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Her Royal Highness The Grand Duchess of Luxembourg; Michael Chu, Harvard Business School and IGNA Fund; Suresh Krishna, Grameen Financial Services Private Limited; Marc Bichler, UNCDF at European Microfinance Week

EDITORIAL

Dear Members and Friends,

We look forward to another busy year in 2014 for e-MFP: Following the enthusiasm and dynamism of European Microfinance Week, we will continue to support our members in transforming this energy into concrete projects and actions. This first edition of our newsletter for the year looks back at some of the highlights of our annual event and looks to the anticipated activities of 2014, such as the launch of the 5th European Micro-

finance Award. Also included is an update on the e-MFP Keeping the Edge survey and an interview with José Manuel Gonzalez, Te Creemos.

I would like to take this occasion to thank outgoing Chairwoman, Cécile Lapenu who has been a very active member of the e-MFP Board since its inception and to welcome Anne Contreras as the new e-MFP Chairwoman.

I wish you an enjoyable read and a prosperous 2014.

*Christoph Pausch,
Executive Secretary*



EUROPEAN MICROFINANCE WEEK 2013

The future of MICROFINANCE: Investing in inclusive growth



With the theme of 'The future of microfinance: Investing in inclusive growth', 378 participants from 59 countries gathered for European Microfinance Week, 12th – 14th November in Luxembourg. Over these three days, e-MFP members and a wider circle of microfinance professionals came together to share experiences, debate the latest hot issues and create new business opportunities. A packed programme encompassing Action Group meetings and over 30 open sessions with 130 speakers and panellists included leading figures from the sector such as Michael Chu, Harvard Business School and IGNIA Fund; Suresh Krishna, Grameen Financial Services Private Limited, India; Marc Bichler, UNCDF; Narasimhan Srinivasan, Independent expert and advisor; Kevin Fryatt, MFX Solutions; Marjolaine Chaintreau, Citi; Sebastian von Stauffenberg, MicroRate; Carlos Marquez, Fondesurco; Philippe Guichandut, Grameen Crédit Agricole Microfinance Foundation; Laura Foose, SPTF; Antonique Koning, CGAP; Matthias Adler, KfW, to name but a few.

Topics and issues which were highlighted over the three days included: MFIs linking remittances to development; Microfinance risk management: evaluating the past and creating new visions for the future; Agricultural microfinance for smallholder farmers; Green strategies for MFIs; Responsible microfinance; Governance in microfinance; Microfinance and the MDGs; The role of financial market infrastructure in building faster financial inclusion and Microfinance and housing. We are happy to share here some of the highlights with those who missed out:





Opening remarks & plenary: The goal of microfinance: lifting the poor out of poverty or financial access for all?

European Microfinance Week 2013 got off to a prestigious start with opening remarks by Her Royal Highness The Grand Duchess of Luxembourg who also expressed her deepest sympathy to all victims of the Philippine typhoon disaster.

This was followed by the opening plenary, a lively discussion with Michael Chu, Harvard Business School & IGRIA Fund; Suresh Krishna, Grameen Financial Services Private Limited and Marc Bichler, UNCDF on 'The goal of microfinance: lifting the poor out of poverty or financial access for all?'

According to Mr. Chu, microfinance generally is implemented using a 20-year-old model that is inefficient and "ripe for disruption" through technology. However, when discussing the possibilities that the use of technology is bringing to the sector, Mr. Krishna stressed that services involving regular personal contact with borrowers will still be more successful, "personal touchpoint is still key" and they allow for a better match for bring-

ing in partner organizations to offer additional services such as solar power, biogas and rain-water harvesting.

There was much discussion of the social impact of microfinance. Mr. Chu pointed out that although it is an important aspect, we can't judge microfinance strictly on that basis, as microfinance is the provision of financial services: "Recognising social impact of microfinance is to understand not what we'd like it to be, but what it is: the provision of financial services". Moreover, he highlighted that even if microfinance has removed the obstacle of lack of financial access, among many obstacles the poor face, it was never the sole solution to poverty.

MDGs were also addressed in the Plenary, as it is found to still be difficult to reach the most poor and vulnerable segments of societies. Her Royal Highness The Grand Duchess highlighted that hunger and malnutrition are on the rise again, 1.3 billion people are still living in extreme poverty. She pointed out that working with a person to get her or him out of poverty benefits more than just that person: "Whoever is taken out of poverty is going to have an impact on the political situation of that country and its

democracy." In this sense, it was reiterated that issues such as access to finance, inclusive growth, social impacts, micro-entrepreneurship and scaling up should be shaping the development agenda in the years to come. Most participants agreed that global approaches alone will not provide the solutions for the poor, but also smarter, locally adapted and integrated approaches are required to achieve sustainability of the efforts.

MFIs linking remittances to development

Remittances have become increasingly



important; formal and informal flows to developing countries now add up to more than US\$ 800 billion. The session aimed to determine how remittances can move from a "cash-to-cash" to a "cash-to-account" format in order to provide a larger range of financial products, enabling further development of the South. The best practices discussed were; as a starting point, that it is good for MFIs to offer simpler products for migrants, but that they should also ensure that these products are quickly scaled up and supported by simple but sound processes and infrastructure. In addition, investing in a structured marketing campaign on both the sending and the receiving end is key to success. Some important constraints for MFIs were highlighted such as the regulatory framework and lack of competition between transfer operators. It was concluded that if an MFI does not have the capacity to overcome these

constraints, it should not engage with remittances, as it will be difficult for them to be competitive with other market players.

Raising the bar in microfinance risk management: evaluating the past and creating new visions for the future



While product development and new technologies constantly change MFI risk profiles, it is found that corporate culture, tools and staffing in many MFIs are often not yet geared to effective risk management (RM). This suggests that a better understanding of RM among MFIs is required, and also the introduction of appropriate tools and capacities. Effective RM depends on institutional commitment, a culture of transparency and organisational learning, and a consciousness of risks involved. MFIs need to perceive RM as a business enabler, rather than as a cost factor.

The multi-stakeholder 'Risk management Initiative in Microfinance (RIM)' has developed a Risk Management Graduation Model, providing a diagnostic tool for MFIs and stakeholders to measure and benchmark practices and design appropriate improvement trajectories. It also provides a dynamic framework for sharing lessons learned and further improvement and alignment of RM practice.

Green strategies for MFIs

Nowadays, every professional entity has to think of its triple bottom line approach, and it is not any different for Microfinance Institutions (MFIs). On one hand, many MFIs around the globe have developed 'green products' which cater for specific client needs and differentiate them from their competitors. On



the other hand, 'green microfinance' remains a secondary issue for a substantial number of institutions whose priority lies on poverty alleviation strategies. The session demonstrated that poverty alleviation and environmental preservation are not necessarily contradictory concepts, but that a great deal of work still needs to be done concerning awareness raising and understanding and integrating value chain dynamics for green products.

Governance in microfinance: Challenges and lessons learned

A critical question in MFI governance is the one of trust versus control; clearly dividing management and Board roles and responsibilities. The Chair is key in this respect, ensuring direction and healthy cooperation with management. Effective Boards have an appropriate size, with Board members bringing in diverse skill sets and working in designated Committees on specific issues. Good boards are able to understand

local context and organisation culture and mission.



Boards of non-commercial MFIs often require training and strong international stakeholder involvement, while in commercial MFIs there is a need to keep organisations aligned to their social mission. Independent board members can play a role in ensuring results which are equitable for different

Plenary: Recognizing unsustainable markets: towards a common framework



Microfinance (and credit markets in particular) is prone to crises. A critical difference with other markets is the importance of human resources and customer contact, calling for more attention to unsustainable practices at the branch and credit officer level. We also need to be aware that repayment performance is not only related to liquidity defaults, but also to unwillingness to repay and strategic defaults.



Although microfinance crises are linked to strong growth, they become more likely when excessive growth occurs in conjunction with troublesome competition, excessive access to funding, overambitious goals, weak operational management and governance, and inadequate regulation. This calls for the identification of alert criteria, insights into how “good models are perverted”, and establishing protection and checks and balances to guard against crises, including proper supervision.

Using indices, such as Planet Rating’s “Microfinance index of market outreach and saturation” (MIMOSA) can help to set benchmarks, guiding investors and MFIs. However, we need to be aware that saturation can be region and target group specific; 90% of the poor are still un(der)served. More data are needed to guide outreach in underserved markets.

Responsible microfinance – where do we stand?



The broad array of methodologies dealing with responsibility in microfinance has historically led to great confusion among MFIs. In this context, the session highlighted the increasing efforts of the microfinance industry to streamline existing initiatives dealing with responsible microfinance through the Universal Standards for Social Performance Management.

