CONFERENCE REPORT

EUROPEAN MICROFINANCE WEEK 2014

DEVELOPING BETTER MARKETS

12th - 14th November 2014
Abbaye de Neumünster, Luxembourg

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FOREWORD

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European Microfinance Week is the annual event of the European Microfinance Platform (e-MFP), gathering its diverse membership and other interested professionals from related sectors to debate, exchange and share experiences on issues impacting microfinance in developing countries. The 2014 event brought together from 56 countries over 400 opinion-leaders, top management of banks, funds and other financial institutions, practitioners, academics, NGOs, analysts, raters and industry commentators to present key innovations, challenges and also the work conducted in the previous year by e-MFP's several dedicated Action Groups.

With this year's attention on *Developing Better Markets*, 31 workshops covered subjects including social performance management, agri-finance, conflict zone financial services, digital and technological innovations, green microfinance, downscaling strategies, responsible investment, and client-driven product diversification. The title of the conference, *Developing Better Markets*, demands buy-in from a whole range of stakeholders: regulators from various markets, financial institutions from international commercial banks down to small village NGOs and savings groups, and of course the diversifying range of entities involved in providing inclusive financial services to the poor in new – and better – markets. This diversity, and the range of e-MFP's members is reflected in the content of European Microfinance Week – which grows more varied and fascinating with every passing year.

This report summarises the discussions, viewpoints and vitality of the event. We wish you an enjoyable read, active exchanges among members in 2015 and we hope to welcome you to the next European Microfinance Week, 18th-20th November 2015.

Anne Contreras, Chairwoman
Christoph Pausch, Executive Secretary

SESSIONS

THURSDAY 13TH NOVEMBER 2014

WELCOME ADDRESS

SPEAKERS	**Christoph PAUSCH**, e-MFP
	Scott BROWN, Microfinance CEO Working Group

Christoph PAUSCH opened the European Microfinance Week 2014 with a word of thanks to all participants. This year, more than 400 participants attended the event, including many new organisations and representatives. Pausch highlighted several new elements to the European Microfinance Week (EMW) programme, focusing specifically on improving networking opportunities among participants: a conference app to connect with fellow participants, arrange meetings and follow the Twitter feed; a new Meeting & Networking lounge; and a new area, the Agora for Plaza, coffee breaks and lunch to accommodate EMW's growing numbers.

He also announced e-MFP's cooperation with the Microfinance CEO Working Group to jointly work on issues that affect industry stakeholders across the globe. He explained, for example, their cooperation on analysing microfinance's information backbone and determining how it could be strengthened in the future.

Scott BROWN, CEO of VisionFund International continued by introducing the Microfinance CEO Working Group to the audience as a group of eight international organisations working in microfinance. Started in 2008, the group aims to reorient the microfinance sector towards meeting client needs. Its three main areas of intervention are advocacy to influential actors and the press, industry strengthening by developing industry performance standards, and institutional strengthening through the implementation of best practices, starting within their own organizations. He also mentioned the group is supporting the uptake of three industry initiatives; the Smart Campaign, MF Transparency and the Social Performance Task Force.

He stressed the importance of dialogue beyond their working group, which is mostly based in North America. He mentioned an expanding relation with Convergences, with whom they jointly launched the Global Appeal. He also underlined their keen interest to strengthen cooperation with e-MFP. He sees excellent opportunities to cooperate and learn from each other as both organisations share the same goal towards responsible finance.

PLENARY:
BALANCING FINANCIAL INCLUSION, MARKET STABILITY AND CLIENT PROTECTION

MODERATOR	**Antonique KONING**, CGAP
SPEAKERS	**Kim WILSON**, Fletcher School at Tufts University
	Narda SOTOMAYOR, SBS Peru
	Armenuhi MKRTCHYAN, Central Bank of Armenia

PRESENTATIONS

Antonique KONING kicked off the Opening Plenary by explaining the concept of balancing "ISIP": financial Inclusion, market Stability, Integrity and client Protection. In her work for CGAP's Work stream Customer Empowerment, an enabling environment which takes up issues related to 'ISIP' is of vital importance. She also asked her fellow panellists to explain how their work relates to finding this balance.

Growing up in a rural area, Narda SOTOMAYOR learned at an early age how a lack of access to finance makes people vulnerable to risks and takes away their ability to invest in their livelihoods. She described her work at the Superintendence of Banks of Peru (SBS Peru), improving microfinance regulation to achieve social impact and market stability, as a balancing act in itself. As head of Consumer Protection and Financial Education at the Central Bank of Armenia, Armenuhi MKRTCHYAN learned that supply-side development of the financial sector is not sufficient for deep inclusion. Trust and understanding are needed to build the demand side. Empowerment and financial literacy help consumers understand products and take better decisions, benefiting themselves, their financial service providers and the financial system as a whole. Kim WILSON, the former head of Microfinance at Catholic Relief Services and Faculty member at Tufts University closed the introduction round, mentioning that impacts of microfinance are not always positive. Without standards, regulatory systems and impact measurement, practitioners had to work by instinct to balance the system. In her current work at the Fletcher School Leadership programme she trains the next generation of practitioners to think outside the box and find innovative solutions to imbalances in the microfinance sector and its institutions.

Koning asked the audience to consider three statements. Half of the audience agreed that "there is no trade-off between financial inclusion and financial stability". One contribution was that when you provide financial services, considering customer needs and protection will pay off in financial returns. On the statement "by definition financial inclusion implies consumer protection", a key insight from the audience was that the definition does not always materialise in practice. Finally, the audience agreed unanimously on the statement that "Financial education is an essential part of consumer protection".

Koning then asked the speakers to consider the synergies between financial inclusion, market stability, integrity and client protection. Sotomayor explained how adequate policies to boost financial inclusion and to improve consumer protection can reinforce market stability. Incentives for supply side development need to go hand in hand with transparency rules to ensure clients are well informed about financial products and services, their benefits and risks, and the terms and conditions agreed upon when contracting. When consumers understand their obligations, they are more likely to honour them; thus supporting the institution's bottom line and the stability of the financial system as a whole. According to Mkrtchyan, it is financial exclusion which threatens financial stability and integrity since services remain out of supervisory regulation and control of the formal financial system. She stressed the importance of bringing microfinance within the scope of regulation. Wilson referred to the Banana Skin Report, which marked volatility in household income as one of the main risks perceived by practitioners. She mentioned that when the MFI is promoting household stability, it is also supporting its own stability.

On possible trade-offs and challenges Mkrtchyan cautioned policy makers not

to cap interest rates to protect consumers. Instead, she proposed that the most effective way to decide on appropriate interest rates is to leave it to the market. Sotomayor partly supported her, by adding that interest caps introduced in Peru in the mid 80's were actually hurting the people they were supposed to help. Similarly, credit targeting quotas led to a sub-optimal allocation of resources and mandated institutions to serve (rural, bottom-of-the-pyramid, remote) populations, they were not ready to serve. These types of market interventions hurt both the financial sustainability and ability of MFIs to serve the poor.

Wilson stressed the need to consider interest rate caps in their context. As credit markets are not fully transparent, caps can be suitable in certain cases, but need to be carefully considered. Sotomayor cautioned that caps on interest rates for loans can also affect deposit taking as financial institutions need to reduce deposit rates to neutralize the reduction of their margins. In response, Mkrtchyan proposed the alternative of subsidising interest for specific vulnerable populations instead of capping interest rates.

Sotomayor also mentioned false trade-offs. As Peruvian banks are moving into a still profitable microfinance market, MFIs are reaching further down the pyramid to more vulnerable and remote populations. On the one hand, this greatly improves financial inclusion. On the other hand, it can also result in deteriorating portfolio quality if MFIs do not adjust their methodology to appropriately serve their new client base. Mkrtchyan added that increasing competition can drive down prices, but also result in over-selling and extending loans to populations without repayment capacities. Wilson underlined that by communicating, practitioners and regulators can stave-off trade-offs.

DISCUSSION

The discussion first turned to how to balance the ISIP principles in the case of insurance. Mkrtchyan explained how insurance is about perceptions and stressed the need for financial education. Without pay outs, many clients consider themselves taxed, instead of lucky that no insurance event affected their household. Therefore, the Central Bank introduced compulsory motor vehicle insurance to raise awareness of the merits of insurance. Against expectations, this did not result in consumers buying voluntary insurance in other fields. Sotomayor explained how allowing agents to act as a delivery channel for insurance and allowing group insurance products show promising results in Peru.

The panel then considered the international dialogue on client protection between regulators. According to Mkrtchyan, there are initiatives to establish best practice, for example World Bank best practices on client protection and the Alliance for Financial Inclusion guidelines on client protection. However, no single global standard setting body exists to address client protection. All such global protection efforts are part of other standard setting, regulating, funding and policy-making bodies. Vital in this dialogue are the voices of financial service providers that often are missing from such discussions. Sotomayor added that regulators exchange experiences in diverse fora, assuring that Peru is recognized as having a strong consumer protection regulatory framework. Regulators from around the world visit Peru to learn from its experiences engaging with service providers.

The discussion then turned back to the issue of interest rate caps. The panel agreed that credit is diverse: differences exist between products, regions and markets, even within countries. Mkrtchyan proposed to force financial institutions to be transparent about the costs of their products in order to reduce rates and fight the inefficiencies in markets. Wilson agreed, adding that it is difficult to make MFIs comply with such caps when they are put in place.

As a closing statement, Wilson stressed that as regulators are different we need to be aware of who is regulating whom. Sotomayor reiterated the need for interaction between industry and regulators. Such interaction allows regulators to learn from private sector experiences and improves buy-in and compliance. Mkrtchyan added that a gap will remain between regulation, enforcement and implementation as the sector continues to develop. Koning closed the session by stating that there is always a cost to intervention. We can reduce trade-offs by cooperating, building synergies and by ensuring policies and practices fit within the national context and take continued development of the sector into consideration.

INVESTING IN MICROFINANCE AS A CHANNEL FOR OTHER IMPACT FINANCE THEMES – CHALLENGES AND OPPORTUNITIES

MODERATOR	**Patrick GOODMAN**, Innpact
SPEAKERS	**Sylvia WISNIWSKI**, Finance in Motion
	Frederik Jan VAN DEN BOSCH, FMO
	Tim RADJY, AlphaMundi
	Guillaume BONNEL, Lombard Odier
	Sachin VANKALAS, LuxFLAG

PRESENTATIONS

Patrick GOODMAN started the session by asking whether microfinance can be an appropriate channel for other impact investment themes. While some investors are exiting these types of investments and moving to more direct impact investments, he is looking to find ways in which the microfinance industry can also offer investors a delivery channel.

Sylvia WISNIWSKI, as CEO of Finance in Motion, brought in the perspective of an impact assessment manager. Her organisation focuses on microfinance, SME finance and green finance, looking at energy, water and organic agriculture. She explained that microfinance seems well-suited as a channel for impact investment: the sector focuses on the bottom-of-the-pyramid, is close to both SMEs and low-income households, has a social mission and is an expert in high volume – low value transactions. She wonders, however, whether mainstreaming has taken off some of the sector's innovative edge needed to engage with other impact investment themes such as water, health, energy and education. Moreover, addressing such topics often requires different skills, in terms of new partnerships, different investment formats and different client profiles. She specifically mentioned alternative funding streams, with subsidies for impact investment building on a different tradition than debt and equity financing for microfinance. Moreover, impact investments can be politically sensitive and bring MFIs under public or political scrutiny. Wisniwski concluded that MFIs can do more, but we need be careful not to overburden MFIs.

Frederik Jan VAN DEN BOSCH supported Wisniwski's view, adding that proper support to MFIs is needed. He explained how FMO's mission and vision towards impact investment, reducing ecological foot prints and green, inclusive growth is pushing the organisation to re-think its strategy towards MFIs. Out-of-the-box thinking can help to leverage MFIs market knowledge, networks and outreach to achieve wider impacts. It can also help to improve situations outside the normal sphere of influence of the financial sector, and he mentioned the example of ship-recycling in Bangladesh.

Making such new links between microfinance and other impact themes also requires new partnerships. Van Den Bosch gave the example of agricultural investments where agri-traders were now becoming small farmer financiers by default and MFIs can play a role in

financing their increasing working capital needs. In conclusion, he believes MFIs can act as a suitable channel, but require 'an additional layer' of knowledge, networks, technical skills and regulation.

Tim RADJY expressed a different view. While agreeing that MFIs have proven their value; most notably in demonstrating the poor are bankable, we now need to move beyond MFIs if we want to achieve impacts in other fields. In his view, MFIs can only pay lip service to other impact themes as going deeper requires a different skills set. His impact investment fund takes a more direct investment strategy focusing on dedicated suppliers of impact-relevant services. He provided three examples to support his view. Firstly, he showed how dedicated student loan providers in Mexico are better suited to service students as they can offer lower interest, longer grace periods and innovative partnerships with education providers (in this case a first-loss guarantee fund). A second example was from the Mexican mortgage market. In this case, dedicated providers proved better suited to offer appropriate products in terms of more affordable interest rates, payment schedules and loan maturity. Lastly, he provided examples from the solar energy sector where they helped a solar panel company to set up a pay-plan and partner with a Mobile Network Operator (MNO), reaching a vastly larger client base than when working through typical MFIs. Another solar investee has already sold more than 1 million solar lanterns in East Africa, a scale which would be hard to achieve with most MFIs.

Guillaume BONNEL provided the perspective of a private bank. Lombard Odier developed an innovative impact investment fund to meet the demand for impact investment opportunities. The fund is set up in two pockets, a core and satellite pocket, where the core focusses on large-scale funds investing in microfinance and the satellite focuses on impact investments requiring more innovative strategies with a higher performance potential. As such, capacities available in the core pocket are leveraged for success and impact for the satellite pocket.

DISCUSSION

The discussion first focussed on the issue of interest rates charged to microentrepreneurs. Radjy mentioned that in some cases this is difficult to control by investors. He proposes investors concerned about high interest rates should focus on MFIs that meet specific requirements in terms of their interest rate policy, or to reduce capital costs to MFIs once certain impact or operational requirements are met.

The panel then focused on the issue of impact measurement. Wisniwski explained that their objectives in terms of impact are driven by their own investors. Next to quantifiable indicators such as gender, type of product, urban/rural split and penetration of low-income brackets, they also look at qualitative aspects of performance through interviews and focus groups. Bonnel explained that it is important to build bridges to make investors and especially bankers understand social impacts. Van Den Bosch supported this statement and added that private funds can learn valuable lessons from experienced impact investors such as FMO. It is important to clearly define goals of investors, as this needs to translate in targets established in funding agreements and efforts changed into investments.

Van Den Bosch also mentioned the importance of auditing non-financial reporting of MFIs. Reporting is not always transparent and can be manipulated. Wisniwski added that auditing firms are moving into impact measurement. As this field is still emerging, Finance in Motion conducts its own checks in the field. Impact measurement requires a new set of qualitative skills which still need to be developed among auditors, especially "to look beyond the figures". Based on this discussion, Sachin VANKALAS briefly explained about LuxFLAG's microfinance label and how labelling allows investment funds to be transparent and credible to their investors. He stated that with regulation entering the field of impact reporting, labelling and auditing firms will be further pushed to develop appropriate tools. Popular third-party impact assessment standards include Microrate and Planet Rating ratings for MFIs, the Global Impact Investing Rating System (GIIRS) used by AlphaMundi, the Social Return On Investments (SROI), the Progress out of Poverty Index (PPI) developed by Grameen, and LuxFLAG.

Lastly, the discussion turned to the time frame before impact of projects is measured. Wisniwski explained that this depends on the characteristics of the assets. Direct investments in service suppliers and innovative approaches can have a time horizon of up to 15 years. Van den Bosch mentioned the possibility of looking back with clients and measuring retrospectively. It is important to consider that while your impact will increase over time, you also need to consider whether it can still be fully attributed to your intervention.

GREENING PERFORMANCE ASSESSMENTS: INTEGRATING ENVIRONMENTAL IMPACT INTO THE MFI ASSESSMENTS STANDARD

MODERATOR	**Raluca DUMITRESCU**, MicroEnergy International
SPEAKERS	**Geert Jan SCHUITE**, Enclude
	Marion ALLET, PAMIGA
	Hatem MAHBOULI, FMO

PRESENTATIONS

Raluca DUMITRESCU welcomed the audience to the first session on green microfinance and introduced the session's topic of green microfinance tools. Marion ALLET, senior microfinance environment practitioner for PAMIGA, presented an initiative which was started two years ago by the e-MFP Microfinance & Environment Action Group: The Green Index. The Action Group is aiming for a clear definition of green performance. The tool is designed to help MFIs understand where they stand in terms of environmental management. It is also useful for rating agencies and investors, since the tool can also be used to identify the differences in environmental sustainability between MFIs. Additionally, NGOs can use the tool to map the current situation for a gap analysis and future strategy.

The elaboration of the tool was a collaboration of multiple organizations from the microfinance and banking sector. It was developed building on existing tools created by researchers and practitioners, as well as on the result of a survey conducted by the Action group with 36 microfinance practitioners to identify the green microfinance practices most relevant to assess. Allet continued by explaining that the tool reflects all types of environmental strategies that could be adopted by an MFI. The index covers 1) formalized environmental strategy, 2) environmental risk management and 3) green opportunities. The tool is meant to be used in a pedagogical way, leaving the user the option to pick some of these strategies over others according to his context of intervention. Answering the survey results in a graphic which shows the MFI's current position in relation to its desired position. Allet closed her presentation mentioning that the tool is still a work in progress. The tool has already been included into the new version of SPI4, but the Action Group invites the audience to give feedback in order to improve it further.

Dumitrescu, Innovative Banking and Development Finance Consultant at MicroEnergy International, continued with a presentation on integrating environmental impact into MFI assessment standards, using the insights gained during the green performance assessment of Contactar by MicroEnergy International. This Colombian MFI has 70 thousand borrowers and a gross loan portfolio of USD $61 million. Its green product is called ConSuPlaneta, offering improved cooking stoves, biodigestors, solar crop dryers for coffee, and water tanks and filters.

MicroEnergy International´s approach consisted of five steps, starting with a status quo assessment based on The Green Index that resulted in an evaluation. The next steps in developing a new green strategy for Contactar included the implementation and promotion of a Green Strategy, which was based on five pillars. The first pillar included its environmental policy, which resulted in the inclusion of Contactar's green performance in its annual report and green profile for impact

Together with the African Development Bank and HIVOS, Schuite trained local consultants to improve MFIs' green performances in East Africa, Indonesia and Latin America. These programmes showed parallel streams. Financial institutions are more interested in risk management compared to smaller MFIs. Schuite defended that MFIs frequently struggle with a lot of things already. They do not have the capacity to include green performance on their agenda. However, MFI should keep in mind that donors and investors are incentives to consider this issue. Schuite pointed out that CEOs can be the drivers behind a green strategy. Clients can also be drivers since they are, according to Schuite, often impacted by environmental issues.

investors. The second pillar consisted of non-financial services, emphasizing the environmental and economic benefits of green technologies and the use of preferential credit conditions for clients mitigating environmental risks. Ecological footprint, the third pillar, included a methodology for measuring the internal footprint and the reduction of water and electricity use and waste. The fourth pillar was formed by an environmental risk assessment of clients' activities. The last pillar of Contactar's strategy promoted the improvement of the green credit line by standardizing the technologies, internal capacity building and promotion.

Hatem MAHBOULI was asked to share the investor's perspective on the Green Index. As an investment officer at FMO, the Netherlands Development Finance Company, he explained that green financial inclusion fits the bank's strategy and finance ambitions. This has resulted in 'green lines': credit line for on-lending to investments producing environmental benefits. Mahbouli explained FMO's approach to green microfinance, using a set of criteria to identify the product's potential. Mahbouli stressed that it has to be a win-win for financial institutions, suppliers and end clients, consisting of a clear business case.

Mahbouli explained that The Green Index helps investors. A high result for green opportunities is appealing for investors, as it proves that the systems for a green facility are in place. High scores for green strategy in the index show that management is committed to use the green facility. Environmental and social risk management is nice to have, but not a necessity from an investor's perspective. It shows that systems are in place for expansion into riskier clients. Mahbouli concluded that The Green Index is a good tool to raise awareness amongst MFIs and their partners, but questioned the need for standardization of the tool. In addition, he also put some remarks forward for The Green Index, raising the question on how much green portfolio is needed. Mahbouli also noted that the closed questions in the survey do not leave much room for MFIs to express their ambition and potential.

Geert Jan SCHUITE from Enclude provided the case of the Green Performance Agenda, which was developed together with HIVOS. The initiative developed a list of what MFIs can do to become more conscious of their impact on the environment. Schuite stressed that MFIs cannot do everything, forcing them to make choices by developing an agenda. The tool developed by the initiative has a 5-step approach: The approach starts with identifying the need followed by 'speaking the green language' and the internalisation of the concept of green performance. This is then turned into action planning and evaluation to further improve performance.

DISCUSSION

The discussion started with the question on whether MFIs that pursue the Green Index are offered additional benefits. Mahbouli responded by mentioning that preferably green financial products are kept commercial, but technical assistance is often offered at a reduced rate. The discussion then turned to the issue of weighting questions in the survey of the Green Index. The audience asked the panel whether some issues were more important than others. Allet responded that MFIs should not look at the scoring of the survey on its own, and should look at qualitative information as equally important. Weighting is currently not feasible due to the closed questions in the survey of the Green Index but may be considered in an updated version.

Another question revolved around the continuation of funding for the Green Index. Mahbouli answered that continuation of funding is still unclear, as green performance assessments are still in an infancy phase. However, he stressed that it needs to become a core business. The final discussion was about the certification of green finance products. The panellists agreed that certification is presently not a priority because the current tool focuses on creating awareness more than providing facts and numbers on the actual green performance.

MICROFINANCE AND POVERTY

MODERATOR	**Scott BROWN**, VisionFund International
SPEAKERS	**JD BERGERON**, Truelift
	Julie PEACHEY, Grameen Foundation
	Aldo MOAURO, MicroFinanza Rating

PRESENTATIONS

Scott BROWN opened this session by thanking the audience for showing interest with their presence and he introduced the panellists by briefly explaining their involvement with the sector.

Julie PEACHEY from Grameen Foundation talked about social performance measurement, data quality and analysis. She mentioned that many international development organisations are using data as an accounting function, but not in order to improve their programs, educate themselves about the lives of the people they are trying to engage or to deliver customized services. Peachey explained how the Progress out of Poverty Index (PPI) tool addresses the need for MFIs to understand their customers as well as their outreach to poor clients. The PPI is a simple, cost-effective method allowing MFIs and other organizations to measure the poverty level of their clients and provides estimates of whether a certain household lives below recognized poverty lines.

The PPI is most commonly used to report on the poverty outreach of an organization or program. Organizations with a mission to serve the poor can prove they are doing so by publishing the poverty rate of their client base. In addition, the PPI can be used to: target or screen clients and areas of operations, track poverty movement over time, evaluate the effectiveness of programs vis-à-vis one another, develop products through customer research by poverty levels, and discover the behaviour and needs of clients across poverty levels. Peachey emphasized that the PPI is relevant to any organization or program that works with the poor.

Although there are now hundreds of organizations using the PPI across different sectors, many of them are not yet able to use the data meaningfully. This may be due to insufficient capacity in the organization, challenges with the management information system (MIS) systems, and lack of commitment from leadership or follow through on using results when data is collected and analysed. Development organisations should understand that there is a business case for collecting and using poverty data. Data brings value to the organizations and at the end of the day positively impacts the bottom line. The better you understand your clients, the more effectively an organisation can serve them, the better it will perform financially.

Peachey closed her presentation with a call for action warning that the sector is at risk of losing the PPI. If investors, lenders, and donors do not demand a data-driven approach to decision making and business management, and if there is no support given to MFIs to collect, analyse and use the data, then the momentum will be lost. The PPI requires continuous updating in order to remain accurate and relevant. However, the PPI is a public good and there is a risk that funding will not be continued.

Aldo MOAURO supported Peachey's views and warned against reputational risk for those organizations aiming to reach the poor but who cannot track their evolution. He pointed out that organizations first need to understand their capacity if they want to put their mission into practice. According to Moauro, social ratings are important as they give an opinion about the capacity of an MFI to reach its social goals. Moauro presented the findings of a comprehensive social rating of a sample of MFIs which was carried out in the period 2009-2013. According to these findings, only 20% of the total clientele of these MFIs were below the 2$PPP/day poverty line, showing that outreach in depth is limited. Moauro mentioned that this offers a transparency opportunity, as the poverty outreach message communicated by the industry may not always be reflected in reality. Deeper outreach results are achieved by poverty oriented MFIs.

Moauro concluded his presentation by suggesting actions based on these findings. There is a need to improve the capacity of MFIs on measuring and tracking poverty level. In order to minimize and manage reputational risk, the sector needs to introduce effective incentives to collect and analyse and use the data. This can be done for example through regulations, investment covenants, or self-regulation by networks. Finally consolidation on specific industry norms and standards, like the PPI and Truelift is important.

JD BERGERON opened his presentation by stating that social businesses need to be accountable for their actions. To date we have tracked financial accountability in great detail but the social side is often measured by a few stories and some photos. This is relevant for marketing purposes but not for stakeholders.
He explained Truelift's framework which is based on three Pro-Poor Principles:
1) Purposeful outreach to people living in poverty, 2) Design of products and services that meet the needs of poor clients, 3) Tracking progress of poor clients. He emphasized that being robust and consistent on how you measure and collect data is a good start but it is not enough. This needs to be coupled with useful analysis that leads to lessons learned and change. Social data should be considered as critical as monetary data. Client satisfaction and feedback reports are equally important to capture information on the results achieved.

He concluded his presentation by stating that through the use of data and conclusions drawn from it, the MFI is able to monitor the progress of poor clients, and think strategically about further adding value. Findings should be used to: assist board and senior management make specific decisions; plan and respond to any weaknesses found; improve specific products; add skills and services.

DISCUSSION

The first question from the audience challenged the capability of PPI to measure poverty. Poverty is dynamic, i.e. people move in and out of poverty, while PPI is a static tool. Peachey talked about how some organizations, such as Vision Fund, are tracking changes in poverty likelihoods of the same clients over period of time. Peachey also emphasized that the PPI could be used together with other tools to measure various aspects of poverty.

Another discussion point revolved around economic activities of the MFI clients and whether the MFIs should focus on measuring it. Brown explained that people below the 2$PPP/day poverty line earn income from trade that could not be done before becoming an MFI client. If we are not measuring job creation for the poor then perhaps MFIs are missing out on reporting some of the impact of microfinance. Patricia Richter stated that according to research by ILO, self-employed clients of MFIs create on average two jobs in their businesses.

Brown concluded by summarizing its main outcomes. PPI is proven to be successful in helping target and track poverty impact. Analysis and decision making should be based on the findings. Having a strategy of social performance is not enough; organizations should be able to measure its evolution. Management should be informed of the outcomes of social data and ready to make decisions.

MICROFINANCE IN CONFLICT ZONES

MODERATOR	**Willemien LIBOIS**, Frankfurt School of Finance & Management
SPEAKERS	**Michaël KNAUTE**, OXUS Development Network / e-MFP
	Major David BESKOW, US Military Academy – Commander's Emergency Response Program
	Adeeb SHARAF, First Microfinance Institution Syria

PRESENTATIONS

Willemien LIBOIS introduced the topic - lessons learned and good practices in the implementation of microfinance in conflict zones. She called attention to the fact that conflicts occur on a permanent basis all over the world. Libois reminded the audience that individual conflicts have different characteristics and stages, thus requiring diverse approaches from a microfinance perspective. Following Libois' lead, each panellist briefly shared their experiences with microfinance in conflict zones, which was followed by an extensive discussion and interaction with the audience.

Michaël KNAUTE briefly introduced the work of OXUS, a French network of MFIs. He explained that OXUS is currently active in countries such as Tajikistan, Kyrgyzstan, Afghanistan and the Democratic Republic of Congo (DRC), which have experienced or are currently experiencing conflict. Knaute acknowledged that OXUS takes a commercial approach in countries such as Afghanistan and DRC, and that he expects to be challenged on this point during the session.

Major David BESKOW explained that his experience in conflict zones essentially comes from a thirteen-year career in the USA Military, during which he served in countries such as Afghanistan and Iraq. Most recently, Beskow was involved in a Commander's Emergency Response Program in East Baghdad, designed to implement a number of projects, one of them covering economic development. Within this project, micro grants ranging from USD $500 to USD $5,000 were provided for beneficiaries in sectors such as retail, industry and agriculture, funded by both the USA and the Iraqi governments. This project also keeps a dataset on the investment of local funds which can be accessed globally by commanders, and which can contribute to a long-term economic development.

