



EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

NEWSLETTER

Spring 2012

NEXT
EUROPEAN
MICROFINANCE
WEEK
14th - 16th November
2012



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4TH EUROPEAN MICROFINANCE AWARD ON MICROFINANCE FOR FOOD SECURITY



4TH EUROPEAN
MICROFINANCE
AWARD

The European Microfinance Award is organized jointly by the European Microfinance Platform, the Luxembourg Ministry of Foreign Affairs – Directorate for Development Cooperation and the Luxembourg Round Table

on Microfinance to promote microfinance initiatives and highlight their contribution to the development of the sector. The objective this year of the 4th European Microfinance Award is to highlight and stimulate initiatives that represent breakthroughs in promoting food security. The € 100,000 prize will be given at a ceremony, 15th November held during European Microfinance Week.

The right to food is a basic human right, declared in Article 25 of the Universal Declaration of Human Rights. The definition of food security was first originated in the World Food Conference in 1974. Since then, the definition has varied considerably over the last 38 years and stakeholders still debate specific terminology. For the purpose of this award, the following definition of food security has been adopted: "Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life".¹

This widely accepted definition points to the following dimensions of food security:

1. Food availability - the availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports (including food aid). Food availability addresses the "supply side" of food security and is determined by the level of food production, stock levels and net trade.
2. Food access - access by individuals to adequate resources (entitlements) for acquiring appropriate foods for a nutritious diet. Entitlements are defined as the set of all commodity bundles over which a person can establish command given the legal, political, economic and social arrangements of the community in which they live. Food access addresses the demand for food and it is influenced by economic factors, such as physical infrastructure and consumer preferences.

¹ FAO. 2006. Food Security. Policy Brief, issue 2. Rome: Food and Agriculture Organization of the United Nations. ftp://ftp.fao.org/es/ESA/policybriefs/pb_02.pdf.



EDITORIAL

Welcome to the Spring 2012 newsletter of e-MFP. It's a great pleasure for me to start this newsletter with the announcement of the 4th European Microfinance Award. Following the successes of the first three European Microfinance Awards in 2006, 2008 and 2010 which promoted innovation for outreach, socially responsible microfinance and value chain finance, this year the objective of the 4th European Microfinance Award "Microfinance for Food Security" is to highlight and stimulate microfinance initiatives contributing to improve food production and distribution conditions in developing countries. More information can be found opposite and on our website www.e-mfp.eu. I invite you to encourage your partners to apply for this most prestigious European award; the deadline for applications is 1st July 2012.

This edition of our newsletter provides very interesting food for further thoughts: Stefaan Pauwels, the EU Microfinance Focal Point at the European Commission's DG Development Cooperation, presents the Commission's "Agenda for Change" and its implications for inclusive finance. The Netherlands Platform for Microfinance (NPM) reports on page 3 on the presentation of a very interesting study on the Dutch contributions to the microfinance sector. Marion Allet from CERMi/Planet Finance gives on page 7 an update on the latest trends in the field of microfinance and the environment. We are particularly happy that Susanna Pinilla, the founder of IDESI and Managing Director of PROEMPRESA, accepted our invitation to an interview which focuses on microfinance for young people (page 5). Updates on the activities of the e-MFP Action Groups and on other e-MFP activities complete this edition.

I hope you enjoy reading our newsletter and thank you for your reactions and contributions.

Best wishes,
Christoph Pausch, Executive Secretary



NEWS FROM THE SECRETARIAT

3. Utilization - utilization of food through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met. This brings out the importance of non-food inputs in food security.
4. Stability - to be food secure, a population, household or individual must have access to adequate food at all times. They should not risk losing access to food as a consequence of sudden shocks (e.g. an economic or climatic crisis) or cyclical events (e.g. seasonal food insecurity). The concept of stability can therefore refer to both the availability and access dimensions of food security.

Food security is a broad issue, too broad to be addressed effectively by a single set of specific interventions. Whereas the financial aspect may be only one element in the response to providing food security, microfinance nevertheless can contribute to the four above-mentioned dimensions of food security. Financial services can foster food security by supporting the food supply chain. Microfinance products and services can lead to an increase in food availability and can also contribute to yearlong household food stability. Microfinance can also contribute to food security by expanding opportunities and empowering communities and groups.

To apply for the award, eligible institutions have to be active in the financial services sector, judged to be

contributing to enhance food security, and they must be based in a developing country. Various types of financial institutions are eligible: MFIs, Cooperatives, MFI Networks, Investments Funds, Commercial Banks, Development Banks, Leasing firms, Insurance Companies, etc. The overall financial and social performance of



3th European Microfinance Award ceremony 2010

the institution applying for the award will be taken into consideration and good governance aspects and innovative processes implemented in order to improve management and access will also be taken into account. Most decisive is the proposed finance initiative enhancing food security.

Eligible initiatives considered for the award will include all financial products and services that enhance agricultural production, productivity, and diversification, support food transformation, strengthen distribution networks, ensure adequate food storage and preservation, enhance commercialisation, support defence mechanisms for speculating attacks in situation of price fluctuation, and that can contribute to build 'shock-absorber' systems avoiding pre and post-harvest food crop loss and that can foster organic and sustainable farming. Therefore, "Microfinance for Food Security" initiatives include, but are not limited to, warrantage, leasing services, insurances, credit services adapted to crops, credits adapted to organic or sustainable farming and innovative distribution systems.

Joint initiatives from a financial service provider in a developing country and a European partner are encouraged in order to strengthen the links with Europe. However, the award money would be given to the partner based in the developing country.

All applications must be supported by an e-MFP member by a short message or a letter addressed to the e-MFP Secretariat. Application forms (in English, French and Spanish) and more detailed information are available on our website, www.e-mfp.eu. The deadline for applications is **1st July 2012**.

e-MFP wishes all its members and their partners best of luck with their applications!

EUROPEAN MICROFINANCE WEEK

Following last year's extremely successful event which gathered over 370 participants from 60 countries, e-MFP is pleased to announce that European Microfinance Week 2012 will take place in the Abbaye de Neumünster, Luxembourg, 14th – 16th November. The theme for this year's event is "Combining strengths – delivering results".

The focus of the sessions will be on results under the following suggested topics:

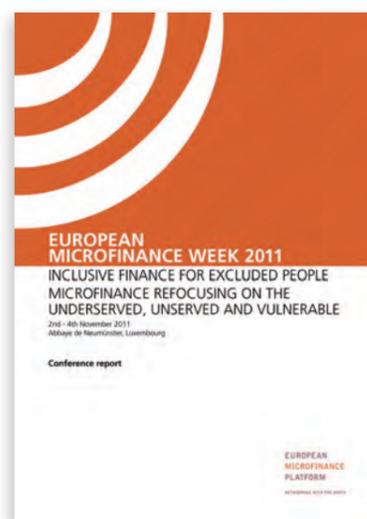
- regulation / ownership / governance / cooperatives
- innovations in microfinance: food security / technology and outreach / environment protection
- measuring impact / gathering results / identifying outcomes

14th November will be the Action Group and Training day and in the evening of 15th November the ceremony of the 4th European Microfinance Award will take place.

A request for proposals was sent to all members and the deadline for submission is **21st May 2012**. European Microfinance Week is a superb opportunity to network, keep informed about important developments and make those vital new contacts. We look forward to receiving your proposals for the programme and to welcoming our members and friends back in November for more debate and lively discussion.

Interested in sponsoring European Microfinance Week 2012 and positioning your organization at the forefront of the microfinance sector?
The e-MFP Secretariat would be happy to discuss the opportunities available,
contact@e-mfp.eu

NEW e-MFP PUBLICATION



e-MFP is pleased to announce the publication of the European Microfinance Week 2011 conference report which contains summaries of the engaging presentations and discussions which took place during the event. Copies have been sent to all members and participants and an electronic version can be downloaded from our website www.e-mfp.eu. If you require further copies please contact the Secretariat at contact@e-mfp.eu

INTERVIEW WITH e-MFP ON LE PORTAIL MICROFINANCE



At the end of February e-MFP's Executive Secretary, Christoph Pausch was interviewed by the French language service, Le Portail Microfinance, www.lamicrofinance.org. After outlining e-MFP's aims and activities, Christoph discussed aspirations for the future and forthcoming events for 2012. e-MFP welcomed the opportunity to further reach out to the French speaking microfinance community.

e-MFP BUSINESS PLAN REVIEW

Following the announcement at the last General Meeting of Members to make a mid-term revision of e-MFP's Business Plan, the Secretariat worked in February / March together with the Board and a consultant on this task. The revised Business Plan will be available shortly.

