



# EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

29<sup>th</sup> NOV-  
1<sup>st</sup> DEC  
2017  
NEXT  
EUROPEAN  
MICROFINANCE  
WEEK



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## EDITORIAL

### Welcome to e-MFP's Spring 2017 Newsletter

It's a great pleasure for me to start this edition with news of a brand-new e-MFP activity. As part of our new Strategic Plan we've introduced the Offsite Sessions - providing opportunities to reach out to our members, other stakeholders and potential new members in different European countries. By adding Offsite Sessions to our menu of offerings, we are deepening and expanding our outreach beyond Euro-

pean Microfinance Week. Originally, it was planned to have three in 2017 but due to great interest from partners, we can already confirm five sessions in four different countries. More information on the 2017 Offsite Sessions, their topics and locations can be found on page 6.

Another highlight of this year will be the Fifth European Research Conference on Microfinance which e-MFP is co-organising at the University of Portsmouth, 12 - 14 June 2017. Research has a crucial role to play in addressing the key issues of our sector and more on this not-to-be-missed event can be found on page 5.

I hope to meet many of you in Portsmouth or at one of our Offsite Sessions and trust that you enjoy reading our newsletter. Thank you for your reactions and contributions and for your continuous support to e-MFP.

Best wishes,

**Christoph  
Pausch**

*Executive Secretary*



## European Microfinance Award 2017: Microfinance for Housing



Housing finance is that mysterious niche that's existed along the edges of the microfinance and financial inclusion for decades, but one that rarely makes headlines. That's both a conundrum and a shame.

Housing is a core human need and a top investment priority for families anywhere. And yet, according to Habitat for Humanity, 1.6 billion of the world's population lives without adequate shelter. And such housing is not just an indication of poverty – it is the cause of a host of developmental problems. Exposure to the elements, poor ventilation, and insufficient arrangements for basic hygiene are major causes of poor health. Improper building structures undermine safety and vastly increase vulnerability to disaster. Lack of lighting and sufficient space limit children's ability to study. Insufficient privacy

and lack of toilet facilities contribute to sexual assault and constrain opportunities for women and girls. And lack of clear property rights are major contributors to crime and social injustice, while limiting families' ability to invest in better housing.

The positive impact from better housing doesn't end with families. A healthy, vibrant housing finance market can be a major economic engine, generating local employment and drawing mainly on local inputs. Meanwhile, communities enjoying secure property rights are also more likely to give rise to active citizens, less tolerant of corruption and more demanding of their political leaders.

In short, enabling housing investment by low income and financially excluded households holds one of the highest

returns in both social and economic development. And yet in the financial inclusion and microfinance sector, housing gets notoriously short shrift. Habitat for Humanity, the world's leading NGO dedicated to housing, estimates that while 1.2 billion people need improved shelter, just 2% of microfinance portfolios are dedicated to housing.

The European Microfinance Award 2017 aims the spotlight on what financial institutions serving the world's poor can do to address their housing needs. The Award aims to recognize institutions that provide a broad range of financial and non-financial services. That can mean helping households to build out and improve their own homes through housing microfinance. Or supplying micro-mortgages that allow young, working poor families buy decent apartments. It can mean providing property insurance that help clients get back on their feet quickly following a national disaster. Other products, like savings and even remittances can all be incorporated in a successful housing finance program.

Meanwhile, non-financial services likewise have an important role. Successful MFIs may partner with NGOs and local governments to help clients secure tenure and gain protection against eviction. Others collaborate with housing specialists to enhance local construction markets with supplies and building techniques that result in homes more resilient to earthquakes or hurricanes.

For the financial inclusion sector, housing finance presents an opportunity to branch out not only into new lending,



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but to reach new clients. This new segment is both capital hungry and still largely unserved, providing vast opportunities for growth. And opportunities for creating social value are just as real, with investments in housing generating not only stability and comfort for families, but also better health and improved standards of living.

Despite the relatively small scale, sustainable and effective housing finance has had decades of practice. This Award seeks to shine a light on financial institutions that do it best, and by doing so, jumpstart a revolution in our sector to help tackle the enormous task of housing the rising billions of the world's poor.

### Who can apply?

Eligible applicants are financial institutions active in the financial inclusion sector with activities that enable improvement of residential housing for the end beneficiaries: low income, vulnerable or otherwise financially excluded groups, with no or limited access to housing finance in the mainstream sector. Various types of financial institutions are eligible including NGOs, cooperatives, com-

mercial banks, local development banks, leasing firms, insurance companies, and other institutions that directly serve retail clients. Non-financial institutions active in the housing sector are also eligible so long as they offer financial services as a core part of their housing programme (that means majority of their housing clients use the offered financial services). Detailed eligibility criteria can be found at [www.european-microfinance-award.com](http://www.european-microfinance-award.com).