On a related note, the session also addressed the correlation between client protection and financial performance among MFIs, concluding that client protection is a good business practice, but it does require initial trade-offs (investments) and strong commitment from these institutions.

How much gender does microfinance need?

Including women in microfinance should no longer be seen as a gender issue but as a value proposition. Women constitute an important market segment that is in many ways understated and overlooked. Whereas men tend to prioritize investing on income generating activities that will expand their business, women make the most purchasing decisions in the

der this process need to be addressed at all levels. Increasing women’s inclusiveness in the financial sector is fundamental for further economic development.

Microfinance and the MDGs – beyond 2015

Financial inclusion and microfinance have contributed in all the Millennium Development Goals (MDGs) in many direct and indirect ways. It is clear that financial inclusion has a key role in the post-2015 goals, and especially when the target is reaching the extreme poor and excluded communities. However, there are some key points of attention to consider; the contact with the market needs to be appropriate and a regulatory framework should be in place. The session also emphasized that partner-



household and tend to invest in health, education and the well-being of their families. This session emphasized that in order to target women successfully, financial products should be tailored to their needs and capabilities. Financial literacy and training is a prerequisite for the successful inclusion of women in the financial sector. At the same time, legal, social and institutional barriers that hin-

ships in general, and especially between private and public actors, are gaining in importance.

Microfinance and housing

Microfinance housing loans were created as a result of the increased demand of microfinance clients asking for loans to build or maintain their houses or



Closing plenary: Keeping the edge

The closing plenary addressed the issue of disruptive change, which was the starting point of EMW 2013. Based on the SEEP Survey “Keeping the Edge”, conducted among microfinance associations

shelters. Microfinance housing loans are broadly considered non-profitable as a stand-alone business, but if used in a complementary way to other financial products, they can provide incremental returns. One of the lessons learned from the session was that MFIs perceive such loans as a socially desirable product and are therefore willing to receive the smaller profit margins, as they emphasize that they can contribute to increased client loyalty and long-term relations with their clients.



from 33 countries, and a replicated survey among EMW delegates, it was discussed which trends can be expected to be disruptive or evolutionary, and how microfinance can cope with these changes in

order to maintain its relevance to the poor. It was mentioned that most trends are not new, but already visible in microfinance, such as new entrants gaining market share and technological innovations in financial service provision. The SEEP Survey identified new technologies and diversified client needs as the most urgent issues to be addressed, while the EMW Survey showed decreasing market share as the biggest concern followed by diversified client needs. It was concluded that the sector must address these challenges in order to remain relevant.

The presentations given at European Microfinance Week can be viewed on our website <http://e-mfp.eu/europeanmicrofinance-week-2013/presentations> and the detailed conference report will be available shortly.

We invite you to also check out the conference video clip at <http://www.youtube.com/watch?v=Z3jO1HheJnM>

We would like to thank the sponsors of European Microfinance Week 2013 for their generous support:

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WE WOULD LIKE TO THANK those participants who responded to the feedback survey which confirms European Microfinance Week as a key event for microfinance professionals.



Interested in sponsoring European Microfinance Week 2014 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

Thank you to Martin Kinsella & Associates for sponsoring the survey



e-MFP GENERAL MEETING OF MEMBERS

The e-MFP General Meeting of Members (GMM) took place on 12th November during European Microfinance Week. The Board and Secretariat were very pleased with the number of members who attended and actively participated in the discussions which took place.



Members of the e-MFP Board 2014

During the GMM, eight new members were accepted: 4 full members, 1 associate member (organisation) and 3 individual members, bringing the total e-MFP membership to 134.

Annual membership fees for 2014 will remain the same (€800 for 'small' associate or full corporate members; €1000 for 'big' associate or full corporate members; €150 for individual members).

Christoph Pausch, Executive Secretary took

the opportunity to thank outgoing Board members, Cécile Lapenu (Chairwoman), John Bliet and Joel Pain for their hard work and commitment during the last years. An election was held for four vacant seats and the e-MFP Board is now composed of:

- Anne Contreras, Arendt & Medernach – Chairwoman
- Hans Dieter Seibel, DGRV – Deputy Chairman
- Ian Radcliffe, WSBI-ESBG – Treasurer
- Perrine Pouget, EIB – Secretary

- Martine Schommer, Luxembourg Ministry of Foreign Affairs – Development Cooperation
- Marc Bichler, UNCDF
- Pierre van Hedel, Rabobank Foundation
- Josien Sluijs, NpM
- Guy Rosa, BNP Paribas
- Laura Hemrika, Credit Suisse
- Michael Knaute, Oxus Group



We would like to introduce the new e-MFP board members



Anne Contreras

Anne is Of Counsel with Arendt & Medernach in the Investment Funds Practice, where she specialises in microfinance and social impact projects. She advises specific domestic and international clients on the corporate and regulatory aspects of the creation, structuring and distribution of microfinance investment funds and social impact funds. She also advises on the structuring and follow-up of investments in and technical assistance programs to microfinance institutions and other social businesses.

Anne Contreras has been a member of the Luxembourg Bar since 1998. She is co-chairing the Responsible Investing technical committee at the Association of the Luxembourg Fund Industry (ALFI) focusing on responsible finance, microfinance and impact finance, and participates in several other initiatives such as the European Microfinance Platform, LuxFLAG, the European Impact Investing Luxembourg and the European Venture Philanthropy Association. Prior to joining the Luxembourg Bar, she worked as a lawyer at the Paris Bar from 1994 to 1997.

Specialties: Microfinance Investment Vehicles (MIVs) and Social Impact Finance.

Martine Schommer

Martine Schommer is the Director of the Directorate for Development Cooperation and Humanitarian Affairs of Luxembourg. She leads the team on issues ranging from multilateral relations to microfinance activities. Luxembourg as a renowned financial centre is very active in the microfinance domain. The Ministry supports several microfinance initiatives: ADA, the European Microfinance Platform and is a key player at the European Microfinance Week.

From 2008 to 2012 Martine Schommer, was ambassador to Germany, and from 2004 to 2008 she managed the Luxembourg Permanent Representation to the European Union.

Josien Sluijs

Josien Sluijs is Director of NpM, Platform for Inclusive Finance, in which 14 Dutch investors in Inclusive Finance are members. The Platform facilitates coordination, research, and communication on relevant subjects for its investors. Ms Sluijs has been active in the field of inclusive finance for over 10 years. Before her current position, she held a senior position at Rabo Development responsible for restructuring of rural banks in the Middle East and Asia. She was also responsible for different advisory and research projects with regard to value chain finance. Furthermore, she advised IFC on their Rural Finance Strategy. Other functions she held at Rabobank International were Project Manager Securitization and Credit Structurer Food and Agribusiness. For the World Food Programme in India she carried out an evaluation and advised WFP on the Mother and Child programme.

She holds a master's degree in Political Science, International Relations from the University of Amsterdam. She earned a bachelor's degree in Business Studies at the University of Glamorgan, Wales, United Kingdom.

NEWS FROM THE SECRETARIAT

Overview of e-MFP activities



During the e-MFP General Meeting of Members Christoph Pausch gave an overview of the e-MFP 2013 activities and demonstrated what a productive and energetic year it was for the Platform. Highlights include the production of around 25 publications and in particular, the new edition of the Directory of European Microfinance Actors Working in Developing Countries. The outputs of e-MFP's eight Action Groups, as well as the numerous advocacy and communication activities of the Platform were other highlights of 2013. [A detailed activity report is available at www.e-mfp.eu/resources/activity-reports](http://www.e-mfp.eu/resources/activity-reports)

5th European Microfinance Award

Before drawing European Microfinance Week to a close, the theme of 'Microfinance and Environment' was announced for the 5th European Microfinance Award in 2014. The European Microfinance Award is organised jointly by the Government of the Grand Duchy of Luxembourg: Ministry of Foreign Affairs - Directorate for Development Cooperation, Ministry of Finance; the Luxembourg Round Table on Microfinance and the European Microfinance Platform. [Application forms and more detailed information about the prestigious award will be available early 2014 on the e-MFP website www.e-mfp.eu](http://www.e-mfp.eu)



New e-MFP publications

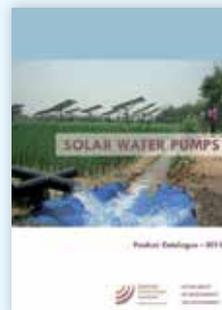
Position Paper No. 2:

Results of the survey conducted among the members according to the definition of tiers in microfinance



In November 2013 the e-MFP Action Group of Investors in Tier 2/3 MFIs Action Group published its Position Paper No. 2: "Results of the survey conducted among the members according to the definition of tiers in microfinance". The survey collected information from eleven European investors related to their investments in Tier 2 and 3 MFIs worldwide. The results present the way the investors approach such a market and explore potential collaborations.