NEWS FROM THE SECRETARIAT

e-MFP PARTICIPATION

On 6th March Christoph Pausch participated in a microfinance seminar of the Netherlands Platform for Microfinance (NPM) and ING on the 'Dutch contributions to the microfinance sector'. At this seminar a study was presented and discussed evaluating the Dutch offering and the trends and initiatives that will be decisive for an increased focus on social performance (for more information see also article below). This event was also a good occasion to meet most of the e-MFP Dutch members.

On 7th March Christoph Pausch made a visit to the Netherlands Platform for Microfinance (NPM) at their office in Utrecht. In talks with Josien Sluijs, the Executive Secretary of the NPM, issues such as improving exchange of information and further cooperation were discussed.

On 3rd and 4th April Juana Ramirez participated in the Child & Youth Finance International "Reshaping the

future of finance' summit in Amsterdam. In the framework of this event the e-MFP Youth Inclusive Financial Services Action Group organized a meeting.

On the 15th May the European Microfinance Platform will have the pleasure of presenting the issue of value chain finance at the European Commission in Brussels during an Infopoint session. At this event the concept of value chain finance as well as concrete case studies (the winner of the 3rd European Microfinance Award, Harbu Microfinance, and the Peruvian cooperative Norandino) will be presented. Speakers will be Stefaan Pauwels (Microfinance Focal Point at the Commission), Mariel Mensink from Terrafina Microfinance, Bernard Ornilla from Alterfin (both representing the e-MFP Rural Outreach and Innovation Action Group) as well as Christoph Pausch, e-MFP.

e-MFP REACTS TO DRAFT REGULATION

Sophie Auconie, French Member of the European Parliament and rapporteur on social entrepreneurship funds at European level has issued her draft report which challenges seriously the impact such regulation would have on MIVs. In fact, she has added an amendment according to which the social businesses are required to have their headquarters in Europe. In case of adoption, the regulation would exclude all projects directed to emerging countries. e-MFP sent Mrs. Auconie a letter, explaining the problem of such a rule for social business and microfinance in the South and asking her to withdraw the amendment. In the next edition of our newsletter e-MFP member Anne Contreras will share with us her analysis of this regulation for social entrepreneurship funds at European level.

NEWS FROM OUR MEMBERS

DUTCH CONTRIBUTIONS TO THE GLOBAL MICROFINANCE SECTOR

A Billion to Gain?

Dutch Contributions to the Microfinance Sector



npm
netherlands platform for
microfinance

ING

The focus for improvement in the microfinance sector should lie with transparency and responsible performance, exploiting new technologies, developing savings related products and focusing on financing employment via small enterprises. These are four recommendations made by Mark Cliffe, Chief Economist of ING, at the launch of the report on Dutch funder contributions to the microfinance sector on March 6 in Amsterdam. Cliffe: "The Dutch have a leading role in reinventing microfinance."

The seminar was organized by ING and the Netherlands Platform for Microfinance (NPM). During the seminar Her Royal Highness Princes Máxima of the Netherlands received the first copy of the report 'A Billion to Gain'. Princess Máxima is United Nations Secretary-General's Special Advocate (UNSGSA) for Inclusive Finance for Development. 'A Billion to Gain?' provides insight into the contribution of Dutch funders in microfinance and came about in a partnership of ING, the Netherlands Platform for Microfinance (NPM) and the University of Groningen. The report highlights how the Dutch are unique in the sector in a few ways. Firstly, the Dutch contribution to the microfinance sector remains large, despite the economic crisis in recent years, totalling \$ 2.1 billion in 2010, which comes down to a market share of 8.4% for the sixteen NPM members. The market share is especially high for cross-border funding by investors and Microfinance Investment Vehicles (MIVs), which together account for 25% of global funding by these types of funders. This illustrates the high commitment by private institutions in the Netherlands to microfinance. Secondly, the members of the NPM are found to focus more on low-income countries compared to other foreign investors. Thirdly, the NPM members prefer direct funding to microfinance institutions (MFIs) (79%) over indirect funding. In comparison, other foreign funders only provide 37% directly to MFIs. This allows Dutch investors to have more influence on their investments.

Despite the economic crisis, the market for foreign funding in microfinance is expected to grow at 4 percent worldwide in 2012. Based on data of the MIX, it is found that MFIs currently hold approximately \$ 80 billion in to-

tal assets globally. Foreign funders have contributed to these MFIs by providing approximately \$ 25 billion in total commitments, making them a relevant group of actors in terms of funding and expertise.

The trend of continued growth in the microfinance sector, albeit slower than in previous years, appears in a changing microfinance landscape. The report identifies five main developments in the microfinance sector today. First of all, there is a significant growth in direct lending to MFIs through loans, guarantees, grants, equity and debt. Secondly, MFIs do not exclusively offer loans, but also provide additional products like savings, insurance and mobile banking. Thirdly, there is a convergence of MFIs that have moved upmarket, with the formal banking sector. Fourthly, new technologies like mobile banking will continue to be a driver in the growth of the sector. And finally there is an increased need for transparency for all stakeholders.

These changes have happened in a rather short time and have not been without side-effects. Over-indebtedness and a lack of transparency are two examples of these side-effects currently affecting the sector. Both of these side-effects have consequences for funders, MFIs and the client they serve.

Vijay Mahajan, Chairman of Basix, delivered a keynote speech at the seminar. In the speech, Mahajan noted that although accusations of malpractices in the sector are sometimes exaggerated, the sector should ask itself why it appears to be so powerless with respect to these accusations. Perhaps, Mahajan wondered,





NEWS FROM OUR MEMBERS

the sector focused too much on quick growth, awarding those who made big profits. Furthermore, Mahajan noted that the microfinance sector is still too much supply driven; keeping in mind that demand for microfinance products is near limitless. He urged participants to ensure a continued client focus in their microfinance investments.

In line with Mahajan's statement, the NPM members have been actively involved in initiatives like the Social Performance Taskforce (SPTF), The SMART Campaign, Microfinance Transparency and the Principles for Investors in Inclusive Finance (PIIF). Together they are working on improving social performance, accountability, security, and transparency in the sector.

The purpose of the report 'A Billion to Gain?' is to highlight the initiatives in the sector, and the contributions of Dutch investors sector wide. Opportunities and challenges in the microfinance sector are analyzed in the context of different modes of operating and the varying expertise of the Dutch investors: donors, microfinance investment vehicles and development financial institutions (DFIs). Co-writer Israel Unger: "They have different knowledge and perspectives but they have shared goals most of the times. By collaborating and recognizing the differences they can work together to improve social performance in the sector."

Improving transparency and social performance are major steps in reinventing microfinance as Cliffe also has put forward at the Amsterdam seminar, new technologies like mobile banking and digital fingerprinting are another. Cliffe also states that domestic savings have a huge potential in terms of funding and stability that is tapped into too little. This opinion was shared by Mahajan, noting that after years of talking about savings led microfinance, it is time to start implementing. They could provide a safer alternative than gold or cattle as well as an alternative for redistribution of wealth. But Cliffe discerns some challenges. Unfortunately banking systems are not always mature enough to redistribute money. Moreover, the legal framework often does not allow non-bank institutions to take deposits.

In response to critiques such as 'poor people need jobs instead of loans' it is often argued that supporting small and medium enterprises (SMEs) may be less direct, but more effective. Noting that SMEs are critical for sustainable growth, the report also stressed that this might be an opportunity to improve outreach for investors in microfinance. At the same time there are real challenges in SME financing. It is not easy for SMEs to get funding since they are in many cases too small for the formal banking sector and on the other hand don't fit the standardized products of MFIs either. Lack of knowledge on financing risk SMEs

could restrict financing from MFIs further in some cases, as the level of risk is perceived as too high.

Referring to a long tradition in aid and development and their experience and leadership in transparency and responsibility, Cliffe notes that the Dutch are in the driver's seat. Dutch actors could cooperate to create synergies, address the challenges, and measure more effectively to become smarter with limited resources.

About the Netherlands Platform for Microfinance

Established in 2003, the NPM is a regrouping of 16 Dutch private and public institutions that share a commitment to expanding poor people's access to finance. NPM members are diverse and include NGOs, commercial banks, foundations and investment companies. For some, microfinance is a major area of activity, while for others it represents a smaller percent of their overall work. Together, NPM members offer the full range of available instruments and span the spectrum from focusing purely on development objectives to taking a more commercial approach.

For more information visit, www.microfinanceplatform.nl.