### How to apply?

Apply online (in English, French and Spanish) at [www.european-microfinance-award.com](http://www.european-microfinance-award.com).

All applications must be supported in writing by an e-MFP member. e-MFP wishes all its members and partners the best of luck!

### About the Award

First held in 2006 and jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network Luxembourg (InFiNe.lu), the European Microfinance Award includes a prize of € 100,000 to be awarded on November 30<sup>th</sup> during the European Microfinance Week at a ceremony to which the three finalists will be invited and will present a short video about their programs.

Previous subjects for the Award have included Innovation for Microfinance and Access to Education (2016); Microfinance in Post-disaster, Post-conflict Areas & Fragile States (2015); Microfinance and the Environment (2014); Microfinance for Food Security (2012); Value Chain Finance (2010); Socially Responsible Microfinance (2008) and Outreach in 2006.



## Publication of European Dialogue: Microfinance & Access to Education: Investing in Tomorrow



We're delighted to announce the release of the latest *European Dialogue*, presenting the outcomes of the European Microfinance Award 2016, on Microfinance and Access to Education. Since the first *Dialogue* in 2008, several of the previous editions have paralleled the subjects of the now-annual European Microfinance Award, and the *Dialogue* is an invaluable way for e-MFP to take to an even broader audience what the Award is all about and how MFIs around the world are expanding beyond their core financial services to improve clients' lives.

This most recent publication, entitled *Investing in Tomorrow*, was written by Sam Mendelson, with support from Micol Guarneri, Francesca Agnello – the consultants who oversaw the Award application and analysis – and Gabriela Erice and Daniel Rozas from e-MFP.

The 2016 Award, which *Investing in Tomorrow* draws upon, sought to highlight opportunities for microfinance to improve access and quality of education and to recognise microfinance institutions that respond to the educational challenges in their countries by helping families and schools provide access to quality education for children and skills training for young adults.

As more and more microfinance institutions look to health, energy, food security and other ways to help clients' lives and livelihoods while diversifying their product offerings, so too is the sector increasingly supporting education needs by assisting families and students in managing their education-related financial needs, providing financial services to educational providers, and supporting both through non-financial support, including training and capacity-building.

*Investing in Tomorrow* opens by summarising the obstacles to access to education in low-income countries and outlines how microfinance institutions can work on either the supply or demand side to address these obstacles, with both financial and non-financial services. Financial services – loans, savings, insurance, payments – to families can enable them to pay for the costs of education, from kids going to primary school to youth seeking to build their future through further or tertiary education or by mastering the vocational skills needed to becoming productive adults.

Support to schools, such as capacity-building to the ubiquitous low cost private schools catering to millions of poor families in developing countries around the world, can substantially improve both

the availability and quality of education. Vocational training or entrepreneurship programs for young adults can also address the skills gap that is widespread in many markets.

But the main purpose of this *Dialogue* is to profile the outstanding semi-finalists and finalists of the Award with individual case studies. *Investing in Tomorrow* illustrates the broad range of interventions that MFIs are implementing to improve education access, and the absence of a one-size-fits-all solution.

But while there is no single approach emerging, there is an emerging Best Practice – a collection of commonalities among all the best initiatives, which is the subject of the concluding section of the *Dialogue*. These commonalities include client-centricity; a combination of financial and non-financial services and supply and demand-side solutions; strong program embeddedness and institutional commitment, and well-developed partnerships.

We're very pleased to once again publish a *European Dialogue* that can shine a bit more light on the phenomenal work that many MFIs are doing, and the ways that the focus of this industry continues to evolve beyond microcredit in innovative and exciting ways.



## NEWS FROM THE SECRETARIAT

### Fifth European Research Conference on Microfinance



Portsmouth, UK

The Fifth European Research Conference on Microfinance will take place 12<sup>th</sup> – 14<sup>th</sup> June 2017 at the University of Portsmouth. The conference is being organised by the University of Portsmouth in cooperation with e-MFP and the Centre for European Research in Microfinance (CERMI) with an overall theme of “**Microfinance and Financial Inclusion**”.

150 proposals for papers have been received to date and over 200 participants are expected. The review process has been completed and approximately ninety papers have been accepted to be

presented at the forthcoming conference. The authors of these papers come from all continents and are mostly associated with academic institutions, including University of Agder, University of Berkeley, Frankfurt School of Business & Management, University of Geneva, Institute of Fiscal Studies London, University of Illinois, University of Oxford, University of Regensburg, University of Sussex, University of Zurich and many others.

The interest expressed by researchers confirms the role played by the conference as a unique platform to exchange ideas,

build networks, give visibility to projects and identify new paths for research. As in previous editions of the conference, there will be a combination of plenary sessions and parallel sessions. Plenary sessions will include panels on strategy, gender, Islamic microfinance, digital financial services as well as future research in the area. Confirmed keynote speakers include Kim-anthi Mutua, James Copestake, Ariane Szafarz and Tyler Rye.

