EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

NEXT EUROPEAN MICROFINANCE WEEK 14th-16th NOV 2018

summer 2018

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Only Connect: Making Technology Work for the Financially Excluded

Last month the third World Bank Global Findex was released, the first since 2014 and a unique macro look at the financial inclusion landscape. While the picture is a nuanced one, and there are always difficulties in collecting reliable data, there was a clear overriding theme of the research: technology, in all its forms, is transforming the delivery, the products, the access and the economics of financial inclusion. Technology-enabled services and products are addressing the high cost of human-intensive, traditional microfinance offerings, improving access to finance for low income and financially excluded clients, and promoting new categories of 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, while becoming standard-setters for others to replicate.

It was recognition of the transformative potential of the innovations everywhere you look in the sector that led the organisers of the European Microfinance Award to turn attention for this year's Award to this crucial topic: *Financial Inclusion through Technology*. After months of work in partnership with this year's supporting consultants MicroFinanza Rating, a Call for Applications was launched in mid-April. The six-week application window closed on May 30th, presenting for evaluation an outstanding and diverse array of technology-driven solutions to the challenges of cost, access, outreach and client protection.

27 organisations completed the application process, from an amazingly diverse range of 22 countries representing virtually all regions of the low-income world: Cape Verde, Colombia, Côte d'Ivoire, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, India, Kazakhstan, Kenya, Kosovo, Malawi, Nepal, Pakistan, Philippines, Rwanda, Senegal, Tanzania, Turkey, Yemen and Zambia. The organisations themselves are diverse too, comprising a mix of traditional microfinance providers as well as new entrants, including 8 non-bank financial institution MFIs, 4 FinTech companies, 4 microfinance banks, 4 NGOs, 3 commercial banks, one cooperative, one agent network aggregator, one credit bureau and one mutual. Now the rigorous, challenging (but also immensely rewarding) evaluation process begins in earnest. First, a Preselection Committee evaluates all the applications for eligibility, financial and social performance, and the overall quality of the initiative and liaises with applicants for any follow-up data or documentation that might be needed. The Preselection Committee meets in late June for a full-day session to discuss the applications – a process which will lead to a shorter, pre-selected list being passed to a 20-member Selection Committee that will evaluate the pre-selected applicants over the summer before meeting in September for a day of discussions and a voting process which whittles the list down to 7-10 semi-finalists and three finalists to be assessed by a High Jury and the winner announced during European Microfinance Week at a ceremony at the European Investment Bank on November 15th.


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EUROPEAN MICROFINANCE AWARD

The **European Microfinance Award**[1] is a prestigious annual €100,000 award, which attracts applications from financial institutions around the world that are innovating in a particular area of financial inclusion. The Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, and is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg, in cooperation with the European Investment Bank. It serves two parallel goals: rewarding excellence, and collecting and disseminating the most relevant practices for replication by others.

[1]**For more information visit** *http://www.european-microfinance-award.com/*

How Can Technology Increase Financial Inclusion?

Technology has the potential to drive financial inclusion in various ways. Technology-enabled credit can be delivered to clients using a digital channel or process (e.g. technology solutions applied to marketing, origination, creditworthiness analysis, loan approval, loan disbursement, loan monitoring, loan payment, or loan recovery); technology-enabled saving products can also be 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).

Microinsurance products can also be delivered 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). Technology can also reduce costs and increase access to domestic or international payment and transfer facilities, while delivery-side technology solutions that increase outreach and efficiency of the delivery of financial services (e.g. smartphone or tablet applications for loan officers in the field; ID verification technologies such as biometrics; innovations in client data management) can also directly impact service delivery to clients.

Past Awards re-visited…
Kashf Foundation, winner of the 2016 Award

Microfinance and Access to Education was the 2016 Award theme, inviting applications from MFIs that seek to increase access to education for children, or provide skills training for youth and adults to enhance their employment and self-employment opportunities. Kashf Foundation of Pakistan won for its supply and demand-side initiative, helping schools and families through development of low-cost private schools (LCPS).

Kashf's winning initiative was "Kashf School Sarmaya" or Kashf Education Finance Program (KEFP), a holistic credit facility providing access to finance to LCPS as well as capacity building and pedagogy training for teachers and school owners, and Training of Trainers on Financial Education for Youth. With this program, Kashf aims to support LCPS by helping them improve school infrastructure, teaching methods and school management skills.