Adeeb SHARAF shared his experience in Syria, where he has been working for First Microfinance Institution since 2010. He explained that, despite the conflicts affecting the country, First Microfinance has been able to successfully overcome and mitigate risks. Sharaf also reaffirmed First Microfinance Institution's long-term commitment to reach its social mission and contribute to sustainable development.

Libois then addressed the panellists with some key questions. Her first question was directed to Knaute, concerning the ethical dilemma of using a commercial approach to microfinance in conflict zones, where populations are most vulnerable. In response to this question, Knaute clarified that the implementation of such activities is not unethical, and that microfinance can be done anywhere. He further explained that conflicts zones also have markets and economic activity, but that it is highly important to carefully select the populations which are served. As such, a diagnostic phase is essential in order to identify areas which are accessible and safe for the staff, as well as to identify the existence of market demand and infrastructure.

Libois' next question was directed to Beskow, revolving around the mechanisms to guarantee that micro grants are put to good use. Beskow clarified that there is indeed an existing concern that the micro grants may not be well spent, which is why potential beneficiaries go through an application process to establish the type of grant. In order to avoid this risk, the existing database of the Coalition Forces is consulted before giving out micro grants. In addition, district councils are directly involved in the selection process, which also guarantees the safety of beneficiaries. The grants also have a follow-up component, where an audit on the use of the funds is conducted together with Iraqi police forces.

Libois asked Sharaf on the extent to which his institution's social aspect is incorporated into its operational model. Sharaf reacted by reiterating First Microfinance Institution's commitment to carry out its social goals, and that its services and activities are complementing efforts to support sustainable development in Syria. In addition, he explained that operating in Syria always brings an unexpected risk, which is why the MFI adopts certain steps such as proper assessment of clients, branch control on any lending activities and a comprehensive bonus system for the staff. He also mentioned the institution's risk management model which, in coordination with the local team, guarantees the security and accessibility of clients.

Knaute also reacted to Libois' question on how to manage access to grants vs. loans, so as to avoid confusion for clients in conflict zones. He explained that people who need grants are different from people who need loans, which is why Oxus specifically identifies beneficiaries with capacity, skills and potential to re-pay and be a client. Beneficiaries of grants or loans are two separate target groups which should not be confused.

DISCUSSION

The first discussion point revolved around the perception that conflict zones face dramatic population moves and how that would present an essential shortcoming for microfinance activities. Beskow reacted to this comment by mentioning that, at the time of the project, the population of East Baghdad was not in transit. He also explained that beneficiaries need to be present for at least twelve months to go through a compulsory audit. Knaute then mentioned that microfinance is highly sensitive to major population moves, and further explained that this occurs in very specific contexts, such as natural disasters. In addition, he mentioned that, during a conflict, populations in rural areas move more often than those in urban areas. Sharaf reinforced this point by mentioning that the security situation is better in large Syrian cities, where there are currently no military operations.

Another member of the audience addressed Knaute with the theme of savings, namely on how to convince clients that their deposits are secured with the given MFI. Knaute explained that OXUS is usually seen as a foreign bank, which tends to create client trust more easily. This is especially true in countries such as the DRC, whereas it is more difficult among populations which have had bad experiences with banks, such as in Tajikistan and Kyrgyzstan.

The discussion also showed that microfinance in conflict zones does not offer room for insurance products. Knaute clarified that there is no clear demand for such products, and prices would be too high. Sharaf agreed, and elaborated that clients need more physical products to support them, something which insurances do not offer. In fact, he mentioned that insurance would only be functional to cover loans.

The audience also questioned whether there is any room for investors in microfinance in conflict zones. In his response, Knaute clarified that investor interest varies from country to country. In Afghanistan, for instance, most funds are from public institutions such as the World Bank. As for the DRC, which is a post-conflict area, there are more opportunities for private investors who are looking into diversifying their portfolios.

Libois concluded by emphasizing that the implementation of microfinance in conflict zones presents a number of risks which are essentially operational rather than credit-related. She also mentioned that operating successfully in conflicts zones creates a strong need to understand the market and offer appropriate conditions to the right beneficiaries. As a closing remark, Libois commented that private investors are exceptional in such initiatives, and usually have a social character and long-term vision.

INVESTING IN AGRICULTURAL MICROFINANCE

MODERATOR	**Jürgen HAMMER**, Grameen Crédit Agricole Microfinance Foundation
SPEAKERS	**Zacchaeus I. SYENGO**, Rafiki Kenya
	Irina EICHENAUER, KfW Development Bank
	Caterina GIORDANO, Alterfin

PRESENTATIONS

Jürgen HAMMER introduced the session by explaining how agricultural microfinance became mainstream as financial institutions and MFIs were searching for new markets during the crisis of 2008. Agricultural microfinance has proved to be fundamental for impact, as 80% of the people in developing markets live in rural areas. Nevertheless, only 30% of MFIs are dedicated to agricultural microfinance.

Hammer continued by asking the panellists to answer the questions on why a specific session on agricultural microfinance is necessary and what makes it different. Caterina GIORDANO replied that agricultural microfinance requires more adaptation by MFIs, while systemic risks are evidently linked to the product. Irina EICHENAUER added that rural areas have the challenge of low population density and poor infrastructure (roads, communication, etc.), resulting in higher transaction costs for MFIs. Another challenge, she mentioned, related to human resources and higher training costs: it is challenging to recruit well qualified staff in rural areas and loan officers need financial and agricultural skills. Zaccheus SYENGO also pointed out that the agricultural sector is not well-structured, which is shown by gaps in the value chain. Another issue according to Syengo is related to seasonal weather externalities.

Hammer asked the opinion of the panellists on the role of technology. Syengo stressed the importance of mobile banking. Mobile banking attracts new people to agriculture. Syengo related mobile banking to the current problem that many studies on smallholder farmers show: although smallholders are responsible for most of the food production in developing markets, challenges are found in the traditional patterns in smallholder farming. They do not appreciate new technologies and associated agricultural improvements. However, mobile banking products opened up opportunities for young farmers, helping them to mitigate risks.

Hammer asked the panellists about their role in supporting agricultural finance. Eichenauer stated that KfW's approach to agriculture finance can be presented along three pillars. The first pillar is a traditional financial intermediary approach: KfW provides credit lines and training measures to local MFIs for refinancing lending to agriculture. The second pillar consists of the value chain approach: KfW invests in funds that provide financing and technical assistance to agricultural producer organisations, SMEs and other chain actors. The third pillar is agro-insurance, which has the goal of expanding agricultural microfinance by reducing the credit risks through e.g. weather-index-based insurance.

Giordano answered the question by mentioning that Alterfin is an investor which attracts funds from the North to invest in the South. The total portfolio is EUR 60 million, of which 60% is invested in agricultural finance. Alterfin's approach to agricultural finance consists of two pillars. Firstly, Alterfin directly finances

international value chains, such as coffee and cocoa. Secondly, the organisation finances local value chains by providing working capital investment, asset finance and rural finance. Alterfin uses tripartite agreements between local partners, farmers and buyers to mitigate risks in the value chain.

The Rafiki Bank has a more practical approach, working directly with farmers. The services consist of four components: savings facilities, credit facilities, insurance and value addition through technical assistance and creating market linkages. Syengo stressed that Rafiki's loan book consists of: 20% of smallholder farmers and 17% of agribusinesses. Rafiki expressed that he is proud to support the people that feed the nation.

Hammer carried on by asking the panellists about their experience with micro-insurance. Syengo highlighted the main difficulties for Rafiki Bank. Affordability is still a challenge due to the 6% interest rate. Distribution is another challenge which Rafiki Bank was able to overcome by opening 19 branches. The final challenge posed by Syengo was trust. This issue was dealt with by incorporating a third party which was trusted by the farmers.

The session then continued with the presentation of three case studies by the panellists. Eichenauer introduced the KfW Development Bank and the Fairtrade Access Fund, which is a social investment fund, designed to support smallholder farmer cooperatives and associations in Latin America, Africa and Asia. The fund is a joint investment with Fairtrade Labelling Organisation International, Grameen Foundation and Incofin cvso. KfW currently has an equity investment of EUR 2 million for refinancing smallholder cooperatives and a new proposal for expansion to Africa is underway. Eichenauer stressed that the challenges and risks faced by smallholder farmers require a
holistic approach. This approach includes a combination of financing (e.g. long-term loans for business development, working capital loans and trade finance) and technical assistance (e.g. organizational capacity building or mobile information services).

Giordano presented her case study on an MFI in Northern Peru which mostly serves the agricultural sector. The MFI was created by coffee and cocoa cooperatives to provide adapted loans both for working capital and asset financing. She expressed the risk of concentration: 70% of agriculture portfolio consists of coffee. Systemic risks, such as price fluctuations and climate shocks can be solved through geographical and product diversification. This new strategy led to a continued growth in the loan portfolio, while at the same time operational self-sufficiency was reduced.

The last case study presented by Syengo was the successful pilot of Kilimo Advance, a strategic partnership between farmers, milk processors, technology partners and the Rafiki Bank. The main challenges included slow information flow, errors leading to double payments and late payments due to market circumstances. Success factors include the ability to access USD $15 million worth of credit served beyond the 19 branches. Furthermore, the pilot worked with more than 60 cooperatives and 87 thousand farmers.

DISCUSSION

The discussion started with a question on the plot size of the farmers. The panellists agreed with the audience that it is tricky to access subsistence farmers through agricultural finance. They are often more dependent on traditional microfinance tailored to flexible needs of those farmers. The discussion then moved to the interest of young people in farming. Syengo noted that the Kenyan government, banks and private sector are promoting farming amongst the youth, and provided the example of a performance artist, who grew up in a rural part of Kenya, as ambassador for farming. Syengo closed the discussion agreeing on a question about the competitive environment in agricultural microfinance. He provided the example of his own bank which did not exist three years ago.

GREEN MICROFINANCE AND ENERGY ACCESS

MODERATOR	**Marion ALLET**, Pamiga
SPEAKERS	**Hadley TAYLOR**, MicroEnergy International
	Carla PALOMARES, ADA
	Patrick REICHERT, CERMi
	Bold MAGVAN, XacBank Mongolia

PRESENTATIONS

Marion ALLET underlined the importance of energy access by providing some stunning figures: 1.3 billion people lack access to electricity and 2.6 billion people lack access to clean cooking facilities, especially in rural areas. This severely curtails local development and negatively impacts livelihoods and the environment. Although technical solutions are available, outreach to populations in need and overcoming financial barriers of high initial costs requires appropriate delivery channels and financing mechanisms. This session looked at the possibilities microfinance offers, with their frequent access to low-income clients. It uncovered lessons learned and identified opportunities to scale up initiatives.

Bold MAGVAN of XacBank explained how there is a clear link between his institution's social mission and clean energy. Engaging with energy was a necessity from different perspectives. XacBank clients spent up to 50% of their incomes on energy during Mongolia's harsh winters, jeopardizing their livelihoods and the financial stability of the institution. In addition, older heating stoves were jeopardizing family health and added to the massive pollution plaguing the capital. To amend this situation, XacBank started a project through which it offered energy efficient and low-emission stoves to the urban population. In a multi-stakeholder effort, the bank developed financial products to finance the stoves, while the government helped register households who might be in need of stoves. XacBank also worked with donors and NGOs for funding and accessing carbon credit markets to reduce costs. Finally, the institution worked with technical providers to develop suitable stoves.

Hadley TAYLOR added to our understanding of possible impacts and partnership models by providing us with best practices from Bangladesh where 3.2 million solar home systems have been installed so far. In this case, a national apex body was set up to manage the Solar Home Systems programme. The apex body works with partner organisations (POs), both MFIs and accredited technical providers to implement the programme. Certification of technical providers, either separate enterprises (two-hand model) or technical subsidiaries of the bigger MFIs (one-hand model) is done according to quality standards established in the programme. The programme has proven particularly successful due to the competition between MFIs which greatly reduced costs to end users. Moreover, non-performing POs are not refinanced in consecutive rounds, ensuring partners keep up quality standards. After such success in Bangladesh, the challenge at hand is now replicating this model, which Allet added requires a strong government buy-in.

Carla PALOMARES provided insights from ADA's experiences with green energy in Africa. ADA strives to develop win-win scenarios between financial services providers, either national MFIs or smaller local NGO-type service providers, and technical providers. On the one hand, offering energy products allows MFIs to diversify their product portfolio, meet client needs and support client livelihoods. On the other hand, technical providers can leverage MFI networks and financing options to increase sales and earn income through distribution and after-sales services. In turn, ADA provided technical assistance, promotional activities, and worked on awareness building and expectation management between partners. Palomares mentioned several prerequisites related to replication and upscaling possibilities of the project:

- Client education to translate demand for energy solutions into demand for energy finance products.
- A strong management buy-in.
- Products fitting the MFIs strategy.
- Technical assistance to both the MFI and the technical provider to train staff and establish adequate procedures.
- A suitable ecosystem: are the supplies there? Do suppliers have the resources needed to satisfy demand? Is there sufficient demand to reach scale?

Marion Allet added that these lessons show that in addition to developing financial products and procedures, we need to build trust and common understanding between microfinance institutions and energy technology companies in terms of expectations and objectives before green energy initiatives can become successful. Facilitators have a key role to play in this. This makes replication and upscaling without outside support difficult. Palomares underlined the potential of a train-the-trainer set-up to satisfy such needs for technical assistance by providing an example from the Philippines. In this project the Frankfurt School and MicroEnergy International trained the national MFI network to provide green energy services to the financial and technical supply chains.

Patrick REICHERT presented an alternative model which worked without MFI involvement. Pay-as-you-go solutions present a different business model to enable households to make investments in solar solutions. The model considers solar energy as a service. The technical service provider offers an operating lease with clients paying in a similar manner as they pay for air-time, through energy pre-paid cards. Once they have paid off their system they get free access. The familiarity with prepaid systems ensures the model is easy to use. Excellence in quality and servicing the solar systems is prerequisite to make the system work. This is embedded in the system as the technical service providers retain ownership of, and therefore have a vested interest in the device. Reichert explains that MFIs or other service providers can play a role in this system by refinancing balance sheets of technical providers, by supporting repayment collection, and by leveraging their client base.

DISCUSSION

Asked about key success factors, Magvan underlined the importance of convincing households they can contribute to less pollution and healthier air in their homes. Reichert stressed that building trust between partners and from clients by delivering on promises is vital. Palomares highlighted the importance of increasing local knowledge in value chains and fostering understanding between them in terms of goals, expectations and roles. Taylor advised that in order to achieve

scale, practitioners should look to possibilities of initially targeting the "less poor" clients to establish a working system, processes and infrastructure, prior to expanding to clients at the bottom of the pyramid.

Palomares further explained the different technical support roles of facilitators. She mentioned identifying interest among MFIs, identifying demand and client needs, devising marketing strategies and promotional materials and identifying suitable technical providers.

Lastly, the discussion turned to whether energy lending can be considered consumer credit. Allet agreed that some energy loans can be dedicated to technologies answering domestic needs but stressed that the risk profile does not resemble that of other consumer credit products as energy investments result in savings on household energy expenditures. To mitigate risks, some MFIs link the energy loan for domestic use to a productive loan, especially in the case of small solar systems. However, larger photovoltaic systems are usually not provided in conjunction with another loan to avoid overindebtedness. In terms of costs of the different models, Reichert explained that pay-as-you-go models would result in higher costs for clients. On the other hand, they provide a much faster application process, higher service levels and extend access to more clients.

MICROFINANCE INSTITUTIONS: DRIVERS FOR FORMALIZATION OF MICRO AND SMALL ENTERPRISES

MODERATOR	**Séverine DEBOOS-DAVID**, ILO
SPEAKERS	**Bernd BALKENHOL**, University of Genève
	K. Paul THOMAS, ESAF Microfinance and Investments India

PRESENTATIONS AND DISCUSSION

Séverine DEBOOS-DAVID opened the session by explaining that she would follow an unconventional format, starting with a short introduction to the issue of formalization of enterprises from the perspective of the International Labour Organisation (ILO). After that, a discussion in two small groups would address the two key points of the session: 1) access to finance as a driver for formalization, 2) the role of MFIs in driving formalization. Bernd BALKENHOL would deal with the first discussion point, whereas K. Paul THOMAS would cover the second one.

In her introduction, Deboos provided an overall picture of informal enterprises worldwide. She started by highlighting that there are 450 to 510 million micro, small and medium enterprises (MSMEs) globally, representing a large share of the total number of enterprises. Deboos further revealed that micro and small enterprises account for a much higher share of total enterprises in low-income countries. In addition, she mentioned that informal SMEs outnumber formal firms of the same size in these countries, but emphasized that informality is not defined under a single category. Deboos explained that the spectrum ranges widely from subsistence to official enterprises, depending upon factors such as the registration status, management method and employment situation. In terms of ownership profile, including financing needs, Deboos highlighted the specific relevance of microfinance for the group of subsistence enterprises.

Subsequently, Deboos demonstrated that formalization brings about a number of economic benefits, thus influencing performance, employee benefits, revenue levels and attitude toward the government. These factors reinforce each other, leading to a virtuous circle. At the same time, she mentioned that studies show that informal firms are making a rational choice on whether or not to formalize by comparing the expected benefits of becoming formal to the cost of doing so. She then linked the idea to the typical policy interventions aimed at enterprise formalization, which tend to focus on simplifying the process for registering informal firms and extending the benefits of formalization. Up to now, however, evidence indicates that it is very difficult to get businesses to formalize in terms of entry costs, and that information, waived costs, and enforcement on formalization of informal firms has positive effects, but requires comprehensive policies.

Following the introductory presentation, and linking the session back to microfinance, Deboos split the audience into two groups to discuss the questions below:

1) Why MFIs should/could be interested in reaching out to formal enterprises?
2) What can be the role of MFIs to promote formalization?

The first group to present the results of their discussion mentioned that none of them had ever experienced efforts from an MFI to formalize enterprises, and that it should be an aspect explored by the panel. Balkenhol recalled that formalization is usually considered as an issue for public policy, not a concern for MFIs. Several empirical studies have shown, however, that policies have not been very effective in encouraging or enforcing formalization. Balkenhol also reminded the audience that formalization is multi-faceted (accounting, taxation, social security contributions, registration, membership in professional organizations). Each of these dimensions has often its own dynamics. The benefits to different actors, namely the state, the enterprise and the financing agent (bank or MFI) also vary widely. For an MFI, a formalised client represents a client who is more transparent and hence less risky, which helps to reduce operating costs and to identify more quickly and precisely future earning opportunities. As an example of an MFI intervention, Balkenhol presented the case of ABA (Egypt), whose eligibility conditions related to enterprise formalization, are linked to a specific loan amount. He mentioned ABA works in a gradual approach encouraging clients to become more formal as the demand for ever larger and more complex loan products grows.

The second group then presented the outcomes of their discussion, revolving around the role of MFIs to promote formalization. The group mentioned that MFIs' outreach could be an interesting characteristic, since the typical MFI client is financially excluded and inherently informal. MFIs could also be involved in awareness-raising of clients concerning formalization and actually take clients through the process. In addition, the group mentioned that the role of MFIs could be important in developing new products targeting emerging client needs in light of formalization. Nonetheless, the second group raised the concern that, by promoting the formalization of clients, MFIs would be in fact create the risk of losing their clients.

Following this presentation, Thomas illustrated the role of MFIs in formalization by presenting the case of ESAF (India). In cooperation with ILO, ESAF engaged in an awareness-raising campaign and business development services for the formalization and strengthening of growth-oriented enterprises. Thomas mentioned that the starting point of this project took place in 2008, with a diagnostic study which identified the status quo of clients and resulted in the selection of 300 'ready-to-grow' clients. After the implementation of the project, several changes were observed in terms of registration of enterprises, application for government schemes and improvements in branding, marketing and other business areas. In addition, it was seen that awareness on formalization increased by 93%, but enterprise formalization itself had a 70% increase. Thomas explained that ESAF realized that continuous support was key in the formalization of enterprises, which led to follow-up actions after the project, such as the creation of a separate department for livelihoods activities (including formalization), improved loan support to enhance micro-businesses, adopting registration of the business as an indicator to track changes.

The floor was subsequently open to questions from the audience. The first question revolved around tax payment, which is an inevitable consequence of formalization. Thomas admitted that there is a hesitance of enterprises to formalize due to taxes, but clarified that this can be addressed through awareness-raising. He explained that entrepreneurs end up realizing that paying taxes will increase their visibility, and will mitigate risks such as corruption. Balkenhol reminded the audience that informality does not mean that enterprises are not paying any taxes

at all: bribes and protection money can be considered "taxes" in the informal economy. He also reiterated that this is part of the calculation of an entrepreneur related to cost and risk, including the ability of the state to provide the protection and security of law and order and fair tribunals. Deboos added that the state must have policies to promote formalization by creating a conducive environment through policy-level interventions such as simplifying regulation procedures.

Another discussion point revolved around the improved performance of enterprises due to formalization. Thomas mentioned that formalization is only the beginning, and can lead to follow-up actions such as business planning, branding and social security system, which can improve the performance of enterprises.

The audience also addressed the role of sector organisations, questioning whether associations rather than MFIs would not be a better channel to tackle training capacity and formalization processes. Deboos admitted that microfinance is a small part of formalization efforts, also recognizing the role of associations such as cooperatives as a powerful channel for formalization. She mentioned that ILO does have activities targeting associations specifically. Balkenhol added that joining is part of formalization, and that associativity creates the opportunity to introduce norms to deal with social ideas in a less corrosive way than the state. This, in turn, could softly move enterprises towards formalization. He emphasized, however, that these should be genuine grassroots initiatives.

INCREASING YOUTH ECONOMIC OPPORTUNITIES THROUGH ACCESS TO FINANCE: HOW FAVORABLE REGULATORY ENVIRONMENTS AND YOUTH FOCUSED SERVICES CAN SHAPE BETTER MARKETS

MODERATOR	**Maria PERDOMO**, UNCDF
SPEAKERS	**Jules Theoneste NDAHAYO**, Umutanguha Finance Ltd.
	Anna GINCHERMAN, WWB

PRESENTATIONS AND DISCUSSION

Maria PERDOMO opened this session by welcoming and thanking the audience for their interest. She distributed voting devices to the audience that were used for counting votes on various polls throughout the session. She then gave the floor to the panellists who started by introducing themselves.

Perdomo presented the first topic of the session: ID requirements and age restrictions, explaining how they can be barriers or enable youth access to finance. She asked NDAHAYO how the regulatory framework in Rwanda enabled Umutanguha to reach the high uptake of youth. Ndahayo explained the favourable regulatory framework regarding youth age requirements in Rwanda. Youth have an ID and can open a bank account as soon as they turn 16. He added that youth under the age of 16 can open an account, but only with a guardian. In order to mobilize savings, youth under the age of 16 can deposit on their own, but they can withdraw only with a guardian.

Perdomo mentioned that most countries allow youth to open an account once they are 18 years old. She asked GINCHERMAN what the legal age restriction are in countries where WWB works. Gincherman gave the example of XacBank in Mongolia. Youth are allowed to open a bank account once they are 16 years old. However, after WWB studied the civil code, they found that youth can open and transact a bank account from the age of 14. This gave XacBank a comparative advantage as youth as young as 14 can open accounts with the bank, and so XacBank has the youngest clientele in Mongolia. However, Gincherman explained that regulations are not always that favourable. In the Dominican Republic, youth have ID and can open and transact a bank account from the age of 16. However, at the age of 18, they receive a different ID card allowing them to vote. This hindered the uptake of youth under 18 as youth commonly wait until they can have the second ID card.

According to the Ethiopian law, youth can only open a bank account without a guardian after the age of 18. However, WWB noticed that, according to Ethiopian labour law, anyone with a job contract can open a savings account. WWB took advantage of that loophole in the legislation, to allow youth as young as 14 years of age to open a bank account with PEACE, a UNCDF-YouthStart partner. Gincherman warned that the norms in a society are also crucial on the uptake of youth. She gave the example of India where youth are allowed to open and transact a bank account at the age of 10. However, minors do not have accounts before the age of 18, as according to cultural norms, this would make parents feel uncomfortable.

Perdomo started the first poll of the session: *"Any youth (15 to 24 years old) should be able to open and independently manage a savings account."* 71% of the audience agreed, 24% disagreed and 6% were unsure. One person in the audience disagreed with the statements arguing the need for financial literacy and education provision before opening a bank account. Gincherman argued that financial education without the financial product does not work. Financial education and financial products have to be provided to youth simultaneously so that youth become financially capable.

The next topic revolved around technology and its impact on the use of financial services by youth. Gincherman explained that a good youth product should be relevant, connected to a savings goal, accessible in term of geographical and emotional distance, and affordable. She mentioned that technology plays an important role in making products more accessible and possibly more affordable for youth. If you wish to scale up, technology is the way forward. Ndahayo stated that Umutanguha Finance has experienced challenges to make sure youth can easily use the savings accounts they have opened. This is because they work mostly in remote rural areas, making it difficult for youth to frequently visit Umutanguha's branches. As a result, the FSP is testing POS agents to bring their services closer to youth living in rural areas. Perdomo continued with the second poll of the session: *"Some people argue that the more we invest in technology, the more youth we are going to reach, so there is no need to develop youth-centric products as long as we are using technology."* 33% of the audience agreed while 67% disagreed. Gincherman discussed that technology makes a financial product more accessible for youth but not necessarily more relevant. Perdomo showed a slide that shows how FSPs in Rwanda are using technology but are not necessarily attracting more youth than Umutanguha has in the past 2 years.

The topic of the session then shifted to risk mitigation youth lending practices. Perdomo asked Ndahayo how Umutanguha achieves that. Ndahayo commented that Umutanguha prepares youth to access a loan in the future by asking them to save regularly. This way they can assess the commitment of young clients and predict their repayment profile. He emphasized the importance of doing market research before launching new lending products. Many young people have no capital to start up their own business and no collateral to take a loan. Umutanguha developed a microleasing product through which young professionals can lease the equipment they need. The equipment is used as collateral and youth takes possession only after they pay all instalments. To develop this financial product, Umutanguha had to persuade the Rwandan government to change the microleasing law, as leasing was charged with VAT, putting extra barriers to low income earners.

Perdomo continued with the third poll: *"Lending money to young adults is much riskier than lending money to more mature adults."* 47% agreed and 41% disagreed. She provided some data from UNCDF-YouthStart partners who provide loans to youth showing that their youth portfolio quality mirrors the quality of the institution's overall loan portfolio. These data suggest that is youth is not necessarily riskier if the monitoring and risk management tools of the FSPs are already strong. Gincherman added that young clients, aged 18 – 24 years old have a higher repayment rate than older clients. However, more data is needed if we wish to gain further insights.

The last topic of the session was about client protection and financial education. Gincherman explained that practical financial education should be provided to all clients. Ndahayo added that peer-to-peer education has been successfully used by Umutanguha as a delivery channel of financial education. This delivery channel has been quoted as a good practice in the recently launched National Financial Literacy Strategy of Rwanda. Perdomo started the fourth poll of the session: *"Some people argue that FSPs should not be delivering financial literacy to their clients as it risks becoming an opportunity to just promote their products. Hence, government or YSOs are the only ones that should be delivering financial literacy through schools."* 14% agreed and 73% disagreed. A comment from the audience stated that financial education by governments and FSPs should be complementary and not exclude each other. Governments can provide financial education through schools while FSPs may be better placed to reach out-of school youth.

SOCIAL PERFORMANCE: CROSS-LEARNING FROM NORTH AND SOUTH – FORGING TOGETHER ON THE PATHWAY FORWARD

MODERATOR	**Isabelle BARRÈS**, The Smart Campaign
SPEAKERS	**Laura FOOSE**, SPTF
	Marie-Anna BÉNARD, CERISE
	Marcella CORSI, EMN

PRESENTATION

Moderator Isabelle BARRÈS welcomed the participants by mentioning that the session, co-organised with European Microfinance Network, would give them an opportunity to hear state of the art experiences from the panellists in universal best standards, as well as specific tools and practices in social performance of the microfinance industry.

Marcella CORSI, member of the EMN Ideas lab on Social Performance, referred to the current situation and size of microfinance in Europe, which is characterised by growth and diversity, the major part of members claiming to work for employment creation. A recent sample survey among EMN members revealed steady growth of the value of microloans disbursed between 2011 and 2013, while the number of loans increased by 20% in 2011/12, to decline by 3% in 2012/13. Availability of appropriate data remains a critical issue, though she mentions some 250 thousands jobs to be impacted, and referred to the report for further details. The survey also revealed that there are five main constraints for improving social performance management: limited staff time; financial constraints; technical constraints; complexity, and (lack of) external support. Some 50% of the respondents have plans for a social assessment in the coming year.

