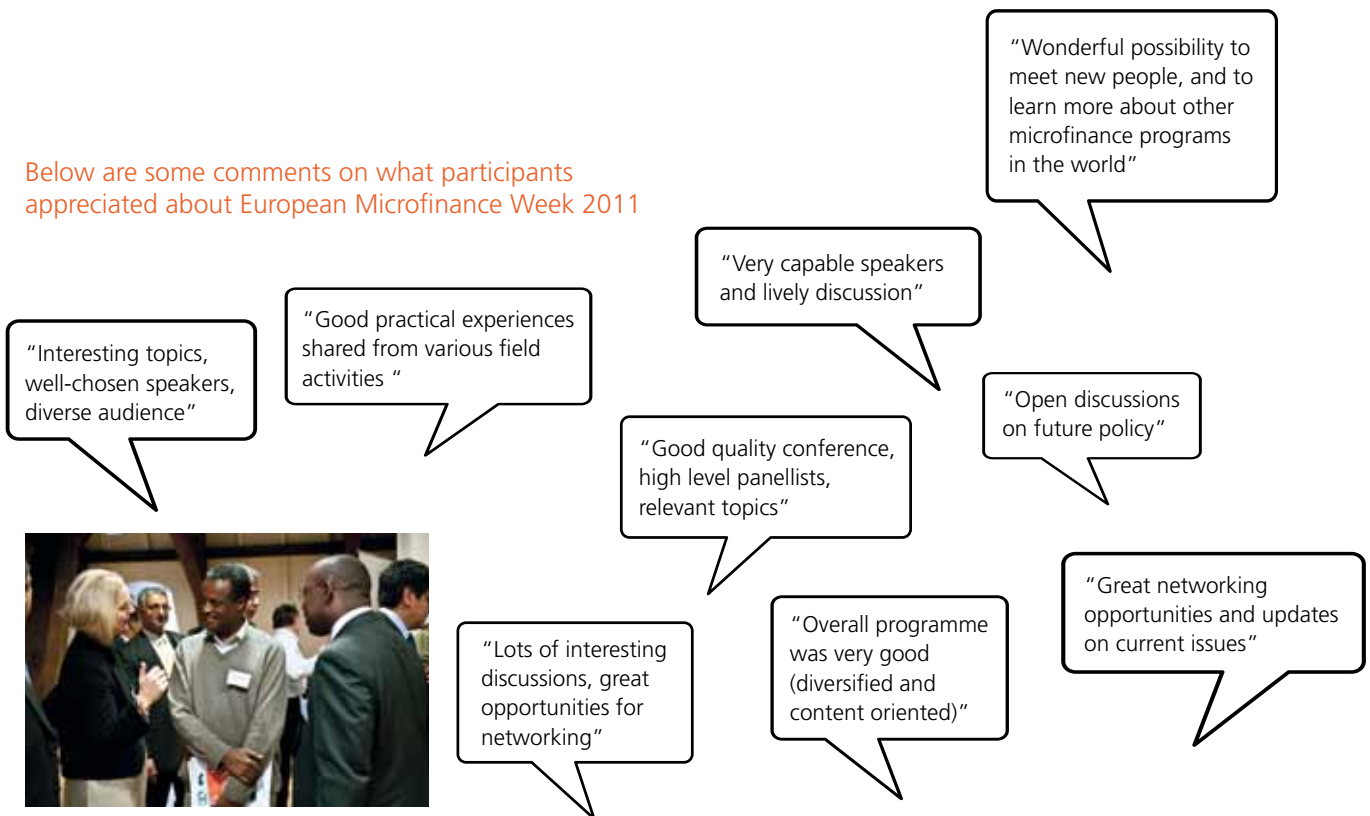
76.47 percent of respondents will return next year

0.98 percent of respondents will not return next year

22.54 percent of respondents were undecided



Below are some comments on what participants appreciated about European Microfinance Week 2011



(Thank you to Martin Kinsella & Associates for sponsoring the survey)

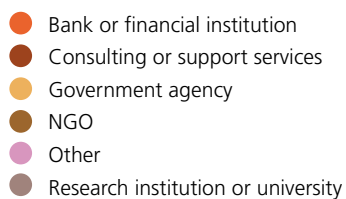
COUNTRIES

Number of registered participants 407
 Number of checked in participants 373
 Number of countries represented 60



ORGANISATIONS

Categories of participants



EUROPEAN MICROFINANCE PLATFORM

The European Microfinance Platform [e-MFP] was founded formally in 2006. e-MFP is a growing network of over 130 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

Christoph Pausch, Executive Secretary
Niamh Watters, Information Officer
Juana Ramírez, Microfinance Expert

European Microfinance Platform (e-MFP)
2 rue Sainte Zithe
L-2763 Luxembourg
contact@e-mfp.eu
www.e-mfp.eu

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EUROPEAN MICROFINANCE WEEK 2012

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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European Microfinance Platform (e-MFP)
2 rue Sainte Zithe, L-2763 Luxembourg
Tel: +352 26 27 13 55, Fax: +352 45 68 68 68
contact@e-mfp.eu

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