



EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

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MICROFINANCE
WEEK



 PAGE 2 - 5

European Microfinance Award

 PAGE 6 - 8

News from the Secretariat

 PAGE 9 - 13

News from our Members

 PAGE 14 - 16

Forum

 PAGE 17

News from our Action Groups

 PAGE 18 - 19

New Members

 PAGE 20

Announcements



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EDITORIAL

Welcome to e-MFP's Spring 2018 newsletter

It's a great pleasure for me to start this newsletter with the announcement of the 2018 European Microfinance Award. This year the Award focuses on the very timely topic of *Financial Inclusion through Technology*. More information can be found on page 2 and on our website www.e-mfp.eu. I invite you to encourage your partners

to apply for this most prestigious European award; the deadline for applications is 23rd May 2018.

In this edition of our newsletter you will also find a wrap up the recent SPTF Annual Meeting dedicated to customer centricity, an interview with Cécile Lapenu on CERISE's 20th anniversary, an article about BNP Paribas' microfinance activities in the Americas, as well as highlights from Blue-Orchard's recent study on SME finance. Latest news from our Action Groups, members' announcements and updates on

e-MFP's activities and on our latest publications complete this edition. I hope you enjoy reading it - thank you for your contributions and feedback and for your continuous support of e-MFP.

Best wishes,

Christoph Pausch

Executive Secretary





European Microfinance Award 2018 Launched; this year on Financial Inclusion through Technology



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It's that time of year once more, when, after months of furious preparation, we can announce the launch of the European Microfinance Award! This year, the theme is *Financial Inclusion through Technology*. It will seek to illuminate how technology-enabled services can improve access to finance for low income and financially excluded clients – promoting financial service providers (FSPs) that offer innovative products and services capable of responding to users' needs for trust, speed, low cost, security, usability, and transparency, and becoming a standard-setter for the other players in the market.

This has never been more relevant than today. Everywhere you look in the financial inclusion sector, technology is increasingly at the forefront. Traditional microfinance is costly and human-inten-

sive. The human touch can be important, especially for remote, vulnerable populations, but this translates into the high cost to the provider of delivering services, and, inevitably, a high cost to the client. Reducing costs while still providing the valuable products and services that clients actually need opens the door to an increasing range of technology-enabled solutions that are transforming financial inclusion.

Technology is a driver for facilitating communication, expanding enormously the access and exchange of information, and instantly interconnecting people and services beyond geographic, cultural and language boundaries. Relatively cheap, transformational technology solutions have been made available for a growing number of users worldwide, including the key segments of women, rural communi-

ties and the very poor. Mobile money is a growing alternative to cash. The reduced costs and increased access to the Internet, especially through smartphones, enables new ways for clients to borrow, save, insure themselves and their livelihoods, and send money.

The landscape of digital and technology-enabled financial service providers is extremely wide, and a variety of service providers are now active players within the microfinance ecosystem. Traditional microfinance NGOs, MFIs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, mobile money providers, Fintech companies, Mobile Network Operators (MNOs) and Money Transfer Organisations (MTOs) are all implementing technology solutions in different ways and levels of sophistication.



To profile and catalyse replication of the most promising of these solutions, the European Microfinance Award 2018 invites application from FSPs that use technology innovations to expand outreach, broaden product offerings, improve the client experience, and increase operating efficiency, all guided by an unwavering focus on socially responsible finance. There are many ways they can do this, and we look forward to receive a diverse array of applications from very different technology-driven initiatives. They may include technology-enabled credit delivered to clients using a digital chan-

nel or process (e.g. technology solutions applied to marketing, origination, credit-worthiness analysis, loan approval, loan disbursement, loan monitoring, loan payment, or loan recovery); technology-enabled saving products delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or digital process (e.g. technology solutions applied to marketing, account opening, saving deposit, saving withdrawal, account closing); technology-enabled insurance delivered to clients via mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM or a digital process (e.g. technology solutions applied

to marketing, subscription, premium payment, claim submission, claim settlement, contract termination). Other ways that FSPs can innovate is via technology-enabled domestic or international payment and transfer facilities; delivery-side technology solutions that increase outreach and efficiency of the delivery of financial services (e.g. smart-phone or tablet applications for loan officers in the field; ID verification technologies such as biometrics; innovations in client data management) that have a direct impact on service delivery to clients;

an appropriate response to clients' needs in the form of technology-enabled financial services, and a clear strategy that ensures long-term sustainability of the technology and delivery consistent with the principles of responsible finance and the protection of vulnerable clients.

The Award has grown in profile each year to become arguably the most prestigious and high profile award in the financial inclusion sector, with benefits that go beyond the €100,000 winner's prize (and €10,000 to the other finalists) and include, as previous semi-finalists and



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and some of these financial products and services may be offered in conjunction with technology-enabled non-financial services. The applicants will go through a rigorous evaluation process across the Pre-Selection and Selection Committees before the three finalists can be sent to the High Jury. As with every year, the bar is set very high. The applicants have to demonstrate strong understanding of the implications of using technology-enabled solutions in the financial inclusion landscape in which they operate and the impact this has on the lives of target clients. The adjudicators are instructed to look for evidence of

finalists have discovered, opportunities for considerable investment and exposure, including being profiled in e-MFP's annual European Dialogue publication on the Award.

The call for applications from institutions working in this area is now open and all the details of eligibility and more about the scope of the award can be found in the Explanatory Note on the Award website. We look forward to seeing you at the Award ceremony at the EIB where the winner will be announced and the €100,000 prize presented on November 15th.

<http://www.european-microfinance-award.com/>



Who can apply?

Eligible applicants are organisations active in the financial inclusion sector who use technology-enabled solutions to increase outreach of quality financial services to financially excluded segments. The technology must focus on socially responsible finance for low income, vulnerable and excluded groups.