InFiNe.lu, a co-organiser of the European Microfinance Award with e-MFP and the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, visited Kashf Foundation in April to see what Kashf had used the prize money (and increased profile) to achieve in the previous year. From January 2017 to January 2018, Kashf trained a further 6,786 teachers (an increase from 5,672 to 12,458) and 2,122 schools owners (an increase from 2,367 to 4,489) on improving the overall pedagogy of learning through better teaching styles, classroom and school management. Training was implemented at a further 1,042 schools; 47,879 additional children benefited from Kashf's Financial Education for Youth program; and child safety and well-being trainings were provided to 745 teachers and school owners in the areas of Lahore and Kasur in order to equip children with the knowledge of preventive measures against child sexual abuse – a sensitive and critical issue in the context of rising numbers of child abuse cases in Pakistan.


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More information on how Kashf Foundation has used the Award money and platform to expand the KEFP can be found in a recent e-MFP blog[2] on the subject.

[2] *http://www.e-mfp.eu/blog/what-happened-after-winning-european-microfinance-award-how-kashf-foundation-s-education*

NEWS FROM THE SECRETARIAT

e-MFP Partners with FIF UK to bring Award to London for 'Offsite' Session

On May 9th, e-MFP partnered with the Financial Inclusion Forum UK[3] (FIF) for the second straight year to present the European Dialogue on the 2017 European Microfinance Award on *Microfinance for Housing*, as well as promoting the 2018 Award on *Financial Inclusion through Technology*. The European Dialogue entitled *Building New Foundations in Housing Microfinance*[4] was launched only a few weeks earlier, so as part of e-MFP's initiative to increase the number and variety of 'Offsite' events, a panel discussion was convened to discuss some of the findings and factors for success from the Award, profiled in the *Dialogue*, in the context of developments and challenges in providing finance for affordable housing.

The panelists for the event were Sandra Prieto from Habitat for Humanity's Terwilliger Center for Innovation in Shelter; Daniel Rozas of e-MFP; and Trushna Patel from the Aga Khan Agency for Microfinance. The session was moderated by e-MFP Financial Inclusion Specialist (and lead author of the *Dialogue*) Sam Mendelson.

The key challenges that were discussed included long-term funding for housing projects, inability for clients to provide collateral and difficulties in assessing payments. Why is lending in this sector a niche? Essentially, it is not viewed as a growth opportunity or income generating area, with issues of funding being a major constraint. To date, there is only one specialised fund for housing that was set up in 2012, with US $100 million. The housing microfinance sector will continue to remain niche until it's able to access funding and facilitate inclusive market systems.

Financial institutions such as the Award semi-finalists profiled in the *Dialogue* have therefore been looking at how to overcome these challenges in various ways, including tailoring loans to home improvement, involving village assemblies to provide collateral, designing training for masons and construction workers, and providing finance for renewable energy and water, sanitation and hygiene (WASH) products too. In this sense, the best solutions in housing microfinance not only involve a range of financial products well matched to the particular needs of low-income populations seeking to improve an existing home or buy land to build a new one, but provision too of non-financial services - the budgetary, technical, and legal support those clients need - and looking at housing beyond just a living space or an income-generation opportunity, but also as a place of safety, security and health. These are just some of the innovative solutions employed by the Award semi-finalists profiled in the *Dialogue*. Other solutions include designing renewable energy products and also showcasing the social impact of housing, not only for an individual, but their families and communities. Adequate housing goes beyond the physical element of space, but it also includes health and safety of individuals.

[3] *https://www.financialinclusionforum.org.uk/*
[4] *http://www.e-mfp.eu/resources/european-dialogue-microfinance-housing*

Save the Date - European Microfinance Week, 14th-16th November

Have you blocked 14th – 16th November for European Microfinance Week (EMW) 2018? EMW is one of the top events in the inclusive finance calendar which gathers close to 500 leading experts from all over the globe to tackle the sectors most pressing challenges. Its widely recognised for its high quality sessions on front line topics, and we'd like to thank all our members who submitted proposals for EMW 2018 during the recent request for session proposals. In the coming weeks we'll be drawing the ideas together so stay tuned for details of the stimulating programme and exciting line-up of prestigious speakers in store!

Participants consistently rate EMW as the must-attend event in Europe for networking and knowledge sharing. So join us for 3 days of exchange and debate and don't miss the excellent opportunities to engage with industry peers.

Registration on www.e-mfp.eu will open during the summer - block the dates **14th – 16th November 2018** in your calendar, we look forward to welcoming you to Luxembourg!