Microfinance & Environment Fact Sheets



The e-MFP Microfinance & Environment Action Group produced a series of fact sheets describing environmental products that benefit the environment, MFIs and their customers (e.g. solar water pumps, gasifier ovens, solar tunnel dryers etc.)

The above publications can be viewed at <http://e-mfp.eu/resources/other>



European Microfinance Week special report in MicroCapital Monitor



Continuing its coverage of European Microfinance Week (EMW), media partner MicroCapital included a special report on EMW on page 4 of their December edition of MicroCapital Monitor, http://e-mfp.eu/sites/default/files/userfiles/file/MicroCapitalMonitor_Dec2013.pdf



Interview in paperJam with Christoph Pausch



During European Microfinance Week, the Luxembourg business magazine, paperJam interviewed Christoph Pausch, see <http://www.paperjam.lu/liste/questions/christoph+pausch>

e-MFP at 1st African Microfinance Week



Christoph Pausch attended the first African Microfinance Week in Arusha, Tanzania which was held from 2nd – 6th December 2013. The event was dedicated to the topic 'Regulation of the African microfinance sector: 20 years on from a practitioner's perspective'. Organisers of the conference were ADA, African Microfinance Network (AFMIN), Microfinance African Institution Network (MAIN) and African Microfinance Transparency (AMT). e-MFP supported the event with an awareness-raising session at the European Microfinance Week and by distributing AMW leaflets to European Microfinance Week participants. e-MFP and the African Microfinance Week also exchanged Plaza places at the two events.

e-MFP meets with African microfinance organisations



During his visit to Tanzania, Christoph Pausch met with representatives of leading African microfinance networks such as AFMIN and MAIN. He also made field visits to BRAC Tanzania and ECLOF Tanzania.



e-MFP Investors in Tier 2/3 MFIs Action Group Presentation at 1st African Microfinance Week

Philippe Guichandut, Head of Development and Technical Assistance at Grameen Crédit Agricole Microfinance Foundation and co-head of the e-MFP Tier 2/3 MFIs Action Group made a plenary presentation at the African Microfinance Week on the topic “Investing in Tier 2 and 3 MFIs in Africa: results of a survey among some e-MFP members’ investors”.



Philippe Guichandut at African Microfinance Week © ADA



e-MFP at European Development Days

Gabriela Erice participated in the European Development Days which were held 26th – 27th November 2013 in Brussels.

e-MFP in Convergences 2015 Working Group

Following a meeting with Convergences last September, e-MFP decided to actively participate in the Convergences Microfinance Working Group, ‘Microfinance, réduction de la pauvreté et finance responsable dans les pays du Nord et du Sud’. Gabriela Erice participated on 11th December for the first time in a meeting of this working group.

FORUM

The European Microfinance Week survey: mind the gap!



Gabriela Erice

Sam Mendelson

Recently, the SEEP Network conducted a survey of Microfinance Associations (MFAs), in which 39 MFA leaders answered questions on the trends facing the microfinance industry and how prepared MFIs are to deal with what’s ahead.

e-MFP’s European Microfinance Week (EMW) brought together a high-level group of decision-makers, opinion-leaders and practitioners from the microfinance industry – including some of the same MFAs who responded to the SEEP survey too. For this

reason, it was a great opportunity to replicate the SEEP survey (in a simplified form and with some adjustments) and conduct it with the EMW delegates before and during the Week.

The online e-MFP survey was adapted to be simple, brief, and appropriate for qualitative comparison. The respondents were asked to rate five trends: clients’ increasingly diverse needs; the emergence of new technologies; the evolving profile of funding available for microfinance; changes in financial



Figure 1 SEEP Survey Results

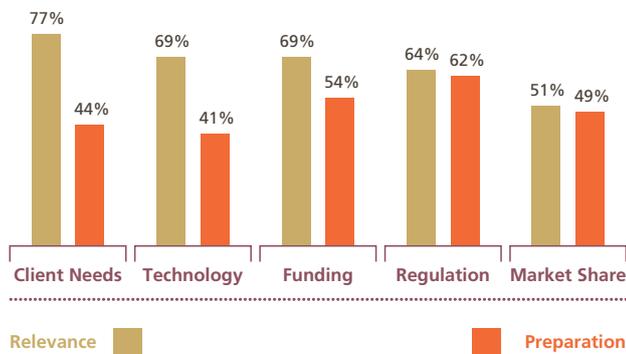
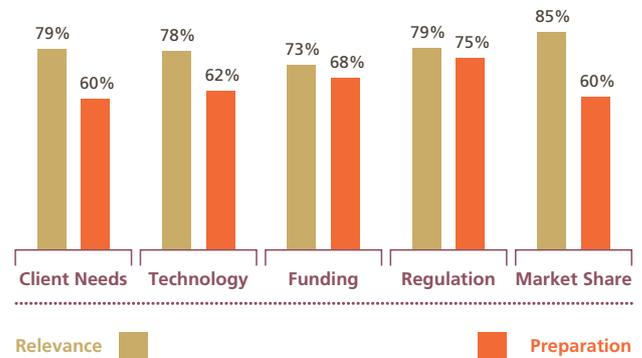


Figure 2 e-MFP Survey Results



regulation; and decreasing market share. They rated these trends' Relevance "Will this trend challenge MFIs' ability to remain relevant, given their current business model and capacity level?" and Preparedness "How prepared are MFIs to adapt to this trend?". The SEEP Survey also rated the Prevalence "To what degree is this trend taking place in your market?" – but for sake of length, the EMW survey was limited to just the first two dimensions.

The prime focus was looking at 'gaps' – the differences between the relevance of each trend on the one hand, and MFIs' preparedness to deal with it on the other. In other words, the larger the perceived 'gap', the greater the challenge will be to the industry, according to the respondents.

Overall, the survey showed that respondents saw the largest gaps in diverse client needs, technology and decreasing market share. Figure 1 shows the results from the SEEP survey and Figure 2 for the e-MFP Survey. Within each, the percentage scores are the numbers of respondents who rated the trend 3, 4 or 5 on a 1-5 scale across the five trends, in terms of its Relevance (5 being very likely), and Preparedness (5 being very prepared).

Broken down by trend, in the EMW survey, 'Clients' increasingly diverse needs' revealed a 19% gap between relevance and prepared-

ness. But only 14% rated MFIs' preparedness 4 or 5 out of 5, and 6 out of 10 respondents rated the trend 4 or 5 out of 5 on relevance.

With respect to 'Emergence of new technologies', 78% of respondents rated it 'somewhat' to 'very' relevant, and 62% said MFIs' were somewhat to well prepared to deal with it. However, a score distribution reveals the real gap to be much wider: just 21% rated MFIs' preparedness in the top two quintile scores, only 3.4% considered them as very prepared, while over half rated the trend 4 or 5 in terms of relevance.

The 'Evolving profile of microfinance funding' produced a 15% gap in the SEEP survey, and a smaller 5% gap in the e-MFP counterpart. 73% of respondents placed it in the top three quintile brackets for relevance and 68% in the top three for preparedness. But only 1.4% said MFIs were well prepared to face this disruption, and almost half rated it in the top two quintile brackets for relevance.

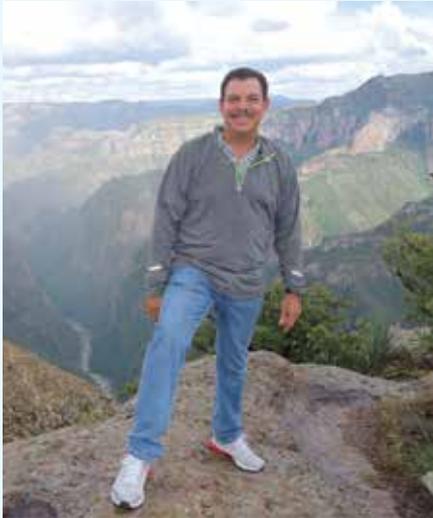
'Changes in financial regulation' produced a very small gap in both surveys: 2% for SEEP, 4% for EMW. However, just 2.1% in the latter believed MFIs were well prepared while close to half of respondents rated their preparedness 3 out of 5 – a middling score.