Eligible institutions have to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper

Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. Various types of organisations are eligible including MFIs (all legal forms), NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, Fintech companies, mobile money providers, mobile network operators and mobile transfer organisations that provide financial services to retail clients.

At least one of the technology-enabled solutions the applicant has introduced

must have been fully operational for minimum two years. All relevant details and definitions are available on the Award website.

How to apply?

Apply online (in English, French and Spanish) at 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



This is the 9th edition of the European Microfinance 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), it includes a prize of €100,000 to be awarded on November 15th during the European Microfinance Week, at a ceremony to which the three finalists will be invited and short videos about their programs will be presented.

Previous subjects for the Award have included Microfinance for Housing (2017), 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 Rural Outreach (2006).

Publication of European Dialogue: Building New Foundations in Housing Microfinance

We're delighted to announce the publication of the latest *European Dialogue*, presenting the outcomes of the European Microfinance Award 2017 on Microfinance for Housing. The *Dialogue* series has been published since 2008, and each year one of them is dedicated to the European Microfinance Award, providing e-MFP a great opportunity to present the process,

the applicants and the findings from the extensive Award process to a broader audience than those at European Microfinance Week and the Award ceremony. It is a great opportunity too, to profile how MFIs and other financial service providers around the world can go beyond micro-credit and other core financial services to profoundly impact the lives of their clients.

The 2017 Award and this *European Dialogue*, entitled *Building New Foundations in Housing Microfinance* looks at Microfinance for Housing. For too long a niche product, housing microfinance is growing in importance, as MFIs respond to the fact that so many of their financial services are used for housing anyway, and so now are innovating in providing a range of finan-



cial products and non-financial support to help clients to build and improve their homes, addressing issues of safety, security, health and income-generation in the process.

The 2017 Award process saw applications from 37 organisations across 23 countries, which were narrowed down over two selection committee phases to a list of ten semi-finalists (of which three finalists went to a High Jury, who selected the winner). This latest *Dialogue* was written by e-MFP's Sam Mendelson with support from Award consultants Katarzyna Pawlak and Ewa Bańkowska, and e-MFP's Gabriela Erice and Daniel Rozas, and presents the housing programmes of the ten semi-finalists across several sections.

The first section is 'The Challenge of Housing', and outlines the factors which have kept housing microfinance so relatively peripheral in the past, even in the face of immense demand, and provable positive impact on clients of access to finance for quality housing.

The second section is on the European Microfinance Award itself, and outlines

the selection process, the eligibility criteria, and the factors that the adjudicators would look to in evaluating the housing programmes of the applicants.

The third section presents the three broad ways that the semi-finalists helped clients improve the quality of their housing: **providing finance for housing** (via housing microfinance loans, micro-mortgages, savings and insurance), **providing support for housing** (via Construction Technical Assistance, client, staff or builder training, or provision of legal support), and **providing social benefits** through housing (by improving clients' security, health, safety and environment, through the vehicle of housing finance).

Interspersed throughout these three categories of support, *Building New Foundations in Housing Microfinance* presents case studies of the ten semi-finalists and the innovation within each of their housing finance programmes.

Read and download 'Building New Foundations in Housing Microfinance' at <http://www.e-mfp.eu/category/european-microfinance-award>

These ten semi-finalists represent a fascinating, diverse and encouraging array of responses to an extremely complex problem. Nevertheless, the final section of the *Dialogue* distills the innovations among the varied initiatives into seven factors for success, including: a genuine commitment to Technical Assistance; use of partnerships; flexibility in products; income-generation opportunities; new approaches to collateral; new approaches to calculating household income; and – especially in the case of the eventual winner, Cooperativa Tosepantomin of Mexico – a holistic, demand-driven and multi-tiered response that reflects the complexity of the challenges being addressed.

We're delighted to be able to again bring to a broad audience the extraordinary initiatives of the applicants, in the sincere belief that replication and expansion of many of the principles in the *Dialogue* can catalyse the housing microfinance sector and bring it well into the mainstream.



NEWS FROM THE SECRETARIAT

Save the Date - European Microfinance Week 2018



Save the date for European Microfinance Week (EMW) 2018 taking place at the Abbaye de Neumünster, Luxembourg, 14 - 16 November. One of the top events in the microfinance calendar, it's a unique meeting point for microfinance professionals working worldwide. Last year attracted over

490 participants from 66 countries making it a superb opportunity to network, make 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

e-MFP - Offsite Sessions

e-MFP's Offsite Sessions provide opportunities for more frequent touchpoints with our members and external stakeholders. They take place in e-MFP members' countries and are organised in collaboration with local actors such as e-MFP members, e-MFP Action Groups, national platforms or partners.

In 2018, we have already lined up two sessions in April and May:

- Buyer Selection in Responsible Exits, 25th April, Utrecht, The Netherlands. Organised in collaboration with NpM, Platform for Inclusive Finance.
- Microfinance for Housing, 9th May in London. Organised in collaboration with the Financial Inclusion Forum UK

Check the e-MFP website, www.e-mfp.eu for further details.



Latest e-MFP publications



Looking back at European Microfinance Week 2017

European Microfinance Week 2017 gathered more than 490 leading experts from 66 countries to showcase the most exciting innovations advancing sustainable and responsible financial inclusion around the world. We are proud to present this extensive report which 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



European Microfinance Award 2017 on Microfinance for Housing

Two publications on the European Microfinance Award 2017 are now out:

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

European Dialogue - Building New Foundations in Housing Microfinance draws on the fascinating and diverse housing programmes of the 2017 Award ten semi-finalists and distills the varied initiatives into seven factors for success.

For more information see page 4.