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

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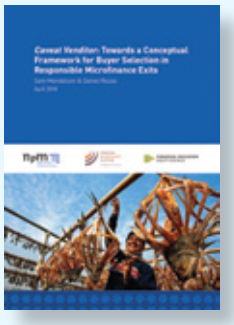
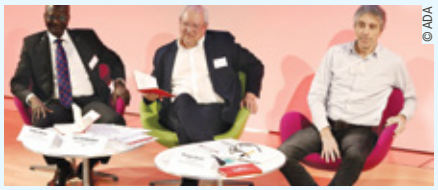


Caveat Venditor: Towards a Conceptual Framework for Buyer Selection in Responsible Microfinance Exits

Research commissioned by NpM, Platform for Inclusive Finance, in partnership with the e-MFP Investor Action Group and the Financial Inclusion Equity Council (FIEC). This new paper written by Sam Mendelson and Daniel Rozas goes beyond raising questions, and seeks to provide a template to help investors navigate the complex terrain of "responsible exits" (for more information see page 13).

Read and download the paper at *https://bit.ly/2y44PTq*

e-MFP out & about



© ADA

On 18th April the e-MFP Secretariat attended a Midi de la Microfinance organized by e-MFP members ADA and InFiNe.lu on the topic of coaching risk management. Speaking at the event were Philippe Gérard, Consultant and teacher in banking and finance and Yombo Odanou, Coopérative d'Epargne et de Crédit des Artisans (CECA), Togo.

Gemma Cavaliere participated in a meeting of the editorial committee of the 2018 Microfinance Barometer of which e-MFP is a partner.

CONVERGENCES ZERO EXCLUSION CARBON POVERTY

On 3rd May Christoph Pausch took part in the official launch of a dedicated responsible investment fund window on the Luxembourg Green Exchange (LGX) platform of the Luxembourg Stock Exchange.

Daniel Rozas attended an event on critical capital for African AgriFood SME's organised by ICCO, Rabobank Foundation and AgriProfocus on 15th May at the Permanent Representation of the Netherlands to the European Union in Brussels. Starting point for this roundtable was a research report that the three organisations have recently launched on African early growth agrifood SMEs (read more on page 11).

On 29th May Christoph Pausch attended the Symposium "The Power of Collaboration" organised by the Rabobank Foundation in Utrecht on the occasion of Pierre van Hedel's retirement.

The e-MFP Secretariat participated on 30th May in the Sustainable Finance Forum Luxembourg. e-MFP had nominated Tanmay Chetan, the CEO of our member Agora Microfinance, to speak in the panel "Impact Plus - Stories from the Field".

e-MFP's Daniel Rozas was a panellist in the "Innovations from Around the World" session at the 8th Global Housing Finance Conference held 30th May – 1th June, in Washington DC. He presented the innovative practices of last year's European Microfinance Award winner, Tosepantomin, as well as his experience with a savings-for-housing pilot conducted by Habitat for Humanity in 2015.

On 7th June the e-MFP Secretariat participated in a Midi de la Microassurance organised by our members ADA and InFiNe.lu on the topic of "Client's Journey into Microinsurance" which was held at the Arendt House in Luxembourg.

The e-MFP team joined the SPTF Social Investor Meeting held 18th - 19th June, and hosted by the Luxembourg Ministry of Foreign and European Affairs. Daniel Rozas was one of the panellists on "'Overindebtedness and the Lenders Guidelines project in Cambodia" session and the e-MFP Investor Action Group also presented the "Draft study on the Assessment of Environmental and Social performance of SME Finance Institutions".

FORUM

What Role can Microfinance Play in Increasing Access to Affordable Clean Energy?

By Sam Mendelson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According to the World Bank, there are approximately 1.1 billion people worldwide without access to electricity, and many more have unreliable access. The IFC estimates about 2.9 billion people still depend on traditional biomass fuels – such as charcoal, wood, and animal dung – as their primary cooking and heating source. These products are not only environmentally harmful, but have adverse effects on several human development metrics, including health.

The 'energy poor' face many challenges. Unable to access modern energy services, the unelectrified (those without stable grid or Distributed Renewable Energy (DRE) solutions) struggle to maximise agricultural productivity, transportation capacity, educational success, safety and security and gender equality. Children and adults in electrified households are better able to seek education than their unelectrified counterparts. Businesses with electricity are often more profitable than those without. Men and women in electrified households are more likely to be employed than the energy poor. And not only do the poor lack access to quality energy, they have to spend a higher percentage of their income on this low-quality energy than higher income segments. In this way, the 'cycle of poverty' continues: without access to reliable modern energy services, the poor are caught in a negative feedback loop, unable to afford the energy services that would help them to advance economically.