For more information about the conference visit [www.port.ac.uk/microfinance2017](http://www.port.ac.uk/microfinance2017)

### Save the Date - European Microfinance Week 2017



Save the date for European Microfinance Week (EMW) 2017 taking place at the Abbaye de Neumünster, Luxembourg, 29 November – 1 December 2017. One of the top events in the microfinance calendar, it’s a unique meeting point for microfinance professionals working worldwide. Last year attracted over 450 participants from 58 countries making it a superb opportunity to network, generate those vital new contacts and keep up to date about important sector developments. We look forward to welcoming back our friends and members in November for another dynamic EMW.

Interested in sponsoring this year’s event and positioning your organisation at the forefront of the microfinance sector? The e-MFP Secretariat would be happy to discuss the opportunities available, [contact@e-mfp.eu](mailto:contact@e-mfp.eu)



## e-MFP Offsite Sessions



At e-MFP we are excited to start working on our Offsite Sessions, a new activity developed under our Strategic Plan 2017-2021 that provides e-MFP with opportunities for more frequent touchpoints with its members and external stakeholders besides the European Microfinance Week. The Offsite Sessions encompass different types of events, including seminars, training sessions, working sessions, etc., with the objective of raising awareness on e-MFP and its members' activities as well as on relevant topics to the sector. They will take place in e-MFP members' countries and will usually be organised in collaboration with local actors such as e-MFP members, e-MFP Action Groups, national platforms or external partners and stakeholders.

In 2017, two of these sessions are already taking place in April:

- *Presentation of the Microfinance Index of Market Outreach and Saturation (MIMOSA)*, 3<sup>rd</sup> of April in Paris. Organised in collaboration with BNP Paribas.
- *Role of MFIs in improving access to and quality of education*, 10<sup>th</sup> April in London. Organised in collaboration with the Financial Inclusion Forum.

And in the pipeline for the coming months we are working on:

- Another session on microfinance and access to education organised in collaboration with the Swiss Microfinance Platform, Credit Suisse,

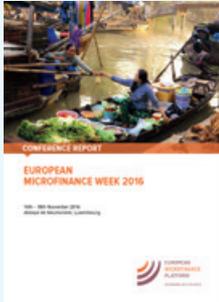
Blue Orchard and Symbiotics in Zurich.

- A session to present the *Guidelines on Outcomes Management for Investors* developed by the e-MFP-SPTF Social Performance Outcomes Action Group in London.
- A training on green microfinance for investors organised in collaboration with the e-MFP Microfinance and Environment Action Group.

Check the e-MFP website regularly for updates!



## New e-MFP publications



### Looking back at European Microfinance Week 2016

European Microfinance Week 2016 was an immense success - it brought together from 58 countries over 450 opinion-leaders, top management of banks, funds and other financial institutions, practitioners, academics, analysts, raters and industry commentators to present key innovations, challenges, and best practice in the inclusive finance sector. The recently published extensive conference report features all the sessions and brings together the important discussions, findings and presentations of the conference.

Read the report at [www.european-microfinance-week.eu](http://www.european-microfinance-week.eu)



### European Microfinance Award 2016 on Microfinance and Access to Education

**European Microfinance Award Brochure** – presents the three finalists and their initiatives.

**European Dialogue - Investing in Tomorrow** illustrates the broad range of interventions that MFIs are implementing to improve education access, drawing on case examples from the Award finalists and semi-finalists (see also page 4).

All e-MFP publications can be viewed and downloaded at <http://www.e-mfp.eu/resources-home>

## ALFI Impact Investing Conference, 26 April 2017

Climate Finance and the Social Development Goals will be the focus of this year's annual Impact Investing Conference organized by the Association of the Luxembourg Fund Industry (ALFI) in collaboration with the Global Impact Investing Network (GIIN), the European Microfinance Platform (e-MFP) and the Luxembourg Fund Labelling Agency LuxFLAG.

With more than 30 speakers from 12 countries and three continents, this conference, that will take place on 26 April 2017 in the premises of the Luxembourg Chamber of Commerce, is the ideal platform to learn from and engage with founders and CEOs of impact ventures, wealth managers, institutional, private and social investors, fund promoters, advisors and service providers in the rapidly expanding field of impact investing.