New e-MFP team member



Sam Mendelson has worked closely with e-MFP for years, and has now joined the Secretariat as Financial Inclusion Specialist, overseeing various research, knowledge, communications and sector-building across e-MFP's different financial inclusion research streams, and supporting coordination of the annual European Microfinance Award, including as continued lead author of the *European Dialogue*. For the last five years, he has been M&E and then Knowledge Specialist at Arc Finance, an international end-user energy finance organisation. He's worked as Project Lead for the 2015 USAID-funded Energy Diaries - the first and only project of its kind, and worked closely with

e-MFP's Daniel Rozas on several projects, including a 2016 FIEC research paper on offshore incorporation of microfinance/impact vehicles; the upcoming e-MFP/FIEC/NpM research study on Buyer Selection in Responsible Equity Exits, and the CSFI Microfinance Banana Skins.

Sam has undergraduate degrees in Psychology & Laws from the University of Western Australia; a Master of Laws in Public International Law and a Master of Science in International Public Policy, both from University College London.

e-MFP out & about



Gemma Cavaliere participated in the Convergences Working Group “Finance responsible et inclusive” and Gabriela Erice in the Editorial Committee of the Microfinance Barometer. As in previous years, e-MFP is delighted to partner with the 2018 Microfinance Barometer and contribute an article.



From 19th to 22nd February, Daniel Rozas attended the 2018 Customer Centricity Learning Event and SPTF Annual Meet-

ing in India. The learning event – entitled “Customer Centricity: Enabling Financial Choices and Positive Outcomes for Low-Income Customers” - was jointly organised by SPTF, CGAP, Dvara and LeapFrog Investments. For more information on the event see page 14.



On 1st March the e-MFP Secretariat participated in the breakfast seminar of our members LuxFLAG and InFiNe.lu entitled “How Digitalisation Shapes Inclusive Finance”. The seminar was moderated by Sachin Vankalas (LuxFLAG/e-MFP Board member) with Professor Dirk Zetzsche, Holder of the ADA Chair in Financial Law

(Inclusive Finance) at the University of Luxembourg, and David Yen, Head of Global Strategic Partnerships at BitPesa as speakers.

Gemma Cavaliere took part on the 14th March in a series of discussions organised by the Luxembourg Cercle de Coopération on the UN 2030 Agenda for Sustainable Development and its implementation: what role for NGOs?



German Excellence. Global Relevance.

On 14th March e-MFP acted as an exam centre for 12 students taking the LinkedIn development finance online courses which are offered by e-MFP member Frankfurt School of Finance & Management.

MIMOSA Launches in India

The MIMOSA project applies the most advanced methodology in the industry to assess the level of microcredit penetration and risk of client overindebtedness. Recently MIMOSA marked a major milestone, with the publication of four reports on India -- one each for the states Uttar Pradesh, Maharashtra, and Tamil Nadu, and an all-India report. Doing so entailed developing an entirely new dataset of lending penetration in India, based on CRIF High Mark data as well as state- and national-level demographic information that allowed MIMOSA to

calculate saturation levels in over 140 districts, representing nearly one third of the country's population.

As part of the report launch, MIMOSA held a workshop alongside the SPTF Customer Centricity Learning Event in Tamil Nadu, India, sharing the results of its recently published reports with a group of local stakeholders and MIMOSA subscribers. The session included Parijat Garg from the CRIF High Mark credit bureau, Sanjay Sinha from rating agency M-CRIL, and Daniel Rozas from the MIMOSA pro-

ject. Separately, the Bangalore-based Ujjivan SFB invited Mr. Rozas and Mr. Sinha to present the report findings to their senior management and staff, as well as a group of other MFIs based in Bangalore.

The MIMOSA reports on India were received as a welcome addition to the market analytics needed in India, and discussion ensued on seeing if the MIMOSA methodology can be expanded to other parts of the country. Stay tuned!



NEWS FROM OUR MEMBERS

Microfinance in Americas from the point of view of an investor: funding, education and environmental protection

Alain Levy, BNP Paribas and Claudia Belli-Jeanteur, BNP Paribas / e-MFP Board member



In the Americas, where the needs are huge, several microfinance institutions have the advantage of offering both funding and robust social assistance through training and education.

A flagship region for microfinance

With 42.5 billion dollars in loans issued to over 23 million beneficiaries, South America accounts for almost half the world's total microfinance portfolio.

In Brazil, BNP Paribas became the first foreign bank to issue a loan to the Microfinance Institution (MFI) Banco Da Família¹, which now accompanies more than 14,000 entrepreneurs. Attracting foreign lenders is one of the issues of the MFIs, who start their growth as soon as the foreign investors are steady into their funding.

In Colombia, the bank delivers funding to Contactar², an MFI that assists more than 73,000 low-income customers. In this country, where only a third of the population uses banking services, BNP Paribas relies on a local representative office instead of a traditional banking network. Since it does not have access to the local currency, the Group also utilises sophisticated financial tools to fund Contactar while protecting against foreign exchange risk. BNP Paribas does not use external Forex tools since they decided to work exclusively where the bank has a presence. This decreases the overall cost for the Borrower and enhances the operating margins of the MFIs without putting into them higher risks.

¹ www.bancodafamilia.org.br/

² www.contactar-pasto.org/

In the near future, the Group plans to expand MFI funding into Argentina.



Funding... as well as education and training

As in other parts of the world, MFIs are funding entrepreneurs who lack access to the necessary resources for obtaining traditional bank loans. But the ties that bind the MFIs to their customers are more than just financial. Funding is seconded by a full line of actions and services in favor of education and training.



For example, the Brazilian MFI Banco Da Familia³ has organized financial education workshops since 2008, while it even supplies accounting books to help its customers keep track of their spending. Similarly, between 2011 and 2016, the Colombian MFI Fundacion de la Mujer⁴ (Women's Foundation) trained nearly 133,000 customers in 2 main topics—financial education and microenterprise management.