Laura FOOSE, representing the Social Performance Task Force, presented lessons learned in developing and implementing the Universal Standards for Social Performance Management (SPM). The Task Force aims to provide a framework for developing and defining concepts in social performance management, and has now some 2,200 members around the world. The SPM framework works as a comprehensive manual of good practices, drawing upon leading industry initiatives and best practices of MFIs. It is a voluntary resource, not a rating of regulatory or certification system. The Universal Standards count six areas of Social Performance Management, all of which are implemented through strategies for the four profiles of users as defined in the EMN survey above. Of the four profiles, implementers have clear social objectives and target clients, as well as a clear SPM strategy, though bolstering staff capacity is still needed. SPI4 was developed for assessing current state of practice, with free tools and templates (as well as a downloadable implementation guide and Technical Assistance platform) for improving business practice. The system is relevant for every type of business, from NGOs to Coca Cola. The Task Force is working with rating agencies to improve the Standards. Foose briefly showed the results of an

October 2014 implementation survey, and concluded that almost 50% of the respondents said they had plans for a social assessment in the coming year, as an important first step to identify gaps and develop an action plan.

Marie-Anna BÉNARD of CERISE reflected on their working areas (governance, rural/agricultural finance and social business) and on the history of their initiatives on social performance issues since 2001, resulting in the first Social Performance Indicators (SPI) tool in 2004. Since 2008, they broadened the scope to include investors (social audit for MIIs/MFIs) and networks (decision tree for networks with MFC/Imp-Act). SPI4 was launched in 2014 as a universal social assessment tool with the aim to reduce the reporting burden of financial institutions, generate multiple reports for the diversity of actors, and is backed by a technical committee representing the different stakeholders from industry and users. Rationale was the multiplication of social performance initiatives and stakeholders leading to a need to harmonise and simplify the reporting framework. It is not only a self-assessment tool for MFIs, but also serves as a learning and management reporting tool: 'measure, manage and improve to better serve clients'. The SPI4 tool is built on the main sector initiatives on social performance (SPTF Universal Standards, Smart Campaign Client Protection Principles, and offers optional additional modules (on poverty, gender and environment, investors' scorecards) which can be added for particular reporting purposes), all to enhance the quality of social performance data and benchmarks. The tool includes a Social Dashboard which can be used to monitor key performance indicators of the MFI's operations.

DISCUSSION

The discussion was kicked off by a question from an EIF representative as to why the response to the survey had been rather low, and whether that meant that the tool is difficult to implement for different institutions. Corsi replied that these constraints reflect the state of European microfinance practice, and that the work on this is in fact quite recent. By providing more practical tools (referring again to the idea-lab), she hopes that the realities on the ground will become clearer.

With respect to questions about the transparency of the SPI tool, and if it could also be applied for technical assistance and consultancies (questions posed by an EMN member), and whether there was already feedback from practitioners on the SPI4 version (Danida), Bénard responded that indeed the tool can be used in many different ways, either by an MFI as a self-assessment or by a TA provider/network as an accompanied self-assessment. They are now testing and inviting feedback in order to create awareness and improve the tool. It is expected that SPI4 can help to improve decision-making, as well as to improve the structuring of data. Over 50 MFIs have used the tool since its launch early 2014. SPI4 is a free and public tool available online. CERISE encourages users to

share their results on a confidential basis in order to improve research to get a better picture of the microfinance sector, and facilitate reporting and benchmarking.

Foose added that in Peru the national members sit together as a discussion platform to provide feedback to the rating agencies. It is important how you define SP and how to collect the right data. Barrès asked Foose what lessons SPTF could share in terms of the process to develop the USSPM and update the SPI4. Was there anything that she would have done differently, with hindsight? Foose responded that 'from the scrambling to a common way of thinking and talking', there have been dramatic improvements in concepts and due diligence. There are now clearer definitions, marked by creative inputs from both north and south. They look forward to next steps in measuring outputs and correlating indicators. Barrès concluded that, given similar goals collaboration (between EMN and SPTF) can prevent the duplication of efforts and reinventing the wheel, and that the framework developed by the SPTF should be considered for the European context.

GREEN MICROFINANCE AND NON-ENERGY PRODUCTS

MODERATOR	**Frédéric HUYBRECHS**, University of Antwerp - IOB
SPEAKERS	**Carola MENZEL**, Frankfurt School - UNEP Centre
	Davide CASTELLANI, University of Bergamo
	Davide LIBRALESSO, Etimos Foundation
	Davide FORCELLA, ULB-CERMi

PRESENTATIONS

Frédéric HUYBRECHS introduced the topic of the session, mentioning that not only energy products have a local and global impact on access to natural resources, biodiversity and climate change; all loan undertakers in microfinance have to adapt or mitigate these risks. This could result in exclusion lists, working on the internal footprint, or other incentives to change agricultural practices. He then continued to introduce the various entry points and interventions to face these issues, each connected to a panellist.

Davide CASTELLANI focused his presentation on two of his studies related to the demand for drought insurance and the management of drought-related risks in microfinance. He considers drought relevant for MFIs if their clients are affected by the issue. He suggested that designing proper risk-transfer mechanisms is crucial in order to reduce risks for both parties. Index-based insurance is an innovative and promising risk-transfer instrument. However, the take-up ratio is still very low and, according to the literature, the determinants are several and interrelated. He focused on the role of basis risk. In particular, when the farmers' perceived frequency of drought is dispersed, it is hard to standardise the insurance product. He argued that this issue might be addressed by tailoring drought insurance to risk aggregators, i.e. groups and institutions that can diversify the idiosyncratic risks such as MFIs. However, are MFIs interested in index-based insurance? To find an answer to this issue, Castellani had to find out what their exposure was to drought. He analysed the impact of drought on a sample of African MFIs and come to two main results. Firstly, the credit risk of African MFIs is influenced by the interaction of drought shocks with its retarded performance. Secondly, the liquidity risk of African MFIs is affected by drought shocks through the retarded level of both credit risk and liquidity risk, the asset-liability characteristics and the diversification of the loan portfolio. It follows that geographical diversification, greater capital reserves and good quality of loans portfolio are key strategies to deal with drought-related risks. The results suggest also that risk transfer mechanisms should not only be designed for credit risk but also for liquidity risk.

Davide LIBRALESSO presented a case study of a potential action in response to climate change threats. Etimos Foundation is involved in the Life Fund in the Philippines, a country where 74% of the population is prone to natural hazards. This is increasing due to climate change, as is noted by the number of extreme events such as rainfalls and tropical cyclones. Studies suggest the cyclones' activities in the Pacific are likely to intensify, leading to higher wind speed and more intense rainfall, thus storms will be hitting communities with little experience of tropical storms, and longer droughts causing implications for agricultural production. Etimos partnered with APPEND, a strong network of eight NGOs to support the Philippines. Together they developed The Life Fund Intervention, a livelihood intervention through financing and entrepreneurship. The fund comprises capitalization of MFIs, a rotating fund to restore their operation capacity as well as technical assistance. Next to rebuilding MFIs, the fund also focuses on skill trainings to final beneficiaries and community socio-economic development projects.

As most of APPEND's clients were insured, they received a contribution to repair their houses after typhoon Haiyan. According to the clients, this was not enough to cover all financial expenses of the typhoon's aftermath, but it has been very helpful to them. Libralesso concluded that micro-insurance products can be a great contributor to support communities in case of eventualities resulting from climate change.

Carola MENZEL provided her view on the risks and opportunities of climate change based on three interventions in which the Frankfurt School participates. These interventions have similar objectives, as all interventions target mainly rural populations. The interventions aim to reduce risks and limit future loan losses by stabilizing the repayment capacity. They also explore opportunities of growth for MFIs and promote MFIs to adapt to clean energy solutions, improving the sustainability of MFIs.

Menzel continued her presentation by explaining Microfinance for Ecosystem-based Adaptation (MEbA), which is aimed to reduce disaster risks and increase the resilience of farming activities by focusing on adaptation. Small landholders' yields are expected to be more stable in the long run. MEbA measures can differ from underlying agri-business in terms of high capital intensity and influence on cash flow generation. By clustering options for adaptations, the project was able find the ´low hanging fruit´, i.e. activities that have a short payback period and immediately increased household cash flow. She gave the example of intercropping as a solution to reduce risks and generate income in a short period. She concluded with some requirements to apply MEbA, including data access (e.g. climate conditions, client characteristics), management tools to deal with data volumes and complexity, strategic alliances between MFIs and technical services providers, capacity building to improve understanding of these products by loan officers and clients, possible adjustment of loan terms to agricultural seasons, and enabling framework conditions (e.g. policy measures or regulations).

Davide FORCELLA introduced Proyecto CAMBio, which ran between 2007 and 2013 in Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica. Proyecto CAMBio focused on income generation, biodiversity conservation and rural development. Five MFIs participating in the project finance activities related to agroforestry, silvopasture, organic farming, ecotourism, forestry protection and water sources. The MFIs provide credit, technical assistance, payment for environmental services and partial guarantees. Forcella provided the example of cocoa farmers, who have to plant other trees next to their cocoa trees in order to be eligible for credits from one of the MFIs. As a result, the project contributes to reforestation and the prevention of soil depletion, thus leading to higher and more sustainable income generation. Proyecto CAMBio resulted in 25 thousand credits totalling USD $52 million. Research shows that the project has good potentialities for green microfinance and ecosystems management, but the complex human-environment system has to be taken into account: development pathways, culture, socio-economic inequalities, and power structures. Forcella also indicated that he was doubtful about the side effects, but saw this project as a proactive-transformative approach; a learning process that still needs to be fine-tuned.

DISCUSSION

The audience raised the question on whether Proyecto CAMBio will be open for investors and how we can interpret the results made in the first phase of the project. Forcella responded that this will be possible in the new project. Concerning the first phase of the project, Forcella indicated that the programme was probably not well designed, making it hard to show clear results. This needs to be fine-tuned in the new program.

Another issue raised by the audience concerned the mitigation instruments in Menzel's presentation, questioning the extent to which MFIs finance and execute these mitigation instruments as they often have a positive effect. Menzel responded that this is indeed a challenge, providing the example of diesel irrigation pumps, which are preferred over solar irrigation pumps. This shows that you have to educate farmers on the long-term benefits. The final remark from the audience raised the question on whether there are some short-term results from collecting data. Menzel replied that the collected data by MFIs helps to raise knowledge about their clients. According to Menzel, yearly effects are better understood by MFIs. Furthermore, the data also helps national databases.

DEVELOPING A STANDARDIZED APPROACH TO RISK MANAGEMENT: CHALLENGES AND LESSONS LEARNED FROM MICROFINANCE RISK EXPERTS

MODERATOR	**Regis DOCK**, MFX Solutions
SPEAKERS	**Kevin FRYATT**, Risk Management Initiative in Microfinance (RIM)
	Georgina VÁZQUEZ, Calmeadow
	Ligia Maria CASTRO-MONGE, Microfinance and Risk consultant

PRESENTATIONS

Regis DOCK kicked off by highlighting the continued industry focus on new products, funding sources and delivery mechanisms. While the financial crisis led to a stronger focus on social performance and client protection, risk management (RM) remains in the background in the discussions on how to strengthen the microfinance industry. As such, industry wide RM standards and approaches are still not available. He believes the lack of interest in RM among practitioners is due to a lack in understanding of its value and practical tools to implement RM systems. Moreover, even when RM is established, institutions focus on regulatory compliance instead of leveraging risks management to inform strategy.

Georgina VÁZQUEZ presented the experience of the Risk Management Facility (RMF) in Latin America. RMF was established against the background of rapid growth of MFIs, increasing investor need for financial and operational RM, a lack of support infrastructure, and comprehensive and affordable RM tools for microfinance. Moreover, many MFIs did not acknowledge the need of comprehensive RM. The RMF was established to build awareness of, and flexible RM tools. Started in 2009, the five year programme aimed to support 40 Tier II MFIs in Latin America.

Through RMF a comprehensive RM methodology was developed, incorporating credit, liquidity, operational and market risks with practical formats to allow practitioners to use their own data collection systems. Later in the programme, "refresher visits" were introduced to offer continued support. In total 33 MFIs were supported with implementing a RM system (10 of which received "refresher" support) in 15 Latin American countries. Vázquez closed by focusing on why some MFIs assimilate and retain information better, and make better use of resources. She found that the principal success factor was commitment and support of the Board and senior management. However, a skilled and committed RM department is also vital. Similarly, a complete and accurate data base is required to support adequate RM.

Lessons learned were that RM programmes need to be flexible enough to be adapted to a specific context and accompanied by capacity building to the MFI. It is vital to safeguard the "institutional memory" of the MFI. Still, some MFIs continue to fail to see the importance of RM or perceive it as a regulatory requirement. Another weak spot is the interpretation, analysis and translation of risk reports into MFI operations and strategy.

Ligia Maria CASTRO-MONGE shared additional lessons learned from RM in the field. She supported Vázquez' points, indicating that lessons learned in Latin America are applicable to any region in

the world. She lamented that despite substantial investments in RM infrastructure, implementation and governance, a RM culture remains absent. Without such a culture, appropriate RM practices will not materialise. She focuses much of her TA visits on linking outcomes of internal audits to daily practice to build an understanding and vision of what risks mean in terms of MFI operations. A particular difficulty in developing a risk culture is a management focus on regulatory compliance instead of improving financial, social and environmental performance. In addition, management often expects one-size fits all, easy solutions and disregards less-obvious, and in particular external, risks. Often there is a need to go back to RM basics before moving into more complex measurement of risk exposure.

Castro-Monge closed her presentation by focusing on two trends. Firstly, ineffective RM leads to inefficiencies, such as disproportionate liquidity levels and declining portfolio quality. Secondly, inappropriate staff profiles can lead to high staff turnover and therefore high operating costs. Finally, she explained that proper RM application can help identify gaps in the market and align product development to client needs. She gave the example of mapping hurricane exposure and branch distribution to identify untapped low-risk clients for a particular MFI.

Kevin FRYATT explained how the Risk management Initiative in Microfinance (RIM) incorporates a wide array of perspectives on RM, making it an effective platform for RM standards development, information sharing and industry cooperation. This allowed the initiative to develop a Risk Management Graduation Model to identify, assess and strategize risks according to the development stage of the MFI.

Fryatt stressed that being in a higher tier does not necessarily mean that RM is handled more effectively; even the

biggest MFIs can have insufficient risk-management practices. He continued by explaining how the model can be used to assess the adherence to RM guidelines (appropriate to the tier of the MFI), starting from RM fundamentals (e.g. the Management Information System, internal control, governance and culture), to core risk areas and finally to performance risks. Furthermore, the model can provide MFIs with a future outlook on how to develop their RM system according to their strategic goals. The model is currently being piloted and is open to evaluation by practitioners to assess its relevance and the attainability of the guidelines it provides. He underlined that the model is intended as a dynamic tool, one which is further developed as the industry evolves. He closed by showing future steps for the Model, most notably the development of a knowledge base which can form a basis to set standards for quality in RM.

DISCUSSION

A member from the audience contributed that we need to focus more strongly on country and political risks instead of institutional risks, Vázquez countered that we need to incorporate both. This is underlined by the fact that many MFIs working in adverse political environments are performing well. She relates this mostly to good governance. Castro-Monge added that external risks out of the MFIs control still need to be reflected in an institution's strategy. Even if not quantifiable, MFIs should consider possible scenarios in terms of effects on the institution's bottom line.

Next, the discussion turned to how to improve the sustainability of capacity building activities. Fryatt advised external experts to focus on changing RM perceptions from RM being a cost-centre to it being a strategy tool. He believes the Graduation Model can help by narrowing down RM practices to needs at the current level of institutional complexity while still providing an option to consider future strategies. Castro-Monge added that it is important to speak to people's emotions. RM works in a similar way as our brain, with rational, instinct and emotional responses. While most practitioners only work on RM on a rational basis, risk culture is also driven by emotion. Vázquez advised a patient approach and to engage with regulators.

EXITING RESPONSIBLY: THE CASE OF SATHAPANA

MODERATOR	**Deborah DRAKE**, Centre for Financial Inclusion at Accion
SPEAKERS	**Bun MONY**, Sathapana Cambodia Ltd
	Arno DE VETTE, FMO
	Rita DE BOER, Triodos Investment Management BV
	Stephanie GARCIA VAN GOOL, Enclude Capital Advisory UK Ltd

PRESENTATION

Deborah DRAKE introduced the subject and panellists; the CEO and Founder of the MFI (Sathapana), the selling shareholders (FMO and Triodos) and the financial intermediary (Enclude). The case of Sathapana was presented to discuss how investors can responsibly and successfully exit from an investment in an MFI operation.

Dr Bun MONY explained the background and history of Sathapana: from Cambodia Community Building in 1995 to Cambodian Entrepreneur Building in 2003, to Sathapana Ltd. in 2008. Initiated for basic financial services for the poor, MFI Sathapana really took off after 2009/10 (when it obtained a Microfinance Deposit Taking License from the National Bank of Cambodia, NBC), being very successful in public deposit mobilisation. As the institution performed well and grew over time, it raised the question whether to remain as an MFI or to transform into a bank. Key was the intention to stay with their original mandate and vision of providing access to financial services for people in a sustainable manner, but with a larger national network.

Since the moderator wished to have much time for debate, the introduction was kept short and was followed by a key question - why had FMO and Triodos wanted to exit. Arno DE VETTE of FMO explained that after 6-7 years of involvement, and having more than USD $100 million in assets in Sathapana, it meant that it was time to plan an exit strategy with Triodos. Rita DE BOER confirmed that the reasons for the initial investors to exit were not exactly planned, but emerged from reaching fund concentration limits in Sathapana. The timing was right, as the MFI was performing well and there was still time before the next financial injection would be required. The two sellers agreed that it would be important to determine and align the price expectations, as well as to identify the criteria that would be considered for a suited buyer (preferably from the region, and with banking and microfinance experience to support the growth strategy of Sathapana going forward). De Vette explained that after the initial decision and agreeing with Triodos, they went back to Mony to discuss the plans to exit and align ideas, also with the Central Bank. They discussed and came up with a list of ten potential investors. They then engaged Enclude to guide the process.

Stephanie GARCIA VAN GOOL continued that their main task was to make the process as swift and easy as possible for all stakeholders involved and to manage expectations. They structured and managed the process in a two stage auction process and pre-agreed a timeline, drafted process letters and marketing materials to bring interested parties to the table (both inclusive finance and mainstream players). At first, indicative offers were received, followed by due diligence, to finally receive binding-offers.

De Boer stated that while Triodos and FMO (jointly owning approx. 38% of the shares) had informed Sathapana and other shareholders that they wished to sell their shares, during the due diligence process this intention was formally announced. At that point some of the other shareholders indicated their interest in joining the transaction, thus potentially resulting in a much larger stake on offer (i.e. a majority stake). As a result, the process slightly changed as they now looked for potential bidders who would be interested in potentially acquiring a larger stake. De Vette noted that throughout the process, potential buyers consulted with the Central Bank.

According to De Vette, at the binding stage, FMO and Triodos revised the binding offers' content to reflect the interest of buyers for a larger stake on sale (as it remained unclear if fellow shareholders would join). Ultimately, in their offers, potential buyers proposed different price ranges for different packages of shares. This surprisingly resulted in receiving some attractive bids overall. Garcia Van Gool mentioned that it was not as easy as it might appear; shareholder expectations needed to be managed carefully.

Eventually, Maruhan Japan Bank Plc was selected - following due diligence it was revealed that they had a strong vision, had already invested in Sathapana, supported the vision to become a bank and wanted to keep the current management in place. In addition, they were already involved in banking in Cambodia, and in that sense were known to the Central Bank.

The quality of the offers and the sale process were ultimately reflected in the fact that all remaining shareholders decided to join the process, resulting in the successful sale of a majority equity stake of 95.1% to Maruhan Japan Bank, with a put/call option also arranged for the remaining equity held by the founding NGO. Transparent communication and information between the partners was a crucial factor for success. According to Garcia Van Gool, 'it never ends up the way you plan; there are many intervening factors'. The pragmatic approach resulted in a friendly and short exit process, with a good return on investment, with all debt providers maintaining their funding and the preservation of good relationships with the shareholders, MFI, regulator, etc., even after the deal was closed. To conclude, Garcia Van Gool presented a framework for a responsible exit, 'Defined at entry, Demonstrated at exit'.

Mony emphasized his appreciation of the good guidance by the three partners. It was a completely new experience for a financial institution in Cambodia, having grown out of a period of conflict with rather modest means.

DISCUSSION

Deborah Drake posed the question whether this transaction was an exception to the rule or easy to replicate as an exit model. According to De Boer, informing all stakeholders, sharing experiences, and a proper selection process, all contributed to a successful exit. Mony added that in this case the offer to local shareholders was interesting. Garcia Van Gool pointed out that it is difficult to set a standard but one can define certain "best practices" . Other contributing factors to the responsible exit were: proper administration of documents, no mission drift, and the right selection criteria defined at the outset.

A participant from the audience wanted to know more about the short or long term involvement of FMO and Triodos in such schemes. While FMO mostly invests for a long period, with no pre-defined exit strategy, Triodos typically intends to stay in for seven years with an option to prolong (not confined by external funders). Rabobank (Asia department) wanted to know more about the rationale to sell the majority of shares. This was answered as being more coincidental than pre-designed. Given the offers on the table and having been invited to participate in the selection process, the other shareholders saw the opportunity to be included in a transparent equity sale process which resulted in a more extensive and lucrative offer. In other cases this is often more complex.

On the question by KWF on whether or not the returns on the investment met the sellers' expectations of responsible returns, De Vette replied that the returns were good and all stakeholders were happy with the outcome. De Boer added that the price is generally higher when a majority stake is sold, so it was in reasonably beyond preliminary ("minority stake price") expectations. According to Mony, it was also good timing, in terms of the financial and operational performance of Sathapana. Concerning the due diligence process, as asked by Cerise, Garcia Van Gool responded that there had been five thorough on-site due diligences and a complete online data room to allow investors to access information 24/7.

Finally, De Boer referred to the selection criteria going beyond price and stake in terms of the sale; in particular, it included aspects such as mission alignment availability of the buyers' financial resources, management feedback, and the recommendation from the Central Bank. Mony concluded by saying that the operational and strategic complementarity of Sathapana and the buyer was crucial.

CLIENTS AT THE CENTER: FROM IMPACT MEASUREMENT TO MANAGEMENT
e-MFP UNIVERSITY MEETS MICROFINANCE ACTION GROUP

MODERATOR	**Azalea CARISCH**, UMM/PlaNet Finance
SPEAKERS	**Hayyan ALIA**, University of Franche-Comté and Burgundy School of Business, ESC-Dijon
	Mathilde MAITROT, University of Bath
	Laura GÄRTNER, Oikocredit
	Riccardo AGUGLIA, European Investment Fund

Azalea CARISCH welcomed the audience and introduced the e-MFP University Meets Microfinance Action Group. Carisch also reflected upon the theme of this year's Microfinance Week, 'Developing Better Markets', reminding the audience that the concept is much related to information and the ability to analyse. Carisch mentioned that the increasing focus on the client encourages the microfinance sector to look more closely at its institutions, and how they are collecting and using information to benefit their target group. She emphasized that better collection of data at the client level serves a multitude of purposes, including the improvement and affordability of products, as well as the mitigation of risks to MFIs and clients.

PRESENTATIONS

Hayyan ALIA, winner of the UMM Award for his PhD article, was the first presenter. Through the approach of financial diaries in Egypt, Alia brought in a different perspective on how to measure the impact of microfinance. He explained that impact evaluations in microfinance are typically conducted through qualitative and quantitative approaches, where the former focuses on the process (i.e. how microfinance changed the client's life) and the latter focuses on the attribution problem (i.e. is there statistically an impact of microfinance on the client?). Alia then explained how he dealt with the challenges posed by these approaches: fungibility of money and absence of formal records. Regarding overcoming the problem of fungibility of money, he explained the utility of using of the 1996 Household Economic Portfolio (HEP) model and his simplification of this model by focusing on the economic aspects and the interactions between the three types of capital. As for the absence of formal records, he pointed out that using diaries is a very good solution even if the financial diaries have been historically criticised for providing only anecdotal evidence and for not being able to redraw complete economic portfolios of the diarists. By combining financial and time diaries in his 14-day research in Cairo, Alia overcame this challenge. Despite admitting that the approach has limitations in terms of costs, data analysis and categorization of activities, Alia highlighted its valuable contribution to microfinance by developing impact evaluation tools, providing in-depth information on the economic-value creation mechanisms for the poor, increasing awareness of the poor and helping donors and investors understand impact.

Mathilde MAITROT presented the results of her PhD research, dealing with microfinance in rural Bangladesh. As a starting point, Maitrot addressed the role and operational challenges of MFIs, acknowledging the risk that they might embark on a 'mission drift'. She then proceeded to introduce the microfinance market in Bangladesh which, despite the scandals in recent years, remains resilient and dominated by 3 to 5 MFIs. In this context, Maitrot presented the methodology of her research, focusing on how organizational structures and management systems channel social performance. Maitrot specifically shared her findings about ASA, praised as being one of the most commercially-successful MFIs in Bangladesh. She observed that ASA is highly centralised in terms of strategic thinking, but its branches are self-sustaining. Maitrot also explained that the staff does

of the activities is carried out to measure their actual development and impact. The methodology consists of steps such as setting social objectives and monitoring & assessing progress. The EIF also works in the framework of the SPTF Universal Standards for Social Performance, abiding to principles such as client protection, while most of governance, client monitoring and responsible financial principles are included in the very advanced regulatory framework applied in western countries compared to developing countries. Aguglia concluded that microfinance is crucial for the development of a cohesive and inclusive Europe.

not receive any formal training from the head office, which is only done informally by colleagues, and that priority is given to financial performance. She elaborated that, in a context where both clients and MFI officers are under the pressure of financial performance, malpractices are widespread. Maitrot acknowledged that the significance of these findings are very contextual, and that these malpractices are not limited to ASA, but defended that the research reveals how much institutions invest in their own staff to achieve both financial and social missions.

Laura GÄRTNER, from Oikocredit, brought in the practitioner's perspective to the panel, focusing on the collection and use of client data. According to Gärtner, these data are very important to MFIs in achieving their social mission, understanding clients' needs, developing new products and managing risks. She also emphasized that this information is essential for Oikocredit to achieve its social mission, measure impact, report to investors and learn as an organisation. Gärtner mentioned that Oikocredit participates in two research streams with different partners: 1) research institutes and participation in impact studies and 2) local partners. The focus of the presentation was the latter, composed of two branches: a) setting up client outcome systems and b) supporting partners in client outcome tracking.

Gärtner further elaborated on the support to MFIs which collect client data (but no panel data) in setting up client outcomes systems (i.e. monitoring changes and training); she used the examples of two MFIs in India which collected a significant amount of data without properly using it to track client changes. In addition, Gärtner elaborated on the support to MFIs with strong panel data tracking clients over time, but without proper data analysis and use. She illustrated the support to partners in client outcome tracking by using the example of the Progress Out of Poverty Index (PPI) Capacity Building project. According to Gärtner, the PPI was very successful in measuring poverty outreach, but she also acknowledged the difficulties for MFIs to track PPI over time.

In an example from the developed world, Riccardo AGUGLIA introduced the work of the European Investment Fund (EIF), which provides financial services to MSMEs in Europe. Aguglia explained that MSMEs are an important segment in Europe, where 92% of the enterprises are micro and 99% of all start-ups are micro and small. In this context, microfinance is used as a tool to create employment across Europe by improving the availability of finance for micro-entrepreneurs, the self-employed and vulnerable groups. In the framework of microfinance, EIF implements a social performance measurement at two distinct phases, i.e. investment and implementation. At the investment phase, a value-added assessment is conducted at the market and MFI levels. At the implementation phase, an evaluation

DISCUSSION

The first discussion point revolved around the topic of client re-payment rates, where a member of the audience asked for a comparison between Europe and developing countries. Aguglia explained that the European microfinance market can be segmented into Western and Eastern Europe, where Eastern Europe has large and well-off MFIs with a good repayment schedule. He elaborated that, in Western Europe, there is a general confusion between social policies, grants and microfinance, which prevents the sector from becoming sustainable.

The audience also questioned the panelists on the problems of using social indicators. Maitrot pointed out that we are looking at the wrong indicators. Instead of looking at repayment rate, for instance, we should focus on the number of clients who have successfully left the MFI. On this note, Gärtner commented that Oikocredit is collecting other indicators which do show social performance. This is done through tools such as the scorecard for social performance, used by Oikocredit. She also mentioned that retention rate can be a good indicator as well.