But *distribution* and *affordability* remain the great twin challenges of expanding access to modern clean energy products. As technology risk has decreased, new distribution and value chains have reduced costs, cloud-based software allows affordable adaptation for new product or service offerings, and international standards are more prevalent, MFIs can play an increasing role in bridging the affordability gap for potential customers, and diversifying their own service offering in the process. MFI clients are often the same demographic segment as those without access to affordable, reliable and clean energy, so under the rubric of 'credit-plus' or 'livelihood improvement' MFIs are beginning to seriously explore providing energy loans to their clients.

The reasons behind energy microfinance (via standalone energy credit products, PAYG metered solutions, or so-called 'top-up' loans for smaller products) are clear. DRE products like solar home systems (SHS), irrigation pumps, biogas digesters and improved cookstoves (ICS) may carry prohibitive upfront costs, and manufacturers or distributors lack the infrastructure to reach into rural areas anyway. So MFIs can partner with energy companies in a mutually beneficial arrangement: the MFI can increase the livelihood level of its client base (including potentially improving its own portfolio quality through increased income-generation opportunities for clients), attract different tranches of impact investment, potentially access subsidies, and diversify its offering. Likewise, the energy company can reach new customers, provide the finance to make the products affordable, and leverage the trust, group and network effects on which microfinance sometimes thrives.

Arc Finance[1] has been a leader in the end-user energy finance space since 2008. From 2012-17, Arc was the implementing partner for the USAID-funded Renewable Energy Microfinance and Microenterprise Program (REMMP), which provided TA to over a dozen financial institutions in several countries to test different business models for end-user energy finance. The following are some of the high-level sector trends that emerged over the course of that research.

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http://arcfinance.org/projects/remmp/

1. Energy microfinance business models are partnership-based.
The majority of energy microfinance business models are highly partnership-dependent, and involve the division of critical business functions between different collaborating entities. The most common partnerships are formed between MFIs and energy product companies, but collaborations between affiliates of the same MFI parent organisation are also common, particularly among larger, high resource institutions.

2. MFIs are well adapted to perform multiple customer-facing business functions.
In the context of these partnerships, MFI expertise is generally applied to a range of customer-facing functions encompassing end-user finance, demand generation, sales, distribution, and after-sales service. MFIs are well adapted to these roles because they are able to leverage their existing microcredit offerings, network infrastructure and long-term proximity to customers to build demand and reduce transaction costs across the value chain.

3. Energy affects not just lives, but livelihoods.
The livelihood and income-generating advantages of these products are also critical to MFI engagement. Typically, MFIs lend to borrowers that are existing entrepreneurs engaged in productive activities. Since loans are non-collateralised, the income-generating track record of the client ensures the ability to repay loans, and limits default risk. Solar lighting devices have clear productive value: for many microfinance clients, reliable, high quality and affordable lighting is an immediate input for their livelihoods and has a direct impact on income generation.

4. MFIs can mobilise clients as energy product sales agents.
Energy microfinance agent programs involve the mobilisation of existing MFI clients as agents, who promote and sell energy products in their communities and earn a commission or margin based on sales volume. Agent sales models are well established in the broader domain of rural retail and distribution, including in the household energy space. The unique outreach, client engagement and lending capabilities that are typical of microfinance provide a strong platform for sales agent experimentation and success.

5. Subsidies restrain development.
Traditional fuel subsidies, especially for kerosene, restrain growth of the DRE sector. This is not true everywhere but the unevenness of market distortions like this, and uncertainty as to future governments' policies, restrains the international debt finance required to scale the sector. Until particular governments can reduce and eventually eradicate subsidies for harmful fuels, alternative energy sources like solar for home lighting and irrigation cannot compete fairly.

6. Finance innovations are necessary…
The microfinance sector has expanded from a typical, 'boilerplate' microcredit loan, to a suite of financial services that are demand-driven, evidence-based, and responsive to the characteristics of clients' lives (volatile, irregular incomes and susceptibility to 'shocks'). So far, most financial institutions offering consumer finance for energy have inadequately adapted repayment schedules to clients' capacity to pay.

7. …and so are Key Performance Indicators.
Microfinance has developed a variety of performance metrics in recent years. The energy microfinance sector is yet to achieve this. Standardising KPIs (such as CO_2 sequestration, energy hours used, wattage installed, total beneficiaries, kerosene substituted, write-off ratios, ROA, or household income increased) would assist impact investors in directing maximum 'bang for the buck', and provide a framework for weaker institutions to strive for international Best Practice.