As for Contactar, the institution delivers hands-on training and financial education in agriculture, livestock farming, and food packaging. These are crucial lessons in light of the fact that 83% of the MFI's customers live in rural areas.

The social assistance an MFI offers to its customers is a key criterion to attract responsible investors and funders.

MFIs committed to protecting the environment

In addition to their social performance, MFIs are focusing more and more on their environmental performance. In Brazil, Banco da Familia is currently rolling out a loan to ensure access to safe water and sanitation, in partnership with the NGO Water.org⁵ created by Matt Damon and Gary White.

In the case of Contactar, the MFI integrates the loan's environmental impact into its criteria for loan allocation. In addition, it issued nearly 3,000 green loans between 2013 and 2016. Some of these loans notably finance solar dryers for coffee

beans, since Colombia is one of the world's largest coffee growing countries. They also offer a diversified line of services including biodigesters, water filters and organic fertilizer.

Along with these green products, MFIs also organize initiatives favoring responsible practices. Fundacion de la Mujer developed a program for recycling office paper and used home appliances. With this program, over 50

branches have helped the Lito green points collect 4.1 tons of old electronics that would otherwise go to waste.

And elsewhere in the Americas?

In addition to South America, BNP Paribas has a large presence in the United States, and ensures to actively support microfinance even in the US. This happens through loans given to Grameen America Incorporation ("GAI") in New York by 2 entities, its investment bank in New York and its retail bank "Bank of the West", operating from California. Created in 2006 by Muhammad Yunus, in the same year he won the Nobel Peace Prize, GAI issues loans to individual women entrepreneurs, as well as female entrepreneurship groups.

Since its creation, Grameen America has helped to create and maintain 99,750 jobs. Moreover, 40% of their customers went on to start their first company. They promote financial inclusion thanks to the building of a credit history for each of their borrowers: the average credit score of a borrower stood at 640, which proved very helpful to go back later to the traditional banking system. At the same time, GAI builds partnerships with commercial banks to offer to its clients a unique saving product with no fee, no minimum balance savings account and with an ATM card. As a result, its micro borrowers held more than \$6.85 M in savings which is another important form of financial inclusion.

³ www.bancodafamilia.org.br/

⁴ www.fundaciondelamujer.com/

⁵ <https://water.org/>



SMEs and SDGs: Supporting Small and Medium Enterprises to Achieve the Sustainable Development Goals



– Insights from a BlueOrchard survey



The 17 Sustainable Development Goals (SDGs), ratified by the United Nations General Assembly in September 2015, were presented as “a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity”. Not surprisingly, strengthening the capacity of small and medium-sized enterprises (SMEs) – typically, though not exclusively, through greater access to finance – is identified as a key target in specific SDGs. In addition, SMEs involved in specific sectors can also make a significant contribution to the achievement of other SDGs. These

sectors include in particular agriculture, affordable healthcare, education, clean energy and water & sanitation. Contributing to the growth and development of the SME sector has therefore both important economic and social impacts. Their impact is particularly strong through employment creation, providing significant opportunities for populations in developing countries.

Nevertheless, the SME sector faces significant challenges: While SMEs in emerging markets do contribute to job creation, their contribution to overall

economic growth, even when accounting for the weight of the informal sector in emerging markets, lags behind the examples of OECD economies. Access to financing sources for SMEs in their respective local markets is still a challenge for many companies. In addition, financing needs are only a piece of the puzzle of a number of challenges and policy responses required to develop the SME sector looking at both the demand and the supply sides.

Exploring how SMEs can be supported to achieve the SDGs and the challenges

and opportunities they face, helps to point to the most effective means to provide support to the SME sector. BlueOrchard has therefore conducted a survey on a sample of financial institutions which lend to SMEs across different regions with the objective of identifying differences and commonalities between SME markets and the needed improvements in terms of services and financing for SMEs in emerging and frontier markets. The main findings of the survey show that:



Credit remains the main source of SME financing, with loan sizes and maturities varying by region and being almost always collateralised;



SMEs are impacted by commodity prices and the development of natural resources sectors;



When financing is combined with business advisory services and capacity building the impact of financing can be enhanced and credit risk mitigated;



Credit unions, cooperatives and microfinance institutions tend to have greater outreach to informal sector SMEs compared to banks;



Legal, regulatory, market and political stability is required and in some regions supersedes other requirements for further developing;



Start-ups and those SMEs that operate in the informal sector are most limited in the access to credit.

Based on these findings and its longstanding experience, BlueOrchard's action plan to support the development of the SME market in cooperation with its partners pivots around a threefold approach: I) innovative product structuring with the enhancement of portfolio securitisations of specialised SME lenders and financing companies; II) combination of tailored funding for lenders of SMEs with advisory services and capacity building to multiply the benefits achievable with the financing; and III) technological focus to achieve sustainable development and inclusive solutions across sectors.

Having participated in the evolution of the inclusive finance sector as it has expanded beyond the financing of traditional microfinance institutions to include a broad range of lenders to SMEs, an important role is envisaged for BlueOrchard's current mandates under management and future new initiatives to contribute to fulfill the SME financing agenda in emerging and frontier markets ensuring that this is responsible, inclusive, and sustainable.

The study is available at:

<http://www.blueorchard.com/smes-sdgs-supporting-small-medium-enterprises-achieve-sustainable-development-goals-insights-blueorchard-survey/>



CERISE turns 20!



2018 marks social performance pioneer CERISE's 20th anniversary – a major milestone for what started out as an initiative to promote peer learning among French actors in microfinance. Q & A with Cécile Lapenu, Executive Director of CERISE and former e-MFP Chairwoman.

It's your 20th anniversary! Do you remember CERISE's birthday?