In a brief wrap up, Carisch acknowledged that further research needs to be conducted at the client level and, in this regard, should focus on the topic of social performance measurement and management should be given to the institutional operations of MFIs.

ENHANCING CLIENT FINANCIAL CAPABILITY

MODERATOR	**Christian HERTZ**, Linklaters
SPEAKERS	**Karen LOSSE**, GIZ
	CHELLADURAI A., Thenaaru KGFS
	Emmanuel MOYART, EU/ACP

PRESENTATIONS

Christian HERTZ introduced the topic by making a reference to the plenary earlier that day. Financial education was proven to be a key pillar for both policy makers and consumers. He stressed the link between financial education and financial returns, and mentioned that this session should provide support to confirm or contradict this link. He then gave the floor to the panellists after introducing them to the audience.

Karen LOSSE started her presentation by stating that financial capability is part of a broader responsible finance agenda. Financial capability is one of three mutually reinforcing pillars of responsible finance. The other two pillars are consumer protection regulation and self-regulation of the industry. Financial capability refers to empowering clients, whereas consumer protection regulations are addressed by regulators (i.e. the state) in order to ensure that providers of financial services are safe and sound and act within the law. If financial services providers do not adhere to the rules and consumers complain, a mandated regulator has to provide mechanisms to solve disputes and thus protect consumers. Self-regulation is the adherence of financial services providers to voluntary codes of conducts, such as The Smart Campaign. According to Losse, it is key to strengthen clients and potential clients in their financial capability, i.e. their knowledge, understanding, attitudes and especially behaviours, in order to make the best financial decisions possible. ‘Knowing’ should lead to ‘acting’. Financial capability measures should not only increase skills and knowledge but lead to more and better informed decisions and improve financial well-being.

Clients’ and potential clients’ low knowledge of financial concepts can result in poor decisions that affect their economic well-being. Financial institutions are also negatively affected in many ways by low financial capability: low deposits, low market growth (clients choosing inappropriate products, resulting in non-repayment of loans, leading to high portfolio-at-risk and ultimately in losing clients). On an individual or household level, low knowledge of financial concepts can result in greater vulnerability to overzealous credit providers or fraudulent schemes. In the workplace, personal financial problems stemming from inappropriate financial decisions can have direct negative impact on employee productivity. According to the Personal Financial Employee Education Foundation in the US, the lack of basic financial literacy is a major reason why employees do not save for retirement.

There are many ways and different channels through which financial capability is enhanced. Measuring the impact of such measures remains challenging. Debt counselling, mentoring and money advice services have shown good results. For example, BMW in South Africa managed to substantially reduce absenteeism (caused by over-indebtedness) of employees by offering such support. Other means to improve financial capability are via the educational system and the implementation of financial education in school curricula, social marketing and public media. Examples for the latter are the use of street theatre plays in Ghana and radio shows in Uganda and Nigeria (and many other countries) that inform listeners and aim at changing their behaviour. We still know too little of the actual impact of such measures. One thing we do know from experience is that taking advantage of “teachable moments” in life works, e.g. when purchasing a house or starting a family, people are receptive to messages of financial capability. Another key path is smart product design. Products can be designed to empower clients and potential clients (e.g. by being very simple to use, easy to reach, adapted to regional or cultural contexts, etc.).

Emmanuel MOYART talked about the ways ACP/EU Microfinance has enhanced

financial capability. This program started in January 2010 and finishes December 2014. The aim of the program is to contribute to poverty alleviation through economic growth via pro-poor access to finance, consumer empowerment and capacity building, equitable and efficient local markets. The key areas of support are rural finance and financial education. After the call for proposals, twelve actions were funded. Out of these twelve actions, eleven of them offer financial education with a variety of approaches. Their activities concerning educational approaches, cost management, sustainability, curriculum development and impact measurement were reviewed and assessed in 2014.

Moyart focused on the work of Fiji Fin-Ed which introduced and strengthened financial education within the school curriculum for years 1 to 12. Financial education was integrated into existing subjects so as to not increase the workload of students and teachers. In total, 200 thousand students in 910 schools have access to financial education. Students learn how to manage money, income and wealth, managing risk and financial planning.

According to CHELLADURAI, KGFS' mission is to maximize the financial wellbeing of every individual and enterprise by providing complete access to financial services in remote rural India. KGFS (i.e. Regional Rural Financial Services) have a tight geographical focus, offering access to a broad range of products. KGFS adopts a wealth management approach where they discuss households' financial position, income, expenses, household goals, and products are offered in line with wealth management principles. The process of customer engagement starts with registering all household financial and legal information in the system. A Financial Wellbeing Report (FWR) is generated from the system which contains customized financial plans for the household. The Wealth Manager then engages the household in a detailed wealth management conversation on the 'Plan-Grow-Protect-Diversify' framework. 'Plan' is a diagnostic process which helps the household to recollect and plan for all its current and prospective expenditures against current and planned income. 'Grow' is a process designed to help households realize their total income potential and take appropriate action to increase their income/surplus. 'Protect' aims to protect human capital, income earning assets and provides a safety net to avoid compromises on goals and aspirations. 'Diversify' helps allocate funds across diversified assets and assists the household in spreading the risk and optimizing returns. The customer, with the assistance of the Wealth Manager, selects the appropriate product based on the FWR.

Chelladurai explained that this procedure assists both the customers and the financial institutions. Customers benefit as they can better understand their financial position, make balanced investment decisions, choose the right financial products, protect against unexpected shocks and improve their financial wellbeing. Financial institutions benefit as they can better understand the household risk profile, avoid misuse or oversell of products, build quality portfolios, sell more products per household, have better capacity utilization and gain local customers. According to an internal evaluation in 2013, households in KGFS service area had a more than 60% increase in average asset values, 13% decrease in average liabilities, 120% increase in household average incomes, and 72% in increase of household average expenses when compared to 2009. A randomized evaluation by Harvard and Duke University showed that the presence of a KGFS branch increases the number of formal loans by 20% per household.

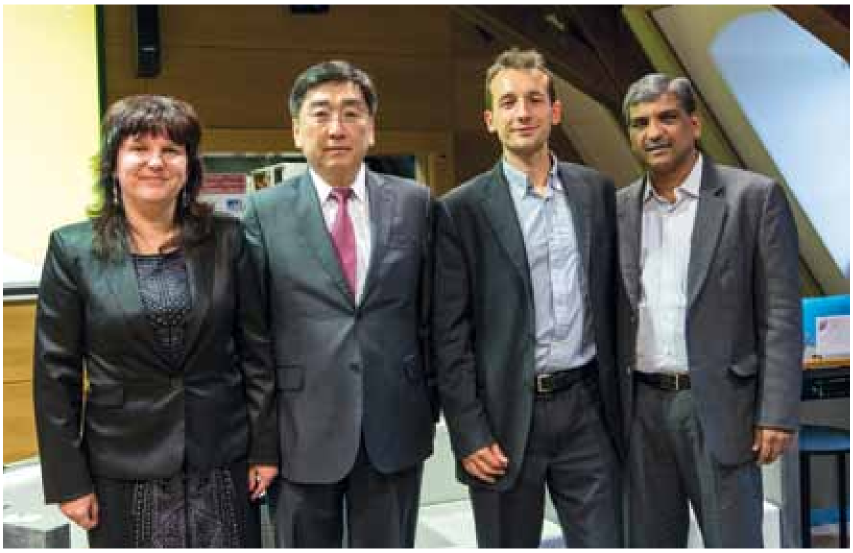
DISCUSSION

The discussion revolved around financial training and marketing. When is financial training done by a financial provider considered merely training that aims to increase and enhance financial capability and when does it cross the line into becoming marketing? Hertz explained that there is a risk of conflict of interest. The panellists agreed that when a financial institution wants to promote the correct financial products for each client, it has to take into account the risk profile of that potential client. Marketing in a sense of promotion of appropriate financial products is not harmful.

The audience was interested in particular financial education curricula. The panel referred to providers such as Microfinance Opportunities and many others. Also, the ILO has curricula available on their website.

PLENARY:
5TH EUROPEAN MICROFINANCE AWARD ON MICROFINANCE AND THE ENVIRONMENT

MODERATOR	**Davide FORCELLA**, ULB-CERMi
SPEAKERS	**K. Paul THOMAS**, ESAF Microfinance and Investments India
	Olesya PAUKOVA, Kompanion Financial Group Kyrgyzstan
	Bold MAGVAN, XacBank LLC Mongolia



PRESENTATIONS

Davide FORCELLA welcomed the audience emphasizing it was a great pleasure to present the finalists of the 5th European Microfinance Award. He explained that green microfinance is a multidimensional topic and it includes initiatives that go from "do not harm", like environmental risk management policies, to activities that aim for positive environmental outcomes, such as specific green credits for renewable energies or agroforestry. Mixing microfinance with environment includes difficulties and trade-offs. For example, is there enough human capital and financial capacity in the MFIs to implement such programs? Certain trade-offs could exist between the economic, social and environmental goals of the MFIs. However, Forcella remarked that green microfinance also presents interesting opportunities for MFIs and clients in terms of risk and cost reduction, the support of income generating activities, market differentiation, social impacts, etc. One of the major challenges today is to find ways to scale up such programs and identify and replicate well performing business models. He then introduced the finalists and gave them the floor.

Olesya PAUKOVA of Kompanion Financial Group, Kyrgyzstan explained how the MFI provides financial products to rural populations in Kyrgyzstan. Kyrgyzstan is mainly an agricultural country and people's assets mostly comprise of land and livestock. However, the country suffers from widespread land degradation especially in rural areas, decreasing the productivity of livestock and of Kompanion's clients' incomes. In order to address this problem, Kompanion started providing microloans in combination with technical assistance to small-scale farmers and livestock herders. Kompanion offers a specialized "Credit for Conservation" loan which is linked to training programs for livestock farmers on grazing land management and preservation. Veterinarians and agronomists work with Kompanion to provide these trainings. Paukova mentioned that due to the network effect, training is passed on to other benefciaries. Since 2011, participants have increased their income by 30% while their costs decreased by about 15%.

Paul THOMAS of ESAF Microfinance and Investments, India started his presentation by thanking the audience for their interest and the Selection Committee for selecting him as one of the three finalists. He explained that ESAF India started in 1992 as an NGO but transformed into a Non-Banking Finance Company (NBFC-MFI) in 2008. ESAF's environmental policy is focused on building awareness on environmental protection and facilitating access to clean energy and natural resources for the economically deprived, while at the same time providing appropriate financial services. He explained how a large part of its clients use unhealthy polluting methods for lighting (kerosene), and for cooking (firewood), and also they do not have access to safe potable water. To address these problems, ESAF offers loan products for household water and sanitation improvements, clean energy and microenterprise development. The Award initiative provides rural clients with solar energy solutions, efficient cook stoves and water filters.

Bold MAGVAN of XacBank LLC, Mongolia started by explaining that Ulaanbaatar, the capital of Mongolia is the second most polluted capital in the world due to the heavy carbon emission from the use of inefficient stoves and 'ger' design. Gers are portable huts used as homes by nomads, which usually lack sufficient insulation against the cold. Two thirds of the Mongolian population living in the capital burn coal and wood to keep warm during the nine month winter at temperatures as low as -40 degrees Celsius. In order to address this problem, XacBank initiated the "Eco Product Program" that promotes energy efficient heating and insulation blankets to poor ger district households. These products are delivered to the residence after the beneficiary pays the invoice or takes out a microloan to pay for the products, and they are installed for the family. Old products are removed and brought to a dismantling facility to prevent them from being used by another household. This initiative resulted not only in a decrease in heating expenses for households but also in a reduction of carbon emissions by an estimated 380 thousand tons.

DISCUSSION

Forcella opened the discussion by asking the finalists what the main challenges and strategies were during the implementation of their programs. According to Thomas, the main challenges were to supply the products to clients living in remote locations and find funding. To overcome these problems, ESAF received assistance from an associate company to negotiate with suppliers and manufacturers of products and got micro-retailers to manage distribution. Magvan mentioned that the biggest challenge is the lack of incentive to save energy as the government is subsidizing coal prices. Paukova mentioned that it is challenging to find highly qualified agronomists and veterinarians who can provide trainings for their clients in remote rural areas.

To round up the session and proceed to the Award Ceremony where the winner was to be announced, Forcella asked about the ways of scaling up a green microfinance program. Thomas explained that first of all, such a program has to be sustainable for all shareholders and the solutions offered must be financially viable for clients. Magvan mentioned that to scale up XacBank's initiative, the government needs to provide incentives to people to raise their environmental standards. Client affordability is also crucial for scaling up. Paukova talked about attracting more investors and promoting access to rural remote areas.

5TH EUROPEAN MICROFINANCE AWARD CEREMONY

MODERATOR	**Robert CHRISTEN**, President, Boulder Institute of Microfinance
SPEAKERS	Welcoming remarks by **Werner HOYER**, President of the European Investment Bank
	Address by **Romain SCHNEIDER**, Minister for Development Cooperation and Humanitarian Affairs
	Address by **Michel MAQUIL**, Chairman of the Inclusive Finance Network Luxembourg
	Address by the President of the High Jury, **Camille Gira**, Secretary of State for Sustainable Development and Infrastructure
	Acceptance speech by the **winner of the 5th European Microfinance Award**

Kompanion Financial Group from Kyrgyzstan won the 5th European Microfinance Award for its Pasture Land Management Training Initiative, which provides a specialized "Credit for Conservation" loan linked to a training program for livestock farmers that introduces sustainable land management practices and helps restore previously degraded lands. With the country facing widespread pasture degradation due to decades of poor farming practices and land mismanagement, Kompanion's initiative was selected after three rounds of adjudication for its innovative and sustainable ideas, and for best meeting the Award criterion of "integrating environmental governance into the DNA of [its] business and promoting initiatives that go above-and-beyond business as usual to incorporate environmental sustainability".

This year's Award ceremony, promoting the theme of "Microfinance and the Environment", took place on 13th November at the European Investment Bank (EIB) in the middle of the e-MFP-hosted European Microfinance Week, with Her Royal Highness The Grand Duchess of Luxembourg presenting the Award, and presentations by Romain Schneider, the Luxembourg Minister for Development Cooperation and Humanitarian Affairs; Werner Hoyer, the President of the EIB; Michel Maquil, Chairman of InFiNe.lu and Moderator Bob Christen, President of the Boulder Institute of Microfinance.

The European Microfinance Award ceremony gathered together leading European investors, practitioners, raters, analysts and support providers. The Award has built a considerable industry reputation since the Luxembourg Ministry of Foreign and European Affairs launched it in 2005. Jointly organised by Luxembourg's Directorate for Development Cooperation, the European Microfinance Platform (e-MFP), and the Inclusive Finance Network Luxembourg (InFiNe.lu), this year's Award garnered 26 applications from 19 countries. The theme was described by Bob Christen, who said in his introduction that environmental issues are gaining global relevance in microfinance, moving beyond the Hippocratic standard of Do No Harm to "a more positive affirmation of its role with financial services in creating a more sustainable planet".

Environmental changes, as Romain Schneider said, "disproportionately affect the poorest people in developing countries, and the examples of this year's finalists… demonstrate that financial inclusion and environmental sustainability can go hand-

in-hand. I expect that their examples will promote greater focus on the environment across the sector" – adding that next year marks the milestone of the UN's Millennium Development Goals, to be replaced by the Sustainable Development Goals (SDGs).

The environmental principles within the SDGs are well exemplified within this year's winner, Kompanion Financial Group, an MFI from Kyrgyzstan, established in 2004 and with over 100,000 clients and a portfolio of €61 million. The third largest financial institution in Kyrgyzstan by clients and the second largest by portfolio size, Kompanion is active in all seven regions of Kyrgyzstan. It provides microloans alongside technical assistance to small-scale farmers and pastoralists (mainly livestock herders and shepherds) to promote sustainable agriculture and natural resource management. In April 2014, it received SMART Campaign certification for Client Protection.

Kompanion won for its Pasture Land Management Training Initiative – an ethno-ecological approach to pasture land preservation which addresses the pressing issue of pasture land degradation in Kyrgyzstan. Pastures account for 85 per cent of all agricultural land in Kyrgyzstan, and the PLMTI comprises a specialised loan package called 'Credits for Conservation' linked with training. Local land managers are taught how to sustainably optimise grazing land, how to tend their livestock and are made aware of their legal rights to help them protect their stake in local environmental resources.

Since 2011, Kompanion has trained more than 24 thousand clients through this self-financed initiative, with measurable increases in pasture productivity and client household income – of 30 per cent, on top of a cost decrease of 15 per cent. Positive impacts in biodiversity include reduction in the use of harmful chemicals and hormones in livestock breeding, increased use of organic compost and uptake of beneficial biological soil management techniques by clients.

In addition to the initiative, Kompanion has had an environmental policy in place since 2011. Kompanion collects and analyses scientific and cultural practices on an on-going basis, and when appropriate, adopts these into client training programs. Since June 2012 Kompanion has adopted an environmental and social risk assessment policy requiring loan officers to consider environmental issues in credit assessment.

According to Olesia Paukova, Director of Development Services of Kompanion Financial Group, and who collected the prize from the Grand Duchess: "With the

prize money we plan to develop a 'mobile classroom' to reach the herders in remote pasture lands and provide trainings in more villages across Kyrgyzstan. We will also develop video materials to be used in public schools in remote areas. These materials will connect students in those areas with our livestock management experts who will present the best pasture land management practices. This will increase our outreach even further."

While there could be only one winner, special note should be made to the two other finalists. ESAF Microfinance and Investments in India, with its Clean Energy for the Poor initiative, provides rural clients with solar energy solutions, efficient cook stoves, and water filters. To date, over 60,000 clean energy products have been funded through microcredit to clients most of whom live on less than $2 a day. And XacBank LLC in Mongolia was recognised for its Eco Product Program, under which it has facilitated the purchase of over 150,000 energy efficient heating and insulation products to poor ger district households in Ulaanbaatar.

Since 2005, the European Microfinance Award has been held every two years. From now on, however, it will be an annual award – reflecting its growing importance in the industry, and the importance of encouraging innovation in an industry looking beyond the provision of financial services, but to creation of an ecosystem of human development in developing countries, supported by European institutions, and which attracts talent, ideas and imagination from across the world.

FRIDAY 14TH NOVEMBER 2014

PLENARY:
MANAGING OVERINDEBTEDNESS - SPEAKING FROM EXPERIENCE

MODERATOR	**Daniel ROZAS**, e-MFP
SPEAKERS	**Shameran ABED**, BRAC Bangladesh
	Youssef BENCHEQROUN, Al Amana Morocco
	Luis Fernando FERNANDEZ, Pro Mujer Mexico

Daniel ROZAS opened the plenary session by highlighting that client overindebtedness represents one of the greatest risks to microfinance, thus being a subject of extensive debate within the sector. Rozas then introduced the topic of overindebtedness and illustrated it with different examples from around the globe.

Rozas presented the case of Bangladesh, where microfinance experienced strong growth until 2007; between 2007 and 2008, the market overheated and reached a plateau. He also presented an IFC study investigating multiple borrowing in Morocco and its development over the crisis. He explained that multiple borrowing cannot be directly translated into overindebtedness, but that it does present a higher risk. It was observed that multiple borrowing in Morocco peaked in 2009, with 40% of the sector supported by clients with two or more loans, and who accounted for nearly half of all defaults in the sector. Rozas also mentioned Mexico, where multiple borrowing reaches remarkably high levels compared to other countries; in 2014, more than half of all loans in Mexico came from clients holding four or more loans.

Rozas introduced the panellists, representing different MFIs dealing with overindebtedness in different ways.

PRESENTATIONS

Shameran ABED of BRAC presented an overview of the Bangladeshi microfinance sector in the last twenty years. He explained that microfinance started in the mid-1970s, and grew strongly in the 1980s. By 1990, microfinance was already covering the entire country, and it became a self-sustained sector. Abed mentioned that strong growth continued in the period 2003-2006, which started to create problems within the sector. In 2007-2008, multiple lending was already endemic in Bangladesh, affecting staff-client interface and cohesiveness of borrower groups. These issues led sector stakeholders to consider whether the quality of the sector was deteriorating.

In this context, MFIs decided to slow down and reflect on the status quo of the sector and their clients. Abed mentioned that this process was relatively simple since the sector was no longer dependent on donors. He also explained that the Bangladeshi microfinance sector started investing more on understanding multiple lending and client demand. Abed defended that multiple lending is not a bad thing in itself, but it should not lead to overindebtedness. Within the Bangladeshi sector, various efforts were made in the last years in making processes more flexible and in adapting products, so as to prevent clients borrowing more than their capacity to repay.

Youssef BENCHEQROUN, from Al Amana, then presented the case of Morocco, where microfinance began at the end of the 1990s. Bencheqroun explained that microfinance gradually scaled until 2007, with a successful 99% repayment rate and a risk portfolio below 5%. Bencheqroun mentioned that non-repayment cases increased substantially in Morocco from 2007 on. In 2008, the three largest MFIs, accounting for 95% of the market, merged and created an inte-

grated credit bureau that established procedures related to risks. He clarified that the sector had not been exposed to risk prior to that point, with the result that the sector did not have the experience to manage risks. In combination with the Arab Spring, which made institutions more fragile, the sector slowed down in the beginning of 2012. Bencheqroun also explained that, due to cultural reasons, institutions in Morocco are not particularly conducive to microfinance. In this respect, he emphasized the need to explain and create awareness about microfinance in Morocco as a starting point to address overindebtedness.

Luis Fernando FERNANDEZ, from Pro Mujer, presented the case of Mexico, a highly competitive microfinance market. Mexico's banking system virtually disappeared from the country in 1995 due to the financial crisis, which made credit availability very low until 2000. Fernandez emphasized the strong promotion of credit by the Mexican government since then, calling attention to the widespread activities of Banco Compartamos in providing credits. He elaborated that microfinance in Mexico turned into a very commercial and aggressive sector, with very high interest rates. The microfinance sector was led by three banks present all over Mexico, creating a credit overload and focusing primarily on high returns.

Even though he affirmed that there is a certain level of overindebtedness in the country, the exact numbers are unknown.

Fernandez emphasized that the financial focus of the microfinance sector in Mexico is changing, evidenced by the introduction of The Smart Campaign and a deeper analysis of the clients and their needs. He explained about Pro Mujer, which focuses on vulnerable groups and has a priority of providing clients with better financial and non-financial products, and in guaranteeing a high retention rate. This approach led to a two-digit growth in a highly competitive market. Fernandez defended that, by focusing on client loyalty and welfare, profitability will be a natural consequence.

Rozas questioned whether the large and commercially-oriented players in Mexico would recognize the overindebtedness issue in microfinance. Fernandez mentioned that the experiences of the other panellists show that market leaders can demonstrate different paths. He stressed the need to build leadership where social mission is a differential, which is a challenge in a country dominated by small groups of profit-oriented companies.

Rozas also addressed the role of authorities in managing client overindebtedness and wondered what the role of the Central Bank was during the crisis in Morocco. Bencheqroun explained that a new law in Morocco introduced a steering capacity to the Central Bank, with a dedicated department for the control of interest rates, which has been very useful to the market.

Rozas then observed that institutional regulators were not key factors in slowing down the microfinance sector in Bangladesh, and asked whether this initiative came from clients themselves. Abed clarified that regulators had not come into existence at the time of the slow down; it was an initiative stemming from MFIs and clients, reflecting the high level of sector maturity. He emphasized that overindebtedness will eventually hit the bottom line of financial institutions, even those which follow a commercial approach, and it is necessary to put processes in place to avoid it.

DISCUSSION

The panellists and audience discussed the role of impact studies in shaping the practice of MFIs and in creating client trust. Fernandez defended that impact studies should be used to develop products which cater for potential market segments, especially those which are financially excluded. Rozas mentioned that Jessica Schicks has conducted interesting research on how overindebtedness affects clients, finding that over-extended borrowers resort to sacrifices such as cutting back on food or taking children out of school, in order to repay their loans.

Another member of the audience stressed that we might be focusing on the 'wrong side of the balance sheet' by dealing solely with credit. He defended that savings-driven institutions might actually be able to provide a product which is needed by the poor, since the poor cannot deal with interest rates. Abed mentioned that savings do play a role in Bangladeshi MFIs, but that the potential of credit should not be underestimated; it will always depend on how the client uses the money.

According to Abed, an overindebtedness rate ranging from 5 to 7%, as is currently the case in Bangladesh, is acceptable. However, it should not reach double digits. In Bencheqroun's view, however, overindebtedness should not be socially acceptable and should be restricted with proper policies. According to Fernandez, the focus is not on the market share of overindebtedness, but on individuals and whether they are able to repay their loans. He also mentioned that social MFIs should develop products to cater properly for clients and make use of the group effect.

LENDING SERVICES FOR AGRICULTURAL MICROFINANCE

MODERATOR	**Michael KORTENBUSCH**, BFC
SPEAKERS	**Resi JANSSEN**, Cordaid
	Josefine LINDÄNGE, Hand in Hand International
	Frederik Jan VAN DEN BOSCH, FMO
	Bart DE BRUYNE, Independent consultant for AMT

PRESENTATIONS

Michael KORTENBUSCH introduced the topic by providing an example of an MFI in Central Asia which was involved in agricultural finance. Kortenbusch asked this MFI's manager what the biggest challenge for his MFI was. He responded by telling Kortenbusch that he thought it was very difficult to move into urban microfinance due to the bad infrastructure and the high costs to open a branch. When Kortenbusch asked him if he had any difficulties with rural microfinance, the manager could not indicate any. This crumbled the ideas of Kortenbusch on agricultural microfinance. He learned that, in order to work in agricultural microfinance, you have to think like a farmer instead of a city banker. Kortenbusch explained that this session would also discuss the challenges and solutions of agricultural microfinance from different perceptions and welcomed the panellists to the session.

Before the presentations, the founder of K-Rep and chairman of the African Microfinance Transparency (AMT) network, Kimanthi Mutua, contextualized the work of Bart DE BRUYNE. AMT is a network of 53 African MFIs, strengthening microfinance by promoting disclosure. De Bruyne presented the results of a survey based on the experience of AMT members, showing the differences of perceived versus real challenges in rural finance. The financial results showed that rural MFIs have a harder time to be self-sustainable. De Bruyne searched for a quantitative explanation for this difference. His research showed that this was not because of higher operation costs, but could be because of the credit methodology (individual versus group-lending). He then turned to the perceived risks. Based on the data, repayment risks were similar for rural and urban credits. The last question he researched was the size of the credits. This showed that rural loan sizes per borrower are smaller compared to urban loan sizes.

De Bruyne also executed a qualitative research on the challenges and solutions for agricultural finance. The identified success factors for rural finance included client proximity, involvement of commercial actors, solidarity groups that secure diversification of the portfolio, financial education and entrepreneurial training, and design of demand-driven products. He also highlighted the most important risk factors, such as weather conditions and related diseases, marketing difficulties, lack of collateral or unclear land rights, lack of farmer experience or inadequate farmer extension services. De Bruyne concluded that strategic partnerships are key for rural finance to assure market access, good conservation management, payment through MFI accounts and farmer extension services.

Frederik Jan VAN DEN BOSCH continued the session with FMO's perspective on non-financial services that support microfinance. He stressed the need for knowledge and networks in order to make agricultural finance work. Partnerships are crucial for lending services for agricultural microfinance. He then introduced Josefine

LINDÄNGE of Hand In Hand International, a project partner of FMO, to illustrate how you can get more out of microfinance by providing non-financial services. Lindänge stressed the importance of enhancing financial skills at the farmer's level, which can harness the potential of farmers to achieve more with credits. She highlighted that, through the partnership between Hand In Hand International and FMO, the supported farmers performed better. Farmers were able to borrow more safely as they could access a platform of extension services, allowing them to increase their knowledge and capacities.

Resi JANSSEN explained that current agricultural production in Africa is only 45% of what it could be, indicating a huge potential for increased food production and processing. However, this will require appropriate financial services for farmers. Risk management could help to reduce risks and make successful agricultural lending possible for smallholder farmers. Agricultural microfinance can do much more to reduce risks and linking clients to insurance. A more substantial risk reduction can be realised before the product is developed and through the creation of strategic partnerships. Janssen then introduced the ACP/EU-funded MicroSave/Cordaid agricultural lending project, which identified four categories of risk-mitigating measures.