8. Partnership quality is critical.
MFIs can be harmed by unreliable product partners that deliver low quality devices and minimal after-sales service. Energy lending programs that fail because of market spoilage, technical failure and mass defaults, also damage relationships between clients and the MFI, jeopardising portfolio quality and deterring investors.

9. Fund allocation for capacity building must be a priority.
Capacity building of stakeholders (MFIs, banks, developers, energy enterprises and community organisations) should be a priority for local governments, and could include provision of technical assistance, guarantees for accessing cheaper debt capital, cost sharing, or tax deductions for training and outreach. Negative market interference such as kerosene subsidies could be replaced with feed-in-tariffs, tax exemption and tradable green certificates. Tax exemption in particular is used as a fiscal incentive measure to enhance renewable energy deployment in many countries. Tax credits could be applied for the investment, production, or consumption segments of electricity generated by renewable energy sources.

Sam Mendelson is Knowledge Specialist at Arc Finance and Financial Inclusion Specialist at e-MFP.

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[1] *www.arcfinance.org*

NEWS FROM OUR MEMBERS

Apply to the Responsible Inclusive Finance Facility in Southeast Asia

Funding available for SPM trainings, audits, and upgrade projects

THE GOVERNEMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

Social Performance TASK FORCE

The Social Performance Task Force (SPTF) is pleased to announce that it has received funding from the Ministry of Foreign and European Affairs of Luxembourg to start a Responsible Inclusive Finance Facility in Southeast Asia (RIFF-SEA).

The RIFF-SEA is an initiative that provides trainings and co-finances projects to help strengthen the capacity and social performance management (SPM) practices of financial service providers in the region. The RIFF-SEA is managed by SPTF and will run through 2021.

Training opportunities

RIFF-SEA trainings focus on introducing SPM and related tools, as well as building the capacity of local consultants and networks to assess and improve SPM practices.

The **Responsible Inclusive Finance (RIF) Introductory Training** is a three-day training that starts with an introduction to SPM and how it strengthens businesses and benefits clients. The training then provides an overview of the Universal Standards for SPM, which is a comprehensive manual of best practices to help financial service providers (FSPs) achieve their social goals, as well as the SPI4 social audit, which allows FSPs to assess their practices against the Universal Standards.

The RIFF-SEA also provides **Smart Assessor trainings** and **SPI4 Auditor trainings**, which help prepare consultants to conduct Smart Assessments and SPI4 audits, respectively. RIFF-SEA seeks to further build local capacity by offering **trainings for technical assistance (TA) providers on specific aspects of SPM** as well as **trainings for regulators on SPM**.


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Co-financing opportunities

RIFF-SEA also will co-finance activities which are designed to help FSPs begin to assess their SPM practices and implement improvements. Note that the RIFF-SEA does not fund the full cost of a project; it provides *co-financing* of up to half the project. The RIFF-SEA offers the following type of co-financing grants:

- **Accompanied SPI4 audit "plus."** This allows FSPs to evaluate their practices against the full set of Universal Standards to better understand their SPM strengths and weaknesses. It also includes additional support to begin creating an action plan to fix gaps.
- **Smart Assessment.** This allows FSPs to evaluate themselves against Smart Campaign's client protection standards, which make up 1/3 of the Universal Standards.
- **Upgrade project.** This project allows FSPs to address weaknesses identified in an SPI4 audit or a Smart Assessment. It involves a number of days of TA support to help FSPs improve SPM issues of their choosing. Past upgrade projects have helped FSPs create client complaints mechanisms, improve the collection of social data, and train their boards on SPM.
- **Specialized training for FSPs on an aspect of SPM.**
- **Smart certification and/or Social Rating.**

Apply now!

You may submit an application at any time to katiehoffmann@sptf.info. The RIFF-SEA Steering Committee reviews applications on a quarterly basis. **To have your application considered in the third quarter 2018 Steering Committee meeting, please submit it by August 20, 2018**. To learn more and to *download applications*, please visit *https://sptf.info/resources/riff-sea*

100 Smart Certifications – A Milestone for Responsible Inclusive Finance

the smart campaign | Keeping clients first in microfinance

The Smart Campaign, the leading industry voice on financial consumer protection, housed at the Center for Financial Inclusion at Accion, is thrilled to announce that 100 financial service providers have attained Smart Certification, extending fair treatment and respect to more than 42 million low-income financial clients around the world. Smart Certification is an independent and objective seal of confidence that a financial institution is doing everything it adhere to the industry-accepted Client Protection Principles and protect its clients from harm.