I was working at the International Food Policy Research Institute in Washington DC when it was created in 1998, but I was in contact with the CERISE founders. CERISE was the idea of four actors working in microfinance at the time: GRET, IRAM, CIDR and CIRAD. Each of these organisations worked in different parts of the world, with different methodologies, and different populations, but they had a shared desire to learn from each other, "capitalise" on their experiences, like we say in French. So they created a network to do this. I joined CERISE in 2001. Over time, CERISE's activities broadened to work with IRC/SupAgro to support trainings, and with actors beyond our members. Today, our founding members still constitute the Board.

So is CERISE a network? What exactly does it do?

Legally we are a non-profit organisation, or an association in French. We were formalised in 2012. Before that we were a project, housed by one of our members, CIDR.

In practical terms, CERISE is a social innovator and service provider. Part of our work aims to innovate for the pub-

lic good: contributing to the definition of social standards collaboratively with concerned stakeholders and disseminating them through easy-to-use self-assessment tools, for free. We've done this for the microfinance sector, with the SPI¹ tool, and the social business sector with the SBS tool². We're engaging with impact investors to develop tools for funds. About 30% of our operating budget is subsidised, to support this innovation work.

We're also a service provider, helping organisations reach their social mission. We work with a wide range of partners – financial service providers, social enterprises, farmers organisations, investment funds, donors, researchers, TA providers – to build their capacity to define, refine and improve their social strategy. About 70% of our budget comes from providing services: social audits, advisory services, training, portfolio analysis, direct TA...

CERISE is mostly known for its SPI tool. How did it begin?

Let me say that even though CERISE is mostly known for promoting social performance assessment in microfinance, historically our focus has been on agricultural and rural finance, governance, and social performance. With our network, we continue to work in agri and rural finance and governance, even if social performance drives much of our activities!

SPI has its origins in a working group from 2001 on "Microfinance and Social Links" composed of socially-driven microfinance institutions from Asia, Africa, Latin America and Europe. The

group wanted to identify what made microfinance really work for its clients, and how to avoid destroying social ties. There was a sense back then that microfinance was drifting from its social mission, and that this was not good for clients or institutions. The Social Performance Indicators Initiative, led by CERISE, grew out of this group. We set out to identify good practices and related indicators for client-focused management. It was a practitioner-driven, bottom-up, iterative and collaborative effort that resulted in the first SPI social audit tool, in 2004. Since then, we've continued to update the tool based on user feedback, and in 2012, we aligned it with the Universal Standards for Social Performance Management, which we helped develop with the SPTF. Today, we are convinced that the way CERISE is working (collaboration and shared experience with diverse practitioners, tools available for free, etc.) and the focus on "client-centered management" can be strong drivers to build ethical, responsible, inclusive... and sustainable finance!

What does CERISE mean?

It's an acronym that stands for "Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Epargne-crédit". The acronym CERISE, means "cherry", but there is no symbolism there! It was just quirky wink that appealed to CERISE's founding members!

You'll see soon our new logo, to celebrate our anniversary!

¹ www.cerise-spi4.org/
² www.cerise-sb.org/



FORUM

Insights from the 2018 SPTF Annual Meeting / Customer Centricity Learning Event



The SPTF annual meeting is an event where SPTF members from around the globe gather to share the work that they have accomplished in the previous year, highlight innovative practices, discuss common challenges and possible solutions, and identify priority areas of activity for each stakeholder group in the coming year. This year, SPTF combined its annual meeting with a Customer Centricity Learning Event in Chennai, India, that it co-organised with CGAP, Dvara, and LeapFrog Investments. Customer centricity is fundamental to the Universal Standards for SPM, as it involves understanding and responding

to the needs of the clients, and demonstrates that doing so is essential to the long-term sustainability of a financial service provider (FSP) and of the sector overall. The joint learning event was an excellent opportunity for all involved to share experience and to use insights shared by others to inform their own work going forward.

Each day of the event focused on a particular theme:

- Day 1: **SPTF working group meetings** (investors and outcomes) and trainings

- Day 2: **Customer centricity** – integrating customer centricity into an organisation
- Day 3: **Digital financial services (DFS)** – offered in a way that creates value for clients
- Day 4: **Client outcomes data** – using outcomes data to make strategic decisions

SPTF’s annual meeting page¹ contains comprehensive presentations and notes from each day. The remainder of this article will focus specifically on insights related to outcomes and DFS.



Client outcomes

The purpose of the SPTF Outcomes Working Group (OWG)² is to promote strong outcomes management through sharing good practice, developing and disseminating resources, and acting as a thought partner to other outcomes initiatives. At the meeting this year, the OWG working session, several workshops, and a plenary session, all focused specifically on the analysis of client outcomes data. We chose this focus because, as financial service providers (FSPs) and investors are increasingly measuring outcomes, we see that interpreting the data, and using outcomes data to inform strategic and operational decisions, can be complex.

One of the key insights from the meeting is that outcomes data provide the most powerful insights when combined with other forms of data, notably client profile and financial data. Considering different types of information all at once gives the FSP the best insight into what a client needs and wants, how she is actually using products and services, and what value if any they are adding to her life. For example, a Grameen Foundation India (GFI) study of 23 FSPs in India found that 39% of women were themselves earning income from businesses, while all the rest were taking loans to give to their husbands or sons. GFI also learned that not all women have access to a mobile phone, even if there is one in her household. Microfinanza Rating research showed that most clients were

using a significant portion of their loans for something other than investment in a business. All of these pieces of information are critical for understanding the observed outcomes, and particularly so in cases where the desired outcome did not occur.