The first category was named *preparation*. Janssen explained what MFIs can do before starting the development of a new agricultural financial loan product to minimise risks. This included the execution of a value chain analysis, area selection, and having agricultural expertise at board and management levels. The second category, named *product*, identified risk-mitigating measures related to the product. Janssen stressed that, next to the development of an appropriate loan product, offering a savings product and financial education allows clients to perform better. *Operations*, the third category, showed the measures MFIs can take for operational products, such as risk management and limiting exposure to certain crops or areas. MFIs were also recommended to make a good analysis of the household's income, expenses and cash-flow and closely monitor their clients, being crucial for repayments. In this respect, MFIs were advised to hire qualified staff with agricultural backgrounds. The last category, named *collaboration and linking*, included the mitigation of risks through the collaboration with other value chain actors. Janssen recommended facilitating input supply and arranging extension services for clients, facilitating access to price information and applying value chain finance. Janssen also encouraged MFIs to work with producer organisations, participate in multi-stakeholder meetings and to link clients to insurance providers.

DISCUSSION

The audience questioned whether rural MFIs are not self-sustainable due to the limited size of their operations. De Bruyne replied that he found out that larger MFIs were not per definition more sustainable. Another person from the audience questioned the panellists whether a lack of farmer experience is a risk factor. De Bruyne explained that this research was executed by the MFI (versus the farmer) perspective, which indicated that this was among the biggest challenges. Another question raised the issue of the definition of what is rural versus urban. The panellist explained that he used the perspectives of the MFI as a definition.

Another question was directed to Lindänge, asking how it was possible to keep costs per client low (<USD 250). She answered that the NGO was founded by a businessman, making the organisation focused on targets and strict monitoring. This allowed the NGO to work very cost-effectively. She was then asked to provide an example of what a day-to-day experience would look like. Lindänge mentioned that her organisation would first establish groups for the lending structure and training to use this structure. They would also provide low entry business trainings to capacitate the groups. Another member from the audience asked if her NGO also links these farmers to larger vegetable-growing companies in order to gain market linkages but also to gain agricultural skills. In his view, these companies would have the knowledge to improve the farmers´ skills. Lindänge agreed that this would be a good initiative, which needs to be explored further.

A question from the audience to Janssen revolved around the methodology of project monitoring. Janssen responded that monitoring is mostly done through group meetings and by producer´s associations. In the latter case, these organisations are often not capable of monitoring due to limited capacities. Another issue raised by the audience was about experience with the value chain approach. The audience wondered whether farmers are empowered to sell their products without MFI intervention. Janssen replied that this happens in some cases. The seven MFIs have not done any price negotiations with the farmer. She stressed the need to have another actor that supports the value chain, as MFIs alone cannot provide this type of support.

RESPONSIBLE MICROFINANCE FROM A COUNTRY POINT OF VIEW: INDIA

MODERATOR	**Cécile LAPENU**, Cerise
SPEAKERS	**Alok MISRA**, Micro-Credit Ratings International Ltd. (M-CRIL)
	Ratna VISWANATHAN, MFIN India
	Lukas WELLEN, Voice of the Client

PRESENTATIONS

By focusing on one concrete case, the microfinance crisis in India, Cécile LAPENU wanted to identify lessons learned: what has changed after this learning event, what is the role of different actors in responsible finance and how can experiences in India be applied to other crisis situations?

Alok MISRA used the perspective of a rating agency to look at the initiatives shaping India's responsible microfinance landscape, how they changed industry practices and what future challenges remain. He started by concluding that microfinance regulation enacted by the Reserve Bank of India (RBI) has proven most effective in building a responsible microfinance industry, followed by the Industry Code of Conduct (CoC). The Universal Standards for Social Performance Management (USSPM) and the Customer Protection Principles (CPP) were much less effective in changing behaviour. The principal reason is that USSPM and CCP principles are incorporated in RBI regulation in terms of issues such as indebtedness, pricing, behaviour and transparency. Moreover, the CoC adds additional standards supporting responsible microfinance including governance, human resources, grievances, privacy and client education. He also stressed that MFIs focus on what is demanded by their funders. Many give precedence to regulatory compliance and not to "aspirational" principles of USSPM and CCP.

He then looked more specifically at change in terms of different Social Performance Management (SPM) standards. As to the definition and monitoring of social goals he saw minimal change. Mission statements were not smartly formulated and internalised in the organisational culture. Also the poverty focus is mostly regulation driven. In contrast, good progress was achieved in institutional commitment, although reporting remains focussed on compliance. Misra also pointed at minimal improvement in product offering. Although client needs are better known, RBI regulations restrict MFIs to design products to meet them. Much better progress was achieved with client treatment, due to more product transparency, better staff incentives and auditing of staff behaviour. He also saw some progress in staff treatment although a gap remained between policies and practice. Finally, the balance between social and financial performance remained mostly regulation driven.

Without a culture to do what is desirable instead of what is mandated, regulation or a CoC will not prevent unsustainable growth from returning. There is still a culture of growth and institutions cannot keep up with such growth, not in terms of systems but especially in terms of staff training. He points out that usually most staff is never trained on responsible finance. Moreover, while innovation is possible within the regulatory framework, the drive for growth fosters product standardisation.

Ratna VISWANATHAN presented how a self-regulatory organisation (SRO) can help build a responsible microfinance sector. Microfinance Institutions Network of India (MFIN) was established in 2009, prior to the crisis in Andhra Pradesh. As microfinance regulation came into effect in 2010, they started to organise themselves as a SRO to establish standards and practices. Since June this year, they received a self-regulatory mandate from RBI and were designated to perform industry surveillance, grievance redress, dispute resolution, training and knowledge dissemination and data collection. An important tool offered to members is the Responsible Business Index, a self-assessment tool to help MFIs measure, manage and integrate responsible business practices into their operations and strategy. It encompasses the RBI Fair Practice Code and the industry CoC in terms of customer disclosure and engagement, institutional procedures and transparency. MFIN is in the process of enabling third party audits of self-assessments.

Viswanathan mentioned several advantages of the SRO model. Firstly, being an industry representation body means its members have an empathetic view towards it, making it easier to embed responsibility among members. Secondly, a SRO can act more flexibly and at lower costs than central banks. On the downside, conflicts of interests can occur if roles are not clearly established and communicated. The institution also must contend with low willingness among members to be transparent. The continued risk of uncontrolled growth requires awareness raising and training, in addition to early identification of problem areas to avoid another crisis which in the current political climate, would be damaging to the industry and its current model of self-regulation.

Lukas WELLEN presented the Voice of the Client initiative which aims to increase microfinance transparency and accountability. It responds to a need to enrich current social performance assessment approaches, such as evaluations, impact assessments and theories-of-change. While these provide useful insights, they are costly, time-intensive and unsuited to guide management decisions as their results are difficult to compare over time and between products and branches. Borrowing from private sector customer satisfaction surveys, Voice of the Client offers a bottom-up, client oriented approach focusing on key CPP questions. This makes it possible to look at trends and compare branches, client categories and MFIs. A first pilot in India used different data collection methods, including Interactive Voice Response (IVR), telephone calls and face-to-face interviews. Such a combination digs deep into the MFIs client base, including women and the poorest-of-the-poor.

First results show considerable differences in outcomes between methods. This could mean that IVR gives clients a feeling of anonymity which makes it easier to criticise MFI performance compared to face-to-face or telephone interviews. During next steps, testing will continue in order to develop stable cost-efficient systems for data collection. This will help MFIs to improve their understanding of client needs, a support client retention, product development and portfolio improvement. It can also provide benchmark reports for MFIs and investors.

DISCUSSION

During the discussion, Wellen further explained that the main goal was to develop a cost-effective tool which allowed for a trend comparison. However, he stressed that the information has its limits: it can only identify "trouble spots". MFIs need to use different data collection techniques to go more in-depth.

Next, the discussion turned towards whether the crises in Andhra Pradesh can be considered a learning event, or whether we are heading towards a new crisis. Misra explained that we learn both internally, by changing our views or culture, and externally, where learning is imposed. Internal learning is more lasting, but has not truly taken place. Now, with RBI relaxing its requirements you can again see overheating tendencies in several markets. Viswanathan signalled the risks that come along with a return of market and investor confidence. However, the situation has improved in terms of data collection and reporting practices to give an early warning. She added that client survey techniques such as Voice of the Client could further help identify bad practices.

Lastly, the discussion turned to over-borrowing, and how regulation targets this issue. Viswanathan explained how caps on loan size and number, as well as credit bureaus were established. She stressed that although this development greatly improves transparency and contributes to reducing overindebtedness and credit portfolio deterioration, the system does not work perfectly. Misra added that as long as a responsible finance culture is not internalised in the industry, regulation can only get us so far. Continued training and awareness raising by MFIN will be needed.

SAVINGS FOR THE BOTTOM OF THE PYRAMID: SELF-RELIANCE MODELS

MODERATOR	**Bernd BALKENHOL**, Université de Genève
SPEAKERS	**Alan MOORE**, ILCUF
	Kalpana SANKAR, Hand in Hand India
	Hermann MESSAN, UNCDF

PRESENTATIONS

BALKENHOL opened the session by welcoming the audience. He explained that the session focused on the institutional angle of savings for the bottom of the pyramid, while the session later that day (see page 60) is about cross cutting issues on savings mobilization.

Hermann MESSAN talked about the UNCDF MicroLead program. The program supported leading financial service providers (FSPs) and technical service providers (TSPs) with savings-led methodologies to expand their operations and services to underserved markets. The goal is to reach 2 million low income depositors by 2017. Self-reliance models that are explored within MicroLead are village banks, credit unions and savings groups.

Messan explained how the three self-reliance models were put in perspective by using a six dimensional analytical framework that looks at:

- length: the time frame of the supply of microfinance;
- breadth: the number of clients and scalability;
- depth: poverty outreach;
- worth: willingness to pay;
- scope: number of financial contracts supplied;
- cost: the sum of price costs and transaction costs.

Savings groups have a high willingness to pay as their members are those who set the services, terms and conditions. Saving groups have a deep poverty outreach, given that it is easier for small informal groups to reach those with the lowest income and rural areas. When it comes to breadth, saving groups will usually have 20-25 members, but are easily scalable. The downsides of savings groups are the length and cost. Although people are willing to pay for the services provided by savings groups, the costs are high. Moreover, the type of services is limited and traditional: internal lending and savings.

Credit unions score high on the willingness to pay and the scope of services is much broader and more regulated that of savings groups. Higher regulation decreases the cost. The length and timeframe is longer than in savings groups, but scalability and depth are lower. Village banks are in between credit unions and savings groups. Messan emphasized that introduction of technology can decrease implementation costs for all these types of self-reliance models. Financial education is better provided by savings groups, as credit unions and village banks are restricted by regulations. Rural areas are better reached through informal models.

Alan MOORE represented ILCU, an Irish foundation that provides financial and technical support to develop and strengthen Savings and Credit Cooperative Organisations (SACCOs). He explained that SACCOs are local initiatives owned by members. Main services are savings and lending. Each member has one vote, regardless of their deposit. A voluntary board is elected with democratic procedures by the members. The goal is to benefit the members. However, the SACCO must cover its costs.

Moore analysed what makes SACCOs work. The first important point is the local ownership and local cohesion. A top-down approach is less likely to be successful. Leadership is also essential, requiring good management skills. Bookkeeping of all financial transactions is essential. The number of members is essential for scalability and viability. Stakeholder engagement and support is important. At a local level, the local community, the local and religious leaders should support and promote the SACCO. Physical presence is important. This gives confidence to people to deposit their money in this institution. Portfolio size is important to be able to lend money to members. The auditing function is critical. The presence of an apex body is very important, as it can set targets for SACCOs and can assist in lobbying with the government to promote best practices.

SACCOs are a low cost model as interest rates they charge are lower compared to financial institutions. Moreover, SACCOs pay dividends to its members. On the operational side, there are limited financial services that SACCOs provide compared to commercial banks, but these services are closer to the local community. Moreover, SACCOs target all social levels and do not differentiate. Finally, SACCOs promote democratic procedures and develop local capacities. Misuse of money, non-repayment of loans, incompetent governance, lack of accountability, supervision and audit, poor understanding of business model and operational procedures, and weak management are the most common reasons SACCOs fail.

The vision of Hand In Hand India is to alleviate poverty through job creation and integrated community development. The goal of the NGO is to create 5 million jobs by 2020. Kalpana SANKAR stressed that poverty is multidimensional. Clients are living on less than USD $2 per day. All clients have a bank account allowing them to save regularly. Clients use their savings for consumption smoothing and can take micro-loans for income generating activities (IGAs). Because clients save in groups, this improves local cohesion. Currently, the NGO has reached 1.1 million people.

All clients receive financial literacy and business training. All clients are eligible to save but those who seek microcredit need to first have an assessment of their financial skills and enterprise feasibility. Sankar emphasized that households must be assisted through skill training and the development of improved marketing networks to expand activities in more rewarding sectors.

DISCUSSION

A representative of the Sapienza University of Rome shared the findings of a study on the growth of savings in village banks in Uganda. According to the study, the growth of savings did not depend much on the size of the loan but on the timeframe of the program. Although it was expected that a higher level of literacy would encourage savings, findings suggested that literacy increases consumption. Last, business development training seemed to increase savings. The question to the panellists was whether they found similar results in their experience. Sankar agreed that the longer the tenure, the more people will save. She emphasized that training is very important to increase savings levels but she has not found correlation between savings and education. Messan added that savings do not need to be in cash. When people become more literate, they take into account other variables, such as inflation, and start saving in gold, in kind, and in foreign currencies.

In rural areas, people invest in livestock or start building properties in order to move to a higher social status. Some clients also diversify risk by saving in multiple savings groups.

Then the discussion focused on the importance of governance and leadership within self-reliance groups. Messan added that regulation in addition to investments from formal stakeholders, e.g. commercial banks, are critical for the formalization of self-reliance groups. Moore added that apex bodies, trainings, as well as, the ethos and philosophy of members are crucial for SACCOs after the donors are gone.

The discussion then shifted to the optimal size of SACCOs. Moore explained that if SACCOs grow too big, there is risk of losing the sense of community ownership. However, the whole society should be engaged in SACCOs. Both the poor and the middle class should be involved to make a SACCO a viable national entity. Rural SACCOs should be able to link with their urban counterparts. He gave the example of African national teacher credit unions where members do not belong in the same community but are united by having the same job. Community activists can help promote SACCOs and attract members from different socioeconomic status.

DOWNSCALING WITH COMMERCIAL BANKS IN AFRICA: OPPORTUNITIES AND CHALLENGES

MODERATOR	**Edvardas BUMSTEINAS**, EIB
SPEAKERS	**Marie-Laure GARNIER**, AFD / ProParco
	André OERTEL, HORUS
	Saugata BANDYOPADHYAY, CRDB Bank Tanzania

PRESENTATION

Edvardas BUMSTEINAS emphasized the renewed interest in the topic of this session, referring to the diverse panel of speakers and a relatively large number of participants.

André OERTEL started by presenting some lessons from experience with downscaling of commercial banks in Africa. While differentiating between Horus' definitions of Microfinance (< USD $10,000) and SME finance (> USD $10,000), Oertel put the focus on the provision of credits to enterprises. Access to finance will determine the eventual success (or not) of downscaling, next to risk management. He referred to microfinance as retail business, but with very specific organisation and cost structures, while SME finance as less standardised, more segmented and having more financing models. He distinguished between two models of downscaling: 'do-it-yourself' and via equity link. For the 'do-it-yourself' approach, Oertel reviewed the main findings of a recent evaluation of EDFI (the Association of European Development Finance Institutions) lending programmes concerning the effectiveness of EDFI support to SME development in Africa (through a small sample of six banks in Ghana, Kenya, Uganda, Tanzania and Zambia). The objective of the EDFI programme was mostly increasing the volume of loans to SMEs, not necessarily downscaling. Determining factors in downscaling were: banks that invested in SMEs most likely continued to do so after receiving EDFI support; a link was also observed between 'business environment' and 'increased capacity in SME banking'; and, a positive link between 'quality of banking sector' and 'outreach'. Advantages and disadvantages of this type of downscaling were reviewed, also making clear that it is often difficult to get the complete information on the true contribution of external support programmes to SMEs. Downscaling through the equity link can be considered as a more privileged partnership model, e.g. as deployed by Société Générale with Advans Group in a number of West African countries. Determining factors for success are the shared business vision and the regulatory framework. The approach is more oriented to treat it as a real business, and the impacts are more diverse: local knowledge, professional inputs, shared infrastructure, and access to local finance (at market conditions). Oertel concluded that the 'do-it-yourself' model is more suitable for SME finance rather than microfinance (hence limited downscaling perspective), while the equity link is serving the purpose of helping MFIs in their upscaling efforts.

The CRDB Bank Tanzania, represented by Saugata BANDYOPADHYAY, worked mainly in rural areas when it transformed into a commercial Bank (50% private, and 50% institutional shareholding). The motivation for the management to downscale is financial inclusion. While mobile banking disrupted much of traditional banking in the recent past (as from 2007), there is now more financial knowledge in the informal sector. This can be used for new developments, as demonstrated by the CRDB's Agent Banking, which took off in 2012, offering a low-cost financial access opportunity. In 2013, financial inclusion reached 74% due to lower transaction costs, while the non-bank formal sector grew from 5% to 44% in Tanzania. As a result, the bank realised a very strong growth in transaction values, a key driving factor being the low interest rate policy (next to guarantee schemes). Bandyopadhyay explained CRDB's model as a value chain model for downscaling to the field level based on a graduation process of its clients. Education and capacity building at the final beneficiary level is required to help clients move up. It also became clear that this model cannot be used for mi-

crofinance operations, for which purpose CRDB established a separate microfinance subsidiary (with an Islamic banking part, and also working with the Financial Sector Deepening Trust). After mentioning a number of demand and supply side bottlenecks in the microfinance sector, Bandyopadhyay talked about the Micro SME finance sector, for which CRDB developed a specialised SME department. He subsequently compared CRDB's microfinance and SME finance schemes, the low interest rates (14-20% for microfinance loans, 18-20% for SMEs, 20-24% for Micro SMEs) showing their ambition to create financing opportunities while removing barriers. By building capacities with SACCOs (incl. an incubator programme), they hope to achieve even more impressive results in five years from now.

Marie-Laure GARNIER presented AFD - the French governmental financial development institution. AFD has a public sector approach, funding difficult frontier projects. The aim is to make the best use of money by demonstrating to banks that lending to SMEs on a commercial basis is feasible. AFD and ProParco assist local banks and finance actors with downscaling to finance SMEs, through technical assistance and capacity building; hence the need for blended finance. AFD got a small grant from the French Government to pilot with the Société Générale de Banque au Sénégal. This was meant as a credit line for the bakery sector, credits being based on cash-flow analysis rather than on basis of assets or collateral. A second example presented by Garnier is the credit line (EUR 30 million) and technical assistance which was provided to the National Bank of Egypt. A third example concerned the blending of finance and technical assistance in the case of Garanties Ariz, as a means to guide the downscaling of banks and the upscaling of MFIs. Guarantees can be provided for up to 75% of the loan amount for MFIs, and up to 50% for SMEs. Garnier concluded by mentioning the support they are providing to public APEX institutions, in order for local banks to provide loans and technical assistance to SMEs.

DISCUSSION

Bumsteinas started the discussion by highlighting the cross-cutting issue of capacity building throughout the presented approaches, asking for feedback from the audience. An EIB representative then asked about the importance of the guarantee scheme as a catalyst, to which Bandyopadhyay replied that it certainly helps in product structuring, though they are not relaying this to customers. It means that if something goes wrong, it can be mitigated, nevertheless they also provide support to prevent such mishaps. The low interest rate for SMEs (question from the University of Lorraine) can be explained by the support of Danida and the 50% shareholding by small investors. As a result, there is not much institutional pressure for high interest rates. They are rather understanding, demonstrated by the fact that profits are brought back into operations. In addition, they have a very low-cost structure and cost-efficient operations.

In response to another question from the University of Lorraine, Garnier provided additional information about the work done by AFD in assisting development banks in French speaking countries. She also referred to the cases of Egypt and Nigeria presented earlier to explain how AFD improved the liquidity of local banks, also aided by the technical assistance in line with the AFD's role as a public developmental agency. Oertel provided some final recommendations for follow-up. He made an observation that banks with an inclusive (social) vision are found to be quite successful from a financial and operational point of view. His main conclusion was that choosing the right partners and developing new models is key in reaching critical mass and promoting downscaling. Bumsteinas concluded by saying that banks which are downscaling usually have a social mission, and that their commitment to financial inclusion brings significant additional benefits to their country and people.

TECHNOLOGY SOLUTIONS AND INNOVATIVE DELIVERY CHANNELS

MODERATOR	**Philippe BREUL**, PHB Development
SPEAKERS	**Jacinta MAIYO**, PAMIGA
	Bram PETERS, FINCA International Africa
	Nicholas MEAKIN, Urwego Opportunity Bank (UOB) Rwanda

Philippe BREUL opened the session by introducing the panellists, and emphasizing that the end goal of the session was to identify how we can improve the use of technology and innovation in the microfinance sector by involving different stakeholders. He explained that each presentation would be followed by a round of questions. In addition, the audience would be able to network, 'speed-date' and identify potential opportunities for successful Digital Finance at the end of the session.

He mentioned that the first step in introducing innovative delivery channels in microfinance is to identify the main channels available, such as branches, ATMs, agents, field officers, etc. The second step is the identification of appropriate products and services in the field of payments, banking and money transfers. The third step consists of identifying the right stakeholders, acknowledging that MFIs are not alone in this field. Having provided this framework, Breul concluded that the implementation of technology solutions in microfinance presents a wide array of opportunities in terms of improving services to the client and enhancing efficiency in operations. These new opportunities are also open to other stakeholders (banks and mobile operators), who could over-run MFIs in serving the bottom of the pyramid.

Breul provided a short presentation on the latest developments in the domain of technology and innovation in delivery channels: 1) financial inclusion in the G20 agenda has resulted in a large wave of practical improvement of the policies and regulations in numerous countries, 2) dramatic increase in funding for technological solutions, with key global players involved such as MasterCard Foundation, 3) stakeholders using technical solutions has increased sharply in recent years, illustrated by the widespread adoption of mobile money worldwide.

PRESENTATIONS AND DISCUSSION

Following Breul's introduction, Jacinta MAIYO introduced the work of PAMIGA, a network of 14 responsible MFIs with presence in nine African countries. Maiyo revealed that PAMIGA has a designated IT department which interacts directly with the MFIs. She explained that PAMIGA conducts diagnostic studies and evaluations to assess technological readiness among the MFIs in its network. In her view, this allows PAMIGA to classify MFIs into three categories: 1) Category I: very weak MIS / no MIS, 2) Category II: existing MIS, but which does not work well, 3) Category III: good MIS, ready for the next level. She pointed out that most MFIs in the network are still in Categories I and II which, together with low awareness, high costs, remoteness and weak regulatory frameworks, results in a very slow adoption of technology solutions. Maiyo highlighted that PAMIGA is working towards bringing the MFIs to Category III, an objective that is being realized. Maiyo shared a few lessons learned with the audience, highlighting that MFIs are willing to implement technology, but strategic planning is still missing; key staff is very important; the cost of implementing technology solutions remains a big issue since most MFIs have little or no budgets allocated to IT innovation; MFIs should understand that they cannot copy and paste solutions; technical assistance in IT innovation is highly needed by MFIs; key indicators should be identified at the onset of the project; and incentives for all players in the ecosystems should be considered. As next steps, Maiyo revealed that PAMIGA will be working with the member MFIs to improve their MIS and deploy digital financial and non-financial services in order to reduce costs and secure business operation.

A member of the audience pointed out that it is difficult to move MFIs serving rural populations towards digital finance, and asked Maiyo why not put resources and channel digital solutions through microfinance banks. Maiyo revealed that PAMIGA is actually planning on bringing in more members to the network, including banks. However, she explained banks are rarely interested in operating in rural areas due to the high costs involved.

The audience also questioned Maiyo on how to make sure that the local partner develops well and implements technology solutions appropriately. Maiyo reiterated that the diagnostic studies conducted by PAMIGA are key in identifying IT readiness, but that implementation activities should also be accompanied by a needs assessment, so as to make sure that the strategy is based on real needs.

Bram PETERS introduced the work of FINCA International Africa, which has operations in six countries. Peters shared a video of FINCA's operations in DRC, which highlighted the role of agency banking in the country. He explained that it took FINCA a long time to get the implementation of agency banking in DRC to a successful level due to a number of operational risks. Peters also mentioned that this is a service where no fees are charged, since the business model is based on increasing locally acquired liabilities to off-set institutional borrowing in order to reduce the cost of funding. He further explained that operational costs are also reduced by having more customers per branch whereby the agents are used for lower value-added transactions, such as deposits and withdrawals. Among the lessons learned, Peters mentioned the following: take your time to build up the project; make sure to create a business case; and do not copy and paste. What works in one country, does not necessarily mean it works in another. As a next step, he revealed that FINCA will upscale operations in DRC and implement agency banking in their other African subsidiaries.

A member from the audience asked whether FINCA has drifted from its traditional community banking model, since agency banking seems to be a different product offering. Peters revealed that there is an internal debate at FINCA as to how to adapt to changes in group dynamics, and highlighted that implementing agency banking and mobile banking in group schemes is very complicated.

The follow-up discussion revolved around the occurrence of agent fraud and the supervision of agents. Peters explained that FINCA nurtures the relationship with agents by visiting them every week and organizing agent forums. He also revealed that fraud by agents in DRC has only been observed in terms of executing multiple transactions when there is in fact only one. This type of fraud was tackled by sending the customer an SMS for every transaction, mitigating the risk for this type of agent fraud. He also mentioned that, whereas in DRC the regulator is quite tolerant, the situation is different in Tanzania, where authorization by the Central Bank is needed for each agent.

Nicholas MEAKIN presented the work of Urwego Opportunity Bank (UOB), the largest microfinance bank in Rwanda. Meakin specifically focused on UOB's mHose mobile banking service, which aims at: 1) removing cash handling, 2) increasing operational efficiency, 3) improving access to services without branches. He also named the specific services which can be carried out using mHose, such as making deposits and withdrawals, paying interest, managing loans, etc. The service also provides life insurance for the customer and two family members. Meakin emphasized that all services are delivered through mVISA, and presented the results of this initiative at three levels: 1) customers like the convenience, speed and security of mHose, but dislike reduced group meetings and lack of payment visibility, it's already adopted and regularly used by 40% of the registered clients, 2) agents appreciate the commissions, although they are still low, 3) UOB profits from improved security, efficiency and customer satisfaction / retention. In terms of possible improvements for mHose, Meakin mentioned: deploying a training and marketing team, starting to disburse loans, creating an overdraft facility for agents, and driving volumes through the agent network so as to achieve a viable business model.

A member of the audience pointed out, from his experience, that the VISA system is nice, but complicated to implement. The system must be implemented by a bank, and cannot be used by MFIs. He suggested to link bank accounts to a virtual wallet system, so as to increase the network of agents and facilitate operations. Meakin reacted that it is a viable model, but that the UOB system demands a higher float, which would require the institution to manage the network of agents more carefully.

CAN FINANCIAL INNOVATIONS BE STRUCTURED TO ADDRESS CLIMATE RISK OF SMALLHOLDER FARMERS?

MODERATOR	**Patricia RICHTER**, ILO
SPEAKERS	**Zacchaeus I. SYENGO**, Rafiki Kenya
	Jerry SKEES, GlobalAgRisk
	Jonathan N. AGWE, IFAD

PRESENTATIONS

Patricia RICHTER started the session by highlighting the three main topics: financial innovation, climate change and smallholder farmers. She provided an example of the typhoon Haiyan, showing how disasters, but also slow environmental degradation, can affect millions of people due to climate change. She concluded with a short quiz, asking the audience whether they thought they would be somehow affected by climate change. Richter then asked how many insurance products audience members have, and questioned them on whether these products would help them address climate change risks.

The session continued with the presentation of Zacchaeus SYENGO of Rafiki Kenya. He introduced what climate change means to the smallholder farmers and explained that farmers are more frequently exposed to unpredictable climatic conditions, resulting in huge losses due to disease, drought and floods. This, in turn, leads to food insecurity and increased rural-urban migration, stunting rural economic development. However, it is important to note that almost 60% of the food produced globally comes from smallholder farmers. Syengo continued by profiling the typical smallholder in Kenya. The average age of a smallholder farmer is about 45 - 60 years and male. They often have less than five acres of land. Syengo stressed this group's aversion to change, which is reflected in the slow adoption of new technology, farming methods, and better inputs. The literacy and income levels, on average, are low, holding back quicker delivery of emerging knowledge on farming.