In just five years of offering Certification, reaching 100 institutions marks a major achievement for the advancement of pro-client practices in the financial inclusion industry. "Reaching this milestone and seeing the continued interest for certification from a wide range of providers – including fintech startups – is very encouraging," said Isabelle Barrès, Director of the Smart Campaign. "It demonstrates that protecting consumers and building trust maximizes benefits for both the client and the companies that serve them." The momentum for certification signals that the industry increasingly values client protection not only for the sake of clients, but also because certification streamlines the business practices of providers. Certified financial institutions have reported that certification helped to drive better alignment between their culture and social mission, while also improving the quality of their portfolios and increasing client retention.

Looking ahead, the Smart Campaign will work with institutions of all types to keep clients as the driving force of the financial inclusion sector. The Campaign will continue elevating the client voice through research into emerging risks, collaborating with investors and regulators on due diligence and client protection frameworks, as well as exploring how certification can evolve to fit new types of providers, products, and channels as the market for digital financial services grows.

For more information visit *https://www.smartcampaign.org/*

New Study Challenges Funds and Governments to Invest in African agrifood SMEs

On Tuesday 15 May 2018, the Permanent Representation of the Netherlands in Brussels hosted a meeting to present the results of the study "Critical Capital for African Agri-food SMEs[6]". This study has been published by Rabobank Foundation[7], AgriPro-Focus[8] and ICCO Cooperation[9] and was funded by Food & Business Knowledge Platform[10]. The study focuses on access to risk capital for agri-food SMEs in sub-Saharan Africa. Though agri-food SMEs are key for strengthening sustainable food systems, they face difficulties in accessing capital. The event was attended by the European Commission, Social Impact Funds, Development Partners and European Platforms.

Importance of agrifood SMEs for food security

In 2050 the number of people living in Africa will have doubled. This entails enormous challenges for food supply. However, Africa is capable of feeding itself as there is enough availability of natural resources. It can even become a global player in the agrifood sector. And SMEs play a key role in this, because they occupy critical positions along the value chains: as input suppliers, off-takers, processors, distributors or otherwise. They constitute a pull factor, aggregating smallholder farmers into the value chain and upgrading the quality and efficiency of farming, leading to a more sustainable food system.

Offer agrifood SMEs an assortment of services

The study 'Critical Capital for African Agrifood SMEs' focuses on agrifood SMEs that form the 'missing middle': too large for micro-finance and too small for mainstream banks and private equity firms. A major conclusion is that there are very few investment funds that meet the financing needs of agrifood SMEs; the need for funding is usually under 250.000 USD, whereas most funds start investing from 1M USD. Such smaller investments are tedious and costly for investment funds, even for those set up with the explicit goal to stimulate the development of the agrifood sector.

Graduation strategy

The report therefore calls on policy makers to promote a graduation strategy that allows investors to offer an assortment of services to agrifood SMEs that match their development stage. Governments and international development agencies can contribute to such a strategy by reorganising their own investment vehicles; giving them a wider mandate and access to relevant - low cost - financial resources to invest in the missing middle.

Debate in Brussels

The discussion in Brussels, with contributions of experts working at ECDPM, Kampani, EU DEVCO and Truvalu, focussed on the need to clearly define the complementary roles of actors who support agrifood SMEs either with (critical) capital and/or support services at different stages of business development in order to achieve both commercial success and sustainable impact. Collaboration between those actors is seen as a key solution for successful growth of those SMEs. Furthermore, the support needs to be adapted (tailor made) to the needs of the entrepreneur. During the discussion the role of public funding was looked at more closely. Different partners expressed their willingness to join forces at European level to work towards concrete solutions. Platforms do exist already though and it makes sense to first explore existing collaborations and join forces.

About the research

Apart from desk research, the study involved field research in four countries (Kenya, Tanzania, Zambia and Mali). Local researchers interviewed investment funds, agrifood SMEs, and relevant resource persons. This resulted in examples of successful SMEs that had raised capital, thereby boosting their development, and of SMEs that could not access such funds. The study also presents an overview of existing investment funds for agrifood SMEs in Africa.