Report 'A Billion to Gain' is available at http://www.ing.nl/Images/A_Billion_to_Gain_tcm7-104604.pdf



Robert Lensink,
University of Groningen



Ab Engelsman,
Netherlands Platform for Microfinance



Vijan Mahajan, Basix

EIBURS 2012-2014: MICROFINANCE AND CREDIT RISK



European
Investment
Bank

The European Investment Bank (EIB), under the umbrella of its Institute (<http://institute.eib.org/>) and its University Research Sponsorship Programme (EIBURS¹) will support the Unité Mixte de Recherches "Développement et sociétés" of the University of Paris 1 Panthéon-Sorbonne in carrying out a research project on Financial Inclusion in Crisis over the next three years. More specifically it will focus on the line of research: "The rising of credit risk in microcredit: origins, warning signals, current state and future prospects"².

The research aims to offer a global analysis of the main microcredit delinquency factors (such as governance, regulation, market saturation and political influence), from the perspective of supply, demand and environment. The research will look into the exact nature and interaction among identified recurrent factors in different economic, growth and market maturity contexts, with the view of building a typology of delinquency crises.

The main operational outcome of the study will be the design of a "delinquency crisis prevention dashboard"

which aims to identify the combination of factors and contexts that are likely to lead to a crisis. The research results will also be disseminated widely through different channels including research briefs and conferences.

From a methodological point of view, the research project will feature 1/ a multidisciplinary approach (economics, business and management, political economy, economical anthropology and agro-economy); 2/ the generation of "original" primary data from field surveys; and 3/ a combination of tools for data collection and analysis. The findings will be based on case studies of four countries which have been selected for the diversity of their situations and for the quality of existing or potential partnerships with local stakeholders. As of January 2012 and subject to final endorsement by partner MFIs, the countries studied in more depth would be India, Morocco, the Dominican Republic and Senegal.

The research will be carried out by a team of microfinance specialists with complementary skills and methodologies: political economy (UMR Paris I Sorbonne/IRD);

business and management (Centre for European Research on Microfinance - CERMi); and applied economics (Lasaare, located in Casablanca). The team has proven expertise, a solid track record in financial inclusion, and pioneered the analysis of microfinance crises and over-indebtedness. The lead research coordinators are I. Guérin, S. Morvant, M. Labie, J-M Servet, and F. Mourji, all known for their extensive research contribution to the microfinance industry.

Any question on the research proposal can be addressed to I. Guérin: isabelle.guerin@ird.fr. Any general question on EIB's involvement can be addressed to P. Pouget: p.pouget@eib.org.

¹ EIBURS provides grants to EU University Research Centres working on research topics and themes of major interest to the Bank. The sponsorships are awarded through a competitive process to interested University Departments, Institutes and Faculties, or Research Centres associated with Universities in the EU, Acceding or Accession Countries, with recognised expertise in the research theme in question. The sponsorship aims to expand their activities in these areas. An EIBURS sponsorship entitles the beneficiary to obtain up to 100 000 euros/year, for a period of three years, in exchange for the commitment to develop activities in the selected research area, additional to those that would normally be carried out by the University Centre. <http://institute.eib.org/programmes/knowledgeeiburs/>

² <http://institute.eib.org/programmes/knowledgeeiburs/lines-of-research/>



NEWS FROM OUR MEMBERS

NEW BRIEF ON "MOBILE FINANCIAL SERVICES: THE MICROFINANCE PERSPECTIVE"



e-MFP member PHB Development has published a new brief which describes four models of how MFIs are involved in Mobile Financial Services. Moreover, benefits and costs for the MFI as well as what is required from the MFI are listed. The brief concludes with some suggestions for support by funders and donors.

This PHB briefing note found that currently a limited number of MFIs are actively using the mobile channel, namely around 154 institutions worldwide (of which 73 rural banks in the Philippines that are 'agent' for GCash).

The MFIs use the mobile network for easier repayments of loans and deposit making. In other cases the MFI is acting as 'agent' for cash-in and cash-out services. MFIs using mobile phones or the mobile network to make their internal operations more efficient are mostly found in India and Africa. Finally, a few MFIs, mostly large institutions with bank licenses, have built their own M-banking systems.

For more information visit

<http://community.e-mfp.eu/discussionscorner/mobile-financial-services> or www.phbdevelopment.com



FORUM

PERSPECTIVES FROM PERU: INTERVIEW WITH SUSANA PINILLA



Susana Pinilla speaking at the Midi de la Microfinance, Luxembourg, February 2012, © ADA / Luc Deflorenne



IDESI, considered by the Inter-American Development Bank (IDB) as the pioneer of microfinance in Peru, was created on the 28th February 1986 to combat the situation of financial exclusion the country was facing. Putting their slogan "Your work is your guarantee" into practice, IDESI broke the paradigm of needing collateral to access credit, thereby creating a method where the viability of the business, a person's honesty, and their family were the key criteria for making assessments and approving

credit. As a result of this initial experience, the number of microfinance institutions in Peru multiplied. Today, IDESI constitutes a network of 13 regional microfinance institutions located in urban and rural areas of Peru. Susana Pinilla, the founder of IDESI and Managing Director of PROEMPRESA, a financial institution created by IDESI, talks to e-MFP about the transformation of PROEMPRESA and the role of microfinance in boosting work for young people and access to financial services.

1. **Edpymes Proempresa, an institution specialising in loans to micro and small enterprises, will soon become an institution authorised to receive deposits from the public. Why is this transformation needed, what are the main challenges and what are your expectations for the future?**

The transformation is necessary for three reasons: (1) We will collect deposits and therefore provide that service to our clients, forming the basis of the economic progress of the business model and helping the families we serve do the same. (2) We will be funded at lower costs and will transfer profits to improve loan terms and conditions. (3) We will gain autonomy and will not depend on loans from third parties which are random, expensive and often reduce our competitiveness.

The main challenge is to design a savings product suited to the needs of the poorest and more isolated populations, and have a trained and motivated staff to deliver the product and insure exponential growth so that the large amount of micro savings will allow us withstand our liabilities.

2. **Young people make up approximately 20% of PROEMPRESA's client portfolio and you maintain that, contrary to popular belief, they are the most reliable in terms of payment as opposed to other age groups. What is the current role of microfinance given the difficulties young people have finding work, and what are the special characteristics of the Peruvian context that have enabled PROEMPRESA to offer financial services to the young population?**

Like the majority of developing countries, Peru has a strong entrepreneurial force making up 80% of the total economically active population (family businesses and MSEs). This provides 42% of the GDP, adding value to the wealth of biodiversity and culture in our country. We have a young population (15-29 years) of 8.116 million people that makes up 28% of the total population. 83% of young people work. Of that 83%, more than half (55%) work in family businesses, mostly as unpaid family workers. Since the beginning of the '80s, the role of microfinance in Peru has been to ensure the financial inclusion of hundreds of thousands of emerging entrepreneurs who, with their small-scale economic activities, had no access to banking as the banks required collateral that they just didn't

have. Their businesses were being created without generating assets and with few net assets. The virtuous circle of financing for growth and business development was exclusive to high earners who had capital behind them.

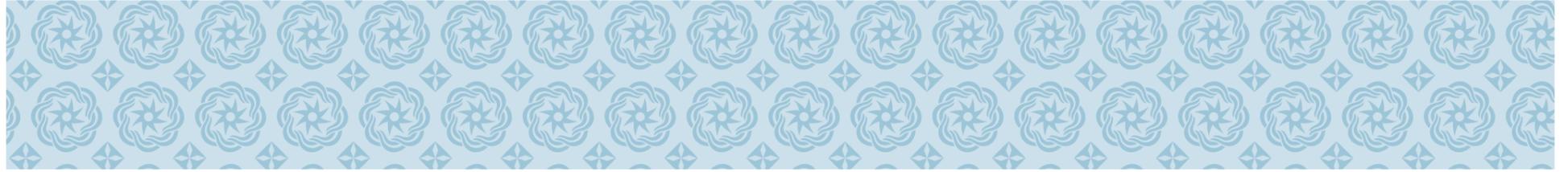
The situation young people currently find themselves in with regards to the financial system is quite similar to that of populations excluded from the banking system in previous decades. It is pre-supposed that young people have no experience, have no capital or assets and, if they have no professional or academic qualifications, they cannot become customers of the financial system.