Another key insight is that outcomes data have a business purpose; they help you improve processes, products, and services. Calum Scott of Opportunity International stated, “We promote outcomes management because we believe



it leads to better decision-making by our partners and therefore better outcomes for their clients.” Echoing this idea, Geeta Goel of the Michael and Susan Dell Foundation noted that any outcome data it collects for its own purposes must also provide “meaningful insights” to the investee. Several speakers shared examples of FSPs that had made business decisions based on outcomes data:

- AMK learned from outcomes data analysis that among the clients who

were not experiencing positive outcomes, the most common cause of their struggles was a health crisis. As a result, AMK introduced health/accident insurance. It has had the fastest growth of any product that AMK has offered.

- Ujjivan conducted a longitudinal survey on changes in client income. Overall, the results were promising, but segmented data showed large differences in results by poverty level. Ujjivan focused on revising its offerings to the client groups that were struggling.
- Genesis, in measuring client outcomes, identified many different areas of outcomes that clients might be targeting, both financial and social, and expanded its product offerings so that it could match the products to the specific goals of clients for themselves. Opportunity International affirms, “Most of our partners now recognise the value of the data.”

Another lesson is that a very basic level of data can start you thinking about your current customer outcomes and why those may be happening. Even few outcomes data points can get people talking quite a bit. And if you are using basic data, the analysis capacity you need to make sense of the data can be developed within current staff. An FSP does not need expert statisticians to use data effectively, particularly since staff can apply their deep knowledge of the customers and their contexts to interpret outcomes data. AMK described a

related benefit, noting that investing in analytical skills for staff is “absolutely worth it” because the same skills that help staff to process outcomes data also help in other areas of work, such as market analysis.

Speakers also shared some good tips for outcomes management:

- At AMK, every key phrase in the mission statement has a metric associated with it.
- ESAF works with staff and clients to choose the outcome indicators it tracks. This process creates ownership of the process and results among those who contributed.
- Arohan research shows a strong link between staff empathy for clients and desire to see clients succeed with positive outcomes for clients. For this reason, Arohan not only trains staff on how to collect outcomes data, but also trains them on why collecting the data is important, and assesses staff empathy for clients.
- Do not conflate client satisfaction with good outcomes. In a recent project, Microfinanza Rating found that 90% of clients expressed satisfaction with the FSP’s products and services, while only a minority of clients had experienced positive outcomes.
- Outcomes management should be an embedded, iterative process, essential to your internal audit. Do not make outcomes management part of your annual budget review.

Digital financial services

The learning event featured several sessions on how digital financial services can be designed to benefit customers. Expert panellists cautioned that low- and no-touch delivery models are not without risks and limitations. The audience was asked to consider: “What do humans do best and what does technology do best?” For example, one presenter demonstrated research from Kenya³ that shows customers still want human contact to: verify the legiti-



macy of the FSP, fully understand the product, and resolve problems or complaints. South African Fintech JUMO agreed, noting that they have not been able to fully automate their customer information channels. They accept needing to manage a certain volume of calls from customers as part of regular business.

Representatives from MicroSave demonstrated how “frictionless borrowing” and “push marketing” can lead to poor borrowing decisions followed by default and negative credit listing for customers. MicroSave also cautioned that many digital platforms are not intuitively designed for “oral people,” a fact that widens the digital divide.

While panellists largely agreed that most traditional providers should embrace technology, CGAP cautioned that FSPs must have a clear objective before investing in new technology. Potential advantages of technology include increasing customer acquisition, improving the customer experience, increasing deposits, and lowering costs, but if an FSP implements a new technology without defining specifically why it is doing so, it is unlikely to experience benefits.

While acknowledging risks such as a widening digital divide and providers who are out of touch with their customers, speakers and audience members offered plenty of solutions for customer centric DFS. These include:

- A thoughtful balance of tech and touch – keeping the human element a central part of the digital experience.
- Using data and customer insights to understand how DFS can bring value to customers, not just providers. JUMO, for example, uses customer feedback to “co-create” their services.
- Using tech to enhance customers’ financial capability.
- Offering customers the benefit of building a digital footprint and credit history.
- Protecting users of DFS with greater transparency, reliability, and data security.

Many thanks to all who attended! Please do not hesitate to contact info@sptf.info with any feedback or questions.

¹ <https://sptf.info/annual-meetings/2018-learning-event>

² <https://sptf.info/working-groups/outcomes>

³ <https://bit.ly/2uYK5uz>



NEWS FROM OUR ACTION GROUPS

Several of our e-MFP Action Groups took the opportunity of the March 2018 SPTF Meeting to gather and share their latest work:

CERISE, MFC and SPTF are coordinating the work of the **Making Microfinance Investment Responsible (MIR) Action Group** to draw the lessons on using the Universal Standards for Social Performance Management.

This quarter, we sent out several surveys to practitioners to gather feedback on how the Universal Standards are being used, successes, bottlenecks and perspectives. So far, we have received answers from 23 FSPs, 6 networks, 7 investors and 36 SPI4 qualified auditors, which will give a broad overview. During the SPTF annual meeting in India in February, direct discussions with investors also raised key issues around practical use and dissemination of the Universal Standards, roles of funding facilities, focus for TA support, etc.

This feedback will be further analysed and lessons synthesised, to share with the sector at upcoming events: the Social Investor Working group meeting in June in Luxembourg, and the European Microfinance Week next November. If you want to share your views, do not hesitate to contact us (cerise@cerise-microfinance.org)!

Several members of the **SME Action Group** convened in India at the SPTF Social investors working group. During the meeting, the preliminary results on the research on the assessment of environmental and social performance of SME finance institutions were shared and discussed. Among others, the following topics were discussed: the SME segmentation, having an intentional mission to produce positive change, and the balance between providing guidance on E&S management



systems and encouraging customised solutions. The feedback will be taken into account to prepare the draft results of the research that will be shared with investors in the second quarter of 2018.