Luxembourg's leading conference on impact investing offers you lively panel discussions, fascinating key-note addresses and captivating out of the box speeches about the most recent innovations, trends and opportunities in the impact investment field. Amongst the many confirmed speakers, all recognised practitioners with broad cultural and professional backgrounds, are:

**Arvind Narula**, owner and CEO of Urmatt Ltd. In Thailand, the world's leading supplier of organic jasmine rice;



**Nicolas Lorne**, director and co-founder of Waterpreneurs, a global trans-boundary accelerator in Switzerland supporting the scaling-up of impact investments financing the growth of local water entrepreneurs contributing to the realisation of the human right to water and sanitation (SDG 6);

**Marcello Palazzi**, philanthropreneur and Co-Founder of B Lab Europe, a nonprofit organization that serves a global movement of people using business as a force for good;

**Peter Heijen**, CEO of the Netherlands-based crowdfunding platform Lenda-hand, as well as;

**Christina "CJ" Juhasz**, Chief Investment Officer at Women's World Banking Asset Management, engaged in directing equity investment into women-focused microfinance institutions.

For registration, detailed information and sponsorship opportunities, please visit the dedicated ALFI website [www.alfi.lu/impact-investing-17](http://www.alfi.lu/impact-investing-17)

### Special e-MFP members' benefit

*e-MFP is very pleased to announce that through the partnership agreement supporting the upcoming ALFI conference, e-MFP members can benefit from the ALFI member reduced registration fee.*



## e-MFP out & about

Christoph Pausch participated in the preparatory committee of ALFI's Impact Investing Conference which will be held on 26<sup>th</sup> April in Luxembourg; e-MFP is a partner of this event.

On 1<sup>st</sup> March the e-MFP Secretariat participated in the evening event of our member InFiNe.lu entitled "Une soirée pour découvrir le Microcrédit en 4L".



On 15<sup>th</sup> March e-MFP acted as an exam centre for the LinkedIn e-learning course which is offered by e-MFP member Frankfurt School of Finance & Management.



Gabriela Erice participated in the Convergences Working Group "Finance responsible et inclusive" and in the Editorial Committee of the Microfinance Barometer.



Daniel Rozas attended the 2017 SPTF Social Investor Working Group Meeting held on 15<sup>th</sup> and 16<sup>th</sup> March at the University of Zurich, Switzerland.



e-MFP Chairwoman Anne Contreras was a panelist at the European Microfinance Summit which took place on 26<sup>th</sup>-27<sup>th</sup> January 2017 in Barcelona.

On 8<sup>th</sup> March the e-MFP Secretariat attended the Midi de la Microfinance organized by ADA and InFiNe entitled "Entreprenante Afrique : L'ère des PME?" Jean-Michel Severino, Chairman of Investisseurs & Partenaires funds, and Eric Campos, new Managing Director of the Grameen Crédit Agricole Foundation, were the speakers. The session was moderated by Luc Vandeweerd from ADA.

Christoph Pausch participated in a meeting with the Development Cooperation Directorate (DCD-DAC) from the OECD which took place at the House of Microfinance on 22<sup>th</sup> March 2017.

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## NEWS FROM OUR MEMBERS

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### Satellite data useful to finance food security Dutch Rabobank Foundation and NpM Platform for Inclusive Finance, launch Board of Inspiration 'Geodata for inclusive finance and food security'



▲ from left to right:

**André Kuipers,**  
*Dutch astronaut European  
Space Agency;*

**Josien Sluijs,**  
*Director NpM Platform for  
Inclusive Finance;*

**Esther Muiruri,**  
*General Manager, Agribusiness  
at Equity Group;*

**Dr. Peter Munga,**  
*Chairman Board of Directors,  
Equity Bank;*

**Pierre van Hedel,**  
*Managing Director Rabobank  
Foundation*

Rabobank Foundation has partnered with NpM, Platform for Inclusive Finance, to launch a Board of Inspiration to promote the use of satellite data to finance smallholder farmers in developing countries. The Board is headed by Prince Pieter-Christiaan van Oranje-Nassau and consists of Rabobank Foundation, NpM, FMO, the Dutch Ministry of Foreign Affairs. Pierre van Hedel (Director Rabobank Foundation): "Food security is the main focus of the Rabobank. The Board would like to enable access to finance for smallholder farmers and agro-entrepreneurs in develop-

tries through information services based on geodata, which are mainly derived from satellites."

Information based on satellite data helps smallholder farmers in developing countries to increase and improve their yield. The information enables precision farming. For example, a farmer receives a text message on his mobile phone when to fertilize, irrigate or harvest. His yield significantly increases in quantity but also in quality. "This lowers the risk that farmers cannot repay their loan and therefore banks are more willing to

finance them. Access to financial services is essential for farmers to grow and produce enough food”, says van Hedel.

### Geodata applications increase options to finance farmers

Funded by the Ministry of Foreign Affairs, the Netherlands Space Office (NSO) developed twenty projects using satellite data applications for farmers in developing countries. What is missing is that these applications are not yet developed for financial institutions. But banks could very well make better assessments of the creditworthiness of farmers using this information. Also for financial institutions, costs will decrease. A bank does not have to visit each farmer individually to see how the crop is growing for example, but now receives advice based on observations by the satellite. Van Hedel: “Whether it is to provide working capital, loans to invest, or an insurance, banks can determine where the greatest opportunities lie for higher and better food production based on geodata. Especially if this satellite information is combined with other data.