Finally, 'Decreasing market share', defined more as the competitive threat from new

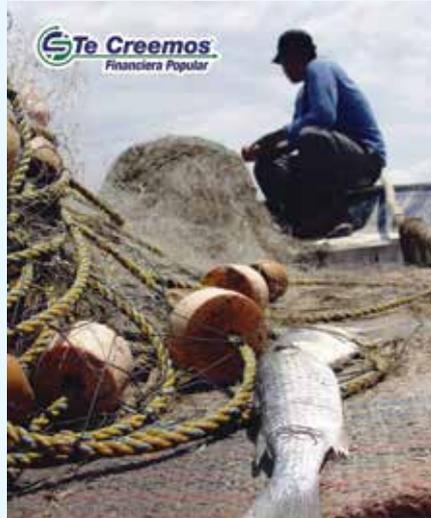
providers and platforms, did diverge considerably from the SEEP survey results – the only trend really to do so. SEEP found a negligible 2% gap; EMW a significant 25%. Of the latter, 85% of respondents rated it somewhat to very likely to challenge MFIs' relevance as a trend, and 60% said that MFIs were somewhat to very prepared. However only 1.4% said MFIs were well prepared (compared to 17.6% who said it was a very relevant trend – a score of 5/5). In other words, the large gap nevertheless understates the seriousness of the shortcoming in MFIs' preparedness, according to EMW respondents.

All in all, respondents were clear on what is coming, but less optimistic with respect to how prepared MFIs are to deal with them. Perhaps there is reassurance to be drawn from this – they know what they're doing. Or perhaps this a real cause for concern – MFIs are complacent (even ignorant) about what needs to be done in order to adapt. After all, with the exception of changes to the funding landscape, MFIs tended to consider the trends less challenging than respondents as a whole and were the most optimistic group in terms of their own perceived preparedness. This survey cannot provide all answers, but perhaps the most interesting 'gap' the survey has revealed is not the 'preparedness gap' per se, but the perceived gap between practitioners and everyone else in looking to the future.

TE CREEMOS – Off to greener horizons



José Manuel González



The e-MFP Microfinance & Environment Action Group took the opportunity of European Microfinance Week to talk with José Manuel González, Co-Founder and COO of Te Creemos, one of the fastest growing MFIs in Latin America that decided to go green. The Mexican MFI was founded in 2005, has a portfolio of USD 50M with 87 branches spread across the country serving 80,000 clients.

José Manuel, this was your first visit to the European Microfinance Week (EMW), what were your impressions?

First of all, it was very gratifying to witness how active European countries are in the development of microfinance, considering that microfinance is usually not within their borders. I was particularly pleased with the focus of the meeting: It is not only about financial inclusion, but also its influence on the way people live in terms of education, housing, health, climate change; and that every single effort seems to be driven by such a focus.

One of the main findings of the EMW was the perceived need to diversify products to respond to clients' changing needs. Te Creemos presented at a panel labeled 'Green strategies for MFIs'. How does Te Creemos understand Green Microfinance?

Well, our vision is that we are the providers of the means for people to improve the way they live. It is common that micro-entrepreneurs try to implement changes in their businesses that either improve their earnings, lower their costs, or both. The extra cash flow will be helpful to either have more competitive conditions, or to channel it into their everyday living, such as better education, home improvement, health. It is common that those changes require investment. Green Microfinance will enable the micro-entrepreneurs to optimize the way they consume energy, by lowering their production or living costs. A decrease in greenhouse gas emissions will be a consequence of the adoption of these changes. A win-win situation...

How did your institution become involved in Green Microfinance? What role did the FOMIN's¹ program EcoMicro² play?

After having financed numerous home improvement activities (\$90'mdills in 5 years), we decided to research how the energy consumption habits of our clients look like. We had no idea. The results were both unexpected and very interesting. People are not at all aware of their contribution to climate change. We found opportunities to rationalize their actual energy consumption methods, and at the same time, improve their costs. Amortization of the newly financed device should be done with the help of the cost savings.

But with this valuable insight, we knew that we would have to invest more in understanding, what at the moment seemed to be complicated, technical matters. Technical assistance was a must. The EcoMicro program has been crucial in this matter. With the money granted by the program, we were able to hire MicroEnergy International, a Berlin-based specialized firm, and could turn around the skepticism on the part of the management, but mainly, we were able to add Green Microfinance on top of the several projects outstanding at that time.

At what stage is the program at the moment?

1) TE CREEMOS CO₂ footprint has already been calculated. We are in the final process to start consuming electrical energy from a Solar Park in Sonora, Mexico. At the same time we shall save up to 20% of our electrical invoice and reduce our emissions by 400 t CO₂ / year.

2) With the help of our consulting con-

¹Multilateral Investment Fund, ²www.ecomicro.org



sortium (MicroEnergy Int'l, MyClimate, Perspectives and AFI, all of the aforementioned are Europeans), we have already defined the eight region/activity clusters of our loan portfolio, most exposed to climate change related risks. 3) We have finished the study to determine demand and supply of clean energy devices in Mexico. Further, we have selected four technologies which we are concentrating on, and have chosen the suppliers in the regions we are operating in. The value chain is already designed, and the parameters of the financial products are applied.

We will start financing solar cells - through the Village Banking methodology - to 2,000 un-electrified families in three communities in Chiapas. The expected investment will be USD 1M. At the same time, the product TERMINA TU CASA (meaning: 'finish up your house'),

already includes a green package for the clients.

How has providing this product impacted on your operations? Do you find that it has opened up new business opportunities for Te Creemos?

We are convinced that Green Finance is a topic every MFI will be involved in the future; similarly as housing finance, mobile banking or other topics were in the past. We strongly think that starting the learning curve right away will provide us with a huge competitive advantage.

The topic of the 5th European Microfinance Award has just been announced - Microfinance and the Environment. Has the trend set off?

We are certain about that!!! We have witnessed how the topic has been gaining popularity. In this year's FOROMIC³ the Green Microfinance panel accounted

300+ people. Two years ago, only a few 'martians' attended.

What is Te Creemos' long-term vision for this program, are you off to greener horizons?

We are at a 'no return' point. We anticipate our Green loan portfolio to represent between 5% - 10% in the next two years. We see a great opportunity in the sector of SMEs for whom optimizing production costs is essential to be able to compete and scale up. We see the green environmental topic in our DNA and as part of our everyday philosophy.

Do you have any specific 'take-aways' that you will bring back to Te Creemos from the EMW?

Yes. The EMW is able to compile experiences from all over the world. That is very valuable. We could listen to people from India, Philippines, as well as Uganda, Honduras, Western Europe, and other, very diverse places. While other forums have a regional focus, the EMW particularly gathers real global experiences. At the same time I felt very welcomed. I highly appreciated the warm hospitality and the fact that every detail of the meeting was thoroughly taken care of.

José Manuel, thank you very much for the interview!

Thank you, it was my pleasure.

Interview by Sebastian Groh, MicroEnergy International, Co-Head of the e-MFP Microfinance & Environment Action Group

³ www.foromic.org

NpM report on tax ethics in microfinance practice

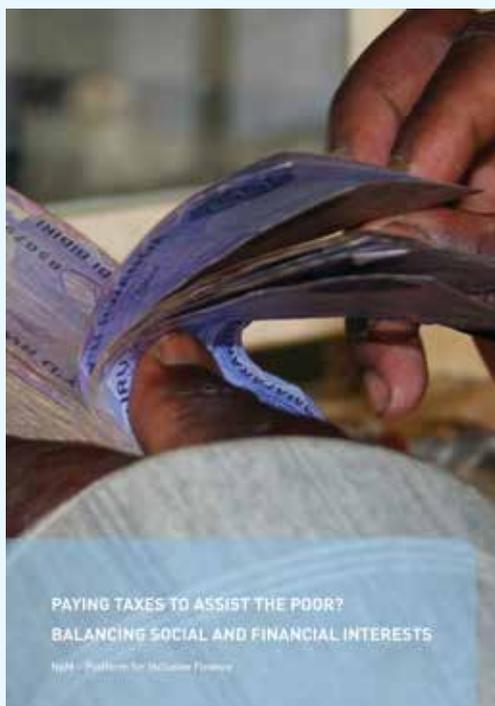
NpM, Platform for Inclusive Finance is a Dutch membership organisation focusing on the promotion of inclusive finance. What the member organisations have in common is their contribution to assisting the poor in getting access to finance.

The report 'Paying Taxes to Assist the Poor? Balancing Social and Financial Interest' is a result of dialogue among members of NpM and presents the joint vision of all members on microfinance and taxation. It was published as an answer to questions raised in the Dutch society and parliament regarding tax structures and microfinance.

Taxing as a worldwide challenge

The issue of tax avoidance has emerged as a global issue that affects both developed and developing countries alike. At present it is widely covered by the international press, addressed by supranational bodies like the OECD and UN, and given priority by the leaders of the G8 and G20 nations. A majority seems to purport that concerted action is needed to ensure fair tax outcomes in a world that is characterized by financial interconnectedness.