[6] *https://bit.ly/2y3HjG1*
[7] *https://bit.ly/2l96FJk*
[8] *https://agriprofocus.com/intro*
[9] *https://www.icco-cooperation.org/en/*
[10] *http://knowledge4food.net/*

NEWS FROM OUR ACTION GROUPS

Responsible Exits project of the Investor Action Group

In the framework of an "Offsite Session", an afternoon workshop with microfinance investors was held in Utrecht on 25th April, to present the NpM/e-MFP Investor Action Group/FIEC research and the publication[11], *Caveat Venditor: Towards a Conceptual Framework for Buyer Selection in Responsible Microfinance Exits*, authored by Sam Mendelson and Daniel Rozas, on buyer selection in responsible microfinance exits. 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 Action Group – overseen by e-MFP's Sam Mendelson and Daniel Rozas – 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 with the Financial Inclusion Equity Council (FIEC) and NpM, Netherlands Platform for Inclusive Finance, and summarised in recent press articles[12], 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-recognized 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.

To introduce and industry-test the value of this framework, the April 25th workshop was led by the two authors and was attended by representatives of four social impact investors. After briefly presenting a summary of the research findings, they ran a 'simulation' exercise of an exit, with participants taking the roles of different potential buyers before rejoining to assess the candidates from the seller's perspective. The workshop received excellent feedback, and there are plans to conduct a more extensive exit simulation exercise as a dedicated session during European Microfinance Week 2018.

[11] *https://bit.ly/2y44PTq*

[12] *https://bit.ly/2l9p6NM*
https://bit.ly/2Mvt5AW

Green Inclusive & Climate Smart Finance Action Group

New Name

The Microfinance and Environment Action Group changes its name and reshapes its focus to be up-to date with a rapidly evolving industry. The new name "Green Inclusive and Climate Smart Finance" renews the interest and intention of the group members around some key words:

- "Inclusive": expand the green focus beyond microfinance and include also sectors such as SME banks.
- "Climate": underline the key importance of climate dimension for any financial activities today and for all the years to come.
- "Smart": focus our attention on technology and digital innovations to spur green and climate finance.

Areas of intervention

Following a participatory process, the members of the AG have defined the new mandate of the AG for the two coming years (2018-2019). The AG will focus on the following areas of intervention:

(A) Mainstreaming the **Green Index**- the assessment tool for environmental performance of MFIs, developed by the AG in 2014 (version 1.0), refined in 2016 (version 2.0) and now incorporated into the new SPI4 CERISE - with a series of **workshops/trainings**.

(B) Designing Methods and Implementing Activities for Collecting and Sharing Lessons Learned from Various Business Cases. In a context where a growing number of MFIs and DFIs have been contacting the AG, expressing their willingness to learn more about green finance including its financial sustainability, the AG has decided to develop a **library of cases** drawn from the actors in the sector and make them available for implementing successful green finance initiatives, as well as for research purposes.

In addition to this, the AG will facilitate the organisation of a **Green Finance Study Tour** for MFIs, DFIs, investors and other interested e-MFP members. The objective is to expose participants to best practice cases in the field of clean energy and climate smart agriculture solutions and replicate green inclusive schemes in their home country.

(C) Monitoring and **capacity building** on the latest trends in the **Green Finance Sector**. Specific attention will be dedicated to identifying innovative approaches and solutions for green inclusive and climate smart finance. In particular the AG will investigate: 1) the potential of green inclusive finance to support smallholder finance sector, 2) the role of ICT solutions in the green inclusive and climate smart sector, 3) the role of green inclusive finance in smart cities. **Dedicated studies** will be delivered plus a set **of trainings and webinars** on these topics will be organised.

If you are interested in any of the areas of intervention and/or would like to join the Action Group, please do not hesitate to contact the AG Heads :

- Geert Jan Schuite, Enclude
  - gjschuite@encludesolutions.com
- Davide Forcella, CERMi
  - davide.forcella@yahoo.it
- Giulia Corso, MicroEnergy International
  - giulia.corso@microenergy-international.com

Thank you to Marion and Raluca

Since the beginning of this Action Group and over the past years, Marion Allet (Pamiga) and Raluca Dumitrescu (MicroEnergy International) have guided and supervised the activities with great enthusiasm and passion. We would like to thank them on behalf of all members of this Action Group for their leadership and professionalism. We welcome them as active supporters and participants of the Action Group.

ANNOUNCEMENTS

The 4th Edition of the **Boulder Rural and Agricultural Finance Program (RAFP)**, in partnership with FAO/CABFIN, a collaboration workgroup including IFAD, FAO, GIZ/BMZ, UNCDF and the World Bank, and the generous support of Rabobank Foundation will take place in English from **July 16th to 27th** in Utrecht, Netherlands at the Rabobank Group Headquarters. The 2018 Boulder RAFP will offer 12 elective courses to choose from, that add to 70 academic hours delivered by a core of Faculty, formed by a diverse group of world-renowned agrifinance experts.