### Cross sector cooperation

Josien Sluijs, Director NPM Platform for Inclusive Finance: “Smallholder farmers provide 70% of global food production, and are therefore essential for food security. Bringing together the right organizations to facilitate this kind of crucial development is an important role that NpM plays. The financial sector is key for topics such as food security, environment and entrepreneurship.” Members of the Board of Inspiration are asked for their important role in promoting innovation in these areas.

### The importance of good legislation

Current innovations and possibilities of satellite data and other ICT applications were presented at the conference “Geodata for Inclusive Finance and Food” organized by NPM Platform for Inclusive Finance, Rabobank Foundation and the Netherlands Space Office (NSO) on 16 February. The publication ‘Geodata and ICT Solutions for Inclusive Finance and Food Security’<sup>1</sup> shows that smallholders farmers are increasingly using ICT applications. The publication is based on an analysis of 250 projects. Training of farmers to apply it on a large scale



is essential. Universities, companies, governments, UN agencies and NGOs are working more closely together in this field. In order to implement these innovations well, more attention must be paid to adequate legislation and regulations.

### Contribution to Sustainable Development Goals (SDGs)

As part of its contribution to the sustainable development goals of the United Nations NpM, of which Rabobank Foundation is a member, investigates ways to increase and to green access to finance of entrepreneurs in developing countries. Rural finance receives special attention. Worldwide about 110 billion euros is invested within the inclusive financial sector. Foreign investors financed 26 billion euros within this total. More than ten percent of this is provided by members of NpM, which is 3 billion euros.

<sup>1</sup> See <http://www.inclusivefinanceplatform.nl/ict-map> which shows a map giving an overview of Geodata and ICT technologies that are currently being used to boost production, market access and access to finance for smallholder farmers.



## Investing in financial inclusion through start-ups 15 years of investing for impact at Credit Suisse



**Tahira Dosani** (MD, Accion Venture Lab) presenting at the Latin America Investment Conference in São Paulo, Brazil on 1 February.

2017 marks the 15<sup>th</sup> year of microfinance and impact investing at Credit Suisse, a field in which the bank has been a pioneer. Since the early days as co-founder of the specialized asset manager responsibility in 2002, a dedicated team of product specialists, together with like-minded clients, has continued to innovate financial products and services that cater to the specific needs of people at the base of the wealth pyramid.

In 2008, Credit Suisse launched the Microfinance Capacity Building Initiative to help build capacity and foster innovation in the microfinance industry and beyond. As the bank for entrepre-

neurs, Credit Suisse is also committed to helping micro-entrepreneurs help themselves and their communities. Partners like Accion, FINCA, Opportunity International, Swisscontact, and Women's World Banking work with the bank to engage experts, create innovative financial products and services, and share knowledge through industry events, conferences, and publications. In 2016, over 4,000 local employees of microfinance institutions were trained and over 380,000 people received access to new or improved products and services. In addition, over 75 microfinance institutions and Fintech start-ups benefited from the bank's support.

The bank is committed to and engaged in microfinance across numerous business areas and was awarded a special commendation in 2012 by the FT/IFC Sustainable Finance Awards for its approach.

### Increasing the conversation on financial inclusion

As a part of our 15-year anniversary campaign, Credit Suisse will be hosting a number of panels at conferences around the globe, inviting our partners to discuss issues and provoke thought-leadership on various topics relating to financial inclusion. Our first event of 2017 was the annual Latin America Investment Conference, which took place from January 31<sup>st</sup> – February 1<sup>st</sup> in São Paulo, Brazil.

The panel – “Fintech and the Future of (Micro-)Finance” – stirred up the interest of over 200 conference attendees, and concluded with a stimulating Q&A session, covering issues such as the role traditional banks will play in the future dominated by financial technology, and the worries of maintaining customer data protection with increasing mobile usage, particularly in developing markets where users may be less aware of the potential dangers.

The panel was moderated by Gioia Deucher, CEO of swissnex Brazil and she was joined by Sergio Furio, founder and CEO of Creditas (formerly Bank Facil), and Tahira Dosani, Managing Director of Accion Venture Lab.