Tax treaties are important instruments to regulate distributive tax issues. They have to prevent that taxpayers are confronted with double taxation and the Internal Revenue Departments of treaty partners with double non-taxation. The discussion primarily focuses on tax planning by multinational enterprises (MNEs) investing in developed and emerging economies. By making use of tax treaties between nation states and shifting



profits from one country to another, MNEs can reduce their effective tax rates considerably and avoid paying taxes. In essence, there is nothing wrong if a company aims to optimise its tax position – for instance by avoiding double taxation – while overall still paying its fair share. A discussion emerges however when companies make use of tax treaties to avoid paying taxes. This issue of double non-taxation is even enhanced if MNEs use brass plate or letterbox companies for the sole purpose of avoiding taxation.

An NpM Tax Working Group, led by Professor Harry Hummels, was formed as NpM members share a clear interest in acting responsibly, while at the same time making socially and financially sound inclusive finance investments

The NpM stand towards tax practice in microfinance

The main finding of the dialogue is that NpM members have agreed that they should, in principle, invest in the country where the activities take place. Second, NpM and its members hold that there is no justification for profit shifting or the deliberate structuring of companies – including the use of Special Purpose Vehicles (SPVs) – with the sole purpose to avoid taxation. Nevertheless, NpM acknowledges that investors may have sound reasons for investing in developing countries through SPVs set up in jurisdictions that are particularly apt for attracting and transferring capital to microfinance entities in developing countries.



Recommendations

NpM distinguishes between two types of recommendations: those that apply to its members and those aimed at microfinance investors in general.

1. Recommendations for NpM members

Generally speaking, NpM urges its members to accept a leadership role by expressing that:

- they do not deliberately seek to let fiscal considerations determine their investment policies and their microfinance investments,
- they pay their fair share of taxation in the developing countries in which they invest, and
- they are accountable to their investors, their investees and society at large about their investments through microfinance holding companies and SPVs.

In addition, members adopting a leadership role will stimulate the microfinance institutions – including microfinance holding companies – in which they invest to do the same and adhere to the principles above.

2. Recommendations for microfinance investors

NpM calls on all microfinance investors:

- to adopt and disclose their policy on development and on the use of microfinance holding companies and SPVs in relation to achieving that development;
- to avoid investments in SPVs and microfinance holding companies that are domiciled in tax havens or other investor-friendly jurisdictions, with the sole purpose of shifting profits and avoiding taxation; and
- to subscribe to the three requirements for microfinance investments in developing countries and apply these requirements in the decision-making processes of the investors. NpM distinguishes:
 - a. the fit for purpose requirement
 - b. the responsibility requirement
 - c. the disclosure requirement.



Considerations for multilateral organisations

NpM calls upon governments and multilateral organisations to continue their concerted efforts to stimulate an open and critical discussion on the development and implementation of a globally applicable legal and moral framework for fairness in taxation. To that extent, the requirements mentioned in the paper could provide relevant guidance.

Recipients

The report has also been shared with Her Majesty Queen Maxima of The Netherlands, the Dutch minister of Foreign Affairs Liliane Ploumen, CGAP, UNPRI and Tax Justice.

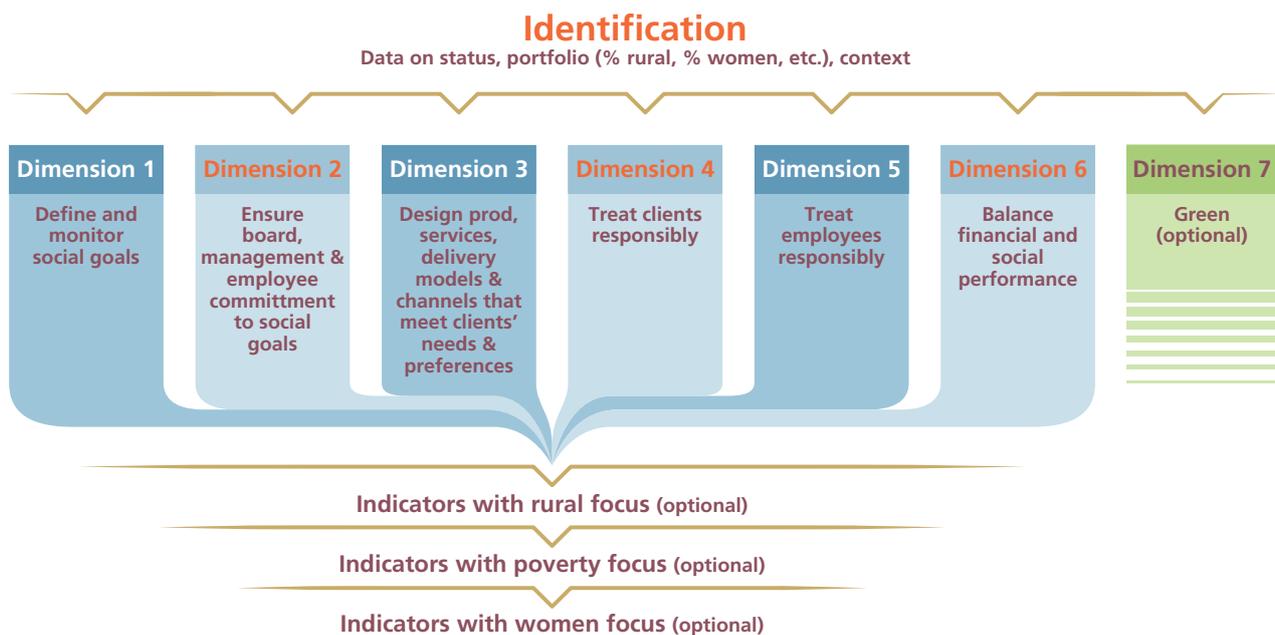
The full report including case studies can be found and downloaded at: <http://www.inclusivefinanceplatform.nl/news/news/247/npm-members-present-vision-on-microfinance-and-tax-avoidance>

If you would like to comment and continue the discussion, this article also appears as a blog at <http://www.blog.e-mfp.eu/blog>



NEWS FROM OUR MEMBERS

Launch of SPI-4, a universal social audit tool for MFIs



SPI-4, a social audit tool for MFIs developed by CERISE, the Social Performance Task Force, SPTF, and an Expert Panel, is to be launched early 2014. Building on the experience of the CERISE Social Performance Indicators -SPI, this universal social performance assessment tool integrates the Universal Standard for Social Performance Management (USSPM), the Smart Campaign Client Protection Principles and other area-specific assessment frameworks (pro-poor, rural, gender, environment).

Designed for MFIs, networks, investors and regulators, the tool aims to streamline social performance assessment and decrease the reporting burden on MFIs.

Therefore, the new tool is easy to understand and relatively lightweight; in time, users should be able to update data, report feedback, and access peer benchmarks in real time or off-line. Moreover, the tool is compatible with the MixMarket reporting.

SPI-4 is composed of a MFI Identification section and six compulsory dimensions according to the USSPM. Under each dimension there are a number of standards that an institution can meet by following the essential practices. These practices can be assessed against indicators. Users will have the possibility to add an optional green module as well as area-focused indicators (see figure above).

This tool, considered as the official USSPM assessment tool, can be used for different types of assessments implying different levels of verification:

- **Self-assessment:** conducted by the organizations themselves to internally assess their SP processes;
- **Accompanied self-assessment:** conducted by someone from outside the organization, together with someone from the organization, such as investors during the due-diligence process, SP staff from a network, or a technical assistance (TA) provider;
- **Audited external assessment:** conducted by accredited social performance auditors.

For more information on SPI-4, please contact: cerise@cerise-microfinance.org





Expert Panel Members' logos

Industry platform representatives



MFI representatives



Network representatives

Raters representative

Investors representatives



Representatives of SP approaches



First African Microfinance Week



© ADA

Organised by e-MFP member ADA, with the support of the Luxembourg Development Cooperation, and the African networks AFMIN, AMT and MAIN, the first African Microfinance Week took place in Arusha, Tanzania from 2nd - 6th December. 5 days of lectures, discussions, meetings and trainings brought together microfinance practitioners of all levels from 44 countries - including 36 African countries – to discuss the topic of regulation in microfinance.

The presence of more than 250 practitioners from networks and microfinance institutions, regulators, donors, social investors

and technical assistance partners illustrates a strong sense of commitment to joint and transnational action on a number of key issues for the future of microfinance, such as regulation.

The organisers of the conference are now creating a multidisciplinary group of experts to deepen the critical issues of the sector during 2014. The progress of their work will be presented at the African Microfinance Week 2014, to be held in a French speaking country in Africa

Find out more in the official press release available on www.microfinance-africa.org

Enclude



On October 4th, Triodos Facet and Shore-Bank International Ltd. joined forces as the international advisory firm Enclude.

“Our new identity aligns who we are as people with what we do as professionals”, explains Laurie Spengler, CEO of Enclude.