The **Responsible Exits project of the e-MFP Investor Action Group** was established in the summer of last year to consolidate the platform's growing work on emerging practice in responsible finance from the investor perspective. The project – overseen by e-MFP's Daniel Rozas and Sam Mendelson – has focused on the issue of Buyer Selection in microfinance equity exits, addressing issues such as: what does it mean to exit 'responsibly'? What (if any) responsibility does the seller have to select a buyer that will maintain the microfinance institution (MFI's) social impact? And how is any responsibility to ensure enduring social impact in buyer selection compatible with an exiting investor's fiduciary obligations?

This work, conducted in partnership with the Financial Inclusion Equity Council (FIEC) and NpM, the Dutch Platform for Inclusive Finance, has involved an industry consultation to consolidate investors' own emerging principles and procedures in assessing potential buyers, and to use the findings to produce a **conceptual framework for buyer selection** in microfinance equity exits. This framework will

serve as a resource for investors embarking on an equity sale, providing them with a concrete, industry-recognised framework to think through and evaluate an exit. It could also help investors to brief external organisations that assist them in exit trajectories (investment banks, advisory firms, etc.); assist new categories of impact investors that have little experience in exits; and serve as a guide to potential buyers to help understand selection criteria and prevent interested (but unsuitable) buyers from wasting time on a futile due diligence process.

This has been a lengthy and broad-reaching consultation, involving in-depth interviews with investors, an online mixed-methodology survey, and in-person consultations both during European Microfinance Week and, more recently, in India at the SPTF meeting.

The final paper that presents the findings from this consultation process will be published in April. Within it, Daniel and Sam summarise the majority practice – the industry consensus, which they call First, Do No Harm – as well as a minority, alternative framework – the 'Best Interests' approach – which involves an inversion of the process, and advocacy for a buyer selection framework which places greater emphasis on social mission and strategic value to the investee, while respecting the importance of the financial offer to the divesting fund manager and Asset owners. Daniel and Sam will propose a three-stage process that is presented as a conceptual process map of selection criteria that came out of the industry consultation.

The e-MFP/FIEC/NpM paper will be published in April, and Daniel and Sam will be writing a piece for our blog soon after that summarises its findings.



NEW MEMBERS

GLS BANK



The GLS Bank was the first social and ecological bank in Germany. GLS stands for “Gemeinschaftsbank für Leihen und Schenken”, which translates to “community bank for loans and gifts”. The bank was founded in 1974. With our clients’ money we can support a variety of projects and businesses like independent schools and kindergardens, organic farms, institutions using therapeutic pedagogy, nursing homes, projects for the unemployed, health-food stores and communal living projects, as well as sustainable businesses. The GLS Bank launched its first investment fund in 2013, it was followed by a microfinance fund in 2015.

The main objective of the “GLS Alternative Investments - Mikrofinanzfonds” is to provide micro entrepreneurs and private individuals in emerging and developing countries access to financial services – access which would otherwise be limited or non-existent. The resources of the Fund are used to refi-

nance microfinance institutions (MFIs), and, where applicable, to offer technical assistance or financial education. It is currently invested in 50 MFI worldwide. Its funds volume exceeds EUR 80 million.

The Fund invests in MFIs of different sizes and levels of maturity, sustainability and transparency (Tier I to IV) in Africa, Asia, Latin America, the Caucasus region and Southeast Europe. The fund is a separate legally entity, structured as a SICAV (société d’investissement à capital variable) and domiciled in Luxemburg. It was awarded the LuxFLAG Microfinance Label. Eligible MFIs have to be committed to social and environmental performances.

More information on the fund can be found at

<https://www.gls-fonds.de/funding/apply-for-funding-mfi.html>

PCES



Given the tectonic changes through digital financial services, institutions more than ever need to streamline operational processes, take advantage of innovations and enhance their value to customers. PCES offers professional consulting services as well as tailored software solutions to optimise information processes. We act as translators, facilitators and moderators at the intersection of IT and business, establishing integrated solutions to realise the full potential of digitalisation.

From our offices in Skopje, Macedonia and Accra, Ghana, we implement projects in Sub-Saharan Africa and the Balkans. Core staff previously held senior management positions in IT for financial institutions, software development as well as

project management. All our staff has ample work experience in developing countries. We are familiar with challenges to IT systems in the most different settings, from rural finance to BASEL regulations. Thereby, we offer a substantial added value introducing specialised IT consulting to developing countries. In particular, we hold experience in:

- Core Banking Systems
- Information Processing Systems
- Management Information Systems
- Payments and Mobile Money platforms
- E-Banking
- Digital Finance



Our services include:

- Project Management – from definition to implementation to maintenance
- IT Diagnostic – identifying bottlenecks and potentials
- IT Strategy Development
- Tailored Software Development
- Integration of third-party solutions in current systems