Syengo then showed the interventions by the Rafiki Bank to minimize risk. He also mentioned the importance of trust in order to have an impact. This was covered through strategic partnerships with organizations that deliver technical know-how, buy down risk or provide market linkages. He provided the examples of SNV Kenya in dairy, Syngenta Foundation for horticulture, and Amiran on modern smallholder farming technology and inputs. Another way to build trust is by providing insurance, but the most important issue is the cost of insurance and the low financial literacy of the client, which decreased the trust in such products. Syengo provided the example of a partnership with Seedco/Agrovet, Safaricom and UAP Insurance Kenya, in which insurance worked for smallholders. Insurance can provide comfort and faith in farming to smallholder farmers, as they are able to recover again from shocks. He concluded with some risk-minimizing mobile apps that provide real time information to farmers, providing more opportunities to the rising population of young farmers in Kenya.

The session continued with the presentation of Jonathan AGWE. He introduced IFAD's work in inclusive rural financial services, with approximately 17% of IFAD's portfolio (USD $1,148 million) dedicated to rural finance. Agwe stressed that climate change is impacting food security and tropical regions are the most vulnerable to climate change. Decreases in crop yields are more likely than increases, even with only moderate warming in both tropical and temperate regions. Adaptation to climate change is important but needs to be context-specific. Agwe presented data from AGRA's Africa Agriculture Status Report 2014 on the projected loss of suitable arable land by 2050 due to changes in soil composition and raised the question of whether agricultural insurance is a probable risk transfer tool. Agwe showed that the use of weather-related insurance is on the rise, but raised the question - who is best responsible for

this tool: the government, the private sector or a combination?

He then showed the probability of a failed maize crop in Kenya. If a drought strikes in drought-prone areas, the chances of a failed season are 40 - 100%. He presented the policies of the Kenyan government, consisting of ex-ante and ex-post policy measures. Ex-ante policy measures included subsidized agricultural inputs, extension services and fiscal planning, such as catastrophe funds and weather risk insurance. The ex-post policy measures include relief support and building up resilience capacity of farmers. Agwe noted that during the latest crop failures in Kenya, only 1.7% of the total losses were covered through relief support. He then turned to question whether agricultural insurance can be a cost-effective risk transfer tool in Kenya. He answered that insurance is not the silver bullet, but only one of several innovations in inclusive rural financial services. Agwe concluded that the Kenyan government is establishing a dedicated Agricultural Risk Management Agency (ARMA) to prepare a national plan and strategy for agricultural insurance, which coordinates government priorities for agricultural development and insurance and channels government support to the private sector insurers.

Jerry SKEES of GlobalAgRisk presented his view on agricultural insurance based on more than 30 years of experience. Before continuing his presentation, he referred to teleconnections, which are global climate patterns around the world that create extreme local climate shocks, such as El Niño. Teleconnections provide challenges for agricultural insurance for smallholders in low and middle income countries. They cause weather externalities to return in a pattern, which leads to classic insurance problems, such as moral hazard and adverse selection. Other problems with agricultural insurance revolve around lack of data, high delivery costs, and limited demand. Index Insurance has not proven to be the answer for smallholder farmers, mostly because of the basis risk, limited demand and limited scale up opportunities. Skees noted that until more progress is made in addressing key challenges, having smallholder farmers purchase insurance may not be the right answer.

Skees pointed out that disasters create problems with access to finance and credit contraction. He presented a study which showed that a 1% increase in population affected by disasters yields a 1.1% decline in access to credit in the following year. Furthermore, liquidity problems spill over to the following year and capital problems spill over to the following two years. Demand for credit increases and supply is reduced, leading to increased costs and capital volatility. He then turned to Financial Disaster Risk Management, showing that different financial innovations are suitable, depending on the risk. Frequent and less severe events should be covered by savings, while moderate frequency and severity should be covered by credit. Rare but high-impact events should be covered by disaster risk transfer. Reducing consequences of catastrophic natural disasters has the potential to increase lending from financial institutions, which can enhance significant economic growth and poverty alleviation. Skees closed his presentation with his latest social venture, Global Parametrics, which offers protection for each individual risk.

DISCUSSION

The discussion started with a remark from the audience, questioning whether it is good for risk mitigation to have collateral. Syengo highlighted that financial institutions require collaterals for loans to smallholder farmers. Agwe added that insurance would have been one of the tools to substitute for collaterals but basis risk is the main challenge for insurance companies to provide such insurance in a sustainable way. Agwe then stressed the importance of the concept of 'bundling plus' which promotes uptake of agricultural insurance by smallholder farmers in combination with good agricultural practices (GAP), adapted credit, and end-markets that can pay reasonable prices. Agwe noted further that promoting insurance can be useful but you have to show farmers what the insurance is covering and how the farmer can use the product. Agwe also responded to the question on how you separate the low productivity effect from the climate effect. How can you be sure that global climate change is the reason? Agwe agreed that you cannot attribute all changes in production to climate change, but he stated clearly that climate change is the most important factor in increased risks in smallholder farmers' production. Skees agreed, but also added the loss of biodiversity as a result of climate change. Skees concluded the discussion by mentioning the opportunities that developing countries have because many smallholders frequently use new technologies, causing a leap frog in innovation compared to Western countries.

CLIENT PROTECTION AND REGULATION

MODERATOR	**Josien SLUIJS**, NpM Platform for Inclusive Finance / e-MFP
SPEAKERS	**Marjola TREBELS-VAN BOLHUIS**, NpM Platform for Inclusive Finance
	Justina SHEYA, EY
	Verónica LÓPEZ, RemEX

Josien SLUIJS opened the session by introducing the NpM Platform for Inclusive Finance, a Dutch organisation consisting of 14 social investor members. She then highlighted the theme of the session, emphasizing the relevance of law and regulation for client protection. Sluijs reminded the audience that the microfinance sector has been making several efforts in drafting principles for client protection, and highlighted that all these efforts need to be part of a larger picture. On this note, she explained that the session's presentations would revolve around the recently-launched research 'Client protection in microfinance: The current state of law and regulation', conducted by EY and NpM, Platform for Inclusive Finance. The objective of the study was to determine whether law and regulation with regard to client protection have been implemented in different countries and whether these rules are enforced.

PRESENTATIONS

Marjola TREBELS-VAN BOLHUIS addressed the audience, explaining that she was involved in the pre-research phase of the EY-NpM study, in which the relevant questions for this research were determined. She explained that the first phase of the pre-research process was to conduct desk research on the information available on this topic, complemented by interviews with NpM members and third parties. These interviews were related to the importance of client protection principles (The Smart Campaign) to each interviewee and to see if there are gaps in research on rules and regulations that could be bridged. Regarding the most important principles, interviewees mostly named prevention of overindebtedness, transparency and responsible pricing, revealing that these are also the aspects of client protection needing further research.

Trebels-Van Bolhuis noted that one important finding was that most members interviewed were not specifically looking at law and regulation in their countries of operation. She also referred to two on-going studies regarding the issue of law and regulation on client protection, conducted by ACCION International and Jami Solli, emphasizing that there are other studies more indirectly related to this theme which are also relevant. Trebels-Van Bolhuis then proceeded to reveal this study's final research question: *What does the law and regulation & supervisory landscape look like in the selected countries with respect to the client protection principles, in particular: over-indebtedness, responsible pricing and transparency? Where are these laws and regulations different for MFIs compared to regular financial institutions and how are they enforced?* She also mentioned the final selection of countries: Azerbaijan, Bolivia, Cambodia, Ghana, India, Kenya, Peru, Philippines, Russia, Rwanda, Tanzania & Uganda.

Justina SHEYA started her presentation by explaining the involvement of EY in microfinance. She noted that, in addition to giving substance to microfinance's mission to better the world, EY has vast experience in the financial sector and in conducting research. Sheya then proceeded to present the results of the EY-NpM study which consisted of a very factual research conducted in twelve different countries, receiving the support of local EY staff who have contact with MFIs, Central Banks and regulatory bodies in the countries of the research. She reiterated that the scope was the regulatory and supervisory landscape of the selected countries in terms of client protection, particularly the following aspects: 1) over-indebtedness, 2) responsible pricing and 3) transparency.

Sheya mentioned that one of the conclusions of the study is that the rapid expan-

sion of the microfinance sector into different geographies, and the establishment and development of many different institutions is noticeable in the law and regulation that govern this sector. Currently only seven out of the twelve selected countries have specific microfinance law and regulation. However, this does not necessarily mean that clients are better protected as these rules and regulations do not always address client protection.

In terms of regulatory bodies in place, she called attention to the key role of the Central Banks in developing law and regulation for the microfinance sector, also noting the role of other bodies such as insurance regulators in certain countries. Sheya commented that microfinance associations are active in developing regulation and are mostly involved in a consultative capacity, whereas consumer protection agencies are mostly not involved in the regulatory process.

In addition to sharing specific conclusions on over-indebtedness, responsible pricing and transparency, Sheya drew some general conclusions from the study. She commented that microfinance is still a growing sector, with a need for further improvement in terms of law and regulation. In addition, she concluded that law and regulation are important, but more effective in combination with financial education and self-regulation.

A member of the audience pointed out that, from field experience, it is not very effective to apply law and regulation for responsible pricing, mostly due to the competitive nature of microfinance in certain countries. The question was then extended to the most effective way of tackling overindebtedness. The topic of responsible pricing is a rather large topic on which many sessions and research have been organized. In the panelists' opinion, this topic cannot be solved by law and regulation; e.g. by simply applying an interest cap. But in the case of Peru, guidelines on this topic have been issued: 'commissions or fees must involve the provision of an agreed service whose value is based on a real and demonstrable cost.' The same goes for overindebtedness, a very complex issue. The panelists were of the opinion that law and regulation in addition to financial education, should be a starting point to tackle this issue. Sluijs mentioned, however, that they have not included effects of law and regulation in this study.

Before starting her presentation, Verónica LÓPEZ emphasized that she was representing all members of remEX, the Spanish Microfinance Network. She explained that the operations of Afi (Analistas Financieros Internacionales) are focused on Latin America and North Africa, consequently this would be the scope of the conclusions she would present to the audience. López revealed that Afi believes that responsible finance should essentially be accompanied by a balanced regulatory framework in which the authority, industry and clients are involved. López also commented that, in addition to complying with regulation, the industry should also develop self-regulation practices.

López explained that, based on this three-legged stool framework, Afi conducted extensive work in Latin America in the field of law and regulation on client protection, cooperating closely with banks and financial institutions (FIs). By selecting a few benchmark countries in the developed world (UK, USA, Australia and New Zealand) and analysing the situation in Latin American countries, Afi came to a gap analysis on issues such as regulatory and institutional framework, supervision of regulation, handling of complaints and self-regulation. She elaborated that this gap analysis was used to draw general principles in a guide of good practices, which was approved by the Latin American Banking Federation. She revealed that this guide was piloted in FIs, serving as the basis for an action plan around five issues: financial education, transparency, responsible sales practices, complaints and privacy & security. Dramatic improvements were observed, especially in previously weak issues such as transparency and responsible sales practices. This methodology was illustrated with the case of Bolivia, which made important steps in the direction of client protection by creating more regulation and supervision for the microfinance sector, as well as making tools available for client awareness and security.

Sluijs closed this session by inviting the audience to visit the NpM website and access the 'Client protection in microfinance: The current state of law and regulation' study. She also invited members of the audience to share their experiences on the topic of law and regulation on client protection, in order to create sector synergies and avoid overlaps.

SAVINGS FOR THE BOTTOM OF THE PYRAMID: INSTITUTIONAL OUTREACH

MODERATOR	**Bernd BALKENHOL**, Université de Genève
SPEAKERS	**Ian RADCLIFFE**, WSBI / e-MFP
	Patrick WOYAGA, PostBank Uganda
	Katherine HUGHES, CARE International

PRESENTATIONS

Bernd BALKENHOL explained that this session builds on the earlier session (see page 50) on savings for the bottom-of-the-pyramid by looking at models of institutional outreach.

Ian RADCLIFFE first shared experiences from the WSBI "Doubling Savings Accounts" programme. The programme works with ten banks active in markets with different unbanked potential and poverty levels. He provided several key findings to the audience. Firstly, he explained how spending power defines affordability of financial services, by showing the different distribution of actual daily expenditure of the (very) poor across markets. This allowed the programme to determine how much the poor could afford to spend on buying financial services. A second finding was that, although what poor consumers can afford in terms of financial services increases in better-off countries, it still remains tight. As such, in order to capture their savings we need to drive down costs of delivering up to five transactions per month we can expect the average poor saver to make. Looking at the supply side, he shared data on the number of customers needed for different distribution channels of savings services to be sustainable and under these circumstances how this translates into the required size of catchment areas needed to break even. Thirdly, combining these insights, he found that getting true rural outreach would be difficult in Eastern Africa, as most catchment areas would fall below even the levels needed for agency models. A mobile money tie-up is therefore needed to make it more likely that clients will travel to service points. For example, in the case of Tanzania, linking with mobile money could extend outreach from 25% to up to 60% of the population.

He demonstrated that reducing prices to reach scale and reduce inactivity rates at branch level and tying with mobile network operators (MNOs) to bring down costs and extend outreach are essential to achieving a feasible business case. A key challenge is to determine what financial institutions can feasibly do themselves and where partnering becomes more attractive. Another challenge is to look at smarter business models where we stretch what we can offer and charge for services at levels people can afford instead of simply covering bank costs.

Patrick WOYAGA presented the experiences of Postbank Uganda, a Tier 2 government-owned bank participating in the Doubling Savings Accounts programme. Woyaga provided a short overview of the bank's development in terms of service points, from 47 in 2007 to 238 in 2014, largely by establishing Service Centre Locations for mobile vans. This greatly improved rural outreach and Postbank's ability to service the bottom-of the pyramid with money transfers, savings, loan and mobile banking services. Woyaga explained that moving into the bottom-of-the pyramid was an obvious step for Postbank. The unbanked, at 58% of the adult population, offered an untouched and stable market, while also fulfilling the bank's mission and aligning to government development policies. To service this target market, Postbank worked on forming and linking up to savings in partnership with NGOs, opened up rural branches and expanded its mobile banking and mobile van banking services. This was supported by the development of appropriate products in terms of (group) account conditions.

The strategy already resulted in increasing deposits and credit portfolios, especially to groups. Postbank aims to increase group-lending and saving to 50% of the bank's business in the next five years. The upcoming agency banking law

should further facilitate its bottom-of-the-pyramid activities. Challenges remain however. Internal challenges included the high costs of rural service provision and high value/low volume transactions and the high dormancy rate of accounts. Other challenges were market related and included high levels of client illiteracy, low disposable incomes, and slow adoption of technology and financial services. External challenges included corruption, political instability and increasing competition. Woyaga mentioned training of staff and awareness-raising and client literacy training as important prerequisites for deepening rural and bottom-of-the-pyramid outreach.

Katherine HUGHES pointed to the increasing interest among institutions to take deposits: not only to protect their institution from external shocks and improve the stability of their portfolio, but also as savings for the unbanked has proven a sound business case. Research by CARE comes to a worldwide savings potential of USD $145 million annually. She explained CARE's progressive approach to savings-led microfinance, organising groups and building their capacities before linking willing and capable groups to the formal banking system, first to savings and where appropriate, to credit services. The challenge is to offer groups access to secure, long-term savings options, while offering financial institutions a means to collect deposits of the (rural) poor in a cost-effective manner. To bridge this gap, CARE engaged with partner financial institutions to design appropriate savings and credit products for groups and develop mobile and agency models to deliver products at low costs. She stressed that formal institutions were interested to enter this market as it provides them with a new client-base with low risks and a positive reputational effect. As a next step she presented the Linking for Change Savings Charter which aims to create a global alliance to adopt and develop new products, services and methods to reach the unbanked through savings-led approaches.

DISCUSSION

The discussion first revolved around whether opening an account should be a requirement in group formation. Hughes strongly opposed this method, as she believes a demand-based approach is required, looking at the group's needs, readiness and understanding of financial products. This is especially pertinent when linking VSLAs to credit services. She added that any formal institution could be a potential partner, including SACCOs, providing that they are capable in terms of product development and delivery.

The panellists also considered whether bank linkages could undermine the inherent group trust on which VSLAs are built. According to Hughes, the formal link only provides a platform to offer groups additional financial services. In CARE's experience, the structure of trust and the flexibility of fund allocation do not change with linking. According to Radcliffe, it could even strengthen groups. He mentioned how money transfers between members can become more transparent when sub-accounts are added to a group account.

Hughes indicated that a second phase of the programme would focus specifically on youth. Challenges when engaging with youth mostly revolve around the issue of patience: patience to build up capital within the group for onward lending and investments, as well as patience to build trust between group members. Woyaga agreed and added that training is especially pertinent to tackle this issue.

Finally interest rates on deposits were discussed. According to Hughes, increasing competition between banks in this market would mean banks have to offer more attractive products to remain relevant. This could include offering higher interest rates. Radcliffe closed the session by stating that banking the bottom-of-the-pyramid changed from a CSR activity to a viable business case. This is not only due to increased government support, but also due to technological innovations, increasing incomes of the poor and interest of new investors and market players.

DIGITAL FINANCE: WHY DOES IT WORK IN KENYA AND OPPORTUNITIES FOR 7 AFRICAN COUNTRIES – RESULTS FROM AN EIB/UNCDF STUDY

MODERATOR	**Xavier MOMMENS**, EIB
SPEAKERS	**Frank BETZ**, EIB
	François COUPIENNE, UNCDF
	Alexandra RIZZI, The Smart Campaign

PRESENTATIONS

The session was introduced by moderator Xavier MOMMENS, who mentioned that Digital Financial Services (DFS) can certainly reach poor people and potentially help them. He explained that the session would start with the example of Kenya, because of the impressive results DFS has achieved in terms of financial inclusion, followed by examples from seven other African countries. Digital financial services are not only applicable to MFIs or downscaling of banks, but potentially can be used by all financial service providers (banks and non-banks), which is why we should be cautious about Client Protection Principles.

The presentation of Frank BETZ reviewed the successful developments in Kenya with respect to digital finance. M-Pesa revolutionised financial inclusion in Kenya from a mere 19% in 2006 to 67% in 2013, through new digital financial services. Reasons for its success are attributed to the accompanying ecosystem development which took place: a beneficial enabling environment in all of the six workstreams of the UNCDF honeycomb model described (Policy & regulation, Infrastructure, Providers, Distribution, High volume, Customers). An important element in this was the Kenyan regulatory approach, which can be described as "innovate first and regulate later". In addition, the high penetration of mobile phones contributed to an easier rolling-out (through agent networks) of the services. Providers were initially not very successful, until a 'send money home' campaign turned this around, in addition to new services. Other factors at customer level in Kenya also contributed: high share of split families leading to high latent demand for domestic remittances; before M-Pesa, domestic remittances were expensive and slow; rapid customer uptake due to the security situation during election riots in 2008 (many banks closed); and, a comparatively high level of education. This in turn offered opportunities for

investors like EIB to invest in activities in high risk environments.

Subsequently, François COUPIENNE presented a diagnosis of seven other African countries where they reviewed the model: Benin, Cameroon, Mozambique, Nigeria, Senegal, Uganda and Zambia. The reason for them to do this jointly with EIB and The Smart Campaign was that 'all countries are not like Kenya, and Kenya is not like all countries'. What is important, though, is that successful development can happen in all countries if investment and support are provided in the right way in each of the workstreams of the enabling environment: a multi-dimension approach at country level to develop the sector and support stakeholders. He described four stages of development of a DFS market (Theory of Change): from Inception to Start-up to Expansion, and then Consolidation. As an example, he mentioned Tanzania is found to be in between expansion and consolidation.

Coupienne explained that at Mobile Money for the Poor (MM4P) programmes take two to five years, depending on the state of the ecosystem. He highlighted that one of the key components of the MM4P programme is the full-time DFS expert placed in the country who is responsible for developing and energizing the stakeholders.

Next, he reviewed briefly each of the countries:

- Benin, the regulatory framework still needs to be further developed. While there are providers, agents and customers, there is limited understanding of how to mobilise the many points of access. MM4P received a grant from MasterCard Foundation and will launch their program in Q3/2015 in Benin.
- Cameroon is constrained by regulation, and MM4P decided not to engage heavily on DFS until this is resolved.
- Mozambique, the infrastructure in limited, so they work with other partners like FSD (Financial Sector Deepening). Senegal can lead the way, with a Central Bank working hard on the regulatory environment, as well as active users and a great variety of DFS providers, so things can move fast. MM4P received a grant from MasterCard Foundation and will launch their program in Q2/2015 in Senegal.
- In Uganda, UNCDF received a grant from the Bill & Melinda Gates Foundation. In Coupienne's view, Uganda is now the most advanced country in the MM4P countries. However, the programme is still mostly urban-based, but needs to be extended to rural areas.
- In Zambia, he sees the country as a very good market to innovate (e.g. with DFS provider Zoona). Coupienne concluded that different settings and players require different partnerships to invest in the respective domains. MM4P received a grant from MasterCard Foundation and will launch their program in Q1/2015 in Zambia.

Alexandra RIZZI presented the client protection angle of the models and schemes described in the previous sessions. She explained this by presenting two hypothetical cases of a bank and a country. This was to illustrate that client protection is essential when developing (new) DFS. The Smart Campaign (together with ACCION) mapped out seven Consumer Protection Principles (CPPs, covering some 36 potential risk areas): appropriate product design and delivery; prevention of over-indebtedness; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and, mechanisms for complaint resolution. Next she presented some emerging evidence, in which clients were not adequately informed (hence not being able to make informed decisions) or were defrauded, thus losing their funds. She advocated for more education and communication, and presented some takeaways from the risk mapping. Trust and mitigating risks are key to success of the services; who is ultimately responsible for the consequences of the new models, and hence for the mitigation of client risks? Rizzi therefore proposed that, as an additional module in DFS operations, a three-legged stool approach for client protection will be included: regulation for client protection & supervision; standards & codes of conduct for the industry; as well as financial education and capability.

DISCUSSION

A member of the audience posed a question about the more systematic risks with DFS, such as technology glitches or fraud. Coupienne responded that he sees that mobile operators are more and more working together to add value and develop new business models. There can indeed be a technical risk in the building of systems (such as major breakdowns), but he believes that careful agent network development, developing different providers, and proper monitoring can reduce such potential risks of breakdowns and fraud. Rizzi added an example from Senegal, where indeed 64% of the clients experienced some kind of breakdown in the system within six months.

Another issue raised by a participant from a financial institution in Africa related to the fact that apparently, instead of keeping money in accounts, clients tend to keep money in their mobile accounts, as a result of which Mobile Network Operators are starting to provide interest on mobile accounts. Coupienne confirmed this, adding that a variety of such innovations are being developed, and therefore it is important to be aware of and monitor them. In the report of the EIB/UNCDF study, examples of new product developments and models are presented, including recommendations on how stakeholders and different users can cope with these new DFS technologies and services.

ACCELERATING RURAL FINANCE IN AFRICA: INITIATIVES FROM FUNDERS AND SUPPORT ORGANIZATIONS

MODERATOR	**Juana RAMÍREZ**, ADA
SPEAKERS	**Bert-Jan OTTENS**, on behalf of the Rural Finance Knowledge Management Partnership (KMP)
	Karen LOSSE, GIZ
	Judith FRICKENSTEIN, GIZ/MFW4A
	Erick SILE, CAADP
	Juliette DAVID, HORUS Development Finance

PRESENTATIONS

Karen LOSSE started by defining rural finance compared to agricultural finance and to microfinance. She highlighted that the reasons for lack of access to rural finance can be found in the rural/agricultural (demand) sector and the financial sector (supply). The policy level is key to improve rural and agricultural finance. She referred to the upcoming presentations of Judith Frickenstein and Erick Sile.

On the supply side, Losse continued, providers know too little about potential clients in the agricultural sector. Providers see this sector as too risky. There is a strong case for providing better data on this potential client segment (creditworthiness, soil quality, price development, weather data, etc.). Alternative collateral, such as warehouse receipts, as well as better credit information would improve the providers' security to provide loans to the agricultural sector. Also, conventional loan products have to be improved. One way of doing this is to use new technologies, including digital products.

On the demand side, agricultural sector actors are very diverse. Smallholder farmers outside value chains have different needs than smallholders in loose value chains or bigger farmers in value chains. The latter need SME type loan products whereas the former might need savings and insurance. It is key to make clear differentiations and then support agricultural sector actors accordingly. This support does not always have to be via the financial system. Strengthening farmers associations in improving their productivity is often a pre-requisite for finance.

In closing, Losse mentioned that in order to improve agricultural and rural finance, the financial system has to be strengthened to become more inclusive and to serve the entire value chain. Furthermore, new technologies provide an opportunity and can significantly accelerate access to rural finance.

The session continued with Judith FRICKENSTEIN, who explained the background of Making Finance Work For Africa (MFW4A). The MFW4A Partnership is a G8 initiative launched in October 2007, aimed to:

- enhance knowledge sharing and generation;
- enhance interaction and engagement with African stakeholders;
- improve coordination among development partners;
- promote the financial sector agenda and awareness.

The MFW4A process on agricultural finance resulted in the Kampala Principles, which is a set of eleven policy recommendations. The Kampala Principles recognize the pressing need for financial services in the agriculture sectors in Africa, hence demanding special attention. Erick SILE continued the presentation on MFW4A, by presenting several principles and recommendations to strengthen policy-making, legal and regulatory frameworks, and to close the knowledge gaps related to agricultural finance. The Kampala Principles will be incorporated in the Comprehensive Africa Agriculture Development Programme (CAADP).

Juliette DAVID presented HORUS' approach on how to help financial institutions to take up the challenge of serving agricultural markets. From a financial institution's (FI) perspective, serving agriculture is a challenge, because of the higher risk compared to other sectors, complex

seasonal patterns, and agricultural techniques required. It is also difficult to make it profitable due to higher transaction costs. FIs therefore need support to take up the challenge. However, David noted that each context requires a different model, which she illustrated with the value chain approach and technical support to FIs. The value chain approach is a model involving different stakeholders, with a risk-sharing mechanism and technical support at different levels. This approach allows FIs to limit costs and risks, while serving large numbers of farmers. Technical support to FIs, another approach to assist FIs, creates capacities within the FIs to address agricultural markets' various needs. This allows FIs to control their risk, while offering services adapted to the diverse needs of agricultural clients.

David then continued with the example of the value chain approach: Advans Cote d'Ivoire small farmers cocoa credit program. In 2012, Advans decided to become the financial partner of the CLP project, funded by PROPARCO and IDH and to provide input credit (phytosanitary treatments and fertilizers) to farmers through their cooperatives. David continued by showing the integrated mechanism used to control flows and risks, involving all actors in the value chain. It has resulted in 9,000 farmers funded, EUR 900,000 credit by 60 cooperatives since 2012. The repayment rate is 100% at cooperative level and 96% at farmer level. David concluded her presentation with the following lessons learnt for the Advans Cote d'Ivoire small farmers cocoa credit program. Value chain finance proved a good entry point to cater to the small cocoa farmers' diversified needs. She also stressed the importance of evolutive risk-sharing mechanisms involving all parties and the need for external funding for the different partners. However, a difficulty arose from cash payments and lack of banking infrastructure, as the program needed to capture payment flows between cooperatives and producers.

Bert-Jan OTTENS of Blue Rhino Consult presented on behalf of Miriam Cherogony of the Rural Finance Knowledge Management Partnership (KMP). The objective of KMP is to strengthen IFAD's engagement in rural financial service delivery through knowledge sharing and direct technical support. The presentation identified gaps in agri-value chain finance training, and how these can be bridged. Ottens explained that the key recommendation of many workshops on value chain finance is the need to build the capacity of all value chain actors. Financial service providers, technical providers and farmers have to work together to make the value chain more effective. Ottens summarized the issues and challenges which can be expected in value chain finance, mentioning amongst others the inadequate human resource capacity within the FIs, the absence of contextualized training programs, and disaggregated information limiting decision-making in agricultural lending practice.

The presentation continued addressing some of the gaps, stressing the limited adoption of the value chain approach and the potential of adopting the value chain analysis as a service. Additionally, capacity building of all actors in the value chain should create deeper understanding of the respective roles and interests of each actor in the chain. A second gap identified by KMP is the lack of skills concerning enterprise risk analysis and management, which can be countered through additional training in risk management and insurance. The third gap mentioned by KMP concerns the need to address and learn more from best practices, and replicate these in agri-value chain finance training. The last gap stressed the importance of an enabling environment for agri-value chain finance. The financial sector can address this problem by expanding the policy environment for agricultural finance to also cover emerging financial products and technologies. Ottens concluded by stressing the importance of best practice manuals and case studies to support the training process to farmers and MFIs, as well as the need for a knowledge management e-hub for agricultural finance training, research and standardised lending instruments.