“To us, inclusivity is more than financial inclusion – it is also expanding mobile banking to the poor, extending renewable energy to rural communities, and connecting farmers to modern dairy science.”

Enclude advises financial institutions, public and private organisations and other intermediaries in emerging economies who create new opportunities for entrepreneurs and households. Enclude’s areas of expertise include financial institution strengthen-

ing, distribution channels, business support systems, clean energy and sustainable agriculture, social and environmental performance management systems, and securing appropriate sources of capital for institutions meeting the needs of un(der)served markets. Enclude has five registered offices and project locations in Sub-Saharan Africa, Asia, Latin America and the Caribbean, Europe and Central Asia.

For more information visit www.encludesolutions.com

NEWS FROM OUR ACTION GROUPS

Microfinance & Environment Action Group



Microfinance & Environment Action Group meeting at European Microfinance Week

The activities of the e-MFP Microfinance & Environment Action Group are on the rise, as reflected by the fruitful exchanges that took place at the Action Group meeting on 12th November 2013 in the framework of the European Microfinance Week in Luxembourg.

During the summer and fall of 2013, the Action Group's Head, MicroEnergy International (MEI) finalised a catalogue containing eight fact-sheets on environmental microfinance products³. The catalogue intends to inform and advise MFIs interested in diversifying their portfolio with green products. The Action Group is set to add more fact-sheets to the catalogue in the coming months.

The Action Group is also finalising a **Directory of Actors in Environmental Microfi-**

nance, to be hosted on the e-MFP website. MFIs, investors, consultancies, non-profits and other stakeholders active in the field will be invited to take a short survey in order to share information about their activities. The Directory is designed to provide a centralised online platform that will enhance the visibility of the sector and facilitate new collaborations among its members.

In addition, the Action Group has launched a sub-group to deal specifically with the environmental performance of MFIs. Led by PAMIGA, the sub-group is developing an environmental performance assessment tool to support investors in their financing decisions. Taking Hivos' Green Performance Agenda into consideration, Cerise will develop and test a short-list of assessment criteria through-

out 2014, as part of its Social Performance Indicators. Moreover, the e-MFP University Meets Microfinance Action Group plans to manage a scientific research competition on this topic in order to further develop assessment criteria. The results of both initiatives will be presented at the European Microfinance Week 2014.

Last but not least, the Action Group will support the e-MFP in preparation for the 5th European Microfinance Award 2014, which will be dedicated to **'Microfinance and Environment'**.

For more information contact Samuel Dansette, Head of the e-MFP Microfinance & Environment Action Group: [samuel.dansette \(at\) microenergy-international.com](mailto:samuel.dansette@microenergy-international.com)

³ See <http://e-mfp.eu/resources/other>





The Investors in Tier 2/3 MFIs Action Group presented its position paper on its members' investments as of 2012 at the European Microfinance Week



Investors in Tier 2/3 MFIs Action Group meeting at European Microfinance Week

During the European Microfinance Week in Luxembourg, the e-MFP Investors in Tier 2/3 MFIs Action Group conducted a workshop aimed at presenting the main results of its annual work.

The workshop began with the presentation of the work carried out in partnership with MicroRate on the definition of the various Tiers in the microfinance field (see Newsletter Spring 2013). Based on the new definition and using the database of the Mix Market for 2012, it appears that 14% of MFIs could be classified as Tier 1, 26% as Tier 2 and 60% as Tier 3. Interesting enough, a comparison over the years shows a relative increase in Tier 1 from 9 to 14% from 2010 to 2012, while the level of Tier 2 remains stable and there is a decrease in the number of Tier 3 from 66% to 60%. Such trend seems to show a clear path of changes in the sector with more Tier 1 and less Tier 3 institutions. Together with the definition, an analysis on other indicators (like the ROA, PAR, WO, aver-

age loan size, etc.) was also presented in order to underline the characteristics of each Tier. The Action Group decided to further study such trend and, with the support of the Action Group and MicroRate, e-MFP will produce a series of blogs on the tier definition and related issues.

It continued with the presentation of the study on the Action Group members' investments at the end of 2012, which analysed the portfolio of 11 European-based investors in 389 Tier 2/3 institutions in 76 countries. The study highlights the following key elements: although 32.7% of Tier 2/3 MFIs supported are located in Sub-Saharan Africa, they only represent 15.4% of financial investments. This figure is much higher than that of the study of Symbiotics (7%), but demonstrates that investments in Sub-Saharan Africa are much smaller and involve a high proportion of Tier 3 MFIs. Sub-Saharan Africa is the region that has experienced the largest decline in terms of investment (-8.4%)

between 2011 and 2012 for the six funds that participated in both surveys in 2011 and 2012. Only four funds offer technical assistance, mainly devoted to Tier 3 MFIs (84%) located in Sub-Saharan Africa. The study also sought to analyse MFIs that received investments from many Group's investors. Finally, only 16 % of investments are concerned, which shows that there is room for increased collaboration. This study also aims to promote transparency among investors who share their data on their portfolio so as to foster synergies and cooperation to best meet the needs of Tier 2/3 MFIs.

To illustrate this collaboration between investors, Fefisol was presented in the workshop. It's a joint initiative between three European funders: Sidi (France), Alterfin (Belgium) and Etimos (Italy). The main objective is to provide appropriate financial services to mainly Tier 2/3 MFIs and smallholders producer organizations in Africa targeting poor households in rural areas. After more than a year of operation, Fefisol has supported 21 MFIs and 6 producer organizations in 20 African countries, with 67% of the clients living in rural areas. 39% of the investment was made in Tier 2 MFIs and 33% in Tier 3. An interesting lesson learned so far: there is no real risk correlation between the MFIs classified as Tier 2 and 3. Based on their experience, they recognise the need for technical assistance support for capacity building, for close monitoring and the need to be a "patient" investor.



Meeting of the e-MFP UMM Action Group at European Microfinance Week



UMM Action Group meeting at European Microfinance Week

Ever since its inception in 2010, the e-MFP UMM Action Group gathers for its annual meeting in the framework of European Microfinance Week in Luxembourg. Its members from European universities, development agencies and practitioners organizations come together to discuss and outline its short and long-term goals and activities. The UMM Action Group aims at fostering cooperation between students, academics and practitioners and improving education and research in the field of microfinance and financial inclusion.

At this year's meeting the UMM Action Group reflected on its activities and achievements in 2013. Furthermore, the members discussed and decided on proceeding with regards to its strategic goal of deepening members' and other Action Groups' involvement in the next two years, in addition to its long-term goal to transform the Action Group into a European sector initiative in the field of education and research in microfinance and finan-

cial inclusion. The outcomes of this year's meeting are briefly presented below:

What have we achieved in 2013?

Achievements have been made in terms of fostering members' involvement. In total, four Action Group members have taken the lead on UMM activities and a further nine members have actively participated as lecturers, speakers, moderators, referees and authors. Throughout the course of 2013, a total of 671 students, academics and practitioners have benefited from the following UMM activities:

- 12 UMM microfinance seminars taught at European universities
- 11 scholarships granted in order to foster students field experience
- 1 outstanding Master thesis and 1 PhD article on topics related to agricultural microfinance and microfinance impact were awarded at the European Microfinance Week 2013
- 2 workshops on "Financial inclusion

and microfinance in Latin America" and "New challenges of microfinance: green microfinance, remittances and mobile banking" have been held

- 3 UMM panel sessions were organized at different microfinance conferences. Topics included among others: "Agricultural microfinance" and "Women in business"
- 1 publication on "Microfinance in Crisis? Impact and financial transparency" is available online at www.e-mfp.eu and Microfinance Gateway

What have we planned for the next two years?

It is foreseen to increase the number of Action Group members which are taking the lead on specific UMM activities, such as lecturing on microfinance at European universities, the organization of calls for scholarship proposals as well as the organization of panel sessions and workshops. In addition, members have expressed their willingness to create stronger linkages with the other e-MFP Action Groups. Particularly, it is foreseen to have a closer look at the possibility of having the UMM Action Group perform a transversal function for the other Action Groups by satisfying their research needs.

What is our long-term target?

The UMM Action Group is currently working on enhancing the added value of its current activities and on looking at scenarios to institutionalize the Action Group activities over the longer run.