## Accion Venture Lab: creating a fairer world by providing investment and support to innovative financial inclusion start-ups

Accion, a global non-profit organization, strives to build a financially inclusive world and has worked for more than 50 years to provide people with the financial tools they need to improve their lives. Accion does this by building and providing technical expertise to microfinance institutions, and increasingly, by supporting financial technology products and services. The rapid adoption of technology – particularly mobile phones and the Internet – across income levels and geographies opens up new possibilities to deliver financial services. The new digital environment has led to the emergence of Fintech start-ups worldwide developing novel, technology-enabled solutions to serve un- and under-banked populations. These possibilities inspired Accion to set up Venture Lab in 2012, its in-house venture capital arm focused on investing in, and providing support to, innovative seed-stage Fintech startups that increase access to, improve the quality of, or reduce the cost of financial services for underserved consumers and businesses at scale.

### Tackling the financial exclusion of the underserved

Venture Lab focuses on digital lending, the use of alternative data for credit scoring, digital payments, and customer

engagement technologies. They typically invest USD 300,000 to 500,000 in equity or quasi-equity instruments into each of their partners. In addition to capital, Venture Lab provides portfolio engagement services to strengthen their partners' operations and processes, such as risk management, human resources planning, and strategy development. The venture capital impact investing initiative also strives to positively influence the broader impact investing and Fintech for financial inclusion space, by sharing its own insights and by supporting its partners as they share insights from their business models and technologies with others. This way, the lessons learned can extend beyond their immediate clients and markets.

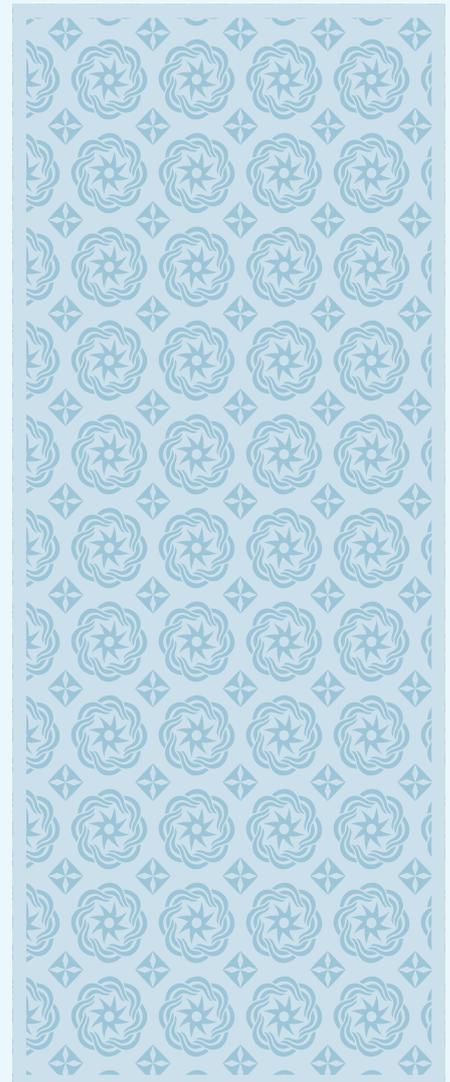
Venture Lab currently has 30 start-ups in its portfolio<sup>1</sup>, and has recently celebrated its second successful investment exit from the Mexican digital payments solution company, Clip<sup>2</sup>, following its first exit from India-based education finance start-up, Varthana<sup>3</sup>, in 2016.

With developing nations leap-frogging technology phases, new innovations can come from anywhere on the globe and disrupt the status quo. That's exactly why Credit Suisse is supporting Venture Lab in helping innovative startups whose ideas and creations will - as a by-product of their technology - aid in creating a more financially inclusive world.

<sup>1</sup> <https://www.accion.org/venturelab>

<sup>2</sup> <https://clip.mx/>

<sup>3</sup> <http://varthana.com/>



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## FORUM

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# Turning attention to SMEs, who are key actors in economic development

Frédéric Ruaz, ADA



(C) ADA/Andrés Lejón



From 9 October 2017, ADA is organising its third SAM (African Microfinance Week) which will address the financial and non-financial needs of African SMEs. Luc Vandeweerd, who is an ADA counsellor, reflects on why this theme has been chosen and on the importance of providing guidance, support and financing for small and medium-sized companies in developing countries.

### What is SME finance or mesofinance?

**Luc Vandeweerd (LV):** In the majority of the countries in the South, particularly in the least developed countries, SMEs rarely have access to bank financ-

ing, even though this is essential for their development. The problem of gaining access to bank financing can be explained by the fact that banks consider these institutions to be too risky since there is a lack of visibility of the projects to be financed, no business plan and an insufficient level of both equity and guarantees, etc. To this list we also need to add the perennial argument put forward by conventional bankers regarding the management and monitoring of small credits which is extremely costly for the banks.