However, the reality in Peru is that our young people are very





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entrepreneurial. They become part of the workforce at a very young age, and their future working life is most likely to be as a business professional in their own field or technical specialisation. Young people who come from entrepreneurial families and who work in the family business (whether paid or not), or who work for a micro or small enterprise, already have the experience and knowledge that enables them to start their own business in the space of only a few years. Thanks to microfinance, many young entrepreneurs can start out on their own, create their own business, purchase machinery and equipment, rent premises, grow and develop.

3. Why is it important to provide savings services to couples with young children?

Savings services are fundamental for making dreams come true, preparing for difficult times ahead, and enabling people to consume and invest in the future. Families in Peru with scant resources find it very hard to get a good education because state education is poor in quality and there is not enough private education available. Saving money to guarantee children receive a good education is widespread among families. People also save to get their own house, to become independently mobile, and to buy domestic appliances, etc.

Offering simple savings products to young people, and encouraging saving on a daily, weekly or monthly basis creates a habit, a healthy culture that creates capital that will reduce future costs and which is guaranteed to cover the main needs of the family, thereby achieving development and wellbeing. By the time the children are of school age, the parents will have saved enough to pay school registration and tuition fees as well as to cover any other eventualities.

4. Given that access to suitable guidance and training is important to boost entrepreneurship, how does PROEMPRESA select the training it wants to provide its custom-

ers with, and how are the course programmes designed?

Areas for guidance and training are selected in accordance with the needs and requirements of our customers. Our main tool for finding out what these needs are is an assessment of the credit application. Not only does this include a visit to, and assessment of, the business itself, but also the applicant's family. We interview the owners of the businesses, whether they are women or the male heads of family, along with the other family members. One of the basic questions we ask is: What do you need to improve things for your business and your family? With the answers we receive we are able to create new financial products, training courses or other kinds of product where needed.

As regards guidance, we are consulted on the design of new products. For manufacturers (of shoes, furniture, clothing, etc.), the important information is related to the markets, diversifying points of sale, and new trends; in other words, better awareness of the "demand" for their products and services. Individuals request financial and accounting advice: getting into debt with fewer costs and better terms and conditions, and keeping track of what's going on in their business. Lastly, they request training for their children, because the majority of these businesses are family businesses and parents are aware of their limitations regarding computers and complex concepts relating to finance and accountancy.

The PROEMPRESA Business School receives these customer requests through its business management division and organises guidance and training sessions for the different areas. It gets together with the applicants to agree on the details and content of the course, the timetable, the number of hours, and to ensure their commitment. Based on the training plan established with the customers, the trainers are chosen (PROEMPRESA staff or external experts) accord-



Source: PROEMPRESA

ing to the subject, and the guidance or training sessions are given at a location close to the customer's home or business. The Business School uses an assessment system to evaluate attendees before and after the course to ascertain how well they have taken the information on board. The trainer is also assessed to give us an idea of the impact of the training and to help us improve the service where need be. We also train the entrepreneurs' children who work in the business when the training is of a very technical nature and requires skills the parents do not have.

There is constant interaction regarding training through permanent contact between our field and agency staff and our customers. We provide them with financial, accounting and business information so that they can make informed decisions to ensure their business and their family develop in the best possible way. This is how we fulfil our mission for development and prevent over-indebtedness and arrears.

5. In this context of microfinance on an international scale, and as the Managing Director of one of the pioneer microfinance companies in Latin America, what message would you like to give the community of European microfinance actors working in developing countries?

Microfinance is a tried and tested way of achieving the financial, social and cultural inclusion of disadvantaged sections of the population. We must also focus our 30 years of invaluable experience on a section of the population that is fundamental for the development of our countries and of the whole world: young people, who unfortunately, are not generally considered credit customers.

Young people make up a third of our population and, in developing countries, the majority of them work, albeit in a precarious situation as they cannot get the financial support they need to improve their activities or business. They find it very difficult to provide for their families.

Our future economy and society depends on the technical and professional training they receive, their access to jobs, the businesses they create or inherit, the deposits they can make, and what their children consume. This is why young people cannot be ignored when it comes to financial services, or to any other private or public services or products - young people are the future of our society; they are the wealth of our nations.

Thank you Susana Pinilla, PROEMPRESA



AGENDA FOR CHANGE



Stefaan Pauwels, EU Microfinance Focal Point,
DG Development Cooperation, European Commission



In October 2011, the European Commission presented the “Agenda for Change”, which sets out its strategy for development cooperation in the coming years. Among the key messages is the need to create “sustainable and inclusive growth for human development”. Within this policy line, cooperation will focus both on the drivers of growth (a favourable business enabling environment and a competitive private sector) and the patterns of growth (i.e. including broad layers of society through job-creation and ensuring environmental sustainability). Furthermore, the Agenda for Change highlights the importance of leveraging private sector funding and expertise to increase development impact.

What are the implications for inclusive finance? The Agenda for Change provides a number of strategic orientations in this respect. The following paragraphs will highlight two implications in particular.

Focus on result-orientation

Microfinance can be an effective tool to help deliver inclusive and sustainable growth. Achieving sustainable and inclusive growth ultimately means observing changes in clients’ lives, for example: poor people are better able to manage their financial resources, micro entrepreneurs make small investments which stabilize or increase revenue, poor families are able to make energy-saving investments or young entrepreneurs are able to set up a small

business. Keeping this overall sense of direction is crucial when designing support programmes. In practical terms, this implies starting from clients’ needs; i.e. looking beyond the “narrower” needs of financial service providers (FSPs). This client-centric approach has the benefit of (i) allowing for a more comprehensive identification of obstacles to financial inclusion at different levels (macro, meso, micro and client) and (ii) facilitating links with other non-financial support programmes, which complement the financial component and which have often proved to be crucial in bringing about positive change.

A better articulation of clients’ needs in EU support actions can be achieved, among others by the following interventions:

- At macro and meso level, the EU can provide support to strengthen financial sector regulation and supervision, credit bureaus, collateral registers, bank training institutes, sector representatives etc.
- At micro (financial institution) level, support can be provided for monitoring development outcomes (e.g. through social performance monitoring), the implementation of the client protection principles and the development of innovative financial products and services which add value to clients’ lives.
- Finally, at client level, the EU can provide assistance to financial literacy training, often in combination with additional non-financial services (e.g. skills training).

Seeking better complementarity between donors and (public/private) investors

The Agenda for Change also calls for new ways of engaging with the private sector, leveraging additional knowledge and funding for development. Microfinance is an area of cooperation where this is particularly relevant in two respects: (i) in the last decade we have witnessed a significant increase of private funding flows for inclusive finance; and, (ii) many financial service providers have evolved from NGOs into private financial institutions with double/triple bottom line.

In this context it is, first of all, crucial to clarify the role and additionality of public grant funders such as the EU, with respect to other funders, particularly investors. The so-called “blending mechanisms” such as the Neighbourhood Investment Facility or Regmifa provide an interesting channel in this respect, as they allow for coordinated action between on the one hand grant funders, providing e.g. technical assistance or guarantees, and on the other hand development finance institutions and private investors, which bring in investment funding and financial expertise.

Secondly, further engagement with private sector actors (whether they are co-investors or beneficiaries) will need to go hand in hand with making progress in operationalizing a set of principles for responsible investment and client protection. Leveraging private sector funding for development also requires being clear on the objectives to be achieved and the principles to be applied.

The past decades have shown that microfinance can be an effective tool to promote inclusive and sustainable growth. Perhaps more than other sectors, microfinance is an area where valuable experience has been accumulated in working with the private sector (both as co-funder and as beneficiary) to achieve development goals. Yet, from a grant funder’s perspective, keeping the ultimate development goals in mind is essential when designing support programmes (whether in the financial sector or elsewhere) and selecting the appropriate level of intervention.

MICROFINANCE & THE ENVIRONMENT



Marion Allet, Microfinance & Environment
Expert, CERMI – PlaNet Finance

The microfinance sector has paid little attention to its environmental bottom line so far. Little measurement mechanisms have been put in place to assess MFI’s progress in addressing environmental issues. Yet, like any other stakeholder, microfinance institutions have a responsibility towards the environment. On the one hand, MFIs can contribute to environmental degradation if they support microenterprises that are harmful to the environment. On the other hand, they can have a positive impact on the environment if they support the development of environmentally-friendly activities and access to clean technologies.