We thank all members of the e-MFP Action Group UMM for their participation and invaluable contribution:

ADA (Laura Foschi, Juana Ramirez, Sophie Wiesner), **Center for Microfinance/University of Zürich** (Annette Krauss, Julia Meyer), **EIB Institute** (Maria Luisa Ferreira), **e-MFP** (Christoph Pausch, Gabriela Erice, Niamh Watters), **ESC Dijon** (Arvind Ashta), **Frankfurt School of Finance & Management** (Adalbert Winkler, Barbara Drexler, Yekbun Gürgöz), **Freie Universität Berlin** (Barbara Fritz, Yasmin Olteanu), **GIZ** (Kahtleen Welvers, Roland Gross), **Grameen Crédit Agricole** (Philippe Guichandut), **PlaNet Finance** (Delphine Bazalgette, Daniela Pensotti, Vanessa Quintero & Sven Volland), **Sciences Po** (Pauline Bensoussan), **Universidad de Salamanca** (Fernando Rodriguez), **Università degli Studi di Bergamo** (Laura Vigano, Davide Castellani), **University of Cambridge** (Thilo Klein), **University of Geneva** (Bernd Balkenhol), **University of Hohenheim** (Thea Nielsen)

For more information on the Action Group, contact [Gabriela Erice, gerice@e-mfp.eu](mailto:gerice@e-mfp.eu)

Remittances Action Group: Making the next step of linking remittances to asset building for MFI clients



Day-long course for MFI's working on remittance products in Manila

A workshop for MFI's active in remittance products was organized by ADA, ACRA-CCS and PHB Development, supported by IFAD and the e-MFP - an initiative of the e-MFP Remittances Action Group. The workshop was held on 8th October 2013 in Manila and was part of the programme of the Microcredit Summit.

The workshop focused on MFIs active in remittances, or on the verge of starting, with the aim of sharing best practices and learning from each other. Ten MFIs from West Africa, Latin America and the Philippines attended the lively session which was in English, French and Spanish, and participants included ADOPEM, PAME-CAS, Fonkoze and ASKI. MFIs making the next step of linking remittances to their other MFIs products - such as savings and loans - were centre stage in the workshop. They are pioneers in the sense that they developed products or an approach, which use remittance flows for asset building for their existing and new clients.

This follows the initial stage that numerous MFIs find themselves in as agents of a Money Transfer Organisation (MTO) and only intermediating for the out-payment of remittances (and receiving commission income).

During the session, topics addressed were client needs, product development, marketing, partnerships (especially with MTOs and banks), IT systems for remittances and the impact on the MFI's operations. PHB Development prepared and facilitated the training. Based on the workshop, a 'Best Practices Guide for MFIs active in Remittances' is being prepared and will be published shortly with support of the e-MFP.

The Remittances Action Group met on 12th November during European Microfinance Week where first results and best practices from the Manila workshop were shared and 2014 activities were discussed.

For more information on the Action Group contact [Gabriela Erice](mailto:gerice@e-mfp.eu), gerice@e-mfp.eu or Gera Voorrips, gvoorrips@phbdevelopment.com

Youth Financial Inclusion Action Group



Youth Financial Inclusion Action Group meeting at European Microfinance Week

The e-MFP Youth Financial Inclusion Action Group met in Luxembourg during the European Microfinance Week to review the group membership and discuss an action plan for 2014.

The Action Group will focus on developing a follow up to their 2012 European Dialogue publication, 'Youth Financial Inclusion: Promising Examples for Achieving Youth Economic Empowerment'⁴. The new publication will examine the key factors that have enabled or prevented financial service providers, using various delivery models, to reach scale and sustainability when targeting youth with both financial and non-financial services (financial education, livelihoods training, etc.). The Youth Action Group is co-chaired by Child and Youth Finance International (CYFI) and Appui au Développement Autonome (ADA). Organizations that are interested in getting involved in the Youth Action Group, or in submitting a case study for development in the publication, are encouraged to contact Gabriela Erice, e-MFP, gerice@e-mfp.eu.

⁴ See <http://e-mfp.eu/resources/european-dialogue>



UNIVERSITY MEETS MICROFINANCE



Nargiza Alimukhamedova won the 2013 University Meets Microfinance (UMM) Award for outstanding PhD articles in the field of financial inclusion. She was rewarded during the UMM Awards Ceremony at the European Microfinance Week 2013. Nargiza is a PhD candidate and Junior Researcher at CERGE-EI, a joint workplace of Charles University in Prague and the Academy of Science of the Czech Republic. Her dissertation focuses on "Measuring the Impact of Microfinance". As an integral part of the dissertation, she conducted the impact assessment of non-bank micro lending in the case of Uzbekistan. The winning research paper is presented here.



Better Access to Microcredits: Does Geographical Proximity Matter?

Nargiza Alimukhamedova, supervised by Jan Hanousek and Randall K. Filer, CERGE-EI

Despite substantial improvement in access to finance, physical barriers to access financial institutions continue to constitute significant impediments. Over recent decades, microfinance institutions (MFIs) have gained worldwide recognition, reaching billions of poor who are ineligible for traditional banking services. Even though microfinance institutions offer significant flexibility, geographical barriers to access MFIs constitute an important obstacle. Greater distance increases the direct cost of traveling for potential microcredit beneficiaries and increases the cost of monitoring for MFIs.

The research paper's aim is to measure the causal impact of improved access to microcredits as it relates to the distance to the nearest microfinance institution in the case of Uzbekistan. Geographical proximity to MFIs is also considered as a proxy for knowledge spillover effects of microcredits that have not been investigated before, given the challenges of the measurement. The impact identification methodology is based on propensity score matching (PSM) where the comparison groups are matched based on similar characteristics and the difference accounts for the impact. PSM is considered as a second best solution for

finding the robust impact when experimental solution is not possible. The proper implementation of PSM requires having initial level covariates. These covariates are re-created retrospectively when the respondents of the survey were asked about their past microcredit and key household activities. Combination of retrospective design in PSM procedure is therefore considered as a novel and robust approach for impact assessment.

The data used is based on a survey of 1,086 microcredit borrowers and non-borrowers in Uzbekistan. The microfinance environment in Uzbekistan provides evidence of private commercial non-bank MFIs supporting both consumer and business loans. The country's geographical landscape validates use of distance to nearest MFI as an informative proxy.

The results indicate positive and significant effects of better geographical access to microcredits. In particular, households with easier access to MFIs reveal more likelihood to start a new business. A positive effect is found on business revenue and profit but not on enterprise size as businesses tend to reduce number of employees. The findings are in line with the conventional microcredit model that

Access to microcredits and the impact of the distance

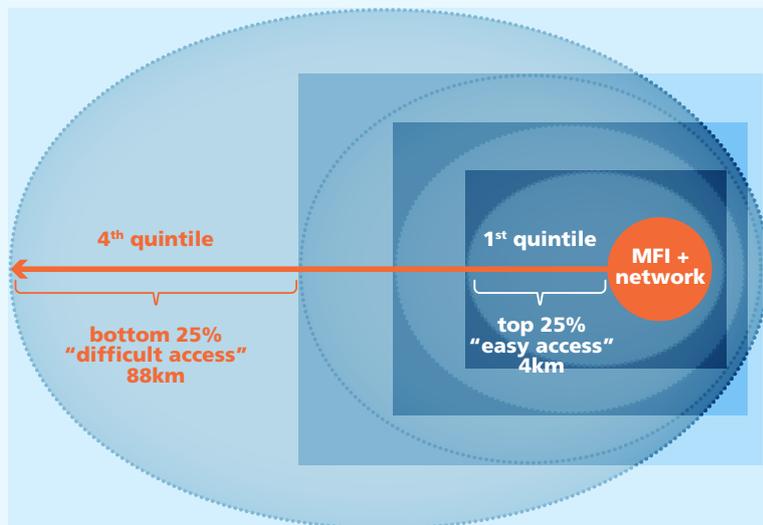


Figure 1

centers entrepreneurship activity as a primary channel for the impact. This is also justified by the private and commercial nature of MFIs in the study, which operates mostly with higher profile clients with income levels above the poverty line.

On the consumption side, households with better access to microcredits are found to engage in more rational decision making. They invest more in human capital such as education and health, and reduce expenditures on non-durable items such as weddings and other social events. The findings are in accord with experimental studies in the field showing that households having access to microcredits shift consumption patterns, reducing expenditures on 'temptation' goods, re-investing more in business and other durable items.

Finally, the diffusion effect of the distance to nearest MFI is analyzed by comparing business and consumption outcome variables between 1st - 3rd and 1st - 4th distance quantiles (Figure 1). The indicative distance between two quantiles equals roughly 40 km, which allows for tracing the learning effects. Similar patterns of business and consumption behavior across two distance quantiles is found, revealing the uniformity of "radar signal" going in the same direction. This is a potential indication of a diffusion effect and the concept that geographical proximity matters.

The overall results in the study are in line with theoretical predictions of credit expansion and access to finance. Better access to microcredits causes changes in household behavior. However, the dataset does not provide a clear division of

the mechanism, i.e. whether it is entirely due to geographical proximity or knowledge diffusion. This calls for further research and empirical work.