SME finance or mesofinance has been introduced to make up for this lack of financing of certain institutions, even

though this continues to be an important vector of growth and job creation. In Greek, 'mesos' means median, middle. It therefore covers all of the initiatives which make it possible to finance the missing link of financing, in other words the clients, the institutions which are caught between microfinance and bank finance. In simple terms, its aim is to develop forms of banking capable of responding to the needs of this particular group of clients which is not financed by the banks or by microfinance institutions. People tend to talk about downscaling in the case of banking institutions which establish themselves on this market and therefore grant finance which is lower than the average, or upscal-

ing if the same approach is adopted by microfinance institutions which wish to respond to the expectations of SMEs.

### Does that mean that microfinance has reached its limits in terms of the development of entrepreneurship and job creation?

LV: It is always difficult to generalise when speaking about a sector which is still young and evolving, but I think that my answer to this question is yes in the sense that, in this moment in time, the majority of specialists agree that there is a certain limit to the financing of microfinance. Conventional microfinance, in other words the type of microfinance which grants a large number of short term credits which are provided on a recurring basis at a relatively high interest rate which is necessary in order to cover the institution's charges, only makes a limited contribution to, or has a limited impact on, entrepreneurship. In fact, it tends to encourage the reproduction of existing activities rather than the expansion of production and marketing systems. If we wish to move to the next level in terms of the duration and amounts granted, thereby developing entrepreneurship, then there is a need to organise things in a different way, since credit on its own or in isolation is not sufficient. The provision of support in professional, technical and commercial fields is equally important. This is exactly what ADA would like to try out with its new generation of projects, drawing inspiration from the lessons learned by partners who have already committed themselves to this



approach as 'world entrepreneurs' and 'investors and partners.'

### Why is the African Microfinance Week focusing on SME finance, and what are your goals for the conference?

LV: The third SAM (from October 9<sup>th</sup> 2017) will focus on the subject of mesofinance and therefore the development of small and medium-sized enterprises (SMEs). In Africa, the economy of the production sectors is, for the most part, based on several large companies that make use of agricultural or mining commodities, without there being a great deal of processing and there is therefore very little creation of added value. All of this takes place, for the most part, in an informal sector which, in reality, provides 80 to 90% of all employment.

### Creating Values For SMEs: A New Key Role For Microfinance?

In light of their importance, two other topics may also be covered either during the plenary or parallel session:

- The development of entrepreneurship and the employment of young people: what lessons can be learned from current experiences?
- What can be done to accelerate the development of rural SMEs for the benefit of small farmers? This will be looked at in connection with the topic and work carried out at the 2015 SAM (Dakar).

Finally, the now traditional Investors' Fair, the Innovation Fair and the "Research Meets Africa" workshop will also focus on effective initiatives that finance and support SMEs in Africa.



## NEW MEMBERS

### OpenCBS



OpenCBS is an innovative platform offering an Open Source Core Banking System as well as other value-added solutions for the microfinance industry: a Tablet application for KYC, Appraisal and collection of Social Performance Indicators, a Loan Origination Solution and a Customer Relationship Management System.

Originally developed under the name of Octopus Microfinance and part of OXUS Development Network, OpenCBS was registered 2013 as an independent company, with the Open Source in nature of the project guaranteed by the statutes. As one of the few social businesses operating in Fintech, OpenCBS proposes a free solution for those who cannot afford to pay or do not require additional services. For users requiring customisation, training or technical support, OpenCBS charges very reasonable rates. Contrary to other software providers, OpenCBS does not make users hostage but rather works with them as partners: they are involved in the

design of the roadmap, they are welcome to suggest improvements and they are encouraged to team up together in order to share development costs.

Over the past few years, OpenCBS has been growing with its clients and has continuously developed its technical platform using agile methodology. This community-based approach has served OpenCBS well: the platform is now used by 20 paying clients and over 100 free users, mostly microfinance institutions, social lenders, credit companies and banks in developing countries.

By offering an affordable and simple platform that allows institutions to provide financial services in a transparent and efficient manner, OpenCBS contributes actively to financial inclusion and responsible financial services.

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For more information visit <http://opencbs.com/en/>

### Risk Management Initiative in Microfinance (RIM)



RIM is collaborative market strengthening initiative aimed at promoting and supporting the implementation of stronger, more appropriate risk management in the microfinance sector. RIM has three strategic priorities: 1) Awareness Raising, 2) Industry Collaboration, and 3) Global adoption and implementation of appropriate risk management standards. RIM has pioneered its Graduation Model, a comprehensive and scalable risk management framework for financial inclusion which is currently being promoted and implemented globally. RIM provides training courses and capacity building resources which allow microfinance risk management professionals and consultants to implement the Graduation Model within financial institutions globally, and a membership platform for

risk management professionals to engage with each other to solve pressing risk management challenges.

RIM's active membership includes Access Microfinance Holding AG, Aga Khan Agency for Microfinance (AKAM), Alexandria Business Association (ABA), Appui au Développement Autonome (ADA), Calmeadow, Credit Access Asia, Mennonite Economic Development Associate (MEDA), MFX Solutions (MFX), Microfinanza Srl., Oikocredit, Pakistan Microfinance Network (PMN), and Pamiga.