Because they are poor and engaged in small-scale activities, microfinance clients are often believed not to have a significant impact on the environment. This may be broadly true for microentrepreneurs in trade and service activities. However, many studies prove that some small-scale activities entail high environmental risks, in terms of pollution (chemical use, soil and water contamination, etc.) or unsustainable use of natural

resources (deforestation, soil degradation, overexploitation, etc.). This is the case, for instance, for leather tanning, metal working, electroplating, mining, painting, printing, textile dyeing, brick and tile making, charcoal making, crop growing, animal husbandry, fisheries, etc. These environmental risks can have a significant cumulative effect at the local level. More importantly, they represent direct threats to the health and livelihood of microentrepreneurs and surrounding populations. In many cases, solutions to mitigate these risks do exist, but microentrepreneurs do not apply them for lack of awareness or lack of financial resources.

Today, an increasing number of MFIs and microfinance stakeholders are aware that their impact on the environment is not neutral. In a survey conducted with 160 MFIs in 2011, 79% of respondents indeed consider that they have a role to play in protecting the environment. Beyond financial and social objectives, we now start talking about a “triple bottom line” in microfinance, a microfinance that could be “green”. The issue is being discussed in specific roundtables organized in major international microfinance events, such as the European Microfinance Week (2009, 2010 and 2011), as well as in practitioners’ workshops, such as the “Microfinance & Energy” workshop organized on the 2nd of November 2011 during the last European Microfinance Week.



FORUM

Experiences in the area are still scarce but developing. In El Salvador, Apoyo Integral trains its loan officers so that they can identify the environmental risks of their clients' activities and raise their awareness of mitigation solutions. In Bangladesh, BRAC and Grameen Shakti offer specific credit lines to facilitate access to clean technologies like solar home systems, biogas digesters and improved cook stoves. In Nicaragua, CEPRODEL provides technical support to help its farmer clients switch to sustainable agriculture. In Mali, CAMIDE organizes regular awareness-raising campaigns on waste management and deforestation, asks clients to commit to an environmental chart, and offers them three seedlings for each loan granted. In order to achieve an environmental bottom line, MFIs can thus adopt various strategies: (a) screening loans along environmental criteria; (b) tailoring financial products to support environmentally-friendly activities, practices and technologies; or (c) providing environmental non-financial services (awareness-raising, training).

Microfinance institutions that seek to address the environmental issue often mention that they lack the technical and financial resources to do so. Donors, investors, technical assistance providers and other microfinance stakeholders could play a key role by facilitating the exchange of experience and providing interested MFIs with the required technical and financial support. Different initiatives exist already. The UNPRI "Principles for Investors in Inclusive Finance", an initiative actively promoted by microfinance investors, members of e-MFP, advocates for the Institutional Investors' community to incorporate Environmental Social Governance (E.S.G) issues into investment analysis and decision-making processes.

Other e-MFP members are also active in the field (CERMI, PlaNet Finance, ADA / Microenergy, SIDI, CORDAID, GIZ, UNCDF, Lux-Dev, FMO, Triodos Bank, Triodos Facet, etc.). For instance, they help MFIs go green by developing specific toolkits (FMO-Triodos Facet) or assisting them in designing microcredit for access to clean energy (FreemE project by PlaNet Finance and Energy Inclusion Initiative by ADA / MicroEnergy International). As the issue is new for the microfinance sector, further experiences, research and exchange of lessons learned are needed in order to identify which types of green microfinance programs are effective and bring clear benefits to MFIs and their clients. The European Microfinance Platform, with its diversity of members, can actively contribute to this objective by facilitating the exchange between different actors and by encouraging them to work together to preserve the environment.

1 http://ec.europa.eu/europeaid/where/region/neighborhood/regional-cooperation/irclinvestment_en.htm
 2 Regmifa (<http://www.regmifa.com/>) has benefited from an EU contribution through the ACP EU Microfinance programme (http://ec.europa.eu/europeaid/where/acpl/regional-cooperation/microfinance/index_en.htm)
 3 Blackman, A. (2000) 'Small is not necessarily beautiful. Coping with dirty microenterprises in developing countries'. Resources 141: 9-13

Some e-MFP members' initiatives: Managing environmental risks in small-scale activities

Green Performance Management

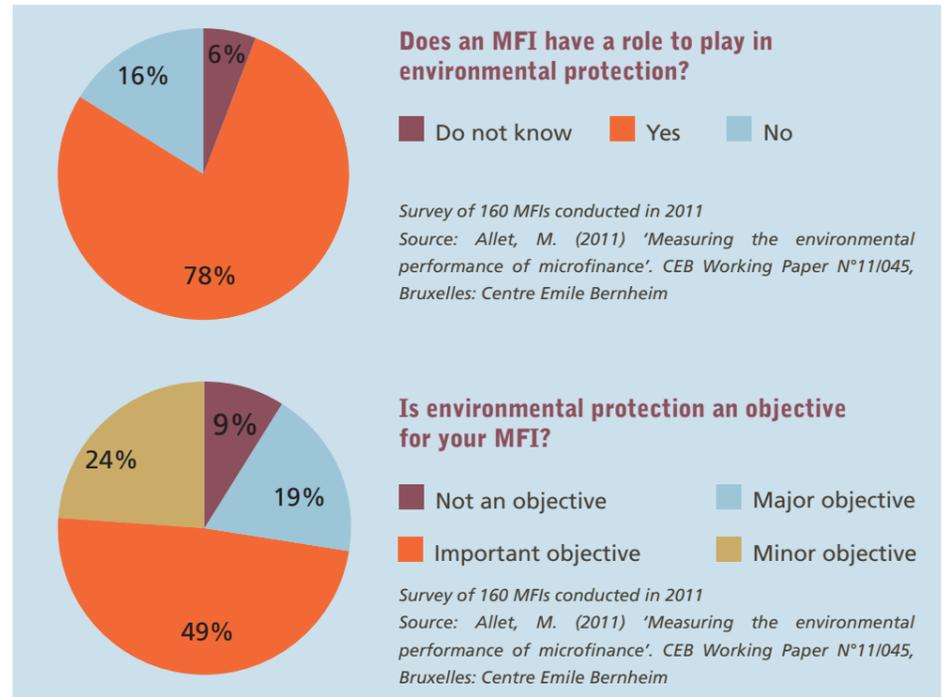
HIVOS, Triodos Investment Management and Triodos Facet are currently developing a Manual for Microfinance Practitioners to better understand the implications of climate change and environmental degradation, especially related to their clients.

Today, society is facing a systemic and complex sustainability challenge. We face ecological issues including climate change, top soil erosion, deforestation, and resource scarcity as well as social issues like poverty, public health, corruption, political instability and institutional failure. Microfinance institutions are operating in the middle of those challenges and their clients face the daily reality to overcome them. The Manual introduces clear and simple guidelines for microfinance practitioners that choose to pro-actively engage themselves in this new field of green performance management, or "GPM". The Manual is intended not only to create awareness about environmental issues, but also to facilitate real understanding of why it is important (the drivers), as well as to develop a practical approach towards Green Performance Management.

The Manual is expected to be available in the second half of this year. For more information contact Leo Soldaat, HIVOS at l.soldaat@hivos.nl or Geert Schuite, Triodos Facet at gj.schuite@triodosfacet.nl

The "Sustainability guidance e-learning toolkit"

Triodos Facet and FMO developed the "Sustainability guidance e-learning toolkit" for MFIs. This toolkit helps MFIs and SME-banks to pro-actively manage the health, safety and environmental performance of their portfolio. The toolkit guides the user along the steps



FreemE project – Microfinance client showing its electricity bill, Morocco © PlaNet Finance

to develop sustainability policies, adapt credit procedures and evaluate performance. More than 40 sector factsheets are included, which loan-officers can use to identify the social & environmental risks of their clients. Finally, the interactive quizzes, cases and training materials are useful resources for awareness raising. The e-learning toolkit is being used by MFIs and SME-banks worldwide and can be downloaded freely at www.fmo.nl/esg-tools

For more information contact Alberic Pater, TriodosFacet at A.Pater@triodosfacet.nl

Promoting access to clean energy

FreemE project

FreemE is a project co-funded by the European Union that aims to promote access to renewable energies and energy efficient (RE&EE) technologies through microfinance in Egypt and Morocco. Since 2010, PlaNet Finance and its technical partners (ADEME, GERES, ARDI, DBACD, EACD) have been working together to: (a) assess the energy and financial needs of microfinance clients; (b) identify RE&EE equipment that can help clients reduce their business energy expenditures; (c) select reliable local providers of RE&EE technologies; (d) design with partner MFIs adapted financial products to facilitate access to RE&EE equipment; and (e) organized awareness-raising events and training sessions for loan officers, distributors and microentrepreneurs.

For more information contact Pascale Geslain, PlaNet Finance at pgeslain@planetfinance.org





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The Energy Inclusion Initiative

The Energy Inclusion Initiative (EII), initiated by Appui au Développement Autonome (ADA), a Luxembourgish NGO, and MicroEnergy International (MEI), a Germany-based energy and finance consulting company, pursues the primary objective of successfully incorporating energy products into the portfolios of Microfinance Institutions (MFIs). The EII aims to disseminate access to clean energy with the goal of increasing the economic, social and environmental well-being and health of microentrepreneurs and their small and micro-sized businesses in rural areas of developing countries. Thus, in cooperation with ADA and MEI, two Peruvian MFIs, Caja Municipal de Ahorro y Crédito (CMAC) Huancayo and Fondo de Desarrollo Regional, FONDESURCO, are implementing the EII. In the future, the EII plans to develop other projects in other communities across the world.

For more information contact Francesca Randazzo, ADA at francesca.ada@microfinance.lu

FMO and Proparco make their first investment in photovoltaic

In December 2011, FMO and PROPARCO signed the financing agreement for their first investment in an energy generation facility that uses solar photovoltaics, a technology in which day-light is converted into electrical

power using solar panels. The project, which is near Arequipa in Peru, consists of two power plants with a peak output totaling 44 MW. Project sponsor is the Spanish T-Solar Group, a major operator in the solar photovoltaic power generation market. The two new plants will be the first large-scale solar photo-voltaic energy projects in Latin America. The T-Solar Group is scheduling their connection to the national grid for June 2012. The total project cost is USD 166 million. FMO and PROPARCO will put up USD 7.2 million each in subordinated loans and the Overseas Private Investment Corporation (OPIC) will provide USD 130 million in senior debt. The T-Solar Group will fund the remaining balance with its own equity. The project was granted the "2011 Latin American Renewables Deal of the Year" award, by Euromoney Institutional Investor PLC.

For more information contact Anton van Elteren, FMO at A.van.Elteren@fmo.nl

European Development Finance Institutions to establish joint climate change fund

Interact Climate Change Facility S.A. (ICCF) is a private limited liability company established under the laws of the Grand Duchy of Luxembourg, and is owned by 13 shareholders. The funding capacity of ICCF is provided by Agence Française de Développement, the European In-

vestment Bank (EIB) and by the following Development Finance Institutions: BIO (Belgium), CDC (United Kingdom), COFIDES (Spain), DEG (Germany), FINNFUND (Finland), FMO (the Netherlands), NORFUND (Norway), OeEB (Austria), PROPARCO (France), Sifem (Switzerland) and SWEDFUND (Sweden). The Parties established an investment matching facility to invest in private sector climate change projects in Africa, the Caribbean and the Pacific, Asia and Latin America. The institutions will further promote use of clean technology as an integral part of economic development and provide long term financing for renewable energy projects in countries facing acute energy shortages and restricted energy access, further contributing to economic development.

(Source: <http://www.edfi.be/about/iccf.html>)

For more information about AFD, contact Laure Weisgerber at weisgerberl@afd.fr or visit www.afd.fr and <http://climatechange.afd.fr>

For more information about the European Investment Bank's climate action and ACP activities, contact Richard Willis at willis@eib.org; or visit <http://www.eib.org/lending/acp>

NEWS FROM OUR ACTION GROUPS

YOUTH INCLUSIVE FINANCIAL SERVICES ACTION GROUP

Members have been working very actively during the past three months to produce their European Dialogue publication. Case studies outlining promising initiatives for achieving youth economic empowerment in developing countries were provided by ADA, Child and Youth Finance International, The Frankfurt School of Finance & Management, KfW, MEDA, Partner Microfinance Foundation, Planet Finance, UNCDF - Youth Start Programme and Women's World Banking. Action Group members met with other organizations working in the area, such as Freedom from Hunger, the ILO and the SEEP Network's Youth and Financial Services Working Group and the Practitioner Learning Program. Discussions took place during the Child and Youth Finance International annual summit "Reshaping the future of finance" from the 2nd to 4th April 2012 in Amsterdam, (Netherlands). Upcoming events where members of the group will also participate are: The Youth Employment Forum 23rd - 25th May 2012 at the ILO Headquarters, Geneva (Switzerland) and the Making Cents International Global Youth Economic Opportunities Conference 2012 on 11th - 13th September, 2012 at the Inter-American Development Bank's Conference Center in Washington, DC, (USA)

The Action Group's European Dialogue publication will be available soon.

For more information please contact Juana Ramirez at jramirez@e-mfp.eu and Jared Penner at jared@childfinance.org

UNIVERSITY MEETS MICROFINANCE ACTION GROUP

The specific objective of the "University Meets Microfinance" (UMM) Action Group is to enhance cooperation between university students in Europe and microfinance practitioners. Through the UMM Action Group, e-MFP members jointly contribute to microfinance education and research at European Universities. Members participate in seminars, lectures and summer schools. Students benefit from scholarships, field exposure and field research. The UMM Action group contributes to the production of specialized knowledge in microfinance. Workshops reports and outstanding master theses are published and disseminated.

Preparations are under way for the 8th University Meets Microfinance Workshop organized under the framework of the e-MFP "University Meets Microfinance" Action Group. The topic addressed will be "Microfinance in crisis? - Impact and financial transparency". The workshop will take place at the Frankfurt School of Finance & Management, 19th - 20th July 2012. Confirmed participants are: Professor Adalbert Winkler, Frankfurt School of Finance & Management; James Copestake, University of Bath; Chuck Waterfield, Microfinance Transparency; Francois Durollet, Planet Finance; Eva Terberger, Professor at the University of Mannheim / Head of the independent Evaluation Unit of KfW; Sophie Wiesner, ADA.

For more information please contact Juana Ramirez at jramirez@e-mfp.eu and Delphine Bazalgette at dbazalgette@planetfinance.org

NEWS FROM OUR ACTION GROUPS



Remittance Action Group meeting at European Microfinance Week 2011

REMITTANCES ACTION GROUP

Following a very productive meeting during the European Microfinance Week 2011, the Remittances Action Group has further worked on its action plan. Based on their experience, members from ACRA, ADA, the Frankfurt School of Finance & Management, IFAD, GIZ, MyTransfer, OxfamNovib / INAFI and PHB Development agreed to share information and consolidate the knowledge required to identify the best ways for MFIs (and other parties if applicable) to become successful actors in the remittance business. The Action Group will this year concentrate its activity on improving and disseminating a Financial Literacy Toolkit produced with the support of the GIZ. The kit gives an overview of existing tools to enhance financial literacy at the remittances sending side and at the receiving end. This kit will be made available for MFIs, banks, donors, governments and MTOs. The Action Group plans to meet in June to discuss the content of the tool kit. Action Group members have also been participating actively in other forums and events for remittances. The African Development Bank, with support from Agence Française de Développement organized a seminar and two workshops on February 21st and 22nd in Paris in order to discuss the findings of a study entitled: "Reducing the Cost of Migrant Remittances and Optimizing their Impact on Development Financial Tools and Products for the Maghreb and Franc Zone". Action Group members were present with other participants

including representatives from ministries, central banks, money transfer companies, microfinance institutions and non-governmental organisations. Also IFAD's US\$22 million multi-donor facility, Financing Facility for Remittances (FFR), published its overview report 'The FFR Brief'. It provides an overview of the pilots implemented in the last 5 years. These projects aim to increase economic opportunities for the rural poor through the support and development of innovative, cost-effective, and easily accessible international and/or domestic remittance services. IFAD is also the driving force behind the Global Forum on Remittances, a series of ground breaking regional and international conferences dedicated to highlighting the impact of remittances in developing economies. These events are devoted to the creation of wide-reaching synergies among government, civil society and the private-sector stakeholders. Following the fora held in 2007, Washington DC, and in 2009, Tunis, the next Global Forum on Remittances will take place in October 2012 in Asia, focusing on the Asia Pacific region. e-MFP Action Group members will participate and actively contribute.

For more information please contact Juana Ramírez at jramirez@e-mfp.eu and Gera Voorrips at gvoorrips@phbdevelopment.com

RURAL OUTREACH AND INNOVATION ACTION GROUP

The Rural Outreach and Innovation Action Group is focusing its activities on one of the frontiers in microfinance: how to effectively serve rural areas and how to sustainably finance the agricultural sector (small farmers, producer groups, cooperatives) but also rural entrepreneurs. This year, in the context of the UN International Year of Cooperatives, Action Group members will focus on participating in the selection process of applicants for the 4th European Microfinance Award on Microfinance for Food Security, as well as in the finalization and dissemination of their European Dialogue publication. The publication explores five cases (MFIs from Africa and South America) focusing on the role that governance and strategic alliances play in member based organizations (MBOs) to reach out sustainably to rural areas. Many events are being organised to commemorate the UN International Year of Cooperatives. Action Group members participated in the FoodFirst and Agri-ProFocus conference, organized with the support of Rabobank in In-

novatoren Floriade Venlo on 24th April. The conference focused on profiling the strengths and challenges of cooperative business models and draw on lessons learned from the years of experience of the Dutch financial cooperative sector and other experiences regarding the formation of local cooperatives in developing countries.