SOCIAL AND FINANCIAL PERFORMANCE: BETTER TOGETHER?

MODERATOR	**Kevin FRYATT**, Risk Management Initiative in Microfinance (RIM)
SPEAKERS	**Aldo MOAURO**, MicroFinanza Rating
	Michael RAUENHORST, Moody's

PRESENTATIONS

Kevin FRYATT kicked off this session by asking the panel and audience to consider the tension between the social and financial bottom line of microfinance institutions (MFIs). He wondered where we can help practitioners to make decisions based on frameworks which look at the complementary of social and financial performance instead of their divergence. Can we move beyond hunches to conclusively show that investing in social performance makes perfect business sense?

Aldo MOAURO presented a study by Microfinanza Rating (MFR) and the Centre for Responsible Banking and Finance at the University of St. Andrews into the relationship between social and financial performance of MFIs. The study was based on a sample of 115 MFIs using MFR's database of social and financial ratings. The sample represented MFIs from across the world and of different institutional types (e.g. NBFIs, NGOs, credit unions, banks). The results of the study showed that there is no linear relationship between financial and social performance (SP), but that the two are clearly correlated.

The relation between internal social performance and financial performance showed an inverse parabolic shape, meaning that initially investments in employee motivation pay off in better financial performance, until they reach a point where additional staff incentives do not lead to more motivation and even start affecting the financial bottom-line negatively (e.g. over-selling to meet targets). When looking at external social performance, e.g. measures such as client protection and social responsibility, the picture is reversed. Here, initial investments in client protection are costly and negatively affect financial performance until a minimal client protection level is reached to build client loyalty and investor trust. Once MFIs invest to move from this adequate to a high level of client protection, financial performance can improve strongly. According to Moauro, the study can contribute to MFIs social performance investment strategies and better balance such strategies with their mission towards social performance. It also serves by showing the business case of SP investments.

Michael RAUENHORST presented the Probability of Default Model for MFIs developed by Moody's Analytics. He explained that the Social Performance Group was specifically established to develop tools to analyse and measure social outcomes in microfinance and impact investing. He explained how the model was developed by carefully selecting and testing financial health indicators and social and financial factors which capture risks of default. The team analysed 46 single financial factors, out of which 21 were recommended for further exploration. These were combined in multi-factor analyses to come to the best model of financial performance. This model reached a predictive power of 73%. In a similar way, social factors were analysed with Moody's Social Performance Assessment, using information from the MIX. Eventually a combined model of two social (debt collection practices, range of products offered) and five financial factors was developed with a predictive power of 79%.

Although this was still a preliminary research effort and did not yet consider external factors, Rauenhorst indicated its outcomes did strongly support that a double bottom-line makes sense. It is a combination of social and financial performance which reduces risk for default and should be focused on by investors.

DISCUSSION

Fryatt congratulated the two research efforts for showing such promising outcomes, but also wondered about data availability and quality. He asked the panel how we can establish a more stable and comparable base of data points. Moauro explained how the industry is now aware of the need for social performance data collection. However, a more common framework for data collection is still needed to improve robustness and reliability of analyses. Rauenhorst added that data availability is improving and increasingly standardised. However, he also stressed the importance of diverse data inputs to improve quality, including outcomes of client surveys using automated systems based on automated voice response (AVR) or text messaging.

When questioned about the value of models which do not take into account external factors, Rauenhorst explained that this will be included in follow-up research. He added that such follow-up research should also uncover the effects of particular social performance standards on the double bottom line to validate and further improve on the tool-set available to practitioners, supporters and investors. Moauro added that data can be used and interpreted in different ways. For now, both research projects show that social performance matters for financial results. For future efforts, we need to ensure that research remains focused on improving impact by developing better products meeting client needs, and in better performance of MFIs to ensure system stability.

LOCAL BANKING AND INCLUSIVE FINANCE

MODERATOR	**Hans Dieter SEIBEL**, DGRV / e-MFP
SPEAKERS	**Wolfram HIEMANN**, Consultant
	Virginie TRACHSEL, Université de Genève

PRESENTATIONS AND DISCUSSION

Hans Dieter SEIBEL opened this session by talking about the first credit and savings associations in Germany. He then presented the panellists briefly talking about their experiences in the sector. Wolfram HIEMANN has worked as a consultant with Bank Perkreditan Rakyat (BPR), Indonesia's local banks. There are about 1,800 regulated BPRs in Indonesia, with 5 thousand outlets serving more than 10 million clients. Assets of BPRs reach USD $7 billion. The Banking Law limits their activities to the province. Few BPRs operate outlets outside their district or adjacent districts. BPRs' objective is to finance Indonesia's micro, small and medium businesses, and generate income for their owners. Activities of BPRs are limited to mobilizing funds from the public as savings and term deposits, providing loans, and placing funds with central and other banks. Bank Indonesia, the central bank, continually adjusts BPRs' legal and regulatory framework and offers extensive institutional support. On a highly competitive market BPRs offer higher interest rates on deposits compared to commercial banks, and thus attract more funds.

Hiemann explained the diversity in BPR ownership including village communities, business groups, retired bankers and NGOs as well as various joint ownerships between private and public entities. A quarter of the BPRs belong to regional governments. Java is the main hub of BPRs. From 2002 to 2013, the BPR share in the total banking sector doubled from 0.8% to 1.6%. In 2002, most BPRs had assets less than USD $500 thousand, whereas in 2013, most BPRs recorded assets of much more than USD $1 million. The largest 100 BPRs account for more than 50% of the total BPRs assets (average USD $35 million). The asset composition of BPRs reflects high liquidity. About 20% of the assets are interbank assets while 75% are loan portfolio. The BPR loan portfolio consists of consumption loans, which are very important for BPRs to break even. The other half consists of commercial loans which are given to the informal sector, the self-employed and microenterprises. These clients have weak documentation and their collateral value

is often questionable. BPRs charge high interest on loans and are known for fast loan disbursement and door-to-door services. BPRs are mainly funded by savings and term deposits and the largest part of BPRs' income comes from loan interest (83.5% of total income) and other fees (7.5%). Interest costs account for more than a third of the total BPRs' costs, while human resources account for 22.5%. Hiemann closed his presentation discussing the challenges that BPRs are facing. One of them is competition for creditworthy borrowers. The cost of using technology is another challenge, especially for smaller BPRs.

A question from the audience was whether BPRs have a federation. One weakness of BPRs is the cost of technology if the BPR is small. A federation could solve this problem by coordinating some services and by decreasing costs. Hiemann explained that there is a federation for BPRs but it cannot do any kind of investment as BPRs are limited by law to only three functions: giving loans, receiving funds, depositing funds but they are explicitly

prohibited to engage in investments, for example in an apex organisation.

Hans Dieter SEIBEL opened his presentation by stating that the objectives of microfinance and banking are different. The objective of banking is economic growth while the objective of microfinance is poverty alleviation. Microfinance originated in Europe in the 18th and 19th century with the objective of poverty alleviation. After the hunger year, 1846/47, the first urban SHG/credit association (Schulze-Delitzsch) and the first rural SHG/credit association (Raiffeisen) were born in Germany in 1850 and 1864, respectively. Both were member-owned and -governed. Their objective was at first poverty reduction and subsequently economic growth. They aimed at achieving their goals by promoting member enterprises with savings and credit, input supply and marketing services. The role of the state was to simply provide a regulatory framework. These first credit associations are now the savings and cooperative banks of Germany. Their mission is universal inclusive banking. There are 429 savings banks and 1,138 cooperative banks in Germany accounting for 27.5% and 10.3% of the banking sector.

Seibel discussed the characteristics of the German savings banks and cooperative banks. Both are based on voluntary savings and have local autonomy in management and governance. Outreach is localized and both have federations, providing a network-wide institutional safety net and deposit guarantee scheme (*Haftungsverbund*). The banks have access to refinancing by commercial banks and their auxiliary supervision is delegated to auditing federations. Seibel closed his presentation by emphasizing that poverty reduction in Germany followed both economic growth and access to finance, in that order; there cannot be a sustainable eradication of poverty without economic growth. Microfinance alone may alleviate poverty but cannot eradicate it. There is a complex interaction between economic growth, poverty reduction, financial sector development, and microbanking.

Daniel Rozas from e-MFP asked whether consolidation happens because the value of a large institution is bigger today than in the past. Is a local banking approach still effective? Seibel explained that Germans on average prefer local banks to big commercial banks because of a sense of community or *house banking*. He added that the local banks' network, the *Verbund*, carries out important functions that would normally be carried out by individual institutions, such as risk management, IT and advocacy. There has been a trend towards consolidation, but not centralization. From a comparative perspective there is a lot of variation between different financial systems and consolidation depends a lot on the extent of centralizations vs. decentralization of a country. Germany is a federal state; Berlin will never have the weight that London or Paris have in UK and France. Seibel remarked that cooperative movements fail in some countries and succeed in others. He gave an example of the People's Credits Funds (PCFs) in Vietnam which was not negatively affected by the global financial crisis.

Virginie TRACHSEL started her presentation by comparing financial inclusion in rural and urban areas in Mexico. Outreach in rural areas is uneven and slow; there are high transaction and opportunity costs, and a small range of financial services. Urban areas on the other hand, offer opportunities for economies of scale. More commercially oriented MFIs are focused on urban areas. She mentioned that remittances can substitute or complement microfinance products. So far, the impact of remittances on microcredit is unclear. Cash transfer programs have a positive impact on credit take-up rate, and possibly on financial inclusion, especially when done through formal financial channels. More developed financial systems attract more remittances.

BUILDING GREEN CAPACITIES IN FINANCIAL INSTITUTIONS

MODERATOR **Noara KEBIR,** MicroEnergy International

Noara KEBIR opened this session by proposing that it should be interactive and the audience was invited to generate the input for discussion.

Kebir introduced the work of MicroEnergy International (www.microenergy-international.com), an organisation which has been linking microfinance and green technology since 2002. She revealed that the sector is faced with a growing interest in this topic, which creates a pressure to develop more and more standardized tools and instruments, particularly with regard to capacity building.

The audience was then shown a video on a pioneer initiative on solar home systems of Grameen Shakti, implemented since 1996. Kebir commented that in 2002, when the video was made, around 500 solar home systems per month were distributed by Grameen around Bangladesh, a number which now has increased to 50 thousand per month, which essentially reflects the success of this model. She estimated that around 10 - 15% of the population in Bangladesh has access to green energy, but emphasized that an adapted political framework is essential for this transition.

A member of the audience questioned whether Grameen had been using the same model since 2002. Kebir responded that Grameen in fact developed a model in 1996 which basically consists of an integrated approach where the MFI has control over the whole value chain. She explained that it is a model of high impact, but its replication has been different in other countries, mainly due to legal and financial barriers. This model also requires a strong commitment from the MFI for the topic. Another question from the audience revolved around the dramatic decrease in solar panel prices in the last years, and how Grameen was able to make the model work cost-effectively in the past. Kebir agreed that solar panels have gone through a sharp price decline in the last years, but that the most expensive component of solar home systems is the battery, whose prices have in fact increased. She also explained that the problem is often not related to the total price of the system, but to the access to capital.

The next discussion point still addressed the issue of the replacement of batteries used in solar home systems, and how this is carried out and financed. Kebir explained that Grameen and other MFIs had a strong focus on the quality and quality assurance of the battery from the beginning of their initiatives. It was also emphasized that the battery is the most important element of the system, since it stores the energy. Kebir explained that energy storage is one of the biggest challenges of such initiatives, in terms of both lifetime and capacity. She also elaborated on the fact that clients take care

of their own appliance, including water replacement in batteries. In addition to a user-friendly technical design, the users themselves receive regular trainings and acquire a sense of ownership. As Kebir explained, this creates social and technical intelligence into the business model.

The discussion also touched upon the issue of subsidies. Kebir explained that, for a long time, the Bangladeshi model was one of the few growing without subsidies. Although subsidies were introduced in 2002 and did contribute to strong growth of the sector, they are extensively used for quality insurance, the development of infrastructure and the establishment of new branches, and accordingly highly adapted to the requirements of microfinance.

Following the case of Grameen Shakti, Kebir introduced the interactive part of the session based on the strategic model of MicroEnergy International. She explained that, in order to implement the strategy, it is not enough to build on the capacity of MFIs; there is an international and national level of actors needed, as well as a strong emphasis on the role of consumers and micro-entrepreneurs. When looking at the case of Grameen, it is possible to observe that, not only are all actors needed, but they should comply with their specific roles in the system.

During the interactive activity, members of the audience were invited to place themselves within the MicroEnergy strategy, according to the stakeholders, which best reflected their role in the field of green microfinance. The outcome was that four main groups were formed in the areas of: 1) Financing, 2) Research, 3) Capacity building and 4) Technology. These groups were then invited to discuss with their peers what kind of training they would need in order to improve their operations in green microfinance. The group consisting of financing professionals expressed that their greatest challenge is to evaluate from a successful pilot if it is the right system, technology and market potential. In terms of helpful instruments, it was acknowledged that trainings could help to improve their operations, but it was noted that often MFIs are ahead of financing organisations in this respect, and that other technical capabilities might be needed.

A member from the audience expressed interest in knowing what the role of the government would be in this context, since the case of Bangladesh shows an important governmental role in the success of green energy projects. Another member of the audience commented that government can indeed play an essential role, as was the case in the Philippines, where strong coordination with a government agency facilitated access to solar lamps in disaster-prone areas. Kebir reminded the audience that, in the case, of Bangladesh, the government did not start the projects, which were essentially grassroots initiatives which did the right lobbying. Drawing from this experience, it was concluded that MFIs could profit from appropriate training in lobbying and in understanding the energy sector more deeply.

As a closing remark, Kebir referred back to the introduction of the session, when she mentioned the replication of successful models. On this note, she announced MicroEnergy's new bottom up initiative called "Swarm Electrification" which will be implemented by a subsidiary in Bangladesh called SolShare. Kebir said she looked forward to sharing more of this project and experiences in the near future.

PLENARY:

FROM e-WASTE TO e-RESOURCE: POVERTY AND RESOURCEFULNESS IN AGBOGBLOSHIE, GHANA

SPEAKER **Rafael FERNÁNDEZ-FONT**, Recyhub, Tools for e-waste recyclers

PRESENTATION

Daniel Rozas of e-MFP briefly welcomed the audience and mentioned that e-MFP had decided to do something different for this closing session, presenting a different take on who the microfinance client should be. He then introduced the panellist Rafael FERNÁNDEZ-FONT and his study on the business model and the livelihoods of e-waste recyclers in Ghana.

Before going directly to the case, Fernández-Font introduced the framework of his presentation by explaining the term environmental justice and introduced different perceptions on environmental justice and e-waste. He started by asking the audience where their old computers end up when they dispose them. In the traditional perception on environmental justice, according to Fernández-Font, e-waste is mostly illegally exported from Western countries to developing countries. Although the Basel Convention of the UN and the WEEE directive of the EU prohibit the exports of e-waste, e-waste still finds its way to the dumps in developing countries, damaging the health of those involved in copper recycling. The desired outcome for this perception is an enforced ban on e-waste traffic.

In the sequence, Fernández-Font questioned the audience whether you should see e-waste as waste or as a resource. Based on his study on Agbogbloshie in Accra, Ghana, which is one of the most polluted places in the world and a dump for electronics, he defended the new perception on environmental justice. This perception sees e-waste as potential resources not viable for recycling in the rich countries, but which can generate local economy in poor countries (nonetheless with associated environmental and health problems). Therefore, Agbogbloshie is not simply a dump for e-waste, but an economic case for e-source. The perceived solution is to use the right tools to reduce environmental and health problems. By building new machines, such as a pedal-powered cable shredder, Recyhub enables scrap dealers to add more value to their products and compete with dealers that trade in traditional burned copper.

In order to profit more from economies of scale, people working at Agbogbloshie mostly use group savings. As financial literacy of the people working at Agbogbloshie is low, there is a resistance to borrow. Frequently mentioned issues were: 1) difficulty to repay loans with irregular income, 2) uncertainty about their eligibility, and 3) fear of the bank coming to seize their belongings in case of default. Fernández-Font, however, stressed the potential need for credit in order to make business models more sustainable in terms of profit, environment and people's wellbeing. Fernández-Font concluded his presentation by asking the audience how you could use microcredits to improve their business models and how MFIs can serve this market?

During a brief discussion, a member from the audience remarked that most people working at Agbogbloshie fall outside the

regular microfinance as they are perceived as a high risk group: predominantly young men with irregular business activities. Fernández-Font agreed that the workers in Agbogbloshie form a higher risk group, but also noted that environmental degradation in Agbogbloshie is difficult to solve without more financial input. He stressed that the microfinance sector should not refuse this group, but should think alongside this group on how they can make a better impact on the environment.

CLOSING OF THE EUROPEAN MICROFINANCE WEEK 2014

SPEAKER **Anne CONTRERAS,** e-MFP Chairwoman

European Microfinance Week wrapped up with a tribute from Anne CONTRERAS, Chair of the e-MFP Board, who spoke in the closing plenary on the remarkable breadth and depth of work being done by the European microfinance sector, and the linkages that e-MFP and its partners are making in "Networking with the South" (which remains the Platform's logo) and developing new markets that are sustainable, scalable, inclusive and fair.

"The title of this year's conference, Developing Better Markets, demands buy-in from a whole range of stakeholders: regulators from various markets, financial institutions from international commercial banks down to small village NGOs and savings groups, and of course the diversifying range of entities involved in providing inclusive financial services to the poor in new – and better – markets".

"This diversity, and the range of e-MFP's members is reflected in the content of European Microfinance Week – which grows more varied and fascinating with every passing year – including green microfinance, agriculture, savings, Social Performance and much more", she said, adding how optimistic this conference made her feel about the prospects for inclusive finance in developing markets.

Contreras also congratulated the winner and finalists of the European Microfinance Award. She concluded by thanking all the sponsors of European Microfinance Week and the e-MFP team.

LIST OF PARTICIPANTS

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Violette	CUBIER	ABC Microfinance / Babyloan	France
Anja	SHAFER	Accion International	USA
Nadia	VAN DE WALLE	Accion International, The Smart Campaign	USA
Bruce	MACDONALD	Accion Iternational	USA
Mathilde	GASTON-MATHÉ	ACP/EU MICROFINANCE	Belgium
Emmanuel	MOYART	ACP/EU MICROFINANCE	Belgium
Marina	ABBOUD	ADA ASBL	Luxembourg
Deepa	BOODHOOA	ADA ASBL	Luxembourg
Sarah	CANETTI	ADA ASBL	Luxembourg
Ligia Maria	CASTRO MONGE	ADA ASBL	Costa Rica
Magalie	DURDUX	ADA ASBL	Luxembourg
Olivia	FECHNER	ADA ASBL	Luxembourg
Laura	FOSCHI	ADA ASBL	Luxembourg
Gilles	FRANCK	ADA ASBL	Luxembourg
Matthew	GENAZZINI	ADA ASBL	Luxembourg
Bénédicte	GODEFROID	ADA ASBL	Luxembourg
Miguel	GONZALEZ VARGAS	ADA ASBL	Luxembourg
Sally	KELLY	ADA ASBL	Luxembourg
Benjamin	MACKAY	ADA ASBL	Luxembourg
Sami	MASRI	ADA ASBL	Luxembourg
Olivier	MASSART	ADA ASBL	Luxembourg
Wendy	MEDRANO	ADA ASBL	Luxembourg
Léa	MERINO	ADA ASBL	Luxembourg
Joaquim	MONTEIRO	ADA ASBL	Luxembourg
Bruno	OBEGI	ADA ASBL	Luxembourg
Carla	PALOMARES	ADA ASBL	Luxembourg
David	QUIEN	ADA ASBL	Luxembourg
Juana	RAMIREZ	ADA ASBL	Luxembourg
Francesca	RANDAZZO	ADA ASBL	Luxembourg
Guy	REGNIER	ADA ASBL	Luxembourg
Frédéric	RUAZ	ADA ASBL	Luxembourg
Abraham	SCHIM VAN DER LOEFF	ADA ASBL	Luxembourg
Paul	SURREAUX	ADA ASBL	Luxembourg
Luc	VANDEWEERD	ADA ASBL	Luxembourg
Olivier	MUGABONAKE	ADFINANCE LTD	Rwanda
Isabelle	MONTFORT	Advans	France
Diana	CAZACU	Advision Finance BV	The Netherlands
Erika	BÜRKLE	AFC Consultants International	Germany
Johannes	BUSCHMEIER	AFC Consultants International	Germany
Marcel	PAPE	AFC Consultants International	Germany
Lilian	STEINHAEUSER	AFC Consultants International	Germany
Miriam	CHEROGONY	AFRACA	Kenya
Trushna	PATEL	Aga Khan Agency for Microfinance	Switzerland
Pauline	ANGOSO	Agence Française de Développement	France
Jean-Gabriel	DAYRE	Agence Française de Développement	France
Jean-Hugues	DE FONT-RÉAULX	Agence Française de Développement	France
Raphael	DE GUERRE	Agence Française de Développement	France
Eneida	DEL HIERRO	Agence Française de Développement	France
Mathilde	D'ORGEVAL	Agence Française de Développement	France
Marie-Laure	GARNIER	Agence Française de Développement	France
Caroline	ROZIERES	Agence Française de Développement	France
Medha	WILSON	Agora Microfinance Partners LLP	United Kingdom
Rüdiger	MEISTER	Akademie Deutscher Genossenschaften ADG	Germany
Ulrich	PICKMEIER	Akademie Deutscher Genossenschaften ADG	Germany
Youssef	BENCHEQROUN	Al Amana Microfinance	Morocco
Anouk	AGNES	ALFI	Luxembourg
Florent	TROUILLER	Allen & Overy	Luxembourg
Andreas	ANDERSEN	Alliance Microfinance AS	Norway
Ingunn	NESJE	Alliance Microfinance AS	Norway

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Tim	RADJY	AlphaMundi Group	Switzerland
Irène	ANGOT	Alterfin cvba	Belgium
Caterina	GIORDANO	Alterfin cvba	Belgium
Sofie	DESMET	Alterfin cvba	Belgium
Khaddouj	GHARBI	AMSSF/MC	Morocco
Zakaria	JEBBOURI	AMSSF/MC	Morocco
Kimanthi	MUTUA	AMT	Kenya
Harelimana	JEAN BOSCO	AQUADEV	Rwanda
Sam	MENDELSON	Arc Finance	United Kingdom
Aurélien	HOLLARD	Arendt & Medernach	Luxembourg
Anne	CONTRERAS	Arendt & Medernach / e-MFP	Luxembourg
Rolando	VICTORIA	ASKI	The Philippines
Luis Fernando	FERNANDEZ	Asociación Promujer de México, A.C.	Mexico
Tisiana	BAGUET	ATTF	Luxembourg
Josée	THYES	ATTF	Luxembourg
Mahmoud	MANSOUR	Autorité de contrôle de la Microfinance (ACM)	Tunisia
Aafke	VAN SPRUNDEL	Awareness Initiatives	The Netherlands
Maria Florencia	PAMPURO	Banco de Provincia de Buenos Aires	Argentina
Aski	CATRANTI	Bank Indonesia	Indonesia
Rani Lestari	DARTYANI	Bank Indonesia	Indonesia
Mwile	KAUZENI	Bank of Tanzania	Tanzania
Alexis	LOSSEAU	Bio-invest	Belgium
Gustavo	FERRO	Blue Rhino	The Netherlands
Robbie	HOGERVORST	Blue Rhino	The Netherlands
Bert-Jan	OTTENS	Blue Rhino	The Netherlands
Evgenia	PAPOULA	Blue Rhino	The Netherlands
Jesse	BLOEMENDAAL	Blue Rhino	The Netherlands
Samuel	LEFEVRE	BNP Paribas	France
Guy	ROZAS	BNP Paribas	France
Claudia	BELLI	BNP Paribas / e-MFP	France
Benjamin	JULIEN	Boulder Institute of Microfinance	France
Shameran	ABED	BRAC	Bangladesh
Jan	BERGMANS	BRS	Belgium
Kurt	MOORS	BRS - Microfact	Belgium
Michael	KORTENBUSCH	Business & Finance Consulting GmbH	Switzerland
Amana Samuel	NCHE	Cameroon Cooperative Credit Union League (CamCCUL)	Cameroon
Lyneth L.	DEREQUITO	CARD Bank Inc.	Philippines
Lourdes	DIJAN	CARD Bank Inc.	Philippines
Katherine	HUGHES	CARE International UK	United Kingdom
Danielle	PISKADLO	Center for Financial Inclusion at Accion International	USA
Deborah	DRAKE	Center for Financial Inclusion at Accion International	USA
Catalina	MARTINEZ	Center for Microfinance - University of Zurich	Switzerland
Armenuhi	MKRTCHYAN	Central Bank of Armenia	Armenia
Khayyam	ISMAYILOV	Central Bank of the Republic of Azerbaijan	Azerbaijan
Marie Anna	BÉNARD	CERISE	France
Bonnie	BRUSKY	CERISE	France
Cécile	LAPENU	CERISE	France
Patrick	REICHERT	CERMi - Universite Libre de Bruxelles	Belgium
Antonique	KONING	CGAP	France
Michael	TARAZI	CGAP	USA
Christian	HEBERLE	CH Consulting	Germany
Nikesh	ADHIKARI	Chhimek Laghubitta Bikas Bank	Nepal
Jared	PENNER	Child and Youth Finance International	The Netherlands
Antoine	FLIPO	Citibank International plc - Luxembourg Branch	Luxembourg
Erol	ÖZBILEN	Citibank International plc - Luxembourg Branch	Luxembourg
Thomas	BLAISE	Citibank International plc - Luxembourg Branch	Luxembourg
Fred	WERNECK	Clarmondial GmbH	Switzerland
Olivier	ERVYN	Consultant	Belgium
Wolfram	HIEMANN	Consultant	Germany
Emmanuelle	JAVOY	Consultant	France

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Waminuku	MANZAMBI	Consultant	Congo DR
Yves	MATHIEU	Consultant	Belgium
Rossana	RAMIREZ	Consultant	USA
Maren	RICHTER	Consultant	Germany
Hannah	SIEDEK	Consultant	Luxembourg
Pete	SPARREBOOM	Consultant	France
Angel	VERASTEGUI	COPEME	Peru
Resi	JANSSEN	Cordaid	The Netherlands
Saugata	BANDYOPADHYAY	CRDB Bank Plc	Tanzania
Joseph	MAJI	CRDB Bank Plc	Tanzania
Anthony	DEGOUVE	CREDIT COOPERATIF	France
Laura	HEMRIKA	Credit Suisse / e-MFP	Switzerland
Fernando	LUCANO URIOSTE	cyrano	France
Lotte	NORDHUS	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Germany
Barbara	DOSWELL	ECLOF International	Switzerland
Nicolas	KARAMBADZAKIS	ECLOF International	Germany
Sebastian	BEHRLE	EDiRA - Economic Development in Rural Areas	Denmark
Sadina	BINA	EKI Microfinance Foundation	Bosnia And Herzegovina
Marc	ELVINGER	Elvinger, Hoss & Prussen	Luxembourg
Alexandre	HÜBSCHER	Elvinger, Hoss & Prussen	Luxembourg
Geert Jan	SCHUITE	Enclude BV	The Netherlands
Stephanie	GARCIA VAN GOOL	Enclude BV	United Kingdom
Adriaan	LOEFF	Enclude BV	The Netherlands
Lukas	WELLEN	Enclude/Voice of the Client	The Netherlands
Rim Tounsi	REKIK	Enda inter arabe	Tunisia
Eugénie	CONSTANCIAS	Entrepreneurs du Monde	France
Marie	FORGET	Entrepreneurs du Monde	France
Justina	SHEYA	Ernst & Young LLP	The Netherlands
Paul	THOMAS	ESAF Microfinance and Investments	India
Davide	LIBRALESSO	Etimos Foundation	Italy
Frank	BETZ	European Investment Bank	Luxembourg
Edvardas	BUMSTEINAS	European Investment Bank	Luxembourg
Francesco	CONSIGLIO	European Investment Bank	Luxembourg
Yves	FERREIRA	European Investment Bank	Luxembourg
Maria Luisa	FERREIRA	European Investment Bank	Luxembourg
Vanessa	MERKER	European Investment Bank	Luxembourg
Xavier	MOMMENS	European Investment Bank	Luxembourg
Jesper	PERSSON	European Investment Bank	Luxembourg
Adela	SVOBODOVA	European Investment Bank	Luxembourg
Perrine	POUGET	European Investment Bank / e-MFP	Luxembourg
Riccardo	AGUGLIA	European Investment Fund	Luxembourg
Samuel	CLAUSE	European Investment Fund	Luxembourg
Caroline	LENTZ	European Microfinance Network	Belgium
Gabriela	ERICE GARCÍA	European Microfinance Platform (e-MFP)	Luxembourg
Christoph	PAUSCH	European Microfinance Platform (e-MFP)	Luxembourg
Daniel	ROZAS	European Microfinance Platform (e-MFP)	Luxembourg
Marja	VÄISÄNEN	European Microfinance Platform (e-MFP)	Luxembourg
Niamh	WATTERS	European Microfinance Platform (e-MFP)	Luxembourg
Michel	AWONO	European Microfinance Programme	Belgium
Dominique	CARRIOU	European Microfinance Programme	Belgium
Marilù	DI MAURO	European Microfinance Programme	Belgium
Dayana	AZOR	European Microfinance Programme	Belgium
Nikiema	PASEKBA SARATA LAURENCE	European Microfinance Programme	Belgium
Claudia	SAVARESE	European Microfinance Programme	Belgium
Jonathan Motoase	AYISI	European Microfinance Programme-ULB	Belgium
Laurent	CAPOLAGHI	EY Luxembourg	Luxembourg
Marja	DE PUNDERT	family foundation	Belgium
Marieke	DE PUNDERT	family foundation	Belgium