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For more information visit <http://www.riminitiative.org/>



The **Responsible Microfinance Facility** (RMF) is still accepting applications for funding! The RMF is a project financed by the Agence Française de Développement (AFD) and managed by the Social Performance Task Force. Its purpose is to strengthen social performance practices in Africa and the Middle East. To that end, the RMF co-finances many different types of projects that financial service providers in those regions might like to implement, including SPI4 audits, Smart assessments, and upgrade projects designed by FSPs to address their gap areas. The RMF also funds certain trainings.

To learn more and to download application forms, please visit <http://sptf.info/resources/responsible-microfinance-facility>.

Inclusive Finance and Impact Investing: Why Support Social Entrepreneurship and Microfinance? (in French) at **BNP Paribas**, 37 Place du Marché Saint Honoré, 19.00, **18 April 2017**, with speakers Claudia Belli, BNP Paribas and Antonella Noya, OECD.

With the publication of the 3<sup>rd</sup> edition of "Précis de réglementation de la microfinance" **Agence Française de Développement (AFD)** is holding a seminar "Between development and regulation: what's the future for microfinance? Focus on the latest developments in French speaking Africa" on **23 May**, 3.00-6.30 at AFD headquarters, 5 Rue Roland Barthes, F-75012 Paris (event will be in French). The author, Laurent Lhériaux, will present the main regulatory evolutions and issues in the microfinance space and share his experiences in supporting supervisors while Claude Falgon, General Director of Advans International, will present the challenges in meeting regulatory expectations and ensuring provision of secure and sustainable financial services.

For more information contact Eneida del Hierro, AFD, [delhierroe@afd.fr](mailto:delhierroe@afd.fr)

Save the date! #MFC2017 #MFC20anni #ECAMF20. MFC is turning 20 this year! Celebrate with us at the **MFC** anniversary con-

ference in Sarajevo: Horizon 2037: Fair Finance for All. **24-26 May 2017** (Hotel Hills, Sarajevo, Bosnia and Herzegovina).

For more information visit the MFC Conference website <http://www.mfc2017.org/>

**SPTF Annual Meeting** in Mexico City, Mexico, **6-8 June, 2017**. Join the conversation on topics that will include collection and analysis of social outcomes data; technology to enhance productivity and client centricity; regulation to promote financial inclusion; and strategies for creating shared value and balanced returns. This gathering will bring together participants from diverse contexts to facilitate peer exchange on successes and challenges in our sector and dialogue on the latest in international best practices.

For more information and to register visit <https://sptf.info/annual-meetings/2017-annual-meeting>

Boulder goes digital! For the first time, the **Boulder Institute** in Turin will be adding a Digital Financial Services Track to its Microfinance Training Program. Participants and alumni can spend 3 weeks (**17 Jul-4 Aug**) deepening their knowledge and increasing their skills in alternative delivery channels. Come and learn from PHB Development's Philippe Breul, 20+ year experience on "Digital finance business models and regulation". Or pick his brains on "Using a third-party agent network versus building your own"! (Event is in French)

To apply visit [https://www.bouldermicrofinance.org/boulder/FR/REGISTER/MFT\\_FR](https://www.bouldermicrofinance.org/boulder/FR/REGISTER/MFT_FR)

**Women's World Banking** is holding its biennial 'Making Finance Work for Women' Summit in Dar es Salaam, Tanzania, **24-25 October**. The Summit will convene speakers and participants from financial institutions, mobile network operators, regulators, global brands, technology companies, donors, fintech companies, and others to explore how women's financial inclusion not only contributes to overall macroeconomic growth but is a driver to gender equality worldwide.

Please contact Kavita Bali at [kb@womensworldbanking.org](mailto:kb@womensworldbanking.org) for sponsorship opportunities and event details.

## CALENDAR OF EVENTS

|  |       |
|--|-------|
| 9 <sup>th</sup> May  |       |
| e-MFP Board meeting, Brussels  | J F M |
| 12 <sup>th</sup> – 14 <sup>th</sup> June                                   | A M J |
| European Research Conference on Microfinance, University of Portsmouth, UK | J A S |
| 11 <sup>th</sup> September   | O N D |
| e-MFP Offsite Session, Zurich  |       |
| 12 <sup>th</sup> September   |       |
| e-MFP Board meeting, Zurich  |       |
| 29 <sup>th</sup> November – 1 <sup>st</sup> December                       |       |
| European Microfinance Week, Luxembourg                                     |       |
| 30 <sup>th</sup> November  |       |
| European Microfinance Award, Luxembourg                                    |       |

### European Microfinance Platform (e-MFP)

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