The Action Group's European Dialogue publication will be available soon.

For more information please contact Juana Ramírez at jramirez@e-mfp.eu and Laurent Biot at lbi@sosfaim.org



Rural Outreach & Innovation Action Group meeting at the European Microfinance Week 2011

MAKING MICROFINANCE INVESTMENT RESPONSIBLE, MIR ACTION GROUP

Members from Cerise, Microfinanza Rating, Incofin, Oikocredit, Blue Orchard and Triple Jump will analyse their data in a collective research effort to deepen the existing knowledge regarding the relationship between financial and social performance. The purpose of this research is to determine if there is a business case for investing in social performance management and analyse in which conditions social and financial performance can be managed together. The Action Group will concentrate its activity on analysing each member's datasets and Andreas Hoepner, from the St. Andrews University will actively participate as the lead researcher. The datasets to be analysed will gather information collected with the following tools: The SPI tool, from Cerise, the ESG Scorecard from Oikocredit, the ECHOS tool from Incofin, Social and Financial Ratings from Microfinanza Rating and the SPIRIT tool from Blue Orchard. The Action Group will present and discuss preliminary findings during the Social Performance Task Force meeting 4th - 8th June 2012, in Jordan as well as during the European Microfinance Week 14th - 16th November 2012, in Luxembourg.

For more information please contact Juana Ramírez at jramirez@e-mfp.eu and Florent Bedecarrats at f.bedecarrats@cerise-microfinance.org

TIER 2 AND 3 MFIs ACTION GROUP

Action Group members organised a webinar on the 20th March 2012 in cooperation with MfX Solutions addressing partial hedging strategies for microfinance investment funds. Cordaid, Triple Jump, Grameen Credit Agricole Microfinance Foundation, Alterfin, Incofin, LMDF and ADA participated. Jorge Santisteban, Director of Hedging Services at MfX presented different alternatives investors can consider to contain or mitigate foreign exchange risk when delivering local currency to their partner MFIs. In the coming months the group will concentrate in producing a position paper and will continue exchanging information through the Directory of investors in tier 2 and 3 MFIs.

For more information please contact Juana Ramírez at jramirez@e-mfp.eu and Kaspar Wansleben kaspar@lmdf.lu

CALENDAR OF e-MFP EVENTS

J	F	M	A	M	J
J	A	S	O	N	D

3 May 2012

e-MFP Board meeting

14 – 16 November 2012

European Microfinance Week

15 November 2012

4th European Microfinance Award

UNIVERSITY MEETS MICROFINANCE

UNIVERSITY MEETS MICROFINANCE (UMM)



Anna Custers, graduate in M.Sc. Development Studies from the London School of Economics received a "University Meets Microfinance" Award, which recognizes outstanding Master thesis on microfinance topics. Two theses were selected in 2011 by a selection committee composed of academics and researchers. Anna is currently working as a Research Associate with J-PAL South Asia, on an Urban Sanitation Project in Orissa, India. Previously she worked at J-PAL Europe on two randomized evaluations of programs focussing on the employment situation of youth in France. Prior to this, she was a junior researcher at the Social and Economic Council in the Netherlands and worked with Samhita, focusing on their microfinance and health education program.

Furthering Financial Literacy: Experimental evidence from a financial literacy training program for microfinance clients in Bhopal, India

Improving individual financial skills has increasingly come under attention in both the developed and the developing world. The idea behind efforts to improve financial literacy is that it helps households to make better-informed choices in their demand for sound financial services, which in turn are believed to increase their well-being. This idea is motivated by a compelling body of evidence that shows a strong association between financial literacy and a household's well-being. In particular, financial literacy training can help to prevent problems such as cycle-lending and other forms of unbeneficial financial market participation. In addition, it could in-



crease demand for welfare enhancing financial services like savings accounts and pensions. The commonly assumed causal mechanism between financial literacy training and improved household well-being can be depicted as follows:

Previous studies have focused on the causal mechanism between financial literacy training and demand for welfare enhancing services, but did not measure the impact of the training program on financial literacy levels directly. This study investigates the link between financial literacy training and financial literacy levels. It focuses on the determinants of low demand of financial services due to internal cognitive constraints. To do so it asks the following research question: Does a financial literacy training program (FLTP) affect financial literacy levels among microfinance clients in Bhopal, India?

In answering this question, the study makes use of a randomized field experiment, in which microfinance clients are randomly assigned to a FLTP or to a control group. It compares individuals who did receive financial literacy training to individuals who did not receive training, but closely resemble the first group. The FLTP was conducted by Samhita Microfinance, a microfinance organization that caters to women in the state of Madhya Pradesh.

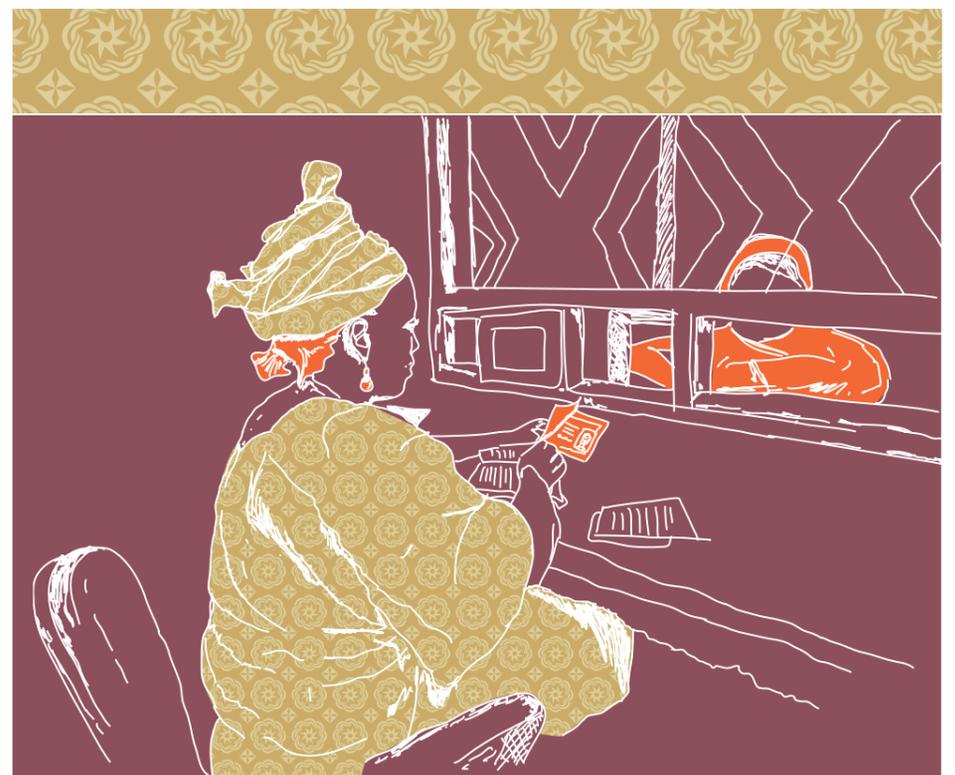
Results

The results of the experiment show that a FLTP for urban microfinance clients positively affects average financial literacy levels. Regression analysis revealed that a participant receiving the training program is likely to increase her average financial literacy level by an average score of 0.69 out of 4. This is equivalent to 17.25 percent. Combining this finding with earlier research on the correlation between financial literacy and a household's well-being, suggests that the increase in financial literacy levels as a result of the FLTP found in the study would culminate into increased demand for welfare enhancing financial services. This points towards a conclusion quite different from previous experiments with financial literacy training. Other studies conclude that financial literacy training is hardly beneficial because it does not significantly increase demand for financial services. This study, however, has shown that a FLTP is beneficial because it can raise financial literacy levels.