About UMM

University Meets Microfinance (UMM) is a European initiative which fosters the cooperation between universities, students in Europe and microfinance practitioners to contribute to microfinance innovation and education for development. UMM is active in the domains of microfinance education, microfinance research, information capitalization, professional exchange & dissemination of information. All UMM activities are carried out under the umbrella of the European Microfinance Platform (e-MFP) in the frame of the e-MFP UMM Action Group.

UMM Institutional and Financial Partners

PlaNet Finance, European Microfinance Platform (e-MFP), European Commission, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), Agence Française de Développement (AFD), European Investment Bank Institute (EIB-I), Freie Universität Berlin, Frankfurt School of Finance & Management and Capgemini Italia (country partner).

For more information on UMM:
www.universitymeetsmicrofinance.eu
umm@planetfinance.org
www.facebook.com/universitymeetsmicrofinance



NATIONAL MICROFINANCE PLATFORMS

Luxembourg Round Table on Microfinance



The Luxembourg Round Table on Microfinance (LRTM) is a multi-participant platform that promotes transparent and responsible microfinance. The LRTM stimulates exchanges and encourages

synergies between civil society and the public and private sectors, thereby continuously adjusting microfinance to meet the needs of its clients.

As the voice for microfinance in Luxembourg, the LRTM unites people, provides information and training and raises awareness. The LRTM, in cooperation with the European Microfinance Platform, has organised the European Microfinance Award, the prize rewarding excellence of microfinance institutions in different areas at the forefront of the industry.

Expertise, complementarity and innovation

The Luxembourg government's commitment to microfinance and that of NGOs, in addition to the expertise of the financial centre and the investment fund industry, make Luxembourg a unique place in microfinance. Located in a context that is both stable and conducive to innovation, the LRTM actively encourages a comprehensive approach to development, in which financing and strengthened capacities provide complementary support to foster the microfinance sector in developing countries.



Meeting of LRTM

Figures for microfinance in Luxembourg

Framework

- 20 years of cooperation policy in support of microfinance
- 1 specific legislative framework for alternative and specialised investment funds
- 1 fund labelling agency for groups investing in microfinance
- 1 renowned annual event (European Microfinance Week) bringing together 400 professionals
- 1 world-class sector award, the European Microfinance Award

Investment

- 110 microfinance investment vehicles, including 7 of the world's 10 largest
- 50% of globally managed microfinance assets, amounting to USD 7.5 billion
(Source: MicroRate, 2012)

Members

ADA, ALFI, ATTF, CARE, CERCLE DES ONG, ETIKA, INNPACT, LMDF, LUXDEV, LUXFLAG, MICROINSURANCE NETWORK, MINISTRY OF FINANCE, MINISTRY OF FOREIGN AFFAIRS and SOS FAIM



**FOCUS BOX****Preparing a sector network for the next level: Transforming the Luxembourg Round Table on Microfinance**

The Luxembourg Round Table on Microfinance will soon celebrate its 10th anniversary. Members of the network have used the occasion not only to celebrate joint achievements but also reflect upon the need to share ideas, dialogue and learn the facilitating role a network

plays. The exchange with other European microfinance associations and the e-MFP helped in framing this process.

Members organized a series of externally facilitated workshops which helped define the strategy going forward. A key theme of discussion has been to define the role of the LRTM as a competence network in microfinance and financial inclusion, reflecting the diversity and deep sector knowledge members have.

Around this theme, members have prioritized concrete activities in several areas: Learning from each other, exchange & training and external representation with the ultimate aim of fostering collaboration.

Members of the Round Table have also discussed at length the importance of opening to a wider range of actors involved in financial inclusion. The Round Table is also adapting its legal structure and staff to better serve member needs.

For more information visit www.lrtm.lu

NEW MEMBERS

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

Full member: *AFC Consultants International (D), Zebunet (F)* // **Individual members:** *Daisy Filcore (Brazil), Richard Kennedy (UK)*

AFC Consultants International



AFC Consultants International GmbH is a private German consulting company that provides consulting services to support agriculture agribusiness and financial sector development (micro and SME finance, financial institutions development, rural and agricultural finance, sustainable energy finance and risk management) in cooperation with public and private sector organizations in developing and transition countries.

Established in 1973, AFC has worked in more than 100 countries. Currently they are working on approximately 55 projects in Africa, Asia, Eastern Europe and Latin America with a permanent staff of 30 people in its headquarters in Bonn and more than 350 experts abroad. In 2012 they had an annual turnover of around €12 million (€15 million expected in 2013). Its portfolio includes

the institutional development of microfinance organisations and banks, in order to provide a sustainable credit and saving system for rural development. AFC is currently implementing 11 projects for international donors in the field of financial sector development and, in the coming year, they will strengthen their activities in the fields of agricultural finance and microinsurance.

Since 2007, AFC is a member of the GOPA Consulting Group, Germany's largest group of consulting companies in development cooperation. It is also a member of the German Microfinance Platform and of the Microinsurance Network. They collaborate actively with some of the e-MFP members, especially the ADG (Academy of German Cooperatives). Among its clients, there are several of e-MFP members (i.e: GIZ, LuxDevelopment, KfW) as well as international development banks and institutions (ADB, AfDB, EBRD, IBRD, IFC, EC, FAO). AFC also holds shares in CAICO (Central Asia International Consulting) and AFCI Consultants-Maroc.

For more information, visit <http://www.afci.de/>





NEW MEMBERS

ZEBUNET



ZEBUNET is a small French non-profit organization that aims at encouraging the improvement of life conditions for rural populations in Southern countries giving financial support (micro-credit) to help vulnerable farmers acquire livestock.

Established in 2001, Zebunet is present in five countries (Madagascar, Niger, Mauritanie, Burkina Faso and Vietnam), where they collaborate with thirteen local partners. Opening a PEA (Plan Epargne Animal – Animal Savings Scheme) in Zebunet, an investor/donor in France can provide a farmer in the south with the amount of money needed to buy an animal: zebu, goat, sheep or pig. Through a local partner, the farmer will get a 18 to 36 month credit to buy the animal/s as well as technical and veterinary support to optimize its farming practices and enable the sustainability of the herd. The animal purchased with the loan is a first resource from which the family will be able to develop its agricultural activities (livestock and food crops) and generate sustainable income. Once the credit is repaid, the investor/donor can get his money back, invest it in another animal or donate it to Zebunet.

Over twelve years, Zebunet has given 4.000 credits to families that now own 13.000 animals. In parallel to its microcredit actions, Zebunet aims to mitigate the impact of livestock on the environment. Therefore, several biogas and agroforestry programs have been launched since 2010. Zebunet has 700 active members, and works mainly via volunteers (in France and abroad) and local partners in destination countries. Since 2009, Zebunet has the support of private and public partners such as Ile de France Regional Council, Fondation Veolia Environnement or the Luxembourg Embassy in Hanoi. In 2009, Zebunet was awarded the "Prix et Trophée de l'Initiative en économie sociale" organised by Crédit Coopératif.

For more information visit
<http://www.zebu.net/>

ANNOUNCEMENTS

5th International Conference on Institutional and Technological Environment for Microfinance (ITEM-5) "Microfinance – Fighting Back". **18th – 20th March 2014**, Casablanca, Morocco. Organized by the Banque Populaire Chair in Microfinance of the **Burgundy School of Business** (ESC-Dijon) and ISCAE, Casablanca, Morocco, in collaboration with Attawfiq Microfinance (Fondation Banque Populaire pour le MicroCrédit).

For more information visit <http://item5.weebly.com/>, or contact: microfinancechair@escdijon.eu

Child and Youth Finance International (CYFI) is coordinating Global Money Week, **10th – 17th March, 2014**. During this week various worldwide activities will be held to engage children, youth and their communities to learn how money works, including saving, creating livelihoods, gaining employment, and becoming entrepreneurs. Financial Service Providers, government authorities and civil society representatives are all encouraged to get involved and promote the issue in their communities.

For more visit <http://www.globalmoneyweek.org/Information/toolkit.html>

Innovating Energy Access for Remote Areas: Discovering Untapped Resources, **10th – 12th April 2014**, UC Berkeley. Sustainable solutions demand the balanced inclusion of technical, financial, human, institutional and natural resource capital to be effective. In this light we invite scientists from social sciences, economics, natural sciences and engineering to discuss their research results concerning decentralized energy supply and sustainable delivery models. The participants will include professors, doctoral and post-doctoral students, private-sector representatives, prominent political figures and eminent researchers from the Global South.

For more information visit <http://www.microenergysystems.tu-berlin.de/conference/berkeley2014> or contact groh@ztg.tu-berlin.de

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