For more information and to register visit
https://www.bouldermicrofinance.org/boulder/EN/RURAL

The 2017 Annual Report for the **ILO's** work on Social Finance and Impact Insurance highlights achievements over the last year. In 2017 ILO intensified its engagement with policy-makers and financial institutions - banks and credit unions, insurance companies and investment funds - to contribute to decent work and promote sustainable and equitable economic growth. ILO increased capacity building activities with financial sector practitioners through training courses, knowledge events, publications and other learning tools. Eighty organizations reported improvements as a result of this support. Solutions were shared with over 49,000 stakeholders, and the projects supported helped the extension of responsible services to more than 559,000 low-income households, smallholder farmers and small enterprises.

Read the report in English at *http://www.ilo.org/empent/Publications/WCMS_618853/lang--en/index.htm . French and Spanish are forthcoming.*

The **Centre for Research on Social enterprises and Microfinance (CERSEM)** at University of Agder have recently initiated a research project aiming to understand better the Determinants of Success of Savings Groups. CERSEM will be using the SAVIX database, which contains information on nearly 200000 savings groups in 50 countries around the world. PhD candidates Linda Nakato and Rolando Gonzales are currently working on this project under the supervision of PhD Prof. Roy Mersland (University of Agder) and PhD Prof. Bert D'Espallier (KU Leuven). The project is sponsored by FAHU Foundation in Denmark.

For more information visit *https://cersem.uia.no/*

Together with other committed stakeholders, the **Grameen Crédit Agricole Foundation** takes part in the financial transition to a more just, more equitable economy with better shared effects. Its annual report 2017 is a call for devising financing, investments and support mechanisms for the economy that are more accessible, more transparent and more supportive. With €49.3 million granted in 2017, the Foundation expanded its activities to 32 countries. It supported 69 microfinance institutions and social businesses who accompany 3.2 million clients, of which 77% are women and 75% live in rural areas.

Download the Integrated Annual Report at
http://gca-foundation.org/data/grameen/media/documents/Grameen-Credit-Agricole-Foundation-Integrated-Annual-Report-2017-.pdf

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With over 65 million forcibly displaced people, of which almost 21.3 million refugees, the migrant crisis to date is one of the most urgent and compelling realities affecting the world. Most refugees have little to no opportunities to enter the economic system due to a lack of available financial services and thus, despite protracted displacement and residence in host countries, are unable to integrate into the economy and society. To bring this to light and work on solutions, **NpM, Platform for Inclusive Finance**, wants to improve capacity for providing financial services to refugees and decided to do its annual conference on the topic of 'Finance for Refugees' to discuss this critical issue and work towards sustainable solutions for refugees. Save the Date **7th September 2018**, The Hague, The Netherlands.

Contact: info@inclusivefinanceplatform.nl.

ILO's Impact Insurance Academy, **10th – 14th September 2018** in Turin Italy is a unique opportunity to learn from the ten years of experience and innovations in inclusive insurance facilitated by the ILO's Impact Insurance Facility. By combining plenary sessions with specific electives by the choice of participants, participative activities, case studies and intensive discussions, the Academy offers a dynamic learning environment for participants and experts from all over the world to discuss ways of developing inclusive insurance.

For more information visit
https://readymag.com/ITCILO/1035464/3/

RIM's Institution Assessment Training for Independent Assessors, **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/ or email training@riminitiative.org.*

MFC-EMN Annual Conference 2018, **3rd - 5th October 2018** in Bilbao, Spain - "People and the digital revolution: Advancing our social mission through technology". The highest profile event on microfinance and financial inclusion will be a meeting of minds and ideas and will provide the perfect opportunity to network, exchange experiences, learn from an impressive line-up of guests and even lay the groundwork for successful partnerships going forward.

For more information *visit www.mfc-emn-conference2018.com*

European Microfinance Week is one of the top events in the inclusive finance calendar which gathers close to 500 leading experts from all over the globe to tackle the sectors most pressing challenges. Block the dates **14th – 16th November 2018** in your calendar!

More information and registration will be available on *www.e-mfp.eu* **shortly**

CALENDAR OF EVENTS

27th September

e-MFP Board meeting, Luxembourg

14th – 16th November

European Microfinance Week, Luxembourg

15th November

European Microfinance Award Ceremony, Luxembourg

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Follow us on

European Microfinance Platform (e-MFP)

39 rue Glesener
L-1631 Luxembourg
Tel: +352 26 27 13 82
contact@e-mfp.eu
www.e-mfp.eu

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