The positive outcome of the experiment in the study holds only if alternative interpretations of the results can be excluded. There is a possibility that the financial literacy measurement does not accurately capture financial literacy levels of the chosen population. The questions used to measure financial literacy are heavily geared towards testing mathematical financial skills. However, although mathematical skills are important, there is more to financial literacy than calculation. The poor may be financially illiterate, but this does not prevent them from being clever about money. As Esther Duflo aptly puts it in an interview with The New Yorker, "they are "incredibly smart" about day-to-day financial matters, "because the cost of errors is much bigger", but "so busy doing this effort, and optimizing on some margin, that they might entirely miss

some huge elephant in the room," like the importance of buying fertilizer for their crops, or immunizing their children'. Put differently, knowing about the value of putting your money into a savings account, rather than keeping it under the mattress, is an expression of financial literacy that needs no calculations. Perhaps the key question is rather how to define financial literacy in terms of financial capability when considering the poor. This suggests that more work needs to be done on defining and measuring financial literacy in such a way that it captures forms of financial competences beyond mathematical-financial skills.

The thesis was supervised by Dr. S. Sequeira, Lecturer in Development Economics at the London School of Economics. You can order the thesis which has been published by "Ibidem" at www.universitymeetsmicrofinance.eu.



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 Deutschland e.V. and Freie Universität Berlin and is co-financed by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and PlaNet Finance. All UMM activities are carried out under the umbrella of the European Microfinance Platform (e-MFP) in the frame of the e-MFP Action Group "UMM". To date the UMM events gathered 1991 students, professors and practitioners from 10 European countries.

Application deadlines for the UMM Scholarships and Awards - Programme 2012:

20 April 2012	1 st Call for Scholarships Programme (Bachelor, Master)
15 June 2012	2 nd Call for Scholarships Programme (PhD)
31 August 2012	Call for Award Programme
15 October 2012	3 rd Call for Scholarships Programme (Bachelor, Master)

UMM Workshop in 2012:



July 19th / 20th: Frankfurt School of Finance & Management, in cooperation with the summer school on "Responsible Finance"

For more information visit www.universitymeetsmicrofinance.eu or contact Delphine Bazalgette / Sven Volland, umm@planetfinance.org



ANNOUNCEMENTS

NEWS FROM THE BOARD

We would like to introduce

Mamadou Diallo

e-MFP's latest Board member – nominated by WSBI to replace Anne-Françoise Lefèvre.



Mamadou Diallo has eight years of experience in financial services and is currently Advisor Institutional Relations and responsible for Africa at WSBI, where he is in charge of the relationship with WSBI Africa members and African policymakers. He is also involved in international debates around financial inclusion including microfinance and manages the relationship with international stakeholders such as CGAP, UPU, FATF, e-MFP, CYFI, etc.

Prior to this position at WSBI, he worked for more than four years at ING Bank in Brussels, 2 years at Euroclear in Brussels and few years at a consulting company. He also provided technical assistance to a microfinance institution in Benin.

Mr. Diallo holds engineering degrees (2004) from Faculté Polytechnique de Mons (Belgium) and Supélec (France) and a Master in microfinance (European Microfinance Program, 2007) from Solvay Brussels School of Economics and Management, Université Paris-Dauphine and Wageningen University.

NEW e-MFP MEMBERS

e-MFP would like to welcome the following new members:

Associate member: Luxembourg Round Table on Microfinance,

Individual members: Christopher Linder (USA/IT), Fedde Potjer (NL)

LUXEMBOURG ROUND TABLE ON MICROFINANCE



The Luxembourg Round Table on Microfinance (LRTM) is a multi-stakeholder initiative to facilitate innovation and cooperation between microfinance actors in Luxembourg. The LRTM was launched in 2003 by the Directorate for Development Cooperation within the Ministry of Foreign Affairs of the Grand-Duchy of Luxembourg, together with a number of NGOs specialized in microfinance. Financial institutions and other stakeholders quickly followed and keep on following.

As such, the LRTM brings together private, public and civil society sectors with the sole purpose of facilitating the exchange of ideas and stimulating innovation.

The LRTM is an informal structure, although its members have recently adopted a charter in order to agree on a set of housekeeping rules but mostly to identify and to formulate a common objective and a joint mission. The objective is to fight poverty. The mission is to support, improve and promote inclusive finance as a toolbox for development and to increase its impact as such by leaning on the core competencies of Luxembourg as a financial and microfinance centre.

For more information visit www.lrtm.lu

ANNOUNCEMENTS

10 years ago in March 2002, 16 experts sat down to form what is now known as the Microinsurance Network. Today, it is a global multi-stakeholder platform that promotes the development of good-value insurance services for low-income persons and in order to celebrate this, the Network is organising a Microinsurance Awareness Season - a three month period from March until June 2012, during which awareness raising events are being organised with colleagues, partners, neighbours, relatives, classmates to discuss microinsurance.

For more information visit,

http://www.microinsurancenet.org/file/MIN_Microinsurance_Awareness_Season.pdf

15th MFC Annual Conference: Business or development? Time to choose

Tbilisi, Georgia, 29-30 May, 2012

Join MFC for this important opportunity to take a critical look at the microfinance industry, its impact (positive and negative) and the key choices the sector faces in Europe, Asia and elsewhere. For more information visit www.mfc2012.com

"Microfinance - Introduction and State of the Art", Center for Microfinance, University of Zurich

The University of Zurich offers the executive course "Microfinance - Introduction and State of the Art" on June 28 - 30, 2012 in collaboration with the Swiss Agency for Development and Cooperation (SDC). It provides an advanced understanding of the main issues, problem areas and current trends in microfinance investments. The target audience includes social microfinance investors, asset and portfolio managers with a focus on socially responsible investments, staff of development agencies and NGOs, and consultants.

For more information visit www.cmf.uzh.ch/teaching.html, or contact annette.krauss@bf.uzh.ch.

Frankfurt School of Finance & Management is offering the following Summer Academies in 2012. Each course is adjusted to participants' needs and professional backgrounds:

Micro & SME Banking Summer Academy (8 – 13 July), where the latest trends of micro- and SME banking and microinsurance will be discussed.

Sustainable Energy Finance Summer Academy, two courses on financing clean energy investments are offered: Frankfurt (15 – 20 July) and the second with a special African focus, in Nairobi (21 – 26 October).

Housing Finance Summer Academy (22 – 27 July), conveying practical knowledge and tools for successfully managing mortgage lending operations and developing approaches and products that meet the rising demand for housing finance.

Microfinance Winter Academy (18 – 23 November), in Cambodia in cooperation with ACLEDA Training Center.

The MasterCard Foundation Scholars Programme will allow participants of the Micro & SME Banking Summer Academy without sufficient funding to attend the Summer

Academy by providing partial scholarships for tuition fee and travel costs.

For more information and online application, visit www.frankfurt-school.de/summer_academy.

The World Forum Convergences 2015, for the Millennium Development Goals towards innovative partnerships for poverty reduction, 19 – 21 September 2012, Paris. The Convergences 2015 World Forum is a major event for all professionals interested in exchanging on and discussing innovative solutions in order to alleviate poverty in Europe and around the world. In September 2012, over 3,000 participants are expected. For more information visit www.convergences2015.org

Women's World Banking (WWB) Global Dinner, October 10, 2012 - New York, USA. WWB's annual dinner honors women who have championed and advanced the cause of empowering women. For more information visit www.swwb.org

Women's World Banking (WWB) Capital Markets Conference, October 23 - 24, 2012, New York, USA. The conference aims to build awareness of developments and investment opportunities in microfinance. For more information visit www.swwb.org

Africa Finance & Investment Forum (AFIF)

The Africa Finance & Investment Forum (AFIF) 17 - 19 June 2012, held in the framework of the UN's "International Year of Cooperatives", will be organised by EMRC in partnership with e-MFP member Rabobank Foundation, the Dutch international finance service provider operating on the basis of cooperative principles. AFIF is aimed at strengthening the private sector in Africa, by encouraging partnerships and attracting investments. The Forum is designed for entrepreneurs interested in securing finance for their projects, for private investors looking for projects, as well as for policy makers, financiers and bankers.

For more information visit <http://www.emrc.be/en/events/afif-2012.aspx>

The VI **Central American and Caribbean Microfinance Conference** will take place 5 - 7 September 2012 at the Hotel Riu Plaza, Panama City, Panama. The theme of this year's event is "Microfinance: Growing with inclusion".

For more information visit <http://www.redcamif.org/list/20120905/?cHash=47915af714>

The e-MFP Newsletter is a regular publication of the European Microfinance Platform whose aim is to facilitate the exchange of information and promote cooperation among various European actors involved in microfinance in developing countries. e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

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Please feel free to forward this newsletter to whoever it may be of interest. We welcome any contributions or suggestions which might improve and enrich the content.

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