For more information visit <http://pces.mk/>

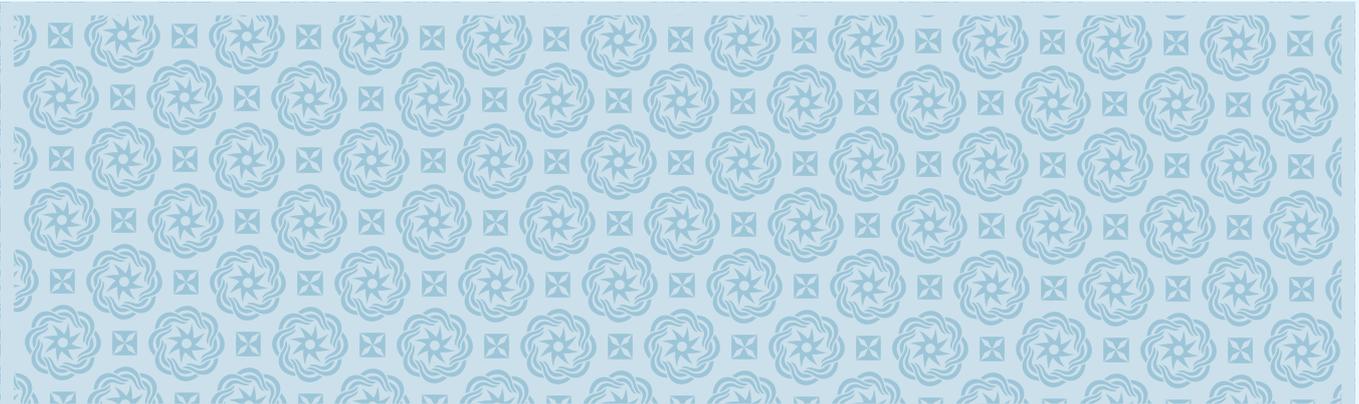
Software Group



Software Group is a global technology company that is specialised in delivery channel and integration solutions for institutions that provide financial services. Founded in 2009 and headquartered in Sofia, Bulgaria, it currently serves a worldwide client base in more than 65 countries from 9 regional offices located in Australia, Bulgaria, Egypt, Ghana, India, Kenya, Mexico, the Philippines and the USA. The company's vision is to accelerate financial inclusion by creating cutting-edge technology solutions. Some of Software Group's customers are organisations such as Bill & Melinda Gates Foundation,

International Finance Corporation (IFC), Asian Development Bank, Asian Confederation of Credit Unions (ACCU), Financial Sector Deepening (FSD), 7 of the top 10 Microfinance networks (Finca, OI, VFI, Accion, Hope International, Microcred, ReAll), Bank South Pacific, National Bank of Vanuatu, Fullerton Financial Services Holding, Fidelity Bank Ghana, LAPO Nigeria, Access Holding, Grameen Koota Financial Services etc.

For more information visit <http://www.softwaregroup.com>





Toronto Centre is offering the following international programs this year: 1) Core Curriculum Certificate Course; 2) International Program for Banking Supervisors: *20 Years On: Can Supervisors Prevent or Mitigate the Next Financial Crisis?*; 3) International Program for Securities Regulators: *New Frontiers in Regulation and Supervision: Keeping Regulation and Supervision in Step with Innovation*; 4) International Program for Insurance and Pensions Supervisors: *Implications of Technology for Insurance, Pensions, and their Supervisors*; 5) Crisis Preparedness and Resolution Options

For more information and to register visit

<https://www.torontocentre.org/Programs/Types/International>

Higher Education Finance Fund (HEFF) Dissemination Seminar.

Five years after inception, Omrix as manager of the Fund, is organising a series of seminars, based on a comprehensive case study of HEFF, that was commissioned by the MasterCard Foundation. The first of such seminars, aimed at disseminating the lessons learned based on the conclusions of the case study, will take place in Bogota, Colombia on April 18th, 2018

For more information about the activity and the case study visit

www.heff-education.com

Team Up with African Agripreneurs, 1st June 2018, Rabobank,

Utrecht, the Netherlands - International conference with agripreneurs and farmers' organisations; policymakers from government, business, academy and civil society; students - from Africa and Europe. The booming markets in Africa provide business opportunities for those farmers and agri-food entrepreneurs (agripreneurs) that are able to supply fast growing consumers markets with fresh and healthy food, such as vegetables, fruit, poultry, dairy products and meat. But how to finance them and what are the results of investment funds that have supported these businesses?

For more information visit <http://www.foodfirst.eu/201806>

CALENDAR OF EVENTS

25 th April			
Offsite Session, Utrecht, The Netherlands	J	F	M
9 th May	A	M	J
e-MFP Board meeting, London	J	A	S
9 th May	O	N	D
Offsite Session, London			
14 th – 16 th November			
European Microfinance Week, Luxembourg			
15 th November			
European Microfinance Award, Luxembourg			

The **Borrow Wisely** Campaign is an international initiative to promote customer protection standards and financial education. The Campaign is realised by microfinance organisations, which use an opportunity to re-confirm customers care orientation and commitment to responsible finance. 26 MFIs from 17 countries participated in the campaign during October 2017 successfully engaging over 250 000 current and potential clients. The evaluation shows that the campaign helped clients to reflect on key principles of responsible borrowing.

For more information visit http://mfc.org.pl/2017-borrow-wisely-campaign-results/?utm_source=SpreadContent&utm_medium=e-mfp.eu&utm_campaign=BorrowWiselyResults2017

MFC-EMN Conference 2018: Save the date! The Microfinance Centre (MFC) and European Microfinance Network (EMN) will hold a joint conference on 3rd - 5th October 2018 in Bilbao, Spain. The event will be an opportunity to learn from an impressive line-up of speakers, share experiences, trends and best practices in inclusive finance.

For more information visit http://mfc.org.pl/microfinance-mfc-emn-conference-2018/?utm_source=SpreadContent&utm_medium=e-mfp&utm_campaign=MFC-EMN-Conference-2018

RIM's Institution Assessment Training for Independent Assessors, on 26th – 28th September 2018 in Luxembourg is an in-depth, 3-day training program designed for risk management experts, consultants, and consulting firms serving the microfinance industry. Through interactive lectures, facilitated discussions, and a case study, assessors learn to conduct a risk management gap analysis and facilitate the creation of a strategic risk management development plan using the RIM Graduation Model and the RIM Institution Assessment framework. RIM's cost-effective training course builds competencies, develops efficiencies, and eliminates the need to create a comprehensive risk management assessment methodology, enhancing an assessor's competitive advantage in the bidding process. Tickets will sell quickly so ensure you order yours today!

For additional information visit <http://www.riminitiative.org/event/institution-assessment-training-for-independent-assessors-luxembourg-september-2018/>.

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Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs



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