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Suha	SHAKHSHER	FATEN	Palestine
Marius	KAHL	Federal Ministry for Economic Cooperation and Development	Germany
Eamon	SCULLIN	Fern Software	United Kingdom
Gemma	FERST	Finance in Motion	Germany
Sylvia	WISNIWSKI	Finance in Motion	Germany
Matteo	SNIDERO	Finance in Motion	Germany
Eelko	BRONKHORST	Financial Access	The Netherlands
Bram	PETERS	FINCA International	Uganda
Alain-Serge	LUBLEO MIMBU	FINCA RDC S.A.	Congo DR
Friday	NWOKOLO	First City Monument Bank	Nigeria
Adeeb	SHARAF	First MicroFinance Institution Syria	Syria
Kimberley	WILSON	Fletcher School Tufts University	USA
Arno	DE VETTE	FMO	The Netherlands
Hatem	MAHBOULI	FMO	The Netherlands
Bert	RICHLY BRINKENBERG	FMO	The Netherlands
Frederik Jan	VAN DEN BOSCH	FMO	The Netherlands
Emiliano	ESTRADA	FONCAP SA	Argentina
Pablo	OBEID	FONCAP SA	Argentina
Diego Luigi	DAGRADI	Fondazione Giordano Dell'Amore	Italy
Maria Cristina	NEGRO	Fondazione Giordano Dell'Amore	Italy
Nazha	HMAMOUCHE	FONDEP Micro-Credit	Morocco
Willemien	LIBOIS	Frankfurt School of Finance & Management GmbH	Kenya
Carola	MENZEL	Frankfurt School of Finance & Mnagement / Frankfurt School-UNEP Collaborating Centre	Germany
Veronica	LOPEZ-SABATER	FUNDACION AFI	Spain
Bernard	ORNILLA	GAIA	Honduras
Bastian	THOELE	GFA Consulting Group	Germany
Judith	FRICKENSTEIN	GIZ	Germany
Karen	LOSSE	GIZ	Germany
Jerry	SKEES	GlobalAgRisk	USA
Bernadette	BLOM	Goodwell Advisory Services	The Netherlands
Jürgen	HAMMER	Grameen Credit Agricole Microfinance Foundation	France
Jean-Luc	PERRON	Grameen Credit Agricole Microfinance Foundation	Luxembourg
Julie	PEACHEY	Grameen Foundation	USA
Elodie	GOUILLAT	GRET	France
Kalpana	SANKAR	Hand in Hand India	India
Josefine	LINDANGE	Hand in Hand International	United Kingdom
Juliette	DAVID	HORUS Development Finance	France
André	OERTEL	HORUS Development Finance	France
Ninoslav	VRCELJ	Hulla & Co. Human Dynamics KG	Austria
Gregory	WHYE	Hulla & Co. Human Dynamics KG	Belgium
Jonathan	AGWE	IFAD	Italy
Christiane	KUHN	IFAD	Italy
Frederic	PONSOT	IFAD	France
Alan	MOORE	ILCUF	Ireland
Bruno	DUNKEL	Impulse Europe	Belgium
Francesco	GRIECO	Impulse Europe	Belgium
Ekkehart	SCHMIDT	INAISE, International Association of Investors in Social Economy	Germany
Julie	BOUCHAT	Inclusive Finance Network Luxembourg Asbl	Luxembourg
Johann	HERTZ	Inclusive Finance Network Luxembourg Asbl	Luxembourg
Michel	MAQUIL	Inclusive Finance Network Luxembourg Asbl	Luxembourg
Bart	DE BRUYNE	Independent consultant	Belgium
Walter	TUKAHIIRWA	Independent consultant	Uganda
Adriana	BALDUCCI	Innpact	Luxembourg
Christophe	CHABAUD	Innpact	Luxembourg
Arnaud	GILLIN	Innpact	Luxembourg
Patrick	GOODMAN	Innpact	Luxembourg
Aurélie	MOREAU	Innpact	Luxembourg
Karine	PINGET	International Finance Corporation	Morocco
Mauro	MARTINI	International Fund for Agricultural Development - IFAD	Italy

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Jo	DE HOLLANDER	International Labour Organisation	Luxembourg
Patricia	RICHTER	International Labour Organisation	Switzerland
Séverine	DEBOOS	International Labour Organization	Switzerland
Sebastien	BOYE	Investisseurs & Partenaires (I&P)	France
Fatima Zohra	BENSAID	JAIDA	Morocco
Abdelkarim	FARAH	JAIDA	Morocco
Ahmed	LAASRI	JAIDA	Morocco
Annette	DETKEN	KfW Development Bank	Germany
Irina	EICHENAUER	KfW Development Bank	Germany
Olesya	PAUKOVA	Kompanion Financial Group	Kyrgyzstan
Dariia	TOGUZBAEVA	Kompanion Financial Group	Kyrgyzstan
Christian	HERTZ	Linklaters LLP	Luxembourg
Mariama	SENE	Linklaters LLP	Luxembourg
Silvia	CASALE	LMDF	Luxembourg
David	GORJON	LMDF	Luxembourg
Kaspar	WANSLEBEN	LMDF	Luxembourg
Guillaume	BONNEL	Lombard Odier	Switzerland
Eleanor	DE ROSMORDUC	Luxembourg for Finance	Luxembourg
Annemarie	ARENS	LuxFLAG	Luxembourg
Sachin S	VANKALAS	LuxFLAG	Luxembourg
Geneviève	HENGEN	MAE / Development Cooperation Department	Luxembourg
Alok	MISRA	M-CRIL	India
Sebastian	GROH	ME SOLshare	Bangladesh
Ratna	VISWANATHAN	MFIN	India
Regis	DOCK	MFX Solutions	Belgium
Franklin	ODOEMENAM	Micro Investment Consultancy Services Ltd	Nigeria
Bob	SUMMERS	MicroCapital	USA
Mamuka	MACHAVARIANI	MICROCREDIT	Georgia
Raluca	DUMITRESCU	MicroEnergy International	Germany
Noara	KEBIR	MicroEnergy International	Germany
Hadley	TAYLOR	MicroEnergy International	Germany
Aldo	MOAURO	Microfinanza Rating srl	Italy
Francesca	PANTANI	Microfinanza Rating srl	Italy
Damian	VON STAUFFENBERG	MICRORATE	Peru
Justus	NJERU	MicroSave Consulting Ltd	Kenya
Oliver	OEHRI	MIL	Liechtenstein
Ali	OUERGHI	Ministère de l'Economie et des Finances	Tunisia
Amel	ZAOUI	Ministère de l'Economie et des Finances	Tunisia
Nawele	BEN ROMDHANE DHRIF	Ministère de l'Investissement et de la Coopération Internationale	Tunisia
Eric	LAMPERTZ	Ministère des Affaires Étrangères et Européennes	Luxembourg
Richard	PHILIPPART	Ministère des Affaires étrangères et Européennes	Luxembourg
Martine	SCHOMMER	Ministère des Affaires Étrangères et Européennes	Luxembourg
Marc	BICHLER	Ministère des Affaires Étrangères et Européennes / e-MFP	Luxembourg
Jeffrey	BINSTOCK	MIX	USA
Daniel	DOUGLASS	MIX	USA
Michael	RAUENHORST	Moody's Analytics	USA
Daisy	FILOCRE	My Transfer	Brazil
Joost	DE LA RIVE BOX	Netherlans ROIM	The Netherlands
Arthur	SLETTEBERG	NMI AS	Norway
Annemarie	MASTENBROEK	NpM Platform for Inclusive Finance	The Netherlands
Marjola	TREBELS-VAN BOLHUIS	NpM Platform for Inclusive Finance	The Netherlands
Josien	SLUIJS	NpM Platform for Inclusive Finance / e-MFP	The Netherlands
Laura	GÄRTNER	Oikocredit	The Netherlands
Gunter	JANSEN	Oikocredit	The Netherlands
Alex	SILVA	Omtrix	Costa Rica
Georgina	VASQUEZ	Omtrix	Costa Rica
Xavier	CHANTRAINE	OXUS Development Network	France
Alexis	SURUN	OXUS Development Network	France
Michael	KNAUTE	OXUS Development Network / e-MFP	France

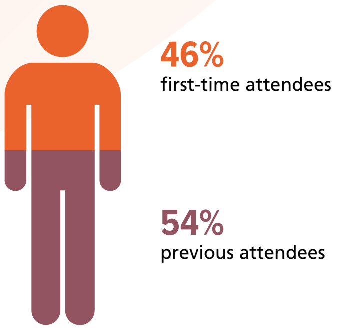
FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Marion	ALLET	PAMIGA	France
Jacinta	KAMEMBA	PAMIGA	Kenya
Claire	OZANNE	PAMIGA	France
Philippe	BREUL	PHB Development	Belgium
Maylis	LUNA	PHB Development	The Netherlands
Alexandra	SANCHEZ	PHB Development	United Kingdom
Marie-Sophie	TAR	PHB Development	The Netherlands
Aurelie	WILDT	PHB Development	United Kingdom
Champey	ADRIEN	Planet Finance	France
Delphine	BAZALGETTE	PlaNet Finance	France
Azalea	CARISCH	PlaNet Finance	Germany
Simon	PRIOLLAUD	Planet Finance	France
Vanessa	QUINTERO	PlaNet Finance	France
Luca	GIACOPELLI	Planet Finance / University Meets Microfinance	Germany
Edouard	SERS	Planet Rating	France
Patrick	WOYAGA	Post Bank Uganda	Uganda
Jose Antonio	SANCHEZ	Pro Mujer Nicaragua LLC	Nicaragua
Asma	REHMAT	Punjab Micro Finance Network (PMFN)	Pakistan
Andreas	DROSSEL	PricewaterhouseCoopers, Société coopérative	Luxembourg
Matthieu	LAUZIER	PwC Luxembourg	Luxembourg
Olivier	ROUSSEL	PwC Luxembourg	Luxembourg
Saleh	KHAN	PwC Switzerland	Switzerland
Eveline	KERSTEN	Rabobank Foundation	The Netherlands
Rogier	ROMBOUTS	Rabobank Foundation	The Netherlands
Pierre	VAN HEDEL	Rabobank Foundation / e-MFP	The Netherlands
Zacchaeus I.	SYENGO	Rafiki Bank	Kenya
Rafael	FERNÁNDEZ-FONT	Recyhub	Belgium
Ivan	GUTIERREZ	REDCAMIF	Nicaragua
Aracely	GUTIERREZ	REDCAMIF	Nicaragua
Hamadoun	SONDE	Réseau Caisse Populaire Burkina Faso (FCPB)	Burkina Faso
Kaerim	CHATTI	Responsability Investments AG	Switzerland
Vibeka	MAIR	Responsible Investor	United Kingdom
Kevin	FRYATT	Risk Management Initiative in Microfinance (RIM)	USA
Muhammad Murtaza	MURTAZA	Rural Community Development Society (RCDS)	Pakistan
Marcella	CORSI	Sapienza University of Rome	Italy
Bun	MONY	Sathapana Limited	Cambodia
Ariane	APPEL	SCBF - Swiss Capacity Building Facility	Switzerland
Pauline	BENSOUSSAN	SciencesPo	France
Clement	OFOSU-NTIAMOAH	Sinapi Aba Savings and Loans	Ghana
Isabelle	BARRÈS	Smart Campaign	USA
Alexandra	RIZZI	Smart Campaign at CFI, Accion	USA
Arif	MIKAYILOV	Social Fund for the Development of IDPs of the Republic of Azerbaijan	Azerbaijan
Laura	FOOSE	Social Performance Task Force	USA
Liubov	KIRILOVA	Software Group BG Ltd	Bulgaria
Kristina	TABAKOVA	Software Group BG Ltd	Bulgaria
Leonie	MBEUNTCHA	Solvay Business School	Belgium
Valentina	PATETTA	Solvay ULB - EMP Programme	Belgium
Laurent	BIOT	SOS Faim Belgium	Belgium
Marc	MEES	SOS Faim Belgium	Belgium
François	LEGAC	SOS Faim Luxembourg	Luxembourg
Thierry	DEFENSE	SOS Faim Luxembourg	Luxembourg
Niclaus	BERGMANN	Sparkassenstiftung für internationale Kooperation	Germany
Bjørn Stian	HELLGREN	Strømme Microfinance	Norway
Narda	SOTOMAYOR	Superintendency of Banking, Insurance Companies and Private Pension Funds- Peru	Peru
Charles	RUYS	Support CU Development Sierra Leone/ EACH B.V.	The Netherlands
Christoffer	DAHLBERG	Symbiotics	Switzerland
Nelly	ELIMBI	Symbiotics	South Africa

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Mariel	MENSINK	Terrafina Microfinance	The Netherlands
Sumaiya	SAJJAD	The MasterCard Foundation	Canada
Bayarsaikhan	DEMBERELDASH	The Microfinance Development Fund	Mongolia
Oghenerobo Bright	OKRIKRI	The Rol Modell Int'l	Nigeria
Arthanareeswaran	CHELLADURAI	Thenaaru KGFS	India
Olivier	DEITERS	Triodos Investment Management B.V.	The Netherlands
Rita	DE BOER	Triodos Investment Management B.V.	The Netherlands
John	BERGERON	Truelift	USA
Davide	FORCELLA	ULB-CERMi	Belgium
Cécile	GODFROID	UMONS	Belgium
Jules Theoneste	NDAHAYO	Umutanguha Finance Ltd	Rwanda
François	COUPIENNE	UNCDF	Belgium
Hermann	MESSAN	UNCDF	Ethiopia
Maria	PERDOMO	UNCDF	Senegal
Mariacristina	ROSSI	Uni Turin	Italy
David	BESKOW	United States Miliatary Academy	USA
Sophie	WIESNER	Universität Bayreuth	Luxembourg
Shreeti	KATWAL	Université Libre de Bruxelles	Belgium
Rita	MELI	Université Libre de Bruxelles	Belgium
Nikolaos	PANAGIOTOPOULOS	Université Libre de Bruxelles	Belgium
Giulia	PORINO	Université Libre de Bruxelles	Belgium
Zekiyu Jemal	MOHAMMED	Université Libre de Bruxelles	Belgium
Shifat	SHARMIN	Université Libre de Bruxelles	Belgium
Frédéric	HUYBRECHS	University of Antwerp - IOB	Belgium
Mathilde R.L.	MAITROT	University of Bath	United Kingdom
Davide	CASTELLANI	University of Bergamo	Italia
Laura	VIGANÒ	University of Bergamo	Italy
Hans Dieter	SEIBEL	University of Cologne / e-MFP	Germany
Hayyan	ALIA	University of Franche-Comte and Burgundy School of Business (ESC-Dijon)	France
Bernd	BALKENHOL	University of Geneva	France
Virginie	TRACHSEL	University of Geneva	Switzerland
Anisa	ABDUL RAHMAN	University of London External Program	Singapore
Chicot	EBOUE	University of Lorraine	France
Sandra	KENDO	University of Lorraine, Faculty of Law and Economics	France
Debashis	SARKER	University of Mons – CERMi	Belgium
Shahadat	HOSSAIN	University of Mons – CERMi	Belgium
Joseph	HEWITT	University of Nottingham	United Kingdom
Javier	SIERRA PIERNA	University of Salamanca	Spain
César	DE LA CRUZ	University of Zurich	Switzerland
Jonathan	FU	University of Zurich, Centre for Microfinance	Switzerland
Nicholas	MEAKIN	Urwego Opportunity Bank	Rwanda
Scott	BROWN	VisionFund International	United Kingdom
Cristian	JURMA	VITAS	Romania
Sebastian	CANO	Vlerick Business School	Belgium
Anna	GINCHERMAN	Women's World Banking	USA
Ian	RADCLIFFE	WSBI / e-MFP	Belgium
Rodica	LEVITCHI	Mambu	Switzerland
Bold	MAGVAN	XacBank LLC	Mongolia
Delgermaa	ZAGD	XacBank LLC	Mongolia
Christina	AGUDO		Luxembourg
Carlos	ALFONSO		United Arab Emirates
Patrice	DELADRIER		Belgium
Zagd	DELGERMAA		
Mereena	PAUL		
Eric	SILE		
Luz Elena	WONG		

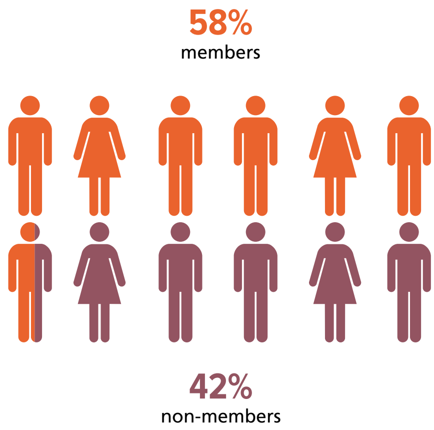
FEEDBACK AND STATISTICS

Following European Microfinance Week 2014, all participants were invited to take part in a satisfaction survey. e-MFP would like to share the feedback received.

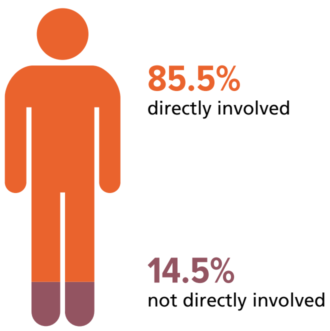
FIRST-TIME ATTENDEES



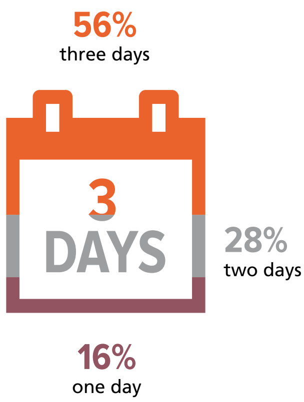
MEMBERS ATTENDING



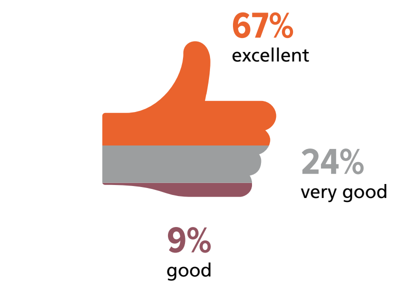
PARTICIPANTS DIRECTLY INVOLVED IN MICROFINANCE



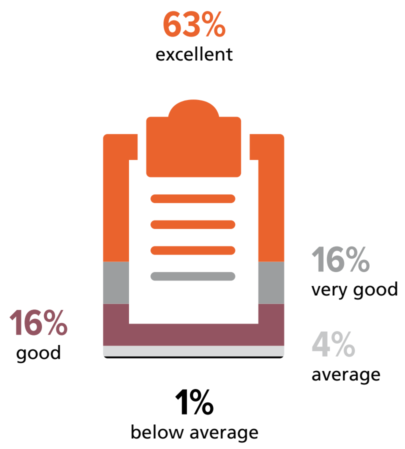
DAYS SPENT AT THE CONFERENCE



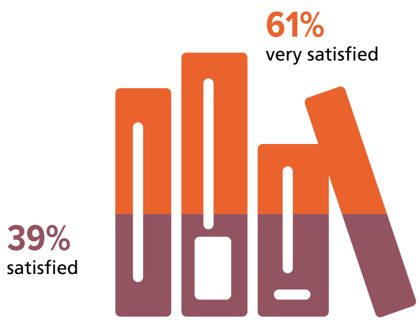
QUALITY OF THE CONFERENCE ORGANISATION



SATISFACTION WITH REGISTRATION PROCESS



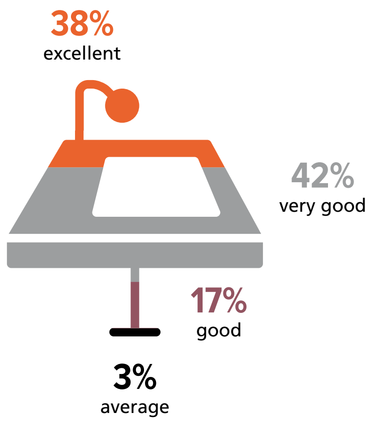
SATISFACTION WITH CONFERENCE MATERIALS



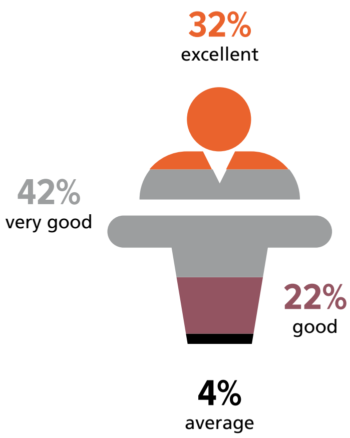
IMPRESSION OF CONFERENCE FACILITIES

WERE THE CONFERENCE STAFF HELPFUL AND COURTEOUS?

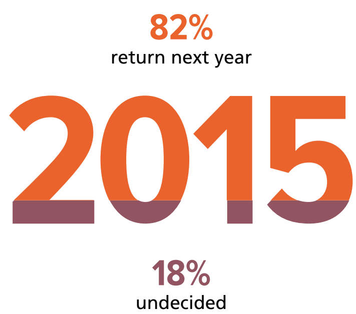
IMPRESSION OF CONFERENCE SPEAKERS



IMPRESSION OF THE MODERATION OF THE CONFERENCE SESSIONS



PARTICIPATION NEXT YEAR



Thank you Martin Kinsella & Associates for sponsoring the survey.

Below are some comments on what participants appreciated about European Microfinance Week 2014

“

Good networking opportunity

Great attention to detail and the location is beautiful

Rich variety of themes and presentations

Keep up the good format!

Fantastic programme mixing the theoretical and the practical

European Microfinance Week is all about networking and making new contacts

Choice between various good panels taking place at the same time

Thank you to e-MFP for the perfect organisation of the event

Congratulations again on another great conference!

Sessions were extremely informative

Truly a unique opportunity!

The level of participation is clearly a proof of its success

I am taking back excellent memories

I got many new ideas and contacts

Congratulations on a very successful conference

Great opportunity to meet new people

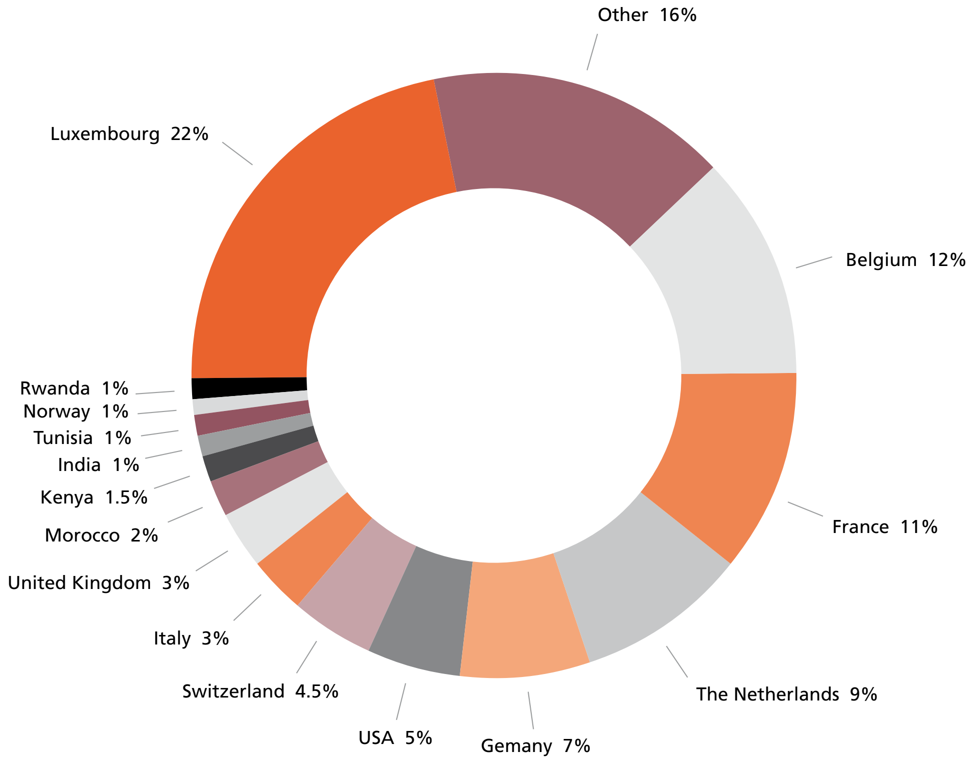
Maybe the best European Microfinance Week in 7 years

The sessions were very interesting and the organization perfect

”

COUNTRIES

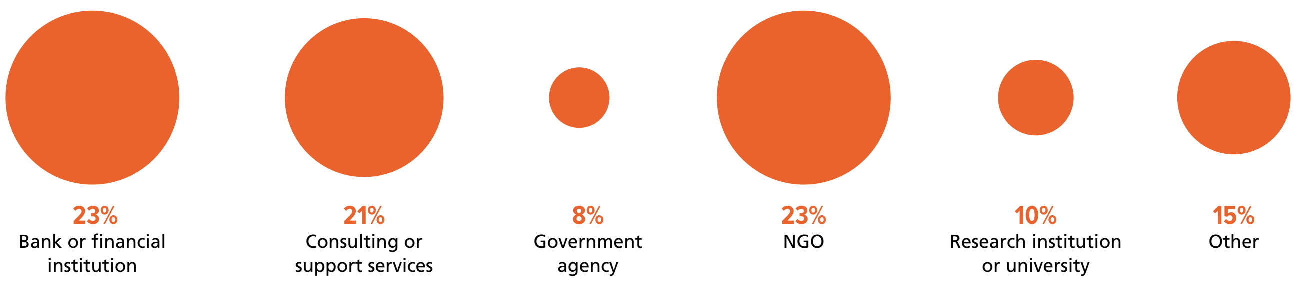
Number of registered participants: **408** from **56** countries



Other

Argentina
Armenia
Austria
Azerbaijan
Bangladesh
Bosnia and Herzegovina
Brazil
Bulgaria
Burkina Faso
Cambodia
Cameroon
Canada
Congo (DRC
Denmark
Ethiopia
Ghana
Honduras
Indonesia
Ireland
Kyrgyzstan
Liechtenstein
Mexico
Mongolia
Nepal
Nicaragua
Nigeria
Pakistan
Palestine
Peru
Philippines
Romania
Senegal
Singapore
South Africa
Spain
Syria
Tanzania
Uganda

ORGANISATIONS



EUROPEAN MICROFINANCE PLATFORM

The European Microfinance Platform [e-MFP] was founded formally in 2006. e-MFP is a growing network of over 120 organisations and individuals active in the area of microfinance. Its principal objective is to promote co-operation amongst European microfinance bodies working in developing countries, by facilitating communication and the exchange of information. It is a multi-stakeholder organisation representative of the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

Executive Secretariat

Christoph Pausch, Executive Secretary
European Microfinance Platform (e-MFP)
39 rue Glesener
L-1631 Luxembourg
contact@e-mfp.eu
www.e-mfp.eu

NEXT EUROPEAN MICROFINANCE WEEK
18TH - 20TH NOVEMBER 2015

If you are interested in sponsoring this year's event and positioning your organization at the forefront of the microfinance sector, please contact the Secretariat at contact@e-mfp.eu

e-MFP would like to thank Blue Rhino Consult BV for their assistance in preparing this report.

European Microfinance Platform (e-MFP)
39 rue Glesener, L-1631 Luxembourg
Tel: +352 26 27 13 82, Fax: +352 45 68 68 68
contact@e-mfp.eu

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www.e-mfp.eu

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OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance