EUROPEAN MICROFINANCE WEEK 2013

THE FUTURE OF MICROFINANCE: INVESTING IN INCLUSIVE GROWTH

12th - 14th November 2013
Abbaye de Neumünster, Luxembourg

Conference report

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TABLE OF CONTENTS

FOREWORD 5

SESSIONS 7

WEDNESDAY 13TH NOVEMBER 2013

Opening remarks by Her Royal Highness the Grand Duchess of Luxembourg
Plenary: The goal of microfinance – lifting the poor out of poverty or financial acccess for all? 7

Microfinance institutions linking remittances to development 9

Raising the bar in microfinance risk management: Evaluating the past and creating new visions for the future 11

Cross-border funding landscape: Trends & perspectives 13

Agricultural microfinance for smallholder farmers. e-MFP University Meets Microfinance Action Group 15

Green strategies for MFIs 17

Microfinance going cashless powered by mobile banking: Results and lessons learned by MFIs 19

Which strategy for financial inclusion in the MENA region after the Arab Spring 21

Second and third tier MFIs: Where do we stand? 22

First African Microfinance Week 2013 - regulation of the African microfinance sector: 20 years on from a practitioner's perspective 24

Green microfinance: The investors' perspective 26

National microfinance platforms – role of subsidies: How should subsidies be used in microfinance and how not? 28

Governance in microfinance: Challenges and lessons learned 30

New models and experiences for linking informal savings groups to formal financial services 32

Plenary: Recognizing unsustainable markets - towards a common framework 34

THURSDAY 14TH NOVEMBER 2013

Financing non-integrated value chains: Challenges and solutions 36

Responsible microfinance: Where do we stand? 38

How much gender does microfinance need? 40

Microfinance in a historical perspective 42

Solutions based on listening to clients 44

Microfinance and the MDGs – beyond 2015 45

Responsible microfinance: Implementation on the ground 47

Building an effective savings culture: Financial services for the next generation 49

Alternative models to fund microenterprises: P2P lending and microequity 51

Microfinance and housing 52

The role of financial market infrastructure in building faster financial inclusion 54

The due diligence process: A key process in assessing the sustainability of an institution, main challenges and opportunities 55

Youth and employment 57

Microinsurance investment opportunities 59

Closing plenary: Keeping an edge 60

LIST OF PARTICIPANTS 63

FEEDBACK AND STATISTICS 71

FOREWORD







Following yet another inspiring European Microfinance Week, we are delighted to share with you this detailed conference report which summarises the discussions and debate which took place during the three day event, held 12th - 14th November 2013, in Luxembourg.

European Microfinance Week is hosted annually by the European Microfinance Platform (e-MFP) and is a must for microfinance professionals. It gathers the diverse e-MFP membership and others from related sectors to share experiences, make valuable new contacts and tackle challenging issues for the sector.

In 2013, 378 participants from 59 countries converged to contribute to the advancement of financial inclusion in developing countries. With the theme 'The future of microfinance - investing in inclusive growth', a combination of plenary, workshop and roundtable sessions assured lively exchange and unique learning opportunities.

We wish you an enjoyable read and hope to welcome you to the next European Microfinance Week, 12th - 14th November 2014.

Anne Contreras
Chairwoman

Christoph Pausch
Executive Secretary

SESSIONS

WEDNESDAY 13TH NOVEMBER 2013

OPENING REMARKS BY HER ROYAL HIGHNESS THE GRAND DUCHESS OF LUXEMBOURG

PLENARY: THE GOAL OF MICROFINANCE – LIFTING THE POOR OUT OF POVERTY OR FINANCIAL ACCCESS FOR ALL?

Moderator	**Marc BICHLER**, UNCDF / e-MFP
Speakers	**Michael CHU**, Harvard Business School & IGNIA Fund
	Suresh KRISHNA, Grameen Financial Services Pvt Ltd

OPENING OF THE EUROPEAN MICROFINANCE WEEK 2013

On behalf of the European Microfinance Platform (e-MFP), Chairwoman Cécile LAPENU welcomed all participants and invited Her Royal Highness The Grand Duchess of Luxembourg to give the opening remarks of European Microfinance Week 2013.

Her Royal Highness The Grand Duchess opened the European Microfinance Week by expressing her deepest sympathy to all victims of the Philippine typhoon disaster. This tragic event also affected e-MFP partners and was the reason why Aris ALIP of CARD MRI from the Philippines could not take part and speak in the opening session. Her Royal Highness referred to the Millennium Development Goals (MDGs) milestones, and mentioned that progress is still uneven. Hunger and malnutrition are on the rise again and 1.3 billion people still live in extreme poverty worldwide. Therefore, the microfinance sector has to invest in sustainable growth, inclusive finance, pro-poor growth and integration of micro-entrepreneurs by enhancing skills and innovation, as part of the post-2015 Agenda. The Grand Duchess concluded by thanking all participants for their active involvement in these efforts.

PRESENTATIONS

Moderator Marc BICHLER introduced the two speakers, Michael CHU and Suresh KRISHNA (replacing Aris Alip of the Philippines). Bichler opened the debate by pointing to some recurring topics in the European Union debate: enlargement, growth and integration. These refer much to the topics of the opening plenary, in terms of the level of contribution of microfinance to the MDGs. While microfinance is considered to be contributing, also in terms of gender and equity, there are still many inequalities, likewise in relation to access to finance. The goal of inclusive growth is thus shaping the international development agenda to a large extent.

When referring to the title of the opening session, Michael Chu confessed that he was at first confused. He made a parallel with cataract clinics for impaired vision: what constitutes success for such an organisation, restoring vision or improved life for the family of the patient? He indicated the same question is relevant for microfinance; the range of causes for poverty is beyond the financial and as such, cannot be expected to be solved solely through financial access. Although social impact is very much at the heart of microfinance, there is a need for deeper understanding of why access to finance matters. According to the International labour Organisation (ILO), 60% of the world makes its living in the informal sector and microfinance is at the heart of the informal sector, so it is linked to the livelihoods at the base of the pyramid. Microfinance is the removal of the obstacles to access financial services, and so empowering micro-entrepreneurship. Yet, we are still reaching only 15% of those that can benefit from microfinance, and at the high cost of personal banking similar to private banking, which Chu

viewed as an absurdity. He considers the microfinance sector today to be moving towards "disruption", where more effective models will challenge microfinance's status quo. We have to invest in "time and talent" to speed that disruption, we do not have the luxury not to engage. He requested the audience to be truly open to 21st century microfinance.

Suresh KRISHNA, while referring to Grameen's clients moving out of (extreme) poverty, pointed to a number of issues arising for Grameen: how to scale up; how to provide sustainable financial services for households and improve quality of life; how to reach higher numbers more effectively. Also, in order to be effective in moving people out of poverty, we need to do more: finance can only do so much. Many practitioners are trying to create similar infrastructures, leading to much duplication of efforts and unnecessarily high costs. At the same time, there remain many more issues to be resolved, such as access to sanitation, energy and electricity or water. Krishna closed his address by stating that microfinance now finds itself in a volatile state and asked for better managed approaches.

DISCUSSION

Bichler asked the speakers whether microfinance is meant for everyone, and if everyone can be a micro-entrepreneur. Chu responded that everybody needs money, but that not everyone should have access to credit; as such, microfinance needs to be context specific and delivered only to those that can benefit from it. It is not universal but conditional, and we have to determine where it can be effective. There is also a role for government in this respect. On the question regarding Grameen's approach, Krishna responded that they use a family-based approach, which has not changed over time, and includes such aspects as sanitation, energy and clean water. The aim is to reduce vulnerability and achieve sustainability.

According to Chu, the definition of success for microfinance is the same as for any social intervention and captured in the acronym 'BEST': Best option available; Economical - at the lowest cost for the end user; Solidarity - for all those that need it; and Today - as soon as possible.

The Grand Duchess remarked and the audience agreed, that single global approaches will not provide the solutions for the poor. Instead smarter and locally adapted and integrated approaches are required to achieve sustainability of efforts, getting the most out of people's potentials. We need to impact at all levels and make appropriate use of smart technologies. It was reiterated that issues such as access to finance, inclusive growth, social impact, micro-entrepreneurship and scaling up should be shaping the development agenda in the years to come.

Krishna remarked that not everything should be placed upon on the self-help group models. There are services that need to be provided by Government and other actors, such as commercial banks. He also warned against high-cost infrastructures. Chu added that the only way to achieve BEST is through the creation of an industry, made possible by above average returns. Only a microfinance industry, not a single institution, can lead to the sustainable provision of the best alternatives at the lowest costs, as quickly as possible, to all those that need it. While there are funds available for impact investment, they are often positioned to fund what is already successful. There is an urgent need for catalytic funds willing to take the high risk of creating new unproven models.

Successful innovations will transform microfinance; disruption may lead to changes in leadership. Good leaders will be able to adapt and change, but many of the current leaders of the microfinance industry may not be the leaders of tomorrow. Krishna confirmed and stated that the next decade will see big changes; especially taking into consideration more demanding clients. This will pose significant challenges to MFIs. Bichler concluded on a positive note referring to eruption rather than disruption.

MICROFINANCE INSTITUTIONS LINKING REMITTANCES TO DEVELOPMENT

Moderator	**David QUIEN**, ADA
Speakers	**Adama BA**, MFI Pamecas
	Ibrahima KOITA, MFI Camide
	Pedro DE VASCONCELOS, International Fund for Agricultural Development (IFAD)
	Gera VOORRIPS, PHB Development

PRESENTATIONS

David QUIEN opened the session by explaining how remittances can positively affect microfinance and development. At the same time, he raised several concerns regarding partnerships between MFIs, banks and money transfer operators (MTOs), related to the regulatory framework, effectiveness and attractiveness of partnerships and quality of marketing efforts implemented by the partnerships. He explained how important it was to scale up transfers and to sell financial products (e.g. savings, business and housing loans) to enable sustainable product supply by the MFI. Quien explained that the session's speakers would show best practice partnerships and raised the question how we can scale up transfers and selling of MFI financial products.

Pedro DE VASCONCELOS, coordinator of the International Fund for Agricultural Development (IFAD) 'Financing Facility for Remittances', showed key figures of the programme. This US$ 28 million multi-donor programme works in 40 countries and aims to empower migrant workers and their families by promoting innovative remittance markets. The programme strategy revolves around five areas of activities: market development, innovative business models, new technologies, promotion of financial access and services, and supporting migrant investment and entrepreneurship. De Vasconcelos then questioned how remittances can become an engine for economic and social development in rural areas. The potential is clearly identified: 230 million international migrants worldwide transferred US$ 440 billion in remittances in 2013. About a third is destined for rural areas in developing countries. De Vasconcelos also stressed that although costs of transfers have been reduced significantly in the last decade; total costs of transfer to rural areas remain high, amounting to US$ 37 billion. Particularly in rural areas, costs remain high due to a lack of competition and high transport costs.

De Vasconcelos then gave a future outlook. Remittances that will reach rural areas are expected to grow to a total of US$ 1 trillion or US$ 200 per migrant in the next five years. This raises the question: how this money can be sent efficiently, cheap and fast. He stressed the need to find remittances mechanisms that can be replicated in order to promote financial inclusion. Opening up more advanced financial services to migrant workers by engaging MFIs, MTOs and banks can also be an important pathway to financial inclusion. He then continued with key lessons learned in IFAD programmes promoting innovative remittances. These dealt with four main issues on MFIs and remittances. Firstly, MFIs should do a context check, including identification of migrants and remittance flows, the adequacy of the regulatory framework, and the competitive landscape. Secondly, both short term as well as long term strategy is needed. At first, MFIs should identify whether there is sufficient basis to start, while later they should focus on expanding their services portfolio and client base. Thirdly, MFIs have to identify whether they have sufficient capacities in terms of Management Information Systems (MIS), liquidity, product development and negotiation. The fourth lesson learned revolved around the marketing approach of MFIs, addressing the need for financial literacy to support product adoption and a mixed marketing approach in order to cross-sell financial products.

The session continued with experiences from an MFI perspective. Adama BA shared the experiences of Pamecas, an MFI offering money transfer services to Senegalese migrants living abroad. Pamecas offers two products: 'cash-to-cash' and 'cash-to-account'. The former was started in 2005, while the latter was introduced in 2009 for migrants from specific areas. Pamecas has two business models: in the first one, the MFI directly negotiates with a bank and becomes the sub-agent for the bank for a specific MTO. In the second model, Pamecas

negotiates directly with the MTO and the MTO links Pamecas with a bank. Ba continued with best practices on how MFIs should choose the right partnership. These should provide access to the MTOs platform to be able to track transfers; offer different pricing of money transfers (depending if they are for cash-to-cash or cash-to-account financial products), develop joint communication, allow for regular monitoring of the partnership and have an MIS in place.

Ba then discussed the characteristics of Pameca's cash-to-account product. Migrants can open an account through the MTO and send remittances to a checking or savings accounts for projects, such as housing or repatriation of the migrant. It also lowers costs compared to cash-to-cash. Ba mentioned possible improvements for money transfer products, such as product diversification by offering open and blocked accounts. Blocked accounts intended for specific projects could, for example, have higher interest rates depending on the duration of the blocked account.

Ibrahima KOITA added to this by presenting Camide´s experiences, an MFI targeting Malian migrants in France, in particular from the Kayes region. Camide presents the working migrants with money transfer products that target their specific needs. Camide offers cash-to-cash and cash-to-account products to send remittances, using MTOs and village banks in Mali. In addition, Camide also provides housing loans, which can be repaid via remote money transfers.

Remittances can be received in very remote areas, even where electricity and internet are not available. Its partnership with the Banque d'Escompte (BDE) and Banque Nationale de Développement Agricole (BNDA), in France and Mali respectively, provides access to a customised platform ensuring easy use at the sender and receiver end. By involving local village organisations, Camide also builds trust among migrants, as the system builds on well-established informal remittance practices. Camide is also piloting housing credit, which can be used for construction, acquiring land or installing solar equipment. Repayment is structured according to the migrant's capacity.

Gera VOORRIPS presented best practices of MFIs in remittances. While previous speakers showed how MFIs can work successfully on developing financial products linked to international remittances, such efforts are challenging for the majority of MFIs. This results in a lower impact on financial inclusion.

Common challenges faced by MFIs when engaging with international remittances are related to scaling up, generating sufficiently high volumes, cross selling the MFIs' other loan and savings products, and achieving financial sustainability. The e-MFP Remittances Action Group held a workshop in October 2013 with MFIs from different regions, where the MFIs exchanged experiences. Based on the workshop a first inventory of Best Practices was established, which will be published by e-MFP in the first half of 2014.

DISCUSSION

The discussion started by a question on the costs of sending money through village banks. Koita mentioned that, in the case of Camide, costs are between 1 - 3% while this is estimated to be 9% worldwide. Ba added that in order to reduce costs, it proved important to facilitate marketing capabilities at the local level in order to scale up operations. Voorrips closed the discussion by mentioning that remittance corridors from one country to another, if set up properly, are often a good opportunity for financial inclusion and development, but emphasized the importance to ensure that the products can be scaled to offer a financially sustainable product for the MFI.

RAISING THE BAR IN MICROFINANCE RISK MANAGEMENT: **EVALUATING THE PAST AND CREATING NEW VISIONS FOR THE FUTURE**

Moderator	**Kevin FRYATT**, MFX Solutions
Speakers	**Marnix MULDER**, Triple Jump
	Ligia CASTRO-MONGE, ADA / Microfinance and Risk Consultant
	Lynn EXTON, Global Risk Consultant

PRESENTATIONS

Kevin FRYATT stated that the goal for this session was to take stock of where we are now in terms of risk management (RM) practice, and to look at initiatives to bring RM among MFIs to a higher level. He introduced the Risk Management Initiative in Microfinance (RIM), a group of microfinance stakeholders with a keen interest in addressing the lack of comprehensive RM approaches. RIM aims to build awareness and develop, document and share best practices and appropriate standards for RM in micro-finance.

Before explaining RIM's RM graduation model, Fryatt stressed that RM both serves an MFIs' financial and social bottom-line. By asking the speakers to identify their 'risk management night-mares', several do's and don'ts for proper RM were identified. Firstly, without Board commitment, a perception of the need for RM and a clear culture striving for transparency and learning, establishing effective RM is difficult. This was illustrated by Marnix MULDER with an example of an MFI which perceived RM as a promotional tool for marketing and satisfying supervisors, rather than a tool for organisational improvement. Secondly, RM needs to be based on a risk con-sciousness. Ligia CASTRO-MONGE explained this with an example of an MFI which did not differentiate its procedures between client categories (e.g. SMEs, consumer credit). Thirdly, RM should be perceived as a tool to establish a firm foundation for proper management and product improvement, rather than a cost factor. Lynn EXTON provided an example of an MFI network which only perceived a need for RM once partner MFIs are profitable. She further stressed that introducing this perception into an organisation culture once it is established is much more difficult than RM imple-mentation from the start.

Castro-Monge added that product development, innovation and new technologies constantly change risk profiles. However, MFIs lack the right corporate culture, tools, systems and people to manage changing risks, making institutions more vulnerable and less effective in serving the poor. This calls for a revised understanding of RM among MFIs and tools and capacities for on-time response to risks.

The panellists agreed that one of the main challenges is to make MFIs see RM as a business enabler and build awareness that it goes beyond superficial introduction of RM. Moreover, perceptions and critical needs of MFIs on RM are not well researched and discussed between MFIs and their investors. This brings the risk that strategies and tools are not appro-priate or not incorporated effectively in MFI operations. Castro-Monge added that although many tools and capacity building programmes are available, interventions are often less effective due to staff turnover. Moreover, lack of follow up can quickly lead to disuse of systems and tools, especially in short-term technical assistance interventions.

There is also insufficient collaboration between stakeholders at different levels. RM is a multiparty responsibility, requiring MFI commitment, proper regulation by regulators, rating instruments by rating agencies and the development and alignment of tools by promoters.

RIM was established to respond to this need and develop tools which can be adapted to specific risk environments of MFIs. Mulder explained how the Risk Management Graduation Model developed by RIM is based on the premise that we can identify common risks among MFIs. The model takes into account that the form, intensity, frequency and impact of these risks differs relative to an MFI's size, level of sophistication, clients, etc. Mulder reviewed the development process of the model, explaining how the group quickly came to an agreement on the 1st building block, the RM cycle. As regards risk categories (2nd building block), the model starts from an organisation culture of learning and transparency and builds on this foundation with RM governance, internal control and management information systems. The model then considers four basic risk categories: credit, financial, operational and strategic risk, leading to performance risks.

On the organisational level (3rd building block), the group decided to use common industry definitions of MFIs, ranging from the most developed MFIs (Tier 1) to immature and still unsustainable MFIs (Tier 3). According to risk graduation paths for each risk category, the model establishes limits and specific RM tools for each tier. As such, the model provides a diagnostic tool and road map for MFIs and RM stakeholders to measure and benchmark RM practices and design appropriate and customised improvement trajectories. It also provides a dynamic framework to demystify RM, share lessons learned and improve and align RM practice.

DISCUSSION

As a further step, RIM will pilot the model and invite wider industry feedback to come to a final version, although Castro-Monge stressed the model should remain dynamic to account for changing risks. Based on this, the discussion turned to which stakeholders to include in the development and implementation of the model. Mulder explained that rating companies and public actors are important. This was further supported by a contribution from the audience, adding that regulators and supervisory bodies need to be realistic as to what is appropriate regulation, in terms of the level of sophistication of MFIs in the country.

Castro-Monge stated that the model will be shared in an 'open source format' by establishing a platform for information sharing and technical assistance. Exton stressed the importance of governance, Board awareness and Board development in the model and technical assistance. She added that it could even be needed to bring in new Board members with RM knowledge in MFIs.

The discussion subsequently turned to the issue of the sustainability of RM interventions. It was concluded that efforts should be preceded by a clear management and board buy-in and preferably be for a longer term, including smart follow-up. Also, by breaking down RM development into simple steps relevant to a particular development level, the model builds confidence and embeds RM in the organisation culture. Mulder added that training of trainers and strengthening existing national platforms and networks to take on RM can also support long-term sustainability of efforts.

The panellists then addressed whether the model sufficiently addresses operational risk and its interplay with credit risk. According to Ligia Castro-Monge, credit risk is often perceived as most acute by MFIs, but she agreed that operational processes are an important source of credit risk which the model also takes into account. Mulder added that this is also related to the interplay between internal controls in the organisation and the RM department. These need to be separated and clearly defined. Exton stressed the importance of the "Three Lines of Defense in Managing Risk: the Business, Risk Management, and Internal Audit".

CROSS-BORDER FUNDING LANDSCAPE:
TRENDS & PERSPECTIVES

Moderator	**Antonique KONING**, CGAP
Speakers	**Estelle LAHAYE**, CGAP
	Edvardas BUMSTEINAS, European Investment Bank (EIB)
	Henri DOMMEL, UNCDF
	Marjolaine CHAINTREAU, Citi

PRESENTATIONS

Antonique KONING opened this session by addressing several questions to the audience. Did funding for financial inclusion increase or decrease? Does the growth in private funding flows exceed that of public funding flows? Which geographical region receives the largest amount of international funding flows? After a short introduction of the panel by the moderator, Estelle LAHAYE presented the findings of the '2013 Survey on cross-border funding for financial inclusion', conducted by CGAP. The survey collected data from 22 cross-border funders, including both private and public institutions. These investors accounted for 86% of the commitments reported in 2012. The survey aims to provide market intelligence by analysing the funding trends and to assist funders to adapt their funding strategies and improve coordination and accountability.

The findings showed international funding for financial inclusion amounted to approximately US$ 29 billion in 2012, a growth of 12% compared to 2011. This increase can mostly be attributed to public funders (+16%), while private funders grew at a slower rate (2%). Moreover, the findings present a shift in regional priorities, with commitments in Sub-Saharan Africa exceeding those in Latin America and the Caribbean. As such, the region is now one of the three priority regions, along with Eastern Europe and Central Asia (ECA), and South Asia (SA). ECA and SA receive the highest amounts of cross-border funding, with a combined 42% of total commitments. ECA, which was one of the regions most affected by the global financial crisis, demonstrated a particularly impressive growth of 25% in cross-border funding. Although the Middle East and North Africa (MENA), and East Asia and Pacific (EAP) continue to receive the least funding, commitments in both regions increased significantly; by 25% and 17% respectively.

The survey highlighted that debt funding continues to be the most important funding instrument, with US$ 12 billion committed in 2012. This significant increase (19% compared to 2011) is mostly due to increased development finance institution (DFI) investment in retail financing, although multilateral loans to governments also account for a substantial part. Grants also increased considerably, particularly in the MENA region and EAP, reaching US$ 2.3 billion in 2012. Finally, equity commitments accounted for US$ 2.6 billion, growing at only 2%, due to a decrease in funding to major institutional investors. Cross-border funders reported two main barriers to financial inclusion: insufficient range of products and services and limited institutional capacity of financial service providers. In addition, the survey concluded that refinancing retail financial institutions continues to be the main purpose of funding.

Marjolaine CHAINTREAU briefly presented the funding profile of microfinance service providers as reported to MIX MARKET in 2011 and 2012. The 2012 data showed that deposits continue to be the dominant funding source for banks, credit unions and cooperatives and non-bank financial institutions, while NGOs are mostly funded through debt finance. The growth of deposits clearly exceeds that of debt. In terms of sources of debt finance, 46% of respondents specified they rely mostly on local debt funding and 35% on foreign debt funding. Chaintreau

highlighted that this can be considered a success for the sector showing that microfinance service providers have more access to local sources of funding and can be less reliant on international funders.

Henri DOMMEL, voicing the public funder's perspective, mentioned that we should grasp this session as an opportunity to address obstacles and devise strategies. He mentioned that the growing trend of access to local finance, especially through savings mobilization, leads to improved financial resilience. He also highlighted that as deposits become increasingly important for funding, it is essential to safeguard those savings by strengthening the monitor and supervision capacity of the regulators in the sector. Henri Dommel also addressed the importance for donors to support the broader agenda of market development. He underlined that it was surprising to see 86% of donors' funding under this survey still going to finance cross-border debt, considering the urgent need to support a wide array of developments and innovations that are shaping market development around financial inclusion (e.g. need for stronger national payment infrastructure to support the digitalization of large payment streams towards vulnerable and socially targeted populations). He referred to UNCDF's Making Access Possible (MAP) framework and explained how to combine an in-depth diagnostic process around demand, supply and regulation with a national stakeholder process, bringing the different stakeholders from the private and the public sector together to support the diagnostic process and shape on that basis, a national financial inclusion strategy.

Edvardas BUMSTEINAS stated that microfinance remains an important part of the European Investment Bank's (EIB) agenda. He remarked that the EIB is investigating how microfinance can be used as a tool for financial and economic inclusion for people in countries that are hit the most by the global financial crisis. He commented that DFIs have a catalytic role to play due to their strong involvement in high risk funding. He also stressed that it is vital to avoid crowding out private with public funds. He concluded by highlighting that funds are available but what microfinance is missing at the moment are new solutions. It is the practitioners' role to come up with solutions and the funders' role to further develop these initiatives. Edvardas Bumsteinas also underscored the importance of collaboration between different funders. He described an ongoing initiative of the EIB and UNCDF aimed at promoting mobile and branchless banking in sub-Saharan Africa as a good example of inter-agency collaboration.

DISCUSSION

Based on a question from the audience, the discussion revolved around financing trends in different regions and whether they are driven by the same factors. Lahaye stated that there is a need for more qualitative data and that each region should be addressed individually. For example, trends for Latin America and the Caribbean may show a decrease in cross-border finance but this is most likely because there is an increase in access to local sources of finance.

A representative from The World Savings & Retail Banks Institute (WSBI) questioned whether investors can boost innovation. Dommel stated that investors can play a significant role and gave the example of linking microfinance to clean energy and mobile money. The discussion then turned to the role of funders to promote systemic changes in markets. Bumsteinas stated that the sector needs collaboration between funding institutions with different competencies and that are focused on all levels of impact: macro, meso and micro. Chaintreau specifically mentioned public private partnerships for joint funding strategies in local capital markets. The moderator concluded the session by stating its key outcomes:

- More sophisticated data and understanding of the demand and supply of financial services is needed to influence providers' behaviour and inform decision making by governments and funders. There is no lack of funding but a lack of solutions. It is the practitioner's role to devise solutions while funders should further develop these ideas.
- There is an increased need for collaboration between funders with different comparative advantages to generate new ideas.
- There is a need for a shift in attention from funding the retail level to the development of markets that support financial inclusion.

AGRICULTURAL MICROFINANCE FOR SMALLHOLDER FARMERS
e-MFP UNIVERSITY MEETS MICROFINANCE ACTION GROUP

Moderator	**Sven VOLLAND**, PlaNet Finance / UMM
Speakers	**Daniela RÖTTGER**, University of Duisburg-Essen / Consultant for DEG-German Investment and Development Corporation
	Philippe GUICHANDUT, Grameen Crédit Agricole Microfinance Foundation
	Lisa PETERLECHNER, GIZ
	Patrick VAN DAMME, Ghent University

PRESENTATIONS

Sven VOLLAND opened this session by contextualising the role of the University Meets Microfinance (UMM) Action Group. The UMM Action Group gathers various players active in microfinance education and research such as academics, practitioners and development agencies so as to foster cooperation between academics and practitioners as well as to enhance education and research in microfinance.

Volland explained that agriculture has been a hot topic for the development community recently, as it is linked to a series of challenges such as a strong rise in food prices, increasing urbanisation rates and the effects of climate change. He noted that smallholder farmers are a vulnerable and high-risk group for MFIs, being subjected to volatile market prices, (unfavourable) climatic conditions and a lack of infrastructure. A recently published CGAP study estimates that 90% of smallholder farmers worldwide were not reached by MFIs.

Building upon this issue, Daniela RÖTTGER presented the results of her Master's thesis, in which she investigated agriculture finance for smallholder farmers in Uganda, Kenya, Benin and Cameroon. The specific focus of her thesis was on how MFIs changed loan features and lending procedures to mitigate risks and costs of lending to this target group.

In terms of loan features, Röttger observed that MFIs increasingly design comprehensive products which address value chain mechanisms, recognising that farmers are not operating in isolation. Additionally, MFIs changed repayment schedules according to harvesting periods, eliminated staggered disbursements within joint liability groups, linked loans with insurance or offered a

warehouse receipt system to reduce market price risks.

In terms of risk mitigation, Röttger noted that MFIs adopted, amongst others, a 6C-system: combining the 5Cs of credit (Character, Cash Flow, Collateral, Conditions and Capital) with a 6th C focusing on the agricultural Crop. Röttger also emphasized that having loan officers with appropriate agricultural knowledge improved effectiveness.

Speaking from a development partner's perspective, Lisa PETERLECHNER clarified that development partners can provide assistance to agricultural microfinance along two main lines: financial and technical. Within technical assistance, GIZ focuses on three different levels: 1) policy; 2) institution; and 3) client. At the policy level, Peterlechner highlighted the importance of coordination in agricultural finance. Development partners can play a pivotal role in this coordination, and in increasing knowledge and awareness. She also emphasised the need to bring actors along the agricultural value chains and financial institutions together, so as to reduce MFIs' reluctance to engage in agricultural lending which is often based on misconceptions of the sector.

At the institutional level, Peterlechner highlighted how GIZ engaged in various areas ranging from strategic advice on the establishment of an agricultural department of a bank to product development and specific training measures. At the client level, a more direct interaction is possible in terms of increasing financial literacy of farmers.

Philippe GUICHANDUT brought the funder's perspective to the panel, emphasising the importance of having an MFI which has agricultural microfinance embedded in its governance, instead of simply working in rural areas. Moreover, there are not many MFIs with a strong focus on agri-finance. Among the MFIs which Grameen Crédit Agricole Microfinance Foundation (GCAMF) supports,

around 20 - 30% are engaged in agricultural finance and a number of adaptations can be observed. In terms of repayment schedules, for instance, MFIs needed to balance client repayment capacity with its own liquidity. Another interesting adaptation was the extension of loan length.

Guichandut advised that diversification is a good strategy for an investor to diminish risks. Technical assistance is also key in mitigating risks, especially in agri-finance. GCAMF works with the French Development Agency to include technical assistance with its investments, in order to reach MFIs with a higher risk profile but financing agriculture.

Based on his experiences in Togo, Patrick VAN DAMME highlighted the need for an MFI to build on traditional knowledge. He emphasised that these MFIs often operate in areas which are distant from formal markets and therefore require alternative mechanisms for agricultural microfinance. In the case of Togo, building on the local peer system was especially relevant, given the pivotal role of elders. In addition, Van Damme revealed the need to adopt structures which begin with savings products, which build financial capabilities and subsequently allow for access to formal markets.

DISCUSSION

The session's discussion picked up from Van Damme's intervention, and addressed the prerequisites for an MFI to engage in agricultural microfinance. Röttger claimed that commitment from an MFI's management is crucial for its successful engagement in agricultural microfinance and that thorough value chain research supports the development of adequate agricultural loan products. In response to the latter, Guichandut revealed that research funds are not always available to MFIs, and reiterated the need for a strong Board commitment in this respect. Peterlechner also acknowledged the importance of commitment, but added that an MFI's quality is essential. For an MFI which has already problems managing its current loans, it would not be a good idea to engage with the agricultural sector. The necessary characteristics of an MFI to mitigate risks include a strong branch network and broad outreach.

Volland then turned the discussion to the importance of addressing the value chain in a comprehensive manner. Guichandut stated that working more directly with individual enterprises in inclusive value chains would improve impact, as the Foundation is doing by supporting social business enterprises. Van Damme added that a SWOT analysis can help to understand exactly what stakeholders in the value chain need, allowing MFIs to meet their needs properly. In this respect, Van Damme highlighted the potential for an MFI to go beyond financial services provision: a facilitating agency acting between farmers and the market, finding the balance between quality and price.

A member of the audience proposed that MFIs should concentrate their efforts on agricultural cooperatives instead of on smallholder farmers directly, a point which was opposed by Van Damme. According to him, informal group structures are more appropriate for smallholders, making it possible to take decisions and take on responsibilities jointly. Röttger noted that cooperatives can provide a good structure to facilitate cost-effective lending to smallholder farmers if they are well managed and organized which is often not the case.

A further discussion topic addressed long processing times for credit approval, which does not match the needs of agricultural schemes. Guichandut responded that investors sometimes have difficulties in adjusting to the reality of the MFIs, but need to have an open dialogue with their partners to adapt their offer (if possible).

Volland concluded the session by stressing once again that the agricultural sector presents specific risks, making it challenging for MFIs to serve smallholder farmers. He mentioned that in order to be successful, these institutions must adapt their products and procedures and seek concerted efforts with technical assistance agencies, investors and other value chain actors.

GREEN STRATEGIES FOR MFIs

Moderator	**Sebastian GROH**, MicroEnergy International
Speakers	**Mila BUNKER**, Microfinance Council of the Philippines Inc.
	Geert Jan SCHUITE, Enclude BV
	José Manuel GONZÁLES MENDOZA, Te Creemos
	Carlos MÁRQUEZ, Fondesurco
	Carola MENZEL, Frankfurt School of Finance & Management

PRESENTATIONS

Sebastian GROH opened this session by highlighting that every professional entity, including MFIs, nowadays needs to take its triple bottom line into account. He noted that, even though financial inclusion is the main target of MFIs, its synergy with energy is an increasingly important topic. Groh introduced how the work of MicroEnergy International combines these two aspects. He expressed his concern on the severe impact of climate change and noted that MFIs need to be ready to deal with natural disasters, since their clients are usually most strongly affected.

In this context, Mila BUNKER, president of the Microfinance Council of the Philippines Inc. (MCPI), was asked to broaden the session's discussion on green microfinance and climate change. Bunker explained that MCPI has an outreach of 5 million clients, many of whom were severely affected by typhoon Haiyan. She noted that MCPI and its network are already looking into recovery models used in post-earthquake Haiti, and emphasised the need to develop a concerted framework within the Philippines. Bunker noted the need for programmes to start rebuilding houses and businesses and mentioned MCPI's plans to launch a rebuilding programme for MFIs. In addition, as the Philippines is prone to natural disasters, urgent community resilience programmes should be integrated in the work of MFIs, including a strong awareness-raising component.

Geert Jan SCHUITE expressed his solidarity with Bunker. He noted that microfinance is currently faced with the dichotomy 'surviving today vs. doing no harm to the environment'. Green microfinance can be defined as the balancing act between both. Schuite then explained that green microfinance should be looked at in terms of implementing risk management and exploring market opportunities. This is also the basis of the instrument which Enclude developed together with Hivos: the Green Performance Agenda. Schuite explained how it guides MFIs in analysing all aspects of green microfinance and deciding on which ones are relevant for them. The guide was piloted in three MFIs so far, identifying green initiatives which were already being implemented and proposing future actions. Schuite noted that, in this way, MFIs can make conscious decisions based on an in-depth analysis.

José Manuel GONZÁLEZ MENDOZA elaborated on the background of Te Creemos (Mexico), highlighting its large portfolio and network. Te Creemos' home improvement financing offers two opportunities for clients: 'greening of businesses' and 'greening of houses'. These opportunities are often intertwined since two thirds of their clients have their businesses at home. He also revealed that adopting green technologies (e.g. solar panels) is usually not a priority for individuals whose houses are built gradually. González Mendoza highlighted other challenges in the implementation of green technology, including scepticism, lack of knowledge and slow development. González Mendoza reiterated that

Te Creemos is a ‘provider of means’ to clients. In this way, the acquisition of solar panels by clients serves to reduce energy costs, and address the green objective of reducing CO2 emissions. In order to encourage clients to engage in green products, Te Creemos has launched a comprehensive ‘finish your house’ product, which integrates green technologies.

Carlos MÁRQUEZ shared Fondesurco’s four-year experience in the field of green microfinance in Peru which is a country with a very competitive microfinance sector, requiring MFIs to be innovative. As such, Fondesurco developed two green products: improved kitchens and solar panels. Márquez noted that, at first, the front office hesitated in embracing green products, but that internal surveys proved their attractiveness to clients. He also explained that these products account for a small part of Fondesurco’s total portfolio, which helps to mitigate risks. Other Fondesurco activities combining green and financial inclusion include support to organic agriculture, good management of cattle reproduction, homestay tourism and water management. Prospects for 2014 include the development of a ‘green indicator’ used for loans, as well as the introduction of new green products. Márquez also mentioned challenges ahead, such as the need to internalise ‘green’ at management level and building capacity to meet client demands.

Carola MENZEL, representing the advisory department of the Frankfurt School of Finance & Management, shared her experiences in microfinance, linking them to climate change. She explained that MFIs have been increasingly taking on mitigation and adaptation to climate change in the last few years. However, such actions are excessively linked to single solutions. Menzel highlighted that a good starting point to expand the sector is to link MFIs to existing initiatives and locally-available technologies. In addition, she explained the need to integrate value-chain solutions, such as better crop selection, irrigation systems linked to solar power and solar drying systems. In this context, she briefly introduced the Microfinance Ecosystem-based-Adaptation (MEbA) project, whose aim is to assist MFIs to develop and implement new microfinance products and services that are tailored to address climate change adaptation. In its approach, MEbA aims to match client needs to MFI strategy.

DISCUSSION

The first question addressed MFIs’ hesitation to adopt green products, for fear of being reduced to a distribution channel for these products. Agreeing that this belief is common, Márquez reiterated that market competition in Peru made it important for Fondesurco to provide value-added products to clients, supported by a third-party quality certification. González Mendoza also emphasized the importance of investing in high-quality products and capacity building of community members. Bunker broadened the scope of this discussion point, and mentioned the need to coordinate efforts with local officials (e.g. department of energy) in order to achieve better results.

The other discussion point revolved around the need to go beyond a single energy product by integrating aspects such as installation of solar panels and use of composting. According to Márquez, Fondesurco already develops related activities in an ‘integrated green proposal’, but this requires thorough planning and coordination. González Mendoza explained that solar panels, for instance, are not a priority for a client who invests in a gradual home improvement and needs to be integrated into a holistic scheme.

In the closing of this session, Groh pointed towards the importance of a triple bottom line approach in microfinance, using the Philippines’ example of how disasters can influence efforts for financial inclusion. He also highlighted the variety of initiatives in green microfinance, but called for a better understanding and integration of value chain dynamics.

MICROFINANCE GOING CASHLESS POWERED BY MOBILE BANKING: **RESULTS AND LESSONS LEARNED BY MFIs**

Moderator	**Philippe BREUL**, PHB Development
Speakers	**Bram PETERS**, Bank South Pacific
	Bart VAN EYK, Musoni
	François COUPIENNE, UNCDF

PRESENTATIONS

Philippe BREUL introduced the topic of microfinance going cashless. The aim of the session was to share the latest developments, concrete results and lessons learned. Breul noted that branchless banking broadens the portfolios of services made available (i.e. transfers, payments, savings, insurance) to people, lowering delivery costs and improving customer access. Going cashless allows for new scopes in service delivery and attracts new stakeholders in microfinance, such as mobile network operators (MNOs) and money transfer operators (MTOs). Breul supported his argument with figures, mentioning that in 2012, 154 MFIs from the South were active in mobile banking, allowing mobile money to grow dramatically.

Breul continued by explaining the four different models for mobile banking services as identified by a PHB Development survey: 1) an agent for mobile financial services (MFS); 2) a vehicle for repayments or deposits; 3) to increase efficiency of internal operations; 4) a self-built MFS. Based on his survey, he reiterated the main benefits of mobile banking for MFIs: financial deepening, increased operational efficiency and increased outreach. However, MFIs still face several challenges when engaging with mobile banking, such as the regulatory framework, financial and technological capabilities, the lack of agent liquidity, and client literacy.

The session continued with two successful cases of mobile banking services. Bram PETERS, the Head of e-Channels at Bank South Pacific (BSP), presented how BSP built a mobile banking service in Papua New Guinea. The presentation started with a movie which showed how BSP's system has changed the traditional situation (time and safety issues with accessing formal banking services), into a situation where BSP services are provided in the village through a payments eco-system of farmers, commodity buyers, merchants, agents and branches. Peters continued by sharing lessons learned. In remote areas, having a 'One-Touch' process in place is crucial, whereby the account is opened, the bank card is issued and the customer is registered for mobile banking in a matter of minutes. BSP solved this issue by using tablets to open accounts and by streamlining sales processes. Furthermore, to solve literacy and trust issues, BSP selected a card-based solution, as it was better trusted and understood by customers than mobile-only services. Peters stressed the importance of a financial as well as a non-financial value proposition for all stakeholders involved. Furthermore, the services have to be implemented with the various stakeholders simultaneously within a relatively short period of time, to avoid the 'chicken-egg' problem, where stakeholders could lose interest in the product. Finally, Peters mentioned that for the bank the most important non-lending income drivers in these payment eco-systems are the transaction fees collected from electronic funds transfer at point of sale (EFTPOS) merchants and commissions from the telephone companies on pre-paid top up credits.

Bart VAN EYK presented experiences of Musoni, an MFI which only provides mobile banking services. When starting in 2010, Musoni chose to create an entirely new MFI instead of buying an existing MFI. This had the advantage for Musoni to start without a legacy of staff and cash-handling in Kenya. In addition, it was easier to integrate the M-Pesa system in a new MFI rather than an existing MFI. This led to a no-touch procedure, where field-based capture of clients is digitalized and all transactions are processed using M-Pesa systems.

Van Eyk highlighted the benefits of the system from a client and MFI perspective. Clients no longer have travel costs and enjoy continuous availability of services. They also have quicker access to loan products and spend less time on administration as accounts are fully digitalized.

At the same time, as transactions are automatically processed, Musoni´s branches require only limited back office and support staff, which leads to low-costs at the branch level which is passed on to its clients. Moreover, digitalized data allows for more effective monitoring and control and leads to high-quality credit decisions.

Van Eyk also explained that Musoni clients considered mobile money to be safe, which facilitated the shift from informal to formal financial services. Clients also indicated that they were using mobile banking more often, allowing them to more easily save idle money. Furthermore, text messaging was widely appreciated as a communication tool.

François COUPIENNE presented two UNCDF initiatives to promote the transition from cash to electronic financial transactions. The first initiative presented was the Better Than Cash Alliance (BTCA). This alliance, consisting of governments, the private sector and development organizations is committed to a global movement from cash to electronic transactions. It aims to do so by providing policy, and technical and financial assistance.

Coupienne then highlighted Mobile Money for the Poor (MM4P) in Malawi, where UNCDF works with the Central Bank in order to move towards branchless banking and mobile financial services. The programme has so far led to knowledge raising of stakeholders within the country through various workshops (strategy for branchless banking, market research and product development), market research on savings, assessment of the current agent networks and inventory of the payment flows in Malawi. Furthermore, MM4P is currently supporting a mobile network operator on several areas (agent network, internal processes, marketing and communication). In 2014, the programme aims to develop the first new products based on the outcomes of the research and to initiate partnerships with MFIs for shared agent networks. In order to illustrate coordination between these two initiatives (BTCA and MM4P), the Government to Person (G2P) programme, a social welfare programme in Fiji, was presented. Beneficiaries of the programme were encouraged to use formal banks, ATMs and EFTPOS merchants, leading to significant cost reductions for the government and greater financial inclusion.

DISCUSSION

The discussion started with concerns on low financial and technological literacy of clients. Breul explained that a strong marketing approach should identify the value proposition to be delivered at emotional ("I'm more in control of my money") and rational ("I can get my money at any time from my account") levels. Clients will better understand how to use these services and technologies when there are clear benefits for them as well as when these services are clearly delivered to them. MFI staff and agents are key in linking customer needs with technology. They should be able to explain the benefits of mobile banking and how to use these services. Also, agents can identify early adapters which can be a reference for the larger community, as they understand both realities as well as the technology.

Asked to explain how the model was authorised by the Central Bank of Papua New Guinea, Peters explained that the Central Bank allows BSP to register client accounts through photo identification, using trusted community leaders as checks and balances for the One-Touch registration procedure. The discussion then revolved around the uptake and training of young clients. Both Peters and Van Eyk mentioned that their MFIs have a special focus on youth and offer specific training to this group. Both MFIs specifically target youth because of their familiarity with mobile technology.

The final question dealt with how costs and benefits are shared between agents, MFIs and MNOs. The speakers agreed that there is much to improve. Coupienne mentioned that liquidity is a concern for the MFI's agents. Providing more financial services might be a solution. Van Eyk continued that mobile banking does not equal financial inclusion. The next step, beyond payments, can probably not be made by MNOs. This was illustrated by the example of Safaricom, which was not allowed to provide additional services, such as savings.

WHICH STRATEGY FOR FINANCIAL INCLUSION IN THE MENA REGION AFTER THE ARAB SPRING

Moderator	**Magalie DURDUX**, ADA
Speakers	**Flavia PALANZA**, European Investment Bank (EIB-FEMIP)
	Mahmoud MONTACER MANSOUR, Tunisian Ministry of Finance
	Nadine CHEHADE, CGAP
	Abdelkarim FARAH, Fonds Jaïda
	Jean-Hugues DE FONT-RÉAULX, Agence Française de Développement (AFD)

PRESENTATIONS

Magalie DURDUX explained the session's focus on the effects of the Arab spring on the microfinance sector in the Middle East and North Africa region (MENA) region, the new national strategies to support financial inclusion in Tunisia and Morocco and the role of donors to support such initiatives in the region. Nadine CHEHADE quoted ACCION's definition of financial inclusion as 'a state in which everybody has access to a full suite of quality financial services which are provided at affordable prices, in a convenient manner, with respect and dignity'. She stated that the MENA has the lowest access rate to financial services worldwide for all products: savings, credit and insurance. This is in large part due to regulatory frameworks which do not allow private and social actors to enter the market, in a context where banks have no incentive to downscale. As a result, credit providers are mostly non-governmental organisations (NGOs), while savings are provided by postal networks and state banks.

Chehade discussed the impact of the Arab spring on MFIs, funders and regulators. MFIs are now back to business but growth is lower than before. Funders are increasingly interested in the region, but currently only target certain countries. Coordination between them is limited. In addition, regulators are becoming interested in microfinance as a tool to increase employment and economic inclusion. Chehade concluded that MENA may be a challenging region for microfinance, but with 60% of its population below the age of 30 and a relatively high fertility rate, MENA has a lot of potential.

Mahmoud MONTACER MANSOUR explained how people in Tunisia identified microfinance as an important tool to reduce inequality and financial and social exclusion after the Jasmine Revolution. A study supervised by the Tunisian Ministry of Finance showed that demand exceeds supply by more than 50%. The Ministry is working on four targets to decrease this gap and support microfinance up to 2014: 1) establishment of regulation and supervision; 2) fostering regional development; 3) promotion of long-term impact; 4) and support for responsible growth. Moreover, he mentioned that there is a new supervisory authority responsible for microfinance in Tunisia; the Authorité de contrôle de la micro-finance (ACM).

Abdelkarim FARAH explained that Morocco has a very active banking industry and the largest microfinance sector in North Africa (the fourth largest in Africa). He stressed the importance of partnerships and synergies between the public and private sector to step up efforts to further develop the sector. Farah continued by highlighting the achievements of the sector in Morocco, including the implementation of a new enabling regulatory framework, improved refinancing capacity and the development of strategies regarding cross borrowing and policies for granting loans. Moreover, the diversity of microfinance has greatly increased.

Jean-Hugues DE FONT-RÉAULX presented the Agence Française du Development (AFD) strategy for financial inclusion. He briefly explained the financial instruments used and discussed the role of AFD in Morocco and Tunisia. Regarding Morocco, MFI transformation, providing opportunities for SME financing, strengthening smaller MFIs and increasing outreach to women and rural areas should be top priorities for the microfinance sector. Tunisia, on the other hand, should improve its institutional framework, deepen understanding of the market and increase geographical coverage and increase outreach to women.

Flavia PALANZA argued that there is a strong and increasing potential for microfinance in the MENA region as the majority of enterprises in the region can be considered microenterprises. She identified that the key activities of the European Investment Bank (EIB) in the region are providing equity, loans, and capacity building to partners and conducting research and studies. Furthermore, EIB works on strengthening the legal and regulatory environment through the EIB - Luxembourg MicroMed Initiative in Tunisia. According to Palanza, strategic focus areas for investors should be the transformation of MFIs and policy and capacity building support. The sector should concentrate on improving the impact of microfinance, and not only on increasing sector volume. Another point of attention is to avoid crowding out private actors.

DISCUSSION

The discussion was mostly focused on the reasons why the microfinance sectors in MENA countries are lagging behind. According to Chehade, an appropriate regulatory framework is a prerequisite for microfinance to increase outreach. She hopes that after the Arab Spring, political interest for financial inclusion will rise and increase opportunities for microfinance in the region. Farah stated that partnerships and synergies between different organisations will be essential.

When comparing Morocco with Bosnia, Daniel Rozas of e-MFP questioned whether in the end the problem is a lack of appropriate regulation or a lack of demand. Chehade stated that current demand for microfinance is not well known and that further research is needed on this topic. She noted that it is more likely to be a lack of appropriate products rather than a lack of demand. Mansour commented that microfinance is a tool among many others. The State has an important role to play in areas beyond the reach of microfinance. Farah highlighted the importance of financial education and partnerships between the public and private sector. He argued that appropriate products are available but there should be more support.

SECOND AND THIRD TIER MFIs: **WHERE DO WE STAND?**

Moderator	**Kaspar WANSLEBEN**, Luxembourg Microfinance and Development Fund (LMDF)
Speakers	**Philippe GUICHANDUT**, Grameen Crédit Agricole Microfinance Foundation
	Sebastian VON STAUFFENBERG, MicroRate
	Anne-Sophie BOUGOUIN, FEFISOL

PRESENTATIONS

In introducing the theme and speakers of this session, Kaspar WANSLEBEN stressed that not all MFIs are the same. Since 2012, the e-MFP Action Group of Investors in Tier 2/3 MFIs has analysed the definition and criteria of tier systems among their clients, which has resulted in the Action Group Discussion Paper and Position Papers No. 1 and No. 2[1].

Sebastian VON STAUFFENBERG started his presentation by highlighting the need for a proper definition, and an objective set of criteria for a classification of MFIs into ‘tiers’. The outcome of the analysis was that a division of MFIs according to a

[1] All e-MFP publications are available at www.e-mfp.eu

3-tier classification model is found to be most appropriate and pragmatic to use in daily practice. The division is not only based on size, but also on the sustainability and transparency of the respective MFI. Together, these 3 criteria act as a proxy for MFI maturity. The division and the supporting criteria will enable more transparency and accountability of MFIs to their clients and investors. It is, however, important to note that the classification of an MFI into a particular tier does not say much about the quality of that MFI. With regards to the first criteria, size, von Stauffenberg explained that with a size of less than US$ 5 million it is difficult to become sustainable. The middle segment (US$ 5-50 million) is the most important to support in their endeavours to scale up because of the numbers of clients they serve. Evidence suggests that certain economies of scale are reached when an MFI reaches a minimum size that allows an MFI to take on more debt and reduce the operating expenses ratio. The tier system and classification methodology allows for much needed harmonization and standardization of terminology necessary for more in-depth research and analysis as well as for more collaboration among investors, practitioners and stakeholders.

In his presentation, Philippe GUICHANDUT compared figures for 2011 (Position Paper No.1) and 2012 (Position Paper No.2). As an introduction, he emphasized that the study was done among the members of the Action Group and does not reflect investments in Tier 2 and 3 in the whole microfinance sector. The study aims also at more transparency and stronger collaboration between investors. The 2012 figures show significant increases in funders, investees, investments and portfolios. There are also considerable shifts between the 3 tiers, showing smaller investments in Tier 3 compared to Tier 2. There are also shifts in geographical distribution, revealing a surprising drop in investments in Sub-Saharan Africa, whereas more investors claim to focus on that region. The reality, however, is that there is not so much less investment in Sub-Saharan Africa, but rather relatively more investment in Central Asia and the Caucasus (as well as in Central and Eastern Europe). The figures also reveal a relatively high number of investments in Tier 2 and 3 MFIs, with relatively low size

of investment. For example, investments in Sub-Saharan Africa are much smaller and involve a high proportion of Tier 3 MFIs. This is also the case in South Asia, while in Central Asia and the Caucasus investment size is relatively higher. Only four funds offer technical assistance, mainly devoted to Tier 3 MFIs located in Sub-Saharan Africa. Guichandut indicated that these figures offer a good basis to improve our understanding of investment practices in Tier 2 and 3 MFIs, as well as for better collaboration and joint actions (as also elaborated in the Position Paper).

Anne-Sophie BOUGOUIN presented FEFISOL, an investment fund focused on Tier 2 and 3 MFIs in Africa. Its objectives are to target poor households in rural areas with appropriate financial services, while assessing and managing related risks. Investors are Alterfin, Etimos and SIDI. Most investments are made through loans in addition to some equity funding. Currency is considered the biggest risk, as 80% of the portfolio is denominated in local currencies. As lessons learned, Bougouin mentioned the need for a comprehensive strategy, more investment capacity and a bigger pipeline to start with, and strong appropriation and commitment from the funders as shareholders and managers. Attention should be given to potential conflicts of interest in this respect. Bougouin gave a breakdown of the portfolio of € 10 million, according to the old and new tier definitions and reported that no clear correlation exists in terms of risks between Tier 2 and 3 MFIs. As lessons learned, she mentioned a need for capacity building of MFIs and investors, high transaction costs and delays, and a need for close monitoring. Investors need to be patient and be involved for the medium/long term.

DISCUSSION

On a question from the audience about the relation between size and quality, von Stauffenberg replied that in general Tier 2 MFIs tend to have better portfolio quality than Tier 3. On the issue of 'apparently' lower investments in Sub-Saharan Africa, it was remarked that microfinance investment vehicles (MIVs) consider the margins to be rather low in the region. Many MFIs in the region are not creditworthy and their strong focus on a social mission could make them more interesting for specialised funds.

During the discussion, the need for technical assistance for capacity building was reiterated, which in turn raised the question of who would pay for this, and whether it could still be a profitable venture. On the question whether this approach has provided new insights, von Stauffenberg stated that more insight is gained in the different factors involved, which need to be understood in order to better identify and mitigate risks. Depending on the risk profile they are willing to accept, investors can opt for different types of funds.

In terms of market development, for Bougouin this means not necessarily more funds, but more patience (e.g. for capacity building). In this respect, Guichandut mentioned a need for innovation; but developing innovative

tools will take time. Wansleben referred to the importance of an enabling environment to foster innovation.

Von Stauffenberg further added there is a need for credit bureaus at sector level, and credit methodologies at micro-level, based on best practices in rural finance and stressed the importance of training. On the question whether it is easy to move between tiers, Bougouin answered that they tend to exit when MFIs move to Tier 1, and to analyse when things are moving down. Von Stauffenberg in this sense mentioned a need for standardisation in order to improve the industry, and Guichandut a need for transparency and collaboration.

FIRST AFRICAN MICROFINANCE WEEK 2013 - REGULATION OF THE AFRICAN MICROFINANCE SECTOR: **20 YEARS ON FROM A PRACTITIONER'S PERSPECTIVE**

Moderator	**Luc VANDEWEERD**, ADA
Speakers	**Ousmane THIONGANE**, AFMIN
	Alou SIDIBÉ, AMT / KAFO Jiginew
	René AZOKLY, PAMIGA

PRESENTATIONS

Luc VANDEWEERD opened the session and introduced the First African Microfinance Week taking place from 2nd to 6th December 2013 in Arusha, Tanzania. This initiative is a combined effort of various MFI networks in Africa: the African Microfinance Transparency Forum (AMT), the African Microfinance Network (AFMIN), and the Microfinance African Institutions Network (MAIN). The initiative received active technical support from the Luxembourg NGO ADA, as well as support from the European Investment Bank (EIB) and a range of additional technical partners and sponsors.

Alou SIDIBÉ introduced AMT, which was established in 2003 in Luxembourg and was later moved to Dakar. The aim of the African Microfinance Transparency Forum is to improve African MFIs in terms of transparency and their capacity to fight poverty. There are some 55 MFIs involved which have regular meetings to discuss and improve on codes of conduct, transparency and professionalism, and sustainability and credibility of the sector. The forum covers the regions of western, eastern and southern Africa.

Ousmane THIONGANE, President of AFMIN, introduced his network of 25 MFI associations in various African countries, including several regional networks. The aim of AFMIN is to professionalise microfinance in the African context. He referred to the various debates and regulatory struggles, and the differences in and between the various regions (east, west and southern) in Africa.

René AZOKLY of the Participatory Microfinance Group for Africa (PAMIGA) provided a background to the African Microfinance Week, which is primarily an African initiative. The initiative stems from a study and analysis which was conducted by ADA on regional networks in Africa. In order to improve the work of MFIs in the region regarding best practices in the sector and regulatory frameworks, the initiative will identify strategies and actions in this respect, which will entail regular meetings of all actors involved to ensure a continued progress.

DISCUSSION

Vandeweerd opened the discussion by stating that, following the earlier analysis, ADA is now looking for ways to best assist African networks. The African Microfinance Week provides an occasion for discussion and exchange, in order to improve practice and avoid duplication of efforts. In that respect, Azokly referred to the theme of the Week: 'Regulation of the African microfinance sector - 20 years on'.

Vandeweerd expects that, in addition to the harmonisation of existing regulatory frameworks, the initiative can serve as a platform to review best practices, also actively involving central banks. It must initiate pilots for application and outreach, and enhance ownership among the actors involved. Moreover, the forum can deepen the debate with actors from the North, leading to new paradigms and impacts, and better sharing of resources.

On the question from the audience what would be the follow-up steps, Azokly said to expect new pilots with improved practices. Sidibé added to expect an evolution of microfinance; microfinance leaders must evaluate and define forward action to improve professionalism in the sector, thus reorienting and differentiating the offer of financial products.

According to Thiongane, networking with the South requires partners in the South to be better organised, in areas such as on an agenda for client protection. Another question referred to the need for diversification of microfinance, regulatory frameworks and legal structures in order to achieve a level playing field for healthy competition. Vandeweerd warned that the transformation will not be easy and cannot be expected based on only one conference. In this sense Thiongane added that the panels will provoke practitioners to come up with actions to achieve impact. Vandeweerd referred to the e-MFP as a showcase on how such action and change can be instigated.

Thiongane replied to a question on the involvement of youth; that indeed it is crucial for the future of Africa to have more initiatives involving and mobilising youth. Sidibé added that unemployment is a big issue for Africa, with big social and economic impacts. Initiatives now focus more on new products, but require more innovation in this respect.

Finally, all panellists expressed a desire for more and in-depth interaction and exchange with practitioners during and following the African Microfinance Week in December.

GREEN MICROFINANCE:
THE INVESTORS' PERSPECTIVE

Moderator	**Noara KEBIR**, MicroEnergy International
Speakers	**Dominic HERETH**, Finance in Motion
	Carla PALOMARES, ADA
	Richard PHILIPPART, Luxembourg Ministry of Foreign Affairs – Directorate for Development Cooperation
	Kathleen WELVERS, GIZ

PRESENTATIONS

Noara KEBIR explained that this session would build upon the session 'Green strategies for MFIs', focusing specifically on the role of investors and donors and how they are engaged in the field of green microfinance. She noted that the panellists would provide the audience with a better idea on how funds are channelled before reaching MFIs.

Dominic HERETH, representing Finance in Motion, focused his presentation on the Green for Growth Fund. Hereth explained that the initiators of this fund saw a specific need for green energy in its target region, comprising South-East Europe including Turkey. The Fund's mission is to enhance energy efficiency and to foster renewable energy through the provision of dedicated finance to businesses and households via partnerships with financial institutions as well as via direct financing. Hereth clarified that MFIs are only a small part of the fund's target institutions, and expressed his view that combining green finance and microfinance is very challenging. He named several preconditions for an MFI to succeed in this venture: a commercial view, sufficient capital, internal capacity and an understanding of its client needs. From a market as well as from a client perspective, some preconditions apply as well: debt capacity, market demand and client motivation and supportive local regulation. Hereth reiterated that energy finance products are a good instrument to achieve the fund's mission, but emphasised the need to select the right end-user clients, so as to implement the process effectively. He then concluded with exemplary partnerships highlighting the importance of technical assistance and integrated environmental and social management systems.

Carla PALOMARES introduced two green finance pilots which ADA has carried out in Peru since 2010. Palomares explained that the two MFIs implementing these pilots are very different; while Caja Huancayo is one of the largest MFIs in Peru, Fondesurco is a small MFI working in rural areas. She also clarified that this project's main aim was to improve microenterprises, and comprised three energy products: solar water heaters, solar dryers and improved cooking ovens. Palomares revealed that the role of ADA within this project was mainly related to technical assistance to set up financial products and to support MFI activities, such as awareness raising campaigns, communication and capacity building of the staff. Building on three years of implementation experience, Palomares shared some lessons of this project with the audience. Among her main conclusions, she mentioned that MFIs still need significant support in marketing and communication strategies, whereas other actors of the value chain should be integrated further in those initiatives. Regarding the future steps of this project, Palomares acknowledged that ADA must maximise its local expertise and reach out on a national level through existing networks.

Richard PHILIPPART, representing the Luxembourg Ministry of Foreign Affairs – Directorate for Development Coopera-tion, clarified that organisations such as ADA (on the NGO level) or the International Fund for Agricultural Development, IFAD (on the multilateral level) are partners through which the Ministry's policies are operationalized. He reiterated that ADA's project in Peru fits the strategy of the Ministry very well, due to its strong focus on innovation. Philippart also drew attention to the importance of this project's environmental component, based on lessons from recent natural disasters. Furthermore, he explained that microfinance is a key component in Luxembourg's development cooperation policy and clarified that, because the Ministry is not an investor, it does not expect commercial returns but does demand results. Among these results, Philippart mentioned knowledge sharing, awareness raising and transfer of technology, resulting in a constructive dialogue on best practices between donor and recipient.

Kathleen WELVERS (GIZ), replacing Susanne Dorasil, presented her views on green microfinance at the policy level. She clarified that 'inclusive green growth' is a concept which fits within the sustainable economic development context. Welvers also affirmed that, at the policy and regulatory levels, institutional frameworks should be more conducive to green projects. She mentioned that, in GIZ's operation countries, policy agendas are increasingly focused on green issues, but that implementation of and technical assistance to such commitments remain very slow. At the MFI level, Welvers acknowledged the need to develop new green products. However, there is still reluctance in the sector to engage in green investments calling for awareness raising and the development of new initiatives.

DISCUSSION

The point of departure for this session's discussion concerned the high costs for an MFI to develop and market green products, showing the need for MFIs to find funding options. In this line of thought, an audience member stated that most investors cannot step in during the early stages of a green microfinance project, which usually involves expensive activities such as investigation and product design. These activities often need financing in the form of grants; they cannot be funded with credit lines.

A member of the audience broadened the discussion by mentioning that investors have their own views on sustainability. As such, individual MFIs which are able to align their activities to an investor's view on sustainability will have a higher chance to become a preferred MFI in which to invest. It was concluded that MFIs can be strategic partners for investors to achieve their goals.

Another discussion topic looked at possibilities to integrate technical assistance and value-chain finance as part of a holistic approach. Welvers contextu-alised the role of technical assistance at the policy level, and voiced the increasing need to look at the responsibility of local governments in developing financial and industrial policies. At the same time, Welvers called for greater emphasis on providing technical assistance at the MFI level in order to accelerate policy implementation.

At this point, Kebir questioned whether technical assistance should indeed address the policy level, and developed the discussion by proposing that technical assistance providers should strengthen MFIs to lobby on energy. According to Hereth, MFIs usually have several priorities which come before going 'green'. From the investor's perspective, he mentioned that there must be something very special for a bank to provide credit lines for green microfinance initiatives. Palomares added that Peru has a good framework for the microfinance sector and, although its Development Bank has strong interest in channelling funds through MFIs, the focus at the moment remains in financial schemes focused directly on end-users.

Kebir closed the session by asking Philippart what the green microfinance sector can expect from donors in terms of engagement in the next years. In response, Philippart expressed strong willingness to continue dialogues with the Ministry's partners and partner countries in this direction.

NATIONAL MICROFINANCE PLATFORMS – ROLE OF SUBSIDIES:
HOW SHOULD SUBSIDIES BE USED IN MICROFINANCE AND HOW NOT?

Moderator	**Josien SLUIJS**, NpM, Platform for Inclusive Finance
Speakers	**Delphin NGAMIJE**, MFI Duterimbere
	Marek HUDON, CERMi - Université Libre de Bruxelles
	Marnix MULDER, Triple Jump
	Emmanuel MOYART, ACP / EU Microfinance

PRESENTATIONS

Josien SLUIJS introduced the speakers and the subject, mentioning that subsidies are an important component for a sustainable mix of financial instruments. Marek HUDON started by presenting the results of his paper "On the Efficiency Effects of Subsidies in Microfinance: An Empirical Inquiry". He explained how the size and certainty of subsidies affect the efficiency of MFIs. His study showed that subsidies have a positive impact on efficiency, in the sense that MFIs that receive subsidies are more efficient than those that do not. However, the paper demonstrated that subsidization beyond a certain threshold can have a negative impact on the MFI's efficiency. Hudon also explained the relationship between better social performance and subsidies. Is better social performance attracting more subsidies, or is it that subsidies lead to better social performance? According to his research, both the total amount of subsidies and close supervision by the donor matter for the performance of financial organisations, whereas in the case of social organisations only the supervision by the donor seems significant. Hudon also explained that concessionary loans can lead to a higher effectiveness than grants as they allow for higher output. Improved interaction and provision of technical assistance is important to the MFIs.

Emmanuel MOYART started by summarizing the many ways to provide subsidies; through direct investment grants, interest rate subsidy grants, risk capital, guarantees and technical assistance grants. However, all delivery mechanisms developed to date for the provision of subsidies have proven to be problematic. The call for proposals involves high uncertainty for the MFI on whether it will get selected to receive the subsidy. Contribution agreements need to be carefully planned, and provide a larger volume of money to the MFI in the beginning and lower at the end. Moyart suggested blending financial instruments as a solution. Coordinating a financial mix of various funders, including the own funds of the beneficiary, can improve financial efficiency. Among many other advantages, blending can provide longer-term support and improved sustainability for the beneficiaries as well as assist the European Union (EU) and partners to achieve significant leverage effect and enhance the cooperation between them.

Marnix MULDER discussed how Triple Jump used to focus on generic market development by combining high risk finance provision with subsidised advisory services to build capacities. In recent years, Triple Jump shifted its focus to furthering the financial frontier, by using high risk funding and subsidised advisory services to promote access to underserved markets specifically. Mulder mentioned that to successfully blend different financing sources, subsidies should complement, instead of substitute other financial sources. He highlighted the importance of focus and scalability of technical assistance (TA) projects. Also finding the right balance with respect to

duration of TA projects is a challenge; short-term projects might not be durable, whereas long-term investments can create dependency. Mulder also shared how Triple Jump re-invests part of its profits in subsidized advisory. The decreasing availability of governmental subsidies for TA demands for more effective public private coordination.

Delphin NGAMIJE discussed the importance of technical assistance (TA) for an MFI. He argued that TA has a significant impact on institutional capacity building, mitigation of risks, promotion of transparency and value chain finance and development of new products. He mentioned that transparency and client protection are crucial for a growing microfinance sector. Ngamije emphasized that provision of TA to MFIs should be long-term. Cost-sharing can build sustainability, but can also sometimes be harmful for MFIs, especially when MFIs need to pay transportation costs for international consultants. Before closing his presentation, he suggested that it is essential to strengthen local TA networks with more permanent structures that can enhance knowledge dissemination. This way, he stated, MFIs can respond to the increased needs of mature clients.

DISCUSSION

A question addressed by the audience was whether dissemination of knowledge from other MFIs could lead to less need for TA from investors. Ngamije argued that MFIs can learn from the practices of other MFIs. However, partner organisations and investors have an overview of the sector and can consult appropriately when choosing best practices. The discussion then turned to the importance of subsidies, and whether there will be a time when they are no longer needed. Hudon highlighted that subsidies should not stop before poverty has been eradicated. Moyart agreed with Hudon, emphasizing that as long as microfinance is about financial inclusion, subsidies will be essential. According to Moyart, subsidies for rural microfinance, financial education and improvement of infrastructure can provide the best value for money. However, different markets have different capabilities and each financial instrument should be used where it can provide the most effect according to the needs. That is why successful financial blending is the key.

Another question was about the benefits and challenges of cost-sharing, and how the investor decides on the level of cost-sharing. Mulder explained that it is crucial that the MFI contributes significantly to the costs of TA to ensure full commitment and ownership. The level of cost-sharing depends on many aspects, such as the profit margin, the solvency ratio, the type of project and the actual cost. He added that cost-sharing can lead to both the investor and the MFI trying to reduce costs. Before the session ended, Ngamije emphasized once more that TA grants are, and will continue to be, crucial for capacity building, promoting transparency, and ensuring customer protection.

GOVERNANCE IN MICROFINANCE:
CHALLENGES AND LESSONS LEARNED

Moderator	**Bob BRAGAR**, Strategies for Impact Investors
Speakers	**Matthias ADLER**, KfW
	Tamar LEBANIDZE, JSC Constanta
	Narasimhan SRINIVASAN, Equitas Microfinance

PRESENTATIONS

Bob BRAGAR kicked off this session stating that MFI governance is about Trust versus Control; a question which is highly pertinent for the sector in its drive towards maturity. The session focused on this question from different perspectives, with speakers coming from the world of investment, MFIs and independent consultancy.

Matthias ADLER of KfW, a major investor in MFIs, stressed the importance of good corporate governance, showing how it was highlighted in recent Banana Skins reports as one of the main perceived risks among microfinance professionals. Firstly, he considers good corporate governance as one of the prerequisites for sound institutional development, and for institutional transformation in particular. Secondly, when diversifying their product portfolio, MFIs are often faced with higher equity requirements. In this respect, good governance is not only required to bring in equity investors, but is also linked to better client outreach. Thirdly, governance is important for risk management and in determining risk appetite and strategy. As there are a lot of challenges, technical assistance (TA) interventions focused on MFI transformation should include measures to strengthen the governance structure.

Adler identified several key issues for KfW in putting good corporate governance into practice. He stressed the importance attached to Board representation by KfW. Avoiding conflicts of interests is key, through a clear division of responsibilities between the Board member assigned by KfW and the KfW project manager, by ensuring confidentiality of Board outcomes and by avoiding influence from KfW representatives.

Adler mentioned several key lessons learned in ensuring Board effectiveness: appropriate Board composition; establishing committees to take on specific issues; a strong Chair; and the need to balance between micro-management and 'rubber stamping'. Furthermore, a clear division of tasks between Board and management is vital. Members should challenge and ask questions, and be able to exercise good judgement and confidentiality. In terms of avoiding and addressing conflicts of interest, he stressed the importance of disclosure and drawing the right conclusion, i.e. refraining from discussion or voting. Good Board members ask themselves, management and each other what moves the institution, in terms of its values, goals and strategy. If unclear, it is the task of the Board to ensure direction and a shared vision.

He closed by stating that Board accountability in terms of promoting responsible finance of MFIs and Microfinance Investment Vehicles (MIV) will become stronger. Based on a question from the audience, Adler stated that more should be done in general on Board (self) evaluation, for example by Board retreats and training.

Tamar LEBANIDZE, Chair of the Board of JSC Constanta, provided both the perspective of an investee, as well as a first-hand account of changing roles in an MFI going through transformation. She briefly explained how the progress from non-commercial MFI, to commercial

MFI to licensed bank went hand in hand with the establishment of a strong Board to facilitate this process. A strong organisation needs a strong Board; which she explained as 'the ultimate arbiter of accountability'. Key characteristics of strong Boards related to the knowledge and experience of Board members; not only in terms of financial skills and knowledge of microfinance, but also understanding of the MFIs context and mission. Secondly, she talked about the size of the Board, incorporating key skills while still allowing for effective meetings which actively involve all members.

Her perspective allowed Lebanidze to differentiate between Boards of non-commercial and commercial MFIs. The first are usually large and composed of high-profile, well-respected and connected locals in addition to representatives of international stakeholders. However, active participation is limited and most Boards lack sufficient knowledge and experience in microfinance. General trust in the experience of management can lead to insufficient control and accountability of management to the Board. For these Boards, she stressed the need for training and active involvement by international stakeholders.

In contrast, Boards of commercial MFIs are usually composed of local and international experts who actively participate in governance. Most are highly qualified professionals, often representing direct investments in the MFI. Boards actively participate and have better control of the organisation. Management is qualified and more accountable to the Board. However, both can have limited understanding of the social mission, calling for efforts to promote the social mission and guard against mission drift. Lebanidze stressed the critical role of the Chair to ensure the Board operates smoothly, with active participation of all members, and in line with the institution's mission. The Chair is also responsible for establishing healthy working relations with management, and keeping the balance between control and trust.

When asked to explain more in detail about changing roles, Lebanidze stressed the importance of clearly dividing roles and uncover management and Board expectations, including what needs to be reported to the Board. Reporting should balance information needs of the Board, with the burden its collection places on management processes. Adler and Lebanidze added that it can be good to talk to managers or organise Board meetings at different branch offices in order to deepen understanding of the MFI.

Narasimhan SRINIVASAN, an independent Board member of Equitas Microfinance, more closely considered the role of independent Board members. He first reviewed key MFI Board expectations: protection of all stakeholder interests, regulatory compliance and balancing returns for shareholders with responsible business practices. For independent Board directors, he added ensuring adherence to the mission; remaining independent from promoters, investors and management to secure interests of all stakeholders; and proactively guarding client interests. He particularly stressed the importance of guarding against excessive investor influence on business decisions that conflict with responsible finance.

Keeping Boards focused on responsible business practices is a key challenge, as it is restraining MFIs from unsustainable expansion and unfair pricing strategies. Srinivasan also considered independent directors well-placed to take on challenges such as guarding against excessive management remuneration, facilitating transparency in transactions with customers, and working towards compliance with assessment frameworks. In his experience, shareholder agreements undermining Board authority by reserving matters for 'off-Board' decisions are particularly problematic.

DISCUSSION

The ensuing discussion focused on whether broad diversity in Board membership, and as such of opinions, benefitted MFIs. Adler stressed that a common vision is vital to provide common reference and direction. If a shared vision is not there, it is the task of the Board to ensure a shared vision is established. He added that diverse opinions bring in new views and perspectives to be used in collective decision taking. Bragar added that the Chair is key in providing direction and capacity building to other Board members.

NEW MODELS AND EXPERIENCES FOR LINKING INFORMAL SAVINGS GROUPS TO FORMAL FINANCIAL SERVICES

Moderator	**Bernard ORNILLA**, Alterfin
Speakers	**Claire OZANNE**, PAMIGA
	Charles Thaddaeus BUKENYA, Catholic Workers Movement Uganda (CWM)
	Birgit GALEMAN, International Finance Development (IFD)
	Maude MASSU, CARE International UK

PRESENTATIONS

Bernard ORNILLA started the introduction by explaining that while informal savings groups are able to offer basic financial services to poor people in rural areas, they have some limitations as they cannot offer more sophisticated services which are usually provided by formal financial institutions. The aim of this session was to provide successful cases to link informal savings groups to formal financial services providers in order to provide additional financial services to the groups (including savings, credit and insurance).

Birgit GALEMAN presented experiences of the Catholic Workers Movement (CWM) Uganda, a locally grown structure. Together with the German Cooperative and Raiffeisen Confederation (DGRV), CWM started a pilot on Catholic Workers Savings & Loan Associations (CW-SLAs). Whereas Savings & Loan Associations (SLAs) are individual savings groups of self-selected members which regularly save and take out loans from collected savings and retained earnings, CW-SLAs are SLAs functioning within a country-wide system. Like Village Savings and Loan Associations (VSLAs), they follow strict rules, largely based on established VSLA methods, but introducing a system to establish a country-wide network of CW-SLAs within CWM.

Unlike VSLAs, CW-SLAs are strengthened through a 3-tiered network, following the DGRV system. On a national level, the CW Cooperative Savings and Credit Society (CW-SACCO) is established to support the regional level with 'national audits', knowledge sharing and national representation of the groups. The regional level consists of Diocesan CWM committees, which support the work of CW-SLAs on the primary level. Their regional analysis and audit tools provide internal audits and comparative analyses for the CW-SLAs on a monthly basis.

Since the CW-SACCO is a registered society, all CW-SLAs adhering to internal rules can be registered through CW-SACCO and therewith linked to the formal banking sector. This linkage is needed for CW-SLAs to allow for larger savings and loans due to a 'cap' on the cashbox. This cap is put into place as a safety measurement, making it obligatory to deposit money on a formal savings and/or fixed deposit account in order to let the total amount of savings and loans grow. The system also benefits the formal financial sector as banks have only one point of contact on the national level and save costs for mobilization, monitoring and performance improvement, as there are digitalised performance indicators on each level of the network.

Charles Thaddaeus BUKENYA continued by presenting results on the ground. The major constraint for SLAs, their inability to access formal financial services at favourable interest rates, is now overcome through the national CW-SACCO. The model proved that through local contributions and monitoring, formal banking can be made available to all members, even in remote rural areas. The system is also more sustainable, as no external money is made available to the groups and CW-SLAs are taught from the start to pay fees for all required services and materials. Moreover, group members are empowered through short trainings (1st year) in financial and business affairs. These can be feasibly continued and practiced by the group itself once they are on their own.

Claire OZANNE, from the Participatory Microfinance Group for Africa (PAMIGA), continued by presenting the evolution of informal MFI business models into new business models that aim to link these MFIs with formal banking services. Before presenting the new business models, Ozanne explained the Caisse Villageoise d'Epargne et de Crédit Autogérée (CVECA) business model, which she sees as a starting point towards a more formal

structure, in between informal market actors and commercial banks. CVECAs are member-based microfinance intermediaries inspired by local solidarity practices such as earlier informal models but which also have access to formal bank refinancing in order to extend loans.

Ozanne stressed the constraints that come with this model, including a lack of managing capabilities, non-compliance with new regulatory frameworks, issues in governance and a lack of funds. She encouraged the evolution of this model towards more professional organisations with salaried staff, enabling members to access more financial services. Ozanne provided two examples for this new model. In the first model, all village units merge into a centralized MFI to provide formal banking services, while maintaining sales-points in villages. The second model introduces financial service delivery of MFIs in remote rural areas through Rural Savings and Credit Facilities (RSCFs). RSCFs are similar to CVECAs, but provide clients with the advantage to source loans without collateral and access their voluntary savings in order to optimize their income generating activities.

Maude MASSU presented CARE's strategy to deepen financial inclusion of the poorest by linking informal mature savings groups to formal financial services, trying to meet the needs of the un-banked. The strategy entails different levels. While, at micro-level, the number of Savings Groups increase and groups mature, the challenge is to meet new types of demands of VSLA members by allowing them, at the meso level, to interact with formal financial institutions to accompany them on their path towards more formal financial inclusion. At the macro level, VSLAs need to be recognized as well-functioning community-based financial institutions so that they can access a wider range of formal financial services without losing their principles and methodology. CARE aims to facilitate partnerships with the private sector and has introduced key principles for linking informal savings groups to formal financial institutions.

Key lessons by Massu highlighted for savings that banks are more popular than mobile (used more for payments) and banks are more patient with savings, while MFIs are more appropriate for credit link. Secondly, to ensure successful partnerships between community-based microfinance and private sector, it is really important to understand the imperative of private sector partners, but also educate both parties – savings groups as well as banks, MFIs and mobile providers to develop interaction. Thirdly, linkages between informal and formal financial institutions will profit from the involvement of local facilitators that strengthen service delivery, financial literacy and monitoring systems.

DISCUSSION

The discussion started with a question from the audience as to whether these new models can target individuals instead of savings groups and link them to the formal sector. Bukenya mentioned that it is possible to work with different proximity levels. Financially weaker individuals should stay in the local savings groups, while others can join savings groups with financially stronger individuals at a regional level. Galeman added that individuals are becoming more engaged due to the regional competition by CW-SLAs in terms of their group performance.

The discussion then turned to the type of financial services included in these linkages between the formal and informal sector. Massu answered that once groups are linked, savings are likely to increase significantly as formal institutions are trusted with more ´idle´ money. She also mentioned that most linkages are not yet as elaborate as in India as they need to be developed step-by-step.

When the question was raised whether the basic savings groups were a reinvention of the wheel, Massu mentioned that while their sustainability is built around traditional local context and practice, the models are improved in order to gain access to a wider range of financial services. Ornilla then concluded the session by mentioning that cross-border funding is welcomed in order to make these linkages and train savings groups appropriately.

PLENARY: RECOGNIZING UNSUSTAINABLE MARKETS - TOWARDS A COMMON FRAMEWORK

Moderator	**Xavier MOMMENS**, European Investment Bank (EIB)
Speakers	**Marc LABIE**, CERMi - University of Mons
	Solène MORVANT, University of Fribourg
	Narasimhan SRINIVASAN, Independent Consultant
	Emmanuelle JAVOY, Planet Rating

PRESENTATIONS

Xavier MOMMENS kicked off the session by raising two key issues in sustainable microfinance markets. First, different perspectives on sustainability exist: social, environmental and financial. Secondly, 90% of the poor still lack access to finance, making market saturation highly specific to particular products, regions and client groups. To put the session in context, he stressed that the presentation would be about financial sustainability of microfinance, and that the focus of the speakers would be on the 10% of the microfinance market which is served, and how the speakers would address 'recognizing unsustainable markets' considering the demand and the supply perspective.

Marc LABIE approached sustainability from the supply perspective, giving an overview of a typical crises path. In terms of causes, many microfinance crises he studied originated from a combination of factors, including excessive growth, access to funding and troublesome competition (i.e. competition supporting bad practice). These causes are typically exacerbated by overambitious strategic goals, weak operational management, insufficient governance and inadequate regulation and supervision, undermining checks and balances which ensure sustainable business. When a crisis ensues, MFIs are often faced with rapid portfolio deterioration, a loss of corporate culture and challenges in terms of funding, human resources and trust. The resulting reduction in microfinance supply can be particularly strong in specific regions, sectors, products and markets.

Research shows a close correlation between strong growth and crises, but what unsustainable growth is depends on a variety of factors. Labie relates excessive growth in particular to what he calls the 'Hubris effect', where CEOs push their institutions to become market leaders resulting in an increase in multiple lending and ill-considered expansion strategies. In terms of organizational management, strong growth can overstretch human resource management; outpace systems and controls (e.g. MIS or internal audits), enforcement mechanisms, proper portfolio management and provisioning.

Considering the importance of human resources and customer contact in microfinance, more attention should be given to unsustainable practices at branch and credit officer level. Moreover, researchers need to identify alert criteria for the crises causes identified and uncover how they reinforce each other. MFIs should improve their understanding of how "good models are perverted" and strengthen checks and balances, while donors and investors should define reasonable growth. Furthermore, the industry should focus on adequate supervision and realistic expansion strategies.

Solène MORVANT provided a demand side perspective, using research conducted within the 'Microfinance in Crisis' project. She showed that both the Dominican Republic and Morocco

experienced strong growth in their microfinance market, but experienced a highly different development in portfolio quality. Dominican MFIs performed much better and the country avoided an outright crises.

The research found that repayment performance is not only related to liquidity defaults. Although over-indebtedness leads to defaults, unwillingness to repay and strategic defaults are also important factors. This can occur when MFIs lack legitimacy, or when there is a low perception of sanctions in case of default. Strategic behaviour can also turn priorities round. In such cases, clients pay back even when they are over-indebted, for example through influence of local leaders, or when they need to continue relations with the MFI. This means that defaults are not always a good signal for over-indebtedness. It also shows we need to look beyond clients, at the MFI and at its relationship to clients; e.g. in terms of weakened procedures, checks and balances and aggressive credit strategies. Loan officers play a key role in this respect. When supported by a clear strategy and a management commitment for training, officers can help prevent over-indebtedness. Moreover, they can improve repayment, for example by promoting local legitimacy of the MFI, or by combining a friendly attitude with permanent pressure. Morvant also pointed to large differences in performance between branches working in similar contexts, emphasizing the need to investigate branch dynamics.

According to Narasimhan SRINIVASAN, unsustainable markets are everywhere. To Srinivasan, sustainability is not about surpluses or cost recovering, but about the ability to do business and deal with external pressures and threats, such as customer resistance, political hostility and regulatory action. Early signs of overheating markets can be found in fast growth of outreach; a rapid expansion in branches and staff beyond the handling capacity of risk and human resource management; and the dominance of a single product. Other warning signs are an influx of new entrants and commercial interests, high valuations, staff incentives pushing credit officers to push credit on customers, and willingness for large financial exposure to the sector. These lead to public scrutiny and customer unrest.

While intolerance of criticism, a lack of transparency and an aggressive defence of high interest rates are typical responses when crises hit, Srinivasan calls for improved communication with clients, the media and regulators. There is also a need to establish more reasonable expectations on returns on assets and equity, and a review of staff incentives to reward responsible finance. Such efforts should be supported by investment in staff training.

Emmanuelle JAVOY of Planet Rating looked at how much credit is too much credit. Benchmarks to determine sustainable credit provision are critical to microfinance practitioners. Current approaches rely on intensive client data collection or on indicators which are not available for all countries. MIMOSA, the Microfinance Index for Market Outreach and Saturation, is a new approach to estimate credit market capacity. Using the Global Findex Database, it uses ‘loans from a financial institution among +25 year olds’, a country’s Human Development Index (HDI) level and the use of formal savings and semi-formal borrowing to produce a model to predict credit demand. The model scores countries according to their deviation from expected credit use and provides suggested actions for each score.

Based on the premise that credit markets are finite, the model can be used to assess whether projections in an MFI strategy are reasonable, as such coming to better supported decisions. Likewise, the model can be used to analyse the exposure of Microfinance Investment Vehicles (MIVs) to potential situations of over-indebtedness or to identify which MIVs are highly committed in countries with a low market penetration.

DISCUSSION

The discussion first turned to whether MIMOSA could be helpful in predicting crises. Javoy indicated that the model only includes information on the number of retail borrowers overall, not just microfinance clients. Consequently, in some markets, numbers for microfinance could be different, though in most cases these differences are small.

Based on a question on similarities between microfinance and other markets, Labie indicated that a critical difference is the importance of human resources and customer contact. Therefore it is important to give more attention to unsustainable practices at the branch and credit officer level. A participant from the audience added that the social perspective and specifically donor influence make the sector different from other sectors and more prone to public scrutiny.

Lastly, the discussion turned to whether a tool, such as MIMOSA, also considers regional differences within a country. Javoy indicated that the model allows for that, but that information is not available for many countries. The panel concluded that we need to be aware that saturation can be specific to a region or a target group. More data is needed to guide outreach in underserved markets.

THURSDAY 14TH NOVEMBER 2013

FINANCING NON-INTEGRATED VALUE CHAINS: **CHALLENGES AND SOLUTIONS**

Moderator	**Bernard ORNILLA**, Alterfin
Speakers	**Renan MÁRQUEZ**, MFI CACIL
	Diédericks Eliezer GADEA RIVERA, MFI Aldea Global
	Delphin NGAMIJE, MFI Duterimbere

PRESENTATIONS

Bernard ORNILLA welcomed the participants and introduced the theme of the session as an outcome of recent work by the e-MFP Rural Outreach & Innovation Action Group. Three cases would be presented for discussion, all demonstrating how innovative and tailored MFI products and services can help to successfully develop an integration of small farmer local food production activities into larger non-integrated food value chains.

Renan MÁRQUEZ, General Manager of CACIL (a savings and credit cooperative in Honduras) explained the different development stages which his organisation went through over their 27 years operating. Since 1992, CACIL changed into a much more formal organisation and increased its outreach. Consecutive assistance from USAID and SNV helped to achieve this. As of end of October 2013, CACIL had almost 32,000 members (from the 3 poorest regions in Honduras), a portfolio of almost US$ 29 million and US$ 16.7 million in savings (in local Lempiras and US dollars, as a large part of their savings comes from US remittances). Since much of these remittances were spent on consumption purposes, CACIL encourages members to save and invest in productive activities, such as potato production. Potato is a crop developed by small farmers with traditionally low productivity, low income generator and insufficient funding due to its high risk. CACIL studied the value chain from a financial and an agricultural technical point of view, as well as a market point of view and analysed carefully the value chain stakeholders. As a result, CACIL hired agronomist staff as credit officers (CO) that understand the product and can provide technical assistance to the farmer. These COs were trained in microfinance and helped in the design and implementation of CACIL's innovative products and services in the potato value chain. As of October 2013, the potato portfolio was above US$ 1 million within 1,000 clients with very low levels of portfolio at risk. CACIL has invested its own resources to develop this initiative, but still faces some challenges. The main challenges would be the implementation of new technologies, the streamlining of loan procedures or to make the money of producers and buyers flow through the CACIL accounts.

The case of ALDEA GLOBAL in Nicaragua was presented by its financial manager Diédericks GADEA RIVERA. This MFI is an NGO that offers credit, technical assistance and commercialization services to its clients - small farmers. From 1992 to 2000, they focused mostly on food security, after which they reoriented towards business modelling, credits and commercialisation of coffee and tropical roots, as well as organisational development. Support of Rabobank was crucial at this level. As of October 2013, they had 1,438 clients and a US$ 1.7 million rural portfolio (100% agricultural) concentrated in the region of Jinotega where 60% of the coffee and vegetables of Nicaragua are produced mainly by small producers. ALDEA GLOBAL exported in 2013 more than US$ 9 million, mainly coffee but also tropical roots. These tropical roots were not produced for commercialisation in Nicaragua.
ALDEA GLOBAL articulated this value chain from production level to processing and exporting. Subsidies helped to develop it in an early phase but currently all the services are sustainable, covered by the small farmers who use the services. Presently 265 tropical roots producers have an outstanding portfolio of US$ 250,000. The success story is making other producers start producing roots, increasing the outreach. As key factors, Gadea Rivera explained their value chain finance model is not focused on cutting out middlemen, but on getting involved in the chain and understanding the cost-price structure. In terms of ensuring

success, he mentioned: investing in human talent (motivation and transfer of skills); diversification (e.g. climate-smart agriculture based on experiences from the Netherlands) and business planning; and not pushing things on people, but start by addressing their needs.

Delphin NGAMIJE introduced the case of the MFI Duterimbere in Rwanda, a private company which provides financial services tailored to low-income entrepreneurs, primarily women. In August 2013, this MFI had a US$ 5 million portfolio with 62,000 clients, 70% of which are women, serviced by 6 branches, 17 sub-branches and 24 mobile counters in the Centre and West regions of Rwanda. The loan portfolio comprises trade and production of handicrafts (57%), agriculture (39%) and consumer loans (4%). With the technical aid of Terrafina Microfinance and following the agricultural policy of the government to boost production and export in the rural sector, Duterimbere studied several fruit and vegetable value chains (e.g. pineapple, mushrooms, mango and passion fruit) and developed tailored technical assistance (TA) and financial products and services. The subsidized TA that the clients of these value chains receive is provided by the NGO Duterimbere, an independent company of the MFI Duterimbere.
The latter is in charge of the financial products and has developed a range of credit products adapted to the needs of their clients that can include both small farmers and a few agricultural companies. The products offered are group lending credits, warehouse receipt funding, microleasing and investment loans.
As of August 2013, they had a US$ 900,000 portfolio for 4,609 clients. With their financial products, the MFI mediates between buyers and producers, thus enabling private sector linkages. The core of this business model is to create strategic partnerships with the aim of reducing business risk while building capacities and enabling market access.
At the same time, the variety of financial products allows them to accompany their clients in growing and maturing their business. The main challenges are to continue integrating more producers in their portfolio and to increase the average credit to them as their business grows.

DISCUSSION

In the ensuing discussion, it was considered how the approaches of the three cases described dealt with the complexities of value chains and capacity building, by linking technical assistance and microfinance activities. Márquez referred to technical assistance as a spider web, but also mentioned that technical assistance and finance alone are not enough. It is also crucial to identify the right drivers for the process which in their case, was working with women, ensuring better repayment and lowering risks.
For Ngamije, key lessons learned are the importance of relating quantities to market demand and prices, and continued client monitoring. Gadea Rivera added that, to him, the proper selection of producers, product development for a market, and strategic cooperation in the value chain are fundamental.

All cases demonstrated the importance of proper analysis, phased strategic development and business modelling, strategic partnerships, adequate technical assistance, innovative and adapted financial products and the role of women in developing economic activities, and in improving repayment and mitigating risks.

RESPONSIBLE MICROFINANCE:
WHERE DO WE STAND?

Moderator	**Jürgen HAMMER**, Grameen Crédit Agricole Microfinance Foundation
Speakers	**Laura FOOSE**, Social Performance Task Force (SPTF)
	Isabelle BARRÈS, The Smart Campaign
	Chuck WATERFIELD, MFTransparency
	Emilie GOODALL, Principles for Investors in Inclusive Finance (PIIF)
	Lucia SPAGGIARI, MicroFinanza Rating

Jürgen HAMMER opened this session by demonstrating that the ever increasing array of tools and methodologies initiated in the recent years for defining and measuring responsible microfinance has led to confusion among MFIs, investors, regulators and market stakeholders in general. After a short interactive questions-answers session, testing the audience's level of awareness about different aspects of responsible micro-finance, he concluded that the mixed reactions reflected the exact status quo of the microfinance sector.

In this context, Hammer clarified that the first part of the session would highlight the advancements of the microfinance industry to streamline the various existing initiatives dealing with responsible microfinance, by connecting the large global industry initiatives (PRI/PIIF[2] and Global Appeal for Responsible Finance) with the global framework of the Universal Standards for Social Performance Management. By bringing PRI/PIIF, STPF, Smart and MFT together in one panel, the main intention of this session was to demonstrate the achievements of this cooperation and the potential benefits in terms of implementation for socially responsible investors and MFIs.

The second part of the session would go beyond the aspects of coordination and demonstrate one of the many reasons to take social performance seriously, addressing interesting findings about the correlation between client protection principles and financial performance.

PRESENTATION (PART I)

Representing the Social Performance Task Force (SPTF), Laura FOOSE presented the Universal Standards for Social Performance Management (USSPM) and highlighted their relevance to the microfinance sector. She explained that the USSPM originated from a large consortium of members active in microfinance, together covering seven different initiatives in responsible inclusive finance. She clarified that, as such, the Universal Standards can be considered a one-stop-shop which summarises these seven different initiatives.

According to Foose, an important starting point is to clearly define 'responsible inclusive finance' and to understand its quintessential client-centred approach, which is a common ingredient among all

[2] Principles for Responsible Investment / Principles for Investors in Inclusive Finance

existing initiatives. Foose also explained that client protection and social performance management are the two pillars of responsible inclusive finance, but that they differ in terms of focus. Social performance management mostly applies to double-bottom line institutions, whereas client protection can be more broadly used by all financial institutions.

Foose then took the perspective of a financial institution and showed how the USSPM provide support for a decision-making process beginning at the 'intent to change practices' stage and ending at the 'demonstration' stage. She clarified that not all institutions must implement all tools available, but that this will highly depend on their individual level of development.

DISCUSSION (PART I)

This session's first discussion topic addressed the responses from MFIs to the new developments in responsible microfinance. Foose reminded the audience that the USSPM were launched two years ago, and that 2012 was its testing year. In this respect, she perceived a sense of relief among MFIs, since this initiative consolidates all available standards in one place. Foose admitted that there is still some confusion in the sector, and that the current focus lies on improving practice. Actual demonstration of these practices will come at a later stage. In general, institutions which have started using the standards responded very positively. She called special attention to the fact that the USSPM provide an excellent opportunity for an MFI to recognise its gaps and strengths. The CERISE SPI-4 is being developed as a guidance tool for MFIs to carry out a self-assessment and detect areas in which they need to develop further.

Foose also revealed to the audience that the initiative was presented to investors in January 2013. The general response was very good, since they recognised it as a logical step toward good business practice. Most importantly, it was acknowledged that the USSPM bring the client back to the centre of microfinance, allocating concrete responsibilities and procedures.

Isabelle BARRÈS added that MFIs had been calling for cohesion between different responsible microfinance initiatives for years. In her view, the current issue for MFIs is not so much confusion, but rather prioritisation of activities given all the initiatives. On the investor's side, Barrès sees an increasing need for clarity on what their expectations are; she believes this external incentive will help MFIs prioritise next steps toward responsible microfinance.

Chuck WATERFIELD broadened the scope of the discussion and emphasized that transparency is a separate issue from internal improvement, thus wondering how many MFIs would actually be willing to 'bare their souls' to external actors. In his view, an important shortfall regarding transparency is that it cannot be enforced; he proposed, therefore, the adoption of a universally-applied criterion in this respect.

Another discussion point revolved around the awareness and feedback of MFI clients regarding these initiatives. It was generally agreed that the implications of such initiatives lie mostly with the MFI; the client will be limited to understanding what is offered to them. Nonetheless, it was also emphasised that MFIs can use their seals, certifications and other tools to communicate with clients, thus distinguishing themselves from their competitors.

In a response to a member of the audience, Emilie GOODALL closed the discussion by explaining that social performance management initiatives are not only available to MFIs. The Principles for Investors in Inclusive Finance (PIIF) were designed especially for investors with the objective of providing a framework for responsible investment in inclusive finance, at varying levels of practice. Regardless of having a social mission or not, investors who sign up to PIIF answer to common accountability principles, such as reporting within the same framework and making the outcomes publicly available.

PRESENTATION (PART II)

Representing the e-MFP Making Microfinance Investment Responsible Action Group, including the University of St Andrews, e-MFP and PRI, Lucia SPAGGIARI addressed the correlation between client protection and social performance among MFIs. She admitted that there is great expectation regarding this topic in the microfinance sector, but that only punctual research has been conducted so far. Spaggiari explained that, in the context of this research, ten different organisations with different backgrounds pooled their databases in an unprecedented effort. In addition, she noted that data were drawn from more than 3,000 observations in 95 different countries between 2004 - 2011.

Spaggiari explained that the database can only explain simultaneous relationship; it cannot attribute causality. She then highlighted that almost all client protection principles displayed positive correlation with financial performance, although results were more mixed in relation to efficiency and credit risk. Spaggiari pointed out that mixed results can be explained by early investment in some client protection aspects which might not immediately pay-off, but which will help the MFI achieve better financial outcomes in the long term. She concluded that, in general, the expected business case for client protection seems to emerge, and that client protection can be characterised by its mutually reinforcing effects, thus triggering virtuous circles.

DISCUSSION (PART II)

A member of the audience noted that the correlation between client protection and efficiency resulting from the research was not very large, and wondered whether MFIs which implement these principles have adopted higher interest rates. Spaggiari reckoned that this is possible, and not necessarily a scandal. She admitted that interest rates might need to be adapted for an MFI to conduct risk management. In addition, Spaggiari highlighted that profitability actually showed a stronger correlation than efficiency.

Another discussion point related to a business model where an MFI or an investor first chooses to improve financial performance, and only then invests in client protection principles. Spaggiari explained that there needs to be more research to explain causality between these two aspects, but clarified that it is unlikely that one-sided efforts will lead to the virtuous cycle which she highlighted during her presentation.

CLOSING AND NEXT STEPS

Jürgen Hammer closed this session by announcing the SPTF had mandated CERISE to update its existing SPI tool, already largely used in the microfinance world for the assessment and audit of social performance management. The new SPI-4 will be available as of January 2014, and will be the indicator collection/ assessment tool for the Universal Standards, freely accessible on the internet for MFIs and investors. He invited all participants to look out for the follow up session at next years' e-MFP conference, which will present the first results in the implementation of a harmonized industry standard.

HOW MUCH GENDER DOES MICROFINANCE NEED?

Moderator	**Florian HENRICH**, GIZ
Speakers	**Lisa PETERLECHNER**, GIZ Uganda
	Anna GINCHERMAN, Women's World Banking
	Anne-Marie CHIDZERO, New Faces New Voices

PRESENTATIONS

Florian HENRICH introduced the topic to the audience and mentioned that the session would be about the challenges, the experiences in overcoming these challenges and the top priorities that need to be addressed when it comes to microfinance and gender.

Anne-Marie CHIDZERO started by giving a brief introduction of New Faces New Voices (NFNV), a South African advocacy group for women in business and finance. Chidzero mentioned that women represent a US$ 19-21 billion business opportunity for financial institutions as this is the estimated funding gap for the 50% of micro, small and medium enterprises in Sub-Saharan Africa that are held by women. Moreover, women make the most important purchasing decisions at household level. Household expenditures are growing as the number of African households move from low-income to middle-class. She highlighted that there is a need to shift from the traditional approach of considering women and financial inclusion as a gender issue towards explaining the benefits that women contribute to finance as a value proposition. Women represent an important market segment for financial services.

Women's economic activity is concentrated in informal trade and small businesses. African women entrepreneurs face a US$ 19-21 billion funding gap that financial institutions are failing to meet. To do so, Chidzero stated that there are many challenges that need to be addressed, such as policy and regulation, discriminatory property rights, financial illiteracy and barriers to access information and innovations (such as mobile money). Furthermore a lack of readiness

of financial institutions to treat women as a market segment and their understanding of women needs to be addressed. Engaging and encouraging key stakeholders to promote and incorporate female leadership within the financial sector is essential for increasing women's financial inclusion.

Anna GINCHERMAN discussed how engaging women is key to the advancement of society and families. Women represent the majority of the poor population worldwide; however the commercialization of the microfinance sector has had significant consequences for women clients (i.e. reduction of number of women clients served by formalized MFIs). Gincherman emphasized that there is significant global need for women's financial inclusion. Women-focused MFIs outperform their peers in terms of growth, return and credit quality. Women-focused institutions earn 53% higher return on equity (ROE) than institutions with the lowest female representation. She emphasized that it is essential to understand women's needs, preferences and behaviour related to financial products in order to design and test innovative products for women. Moreover, the sector needs to scale successful innovations, share lessons learned and spread best practices. Strengthening institutional leadership and gender diversity is essential to increase women's financial inclusion.

Lisa PETERLECHNER presented an example from Uganda, where GIZ works with selected Savings and Credit Cooperatives (SACCOs) which provide access to financial services in rural areas. A gender study showed that women represent less than 30% at the Boards, management and membership level in the supported SACCOs. GIZ, on behalf of the German Ministry for Economic Cooperation and Development, thus piloted a project which aimed to increase female participation in SACCOs through a holistic approach. After a gender audit of the SACCOs, their board and staff members were trained and sensitized on gender issues related to their institutions; individual gender policies were formulated; SACCOs received support in developing and implementing gender sensitive mobilization and communication strategies; gender sensitive products were developed together with the SACCOs; a radio campaign was initiated to show men and women the benefits of women joining SACCOs; and the programme used community-based facilitators to train men and women in basic loans and savings techniques in order for them to gain the necessary confidence and skills for joining SACCOs. The programme was very successful and was scaled up after the first pilot.

DISCUSSION

The discussion started with the challenges for women inclusion in microfinance. Gincherman explained that we can segregate these challenges into three levels. On the micro level, she mentioned that women see themselves as housewives, although they provide 50% of household income in many cases. At the meso level, financial institutions mostly focus on men and underestimate the income produced by women. At the macro level, the barriers imposed by society which promote perceptions of women as secondary to men and a lack of proper regulations to increase women's financial inclusion, are most relevant. She emphasized that all three levels need to be addressed in order to increase financial inclusion of women. Chidzero highlighted the importance of demonstrating that women inclusion is not a threat to men. From a policy perspective there is need for gender disaggregated data to demonstrate women's contribution to Gross Domestic Product (GDP), which is usually underestimated.

The discussion then shifted to the importance of financial literacy of women using microfinance. Peterlechner commented that everybody, men and women, should be sensitized. Specific focus should be given to the staff of MFIs in order to target women successfully. The moderator asked Chidzero how investors can promote gender equality. She commented that investors are only now beginning to understand that women constitute a clear value proposition to the sector and mentioned that investors should promote a gender mix, not only in terms of their clients but also for their employees. A person from the audience commented that in some developed countries less than 5% of CEO, higher management and Board positions are taken by women. How can we make sure that women are represented within the financial institutions in developing countries? Chidzero remarked that this requires advocacy, gender awareness and policy level changes, such as setting quotas for women participation in higher management positions.

The moderator concluded the session by summarizing some of the key points. It's not only about access to finance; the question is rather how well financial institutions are serving women. In this regard, it is also important to build and demonstrate to financial institutions the business case of understanding women's needs, as well as developing, scaling and replicating innovations. There are various growth barriers related to women entrepreneurs that need to be overcome. These include market information on women's demand; supply of financial services; lack of skills, confidence, financial literacy and access to information; problems on the side of policy and regulation; discriminatory property rights; and lack of readiness from financial institutions to treat women as market segment. Last but not least, integrating gender aspects in the financial institutions' ordinary activities rather than adding on extra activities is likely to be more sustainable in the long-term.

MICROFINANCE IN A HISTORICAL PERSPECTIVE

Moderator	**Paul THOMES**, RWTH Aachen University
Speakers	**Fatoumata CAMARA**, WSBI
	Narasimhan SRINIVASAN, Independent consultant

PRESENTATIONS

Paul Thomes started the session by looking at why the past matters. He considers history as a dialogue between present and past about the future; allowing us to exploit the 'history lab', a wealth of knowledge on systems that worked and did not work historically and can help overcome path dependencies and lock-ins. Current credit and profit-driven business models too often do not deliver in terms of reaching the poor. In the current period of reflection and search for viable alternatives cooperative and saving banks re-emerge based on models from 18th century Europe. Important similarities exist between this period and the present-day situation in many developing countries, including financial exclusion of the poor, fast population growth and urbanisation, structural change and infrastructure deficiencies. He asked the speakers to reflect on whether cooperatives and savings banks can be a template for global microfinance or to offer alternatives from their historical analysis.

Fatoumata CAMARA of the World Savings & Retail Banks Institute (WSBI) agreed that much can be learned from the past. Savings and credit groups have operated for centuries, e.g. 'chit funds' in India, 'arisan' in Indonesia, 'tandas' in Mexico and burial society systems. Camara presented the history of microfinance, starting from Jonathan Swift's first interest-free loans in 1720's Ireland, and continuing with the spread, refinement and formalisation of different cooperative models among Europe's rural and urban poor, including people's and savings banks, credit unions, and savings and credit cooperatives and associations. In the example of Germany she explained how regulation greatly expanded the sector.

These models were introduced across the world and found an especially strong following in rural Latin America in the 1900s to boost agricultural investments and mobilise 'idle' savings. However, ownership structures (public, private banks) limited their success. She also explained the limited success of supply-led government interventions offering credit to smallholders between the 1950s and 1970s. This model, providing subsidised loans through development finance institutions and farmers cooperatives, suffered from poor loan recovery, high administrative costs and insolvency.

Microfinance based on solidarity group lending emerged in South Asia and Brazil in the 1970s, focusing on credit for income generating activities. Models were enriched with a new school of thought in the 1980s: the 'financial systems approach', in which credit provision was only considered effective within a larger system of services. It conceived subsidies as impediments to the development of financial intermediaries and savings-based investment, while mostly benefiting large producers. These experiences led to the improvement of microcredit programmes worldwide and showed that poor people, especially women, could be provided with sustainable financial services.

While microfinance was increasingly recognised as a strategy for poverty alleviation, outreach remained limited to urban and densely populated rural areas. More recently, service provision widened to savings and other financial services, broadening the scope of microfinance. Camara provided several examples of innovation in microfinance, such as remittances offered through money transfer firms, biometric fingerprints and smart cards to deliver financial services, specific credit products for farmers and mobile banking improving outreach in rural areas.

In Africa a large diversity of traditional, informal savings and loan schemes exist (e.g. Ekub, Tontines, Esusu), which are based on traditional knowledge and values. Microfinance initiatives that build upon them can count on legitimacy, accountability, and self-enforcement. Using a specific case from Zimbabwe, she provided the audience with several lessons learned: the poor prefer savings over credit; savings-led systems are adaptable and resilient to economic shocks; models building on traditional best practices can reach the poor while achieving long-term sustainability; and programme integration and linkages are key to success.

Narasimhan SRINIVASAN looked at the origin of finance as an enterprise. He particularly focused on historical roots of responsible finance. Although the early beginnings of formal finance are unclear, many references exist in religious texts. In Christian, Hindu, Jewish and Islamic texts lending was sinful, equated with extortionate practices and 'usury'. Later, a more pragmatic approach emerged, subjecting lending to strict requirements. Initially, banking was an individual business, mostly related to money lenders. In addition, burial societies and traditional financial systems, often based on self-help group models combining savings and lending out corpus funds, flourished throughout the world. Modern times saw the financial sector serving the needs of the rich, requiring the poor to establish cooperatives and group based models, which have become increasingly diverse.

He concluded that financing was traditionally subject to religion and remain bound to ethical and social beliefs of what is right. Financing the poor and vulnerable is not seen as purely a business matter. Religious leaders are now replaced or supplemented by political leaders, conscious keepers and the media as arbiters of what is right.

DISCUSSION

Thomes asked what sustainable role models exist and how they apply to different contexts. Hans Dieter Seibel, e-MFP Board member, stressed that the oldest systems we know are only the oldest because historical references exist. Srinivasan added that modern microfinance mostly ignores traditional systems. We need to be aware of local contexts while considering past experiences, e.g. German savings banks only prospered because of regulation.

A comment from the audience stressed that traditional financial systems only work well when firmly rooted in society. As society changes, these systems need to readjust to cope with different circumstances, for example social ties being broken by urbanisation. If not, they risk becoming ineffective and being supplanted by other models such as modern MFIs. Camara commented that transforming traditional systems should be considered carefully, guarding against mission drift, disrupting the social connections which support the system, and excessive profit behaviour. A key question was how to scale up localised efforts and how to do so sustainably. It was agreed that proper regulation and supervision play an important role. Also, promoters should consider carefully whether change is needed. According to Thomes, new institutions will emerge to meet new societal needs more efficiently. He stressed that informal rules are often opaque; scaling them requires structuring and formalisation. He concluded that we need to consider how to combine experiences from the past and existing traditional systems with current best practices to come to context-specific solutions, incorporating the best of both worlds.

SOLUTIONS BASED ON LISTENING TO CLIENTS

Moderator	**Yekbun GÜRGÖZ**, Frankfurt School of Finance & Management
Speakers	**Anna GINCHERMAN**, Women's World Banking
	Manuel OLAGO, Fundación Delamujer
	Maria A. MAY, BRAC

PRESENTATIONS

Yekbun GÜRGÖZ started the session by introducing the speakers. These had been invited to analyse and present their organisations' strategies regarding listening to their clients in order to provide clients with better solutions. MFIs are increasingly challenged to meet a diverse range of client needs, and the three cases would provide a variety of responses during this session.

Anna GINCHERMAN of Women's World Banking (WWB) presented the case of the Diamond Bank in Nigeria as a framework for (women-tailored) financial product design, from the design phase, through marketing and financial education, to the eventual operational model. In all stages, clients were involved to tailor the product, starting with an analysis to obtain key customer insights. In the case of Diamond Bank these were: branches should be next to the market place and women do not want to leave the market place for more than 10 minutes. Pilots revealed a high rating of the women for convenience (i.e. proximity), accessibility and low cost. Other elements that enticed participation are: simple and fast account opening procedures, a free starter pack with an ATM card; prizes and rewards and interest paid on the account balance; simple delivery models, and educational cartoon-like marketing. Furthermore, staff development and training proved important.

The case of Fundación Delamujer (Colombia), as presented by Manuel OLAGO, revealed a similar pattern of research and design, followed by a process of region selection and adaptation to particular rural circumstances. This process resulted in a range of products adapted to the different needs and clients. The Fundación was established 27 years ago, and now has 264 offices in 32 Departments across the country. He particularly stressed that the organisation now avails of 1,237 commercial assessors. Olago distinguished 4 phases in their project approach of listening to clients, covering a period of 1.5 year: 1) research and design; 2) the preparation of pilots, involving capacity building and preparing materials and information systems; 3) execution of pilots including a thorough quantitative analysis; and 4) finally expansion, which was recently started. In the research and design phase, they put much effort into selecting the right regions and the right focus groups. In the adaptation phase following the pilots, they developed a range of products adapted to different needs, dividing their clients into three classes, with star-clients at the top end. Communication proved to be crucial; for instance, by changing the name of the programme, participation of clients increased drastically.

Maria MAY demonstrated that in the case of BRAC, formal and informal types of listening to clients are equally important to come to trustworthy and practical solutions. She started by providing a background on BRAC's comprehensive approach to poverty reduction, focusing on a variety of needs. She stressed the importance of finding a balance between listening to clients and bringing additional information into the system which a service organisation has access to, but clients have less or no access. She pointed out that informal sources of client feedback are often ignored. In contrast, BRAC specifically considers obtaining

informal information as good practice, and does so through focus group discussions. For BRAC this is the stepping stone for product development, i.e. looking for 'bright spots' (e.g. 'stars and saints' compared to 'merchants and low performers'). As a conclusion, she articulated the need to create and nurture mechanisms for listening to clients and staff, to systematically track people and patterns, and finally to enable ongoing pilots and 'tweaks'.

DISCUSSION

Yekbun Gürgöz confirmed the good practice of gathering formal and informal feedback, and asked what motivated Fundación Delamujer to design a new lending product for rural women. Olago mentioned that their clients were asking for different products, while at the same time Fundación Delamujer wanted to differentiate itself from other service providers. Based on this process, it now finds itself much more aligned with client needs. On the question of how to make an organisation more responsive, May answered that proper staff orientation, an open door policy, and the education of and listening to clients is key. Gincherman added that there are many contexts and backgrounds to be understood, thus emphasizing the need for a strong research component and a marketing department responsive to clients' needs. This requires a systematic approach and evolution to refine products.

When asked how to deal with less formal procedures for savings systems in relation to working with cash and security, Gincherman emphasized the need to start simple and build a footprint first, but also admitted that there are certain restrictions in the system. In this sense, good analysis is crucial to show a way to profitability within three years. This is important to her organisation, as they are not subsidised; they work with their own investments. May added that awareness-raising is contributing to microfinance success, hence most BRAC staff is trained to also work on developmental aspects.

Gürgöz further asked how much of the qualitative and quantitative analyses are arranged externally. According to Gincherman, they work in partnerships with external partners, while Olago added that this is particularly important to validate and adapt their practice. May confirmed this requirement of external input as a way to 'look from outside the box'.

MICROFINANCE AND THE MDGs – BEYOND 2015

Moderator	**Maria LARGEY**, CDC Group plc
Speakers	**Maude MASSU**, CARE International UK
	Mathilde BOUYÉ, French Ministry of Foreign Affairs
	Isabelle BARRÈS, The Smart Campaign

PRESENTATIONS

Maria LARGEY opened the session by stating that 2015 is approaching and the High-Level Panel had already submitted its report containing recommendations for the post-2015 Goals in May 2013. Microfinance has been brought to the top of the agenda, as financial inclusion is relevant both for the Millennium Development Goals (MDGs) as well as the new Goals.

Mathilde BOUYÉ stated that the Post-2015 Development Agenda includes 12 universal goals (and 54 targets). Two of these goals make specific reference to finance (Goal 2 and Goal 8). According to the French Ministry of Foreign Affairs, microfinance has assisted

the MDGs in many ways. As a point of departure, 87 million people gained access to basic financial services through microfinance. MFIs have targeted and succeeded in reaching the poorest of the poor. These populations are usually forgotten by public policies, due to a bias of the MDGs to target people very close to the poverty line. Apart from contributions to higher income, microfinance can support poor households by facilitating access to healthcare and education, improved housing and promotion of gender equality. Furthermore, microfinance has strengthened the resilience of households to cope with financial shocks by building their savings. Last but not least, it has contributed to sustainable economic development of communities by putting facilitating practices in place and increasing community participation.

However, Bouyé emphasized the importance of an appropriate regulatory framework for microfinance and responsible microfinance initiatives, ensuring that the poor are not further impoverished by locking them in a cycle of debt. She stressed that it is of vital importance to include all actors in the Post-2015 Development Agenda and not only governments. Bouyé closed her presentation by referring to the four recommendations made by the Humanitarian Accountability Partnership (HAP) on how microfinance can assist the post-MDGs. First of all, microfinance can be a powerful tool when the target is the poorest of the poor. Second, the future agenda needs to include the economy, society and the environment; microfinance should target all three levels. Third, these goals need to be universal, not solely focusing on the developing world, but also incorporating OECD countries, where cooperation and partnerships can flourish and result in the creation of innovative mechanisms. Fourth, there is an increased need for global partnerships. There are no dominant donor-recipient relationships anymore. As such, the private sector and microfinance actors should be encouraged to participate in the debate.

Maude MASSU discussed the need to focus on all three levels: micro, meso and macro when aiming to provide a lasting impact with microfinance. On the micro level, scalability is essential when the target is the poorest. On the meso level, formal financial institutions (including banks, savings and credit cooperatives and MFIs) need to facilitate graduation of those climbing up from the bottom of the pyramid. Microfinance institutions need to provide them with more diversified, fair and transparent financial products (e.g. savings, credit and insurance) so that they can ensure the security of their funds as well as diversify and increase their investment in income generating activities. On the macro level, a wide range of stakeholders (i.e. government, private sector, NGOs and regulators) should work together at national level to deepen financial inclusion of the poorest. CARE's engagement at global level is also important to encourage national initiatives. Massu concluded her presentation by stating that the more proof there is that financial inclusion (specifically through savings-led approaches as CARE's programmes demonstrated) has assisted the MDGs, the more support microfinance will gain in the Post-2015 Development Agenda.

Isabelle BARRÈS talked about the Centre for Financial Inclusion (CFI) that was launched in 2008 to help achieve full financial inclusion worldwide. CFI defines full financial inclusion as a state 'in which everyone who can use financial services has access to a full suite of financial services, provided at affordable prices, in a convenient manner, with respect and dignity'. In this vision, financial services are delivered by a range of providers in a stable, competitive market to financially capable clients. She added that this vision links quality, in terms of what clients receive and how they receive it, with outreach as a twofold foundation of financial inclusion. She then talked about the 'Financial Inclusion 2020' movement (FI2020) and highlighted the wide range of actors that have been involved in shaping its vision and planned actions. In the past few years, FI2020 has been working on several key work streams, led by key industry players: Citi Foundation on financial capability, CGAP on addressing customer needs, Visa on technology-enabled business models, International Financial Corporation (IFC) on credit reporting, and The Smart Campaign on client protection. After the recent FI2020 Global Forum that provided an opportunity to set the stage and share the vision and challenges for reaching full financial inclusion by 2020, the challenge is now to identify and prioritize concrete actions.

DISCUSSION

The discussion started with Largey asking Massu whether the role of microfinance in achieving the MDGs was direct or not. Massu explained that savings-led microfinance as conducted by CARE over the last 20 years has assisted MDGs, both directly and indirectly, by for example improving food security, access to health care, education and empowering women. She emphasized that the role of partnerships, especially at a local level, was crucial in achieving this impact.

Next, the moderator asked Barrès whether the lessons learned from the

MDGs have been incorporated in the FI2020 Agenda. Barrès commented that it is a learning process: "We are learning more every day and will continue to do so as more concrete success stories emerge from implementing the vision of full financial inclusion." A representative of ACP/EU Microfinance commented that microfinance is shifting from a sector to an instrument facilitating improvement in other sectors. This requires new partnerships between various types of institutions with different capacities and from different sectors. This raises the question on what types of instruments are in place to support microfinance as a tool. For example, when linking microfinance with agriculture, it is very difficult for donors to link the credit side with the capacity building and technical support to farmers while assuring sustainability.

Massu explained that, from CARE's perspective, it is very important to engage with local partners and stakeholders, as well as to work as a facilitator and not as an actual implementer. Training local partners to assist and build the capacities of the target population and linking them with local service providers is the key to assure sustainability. Moreover, partnerships with the government and specific ministries are highly important to ensure that proper regulation is in place to allow for a lasting and sustainable impact.

The moderator closed the session by sharing the key outcomes: financial inclusion and microfinance have contributed to the MDGs in many direct and indirect ways. As such, it is clear that financial inclusion has a key role to play in the post-2015 Goals, especially when the target is reaching the extreme poor and excluded communities. However, there are some points to consider: market conduct needs to be appropriate and regulations should be in place. Partnerships in general, and especially between private and public actors, will be essential.

RESPONSIBLE MICROFINANCE: **IMPLEMENTATION ON THE GROUND**

Moderator	**Cécile LAPENU**, Cerise / e-MFP
Speakers	**Delphin NGAMIJE**, MFI Duterimbere
	Aïda GUÈYE, Oikocredit
	Wilson TWAMUHABWA, MFI UGAFODE
	Jody RASCH, Moody's Analytics

PRESENTATIONS

Cécile LAPENU opened this session by explaining that its main objective was to translate the concept of responsible microfinance into concrete terms, showing how different institutions have managed to improve their focus and now have a better impact on the client.

Delphin NGAMIJE briefly introduced the work of Duterimbere in Rwanda. He continued his presentation with a specific focus on the ADA-BRS Factsheet, a tool adopted by Duterimbere in 2005, which allows the MFI to monitor its financial performance and to present it clearly to the Board of directors. Ngamije affirmed that this tool is much more 'talkative' than financial statements. In terms of monitoring the MFI's social performance, he revealed that an upgraded version of the MFI Factsheet was recently developed, which includes 14 extra social indicators and 8 graphs for trend analysis. Ngamije admitted his initial doubts on using this tool to measure social performance, especially regarding its usefulness for the MFI's operational management. Nonetheless, he concluded that adding the social performance indicators to the MFI Factsheet has been crucial. Ngamije also presented Duterimbere's next steps to the audience, highlighting the development of a manual for the use of social performance indicators, further discussion with users, refining data collection practices and conducting training.

Bringing the perspective of a social investor, Aïda GUÈYE presented

Oikocredit's Social Performance Mentoring Programme, with a focus on its implementation in West Africa. As a point of departure, Guèye elaborated on the main challenges that MFIs face in implementing Social Performance Management (SPM), including difficulties in prioritisation and lack of internal or market capacity to support SPM. In response to these challenges, Oikocredit's mentoring programme was designed to train local mentors in supporting MFIs to identify and implement 'quick wins', as well as to build understanding and commitment at the Board, management and staff levels. She clarified that the mentoring programme started in East Africa, and only then expanded to West Africa and beyond. Guèye then explained the various steps in the programme's process, from the selection of mentors, to actual implementation, to a final capitalisation workshop. In addition to external mentors (consultants), one important aspect of the programme is the use of internal mentors (champions), whose essential role is to facilitate the implementation process. Guèye concluded her presentation by briefly describing the implementation of the programme in two MFIs in Senegal and some first outcomes at client level.

Wilson TWAMUHABWA presented the efforts of UGAFODE in Uganda to adopt SPM in its operations. He contextualised the situation of this MFI which, in spite of a strong start, reached a low point in 2010. At that point, UGAFODE had lost clients' trust; this situation called for urgent solutions. Twamuhabwa admitted to having remained sceptical, during his initial meeting with Oikocredit, on whether SPM would indeed be the solution to UGAFODE's problems, but ended up agreeing on such interventions. He explained that, over 12 months, UGAFODE implemented a number of 'quick wins' to deliver increased value to clients. These 'quick wins' covered five different areas: establishing an entry point, incorporating SPM in strategic objectives, increasing outreach, creating benefits for clients and adopting client protection principles. Twamuhabwa concluded that SPM brought sanity back to UGAFODE and to microfinance at large, allowing for the integration of social and financial goals. Nonetheless, he admitted that the process presented several challenges such as getting a clear buy-in of top leadership, effective integration of SPM into operations, as well financial constraints and the difficulty in tracking SPM indicators.

Representing Moody's Analytics, Jody RASCH brought the Human Resource (HR) perspective to the discussion on SPM, explaining that there are core HR values which need to be in place for an MFI to effectively implement SPM. He further elaborated on how this concept fits into Moody's Framework for Assigning Social Performance Assessments, highlighting that HR is one out of six different areas of this framework. When evaluating HR specifically, Moody's takes several factors into account in the form of a scorecard: organisation and facilities, code of ethics, hiring policies, culture of delegation, fair compensation, staff skills and training, promotion, retention and finally staff incentives and audit. Rasch emphasised that the scorecard does not work with linear indicators, but has a grading system which allows for more thorough data collection. Rasch also called attention to the importance of establishing partnerships with local organisations when conducting a Social Performance Assessment. He then presented two examples in Kenya and Nicaragua, in order to illustrate Moody's use of the scorecard on the ground.

DISCUSSION

In response to a question by the audience, Guèye opened the discussion by explaining how consultants are involved in Oikocredit's programmes through calls for proposals. She clarified that Senegal presents a special context, where Oikocredit works in partnership with Terrafina Microfinance, which has already worked with consultants. In Togo, Oikocredit had to specifically invest in training the consultants involved.

The second discussion point dealt with the availability of funds to support MFI action plans once they have identified their weaknesses and needed improvements. Guèye clarified that Oikocredit's programme consists of mentoring processes, whereby the main goal is to advise MFIs on the actions they can easily implement with their own human and financial resources. However, if specific and relevant opportunities are identified during the workshop, Oikocredit might be able to support them.

The audience also advised Guèye to involve national network associations (apex) in Oikocredit's programmes, which would result in a higher impact and create a sustainable action framework at the national level. Guèye revealed that, in the case of Senegal, the APSFD (Association Professionnelle des Systems Financiers) was already invited to workshops throughout the programme. Nonetheless, she also noted that one of the lessons learned was that Oikocredit needs to create a mechanism to work more closely with them.

In response to another question by the audience, Guèye clarified that SPM is not mandatory for MFIs with which Oikocredit collaborates. Although it is part of Oikocredit's governance framework, Guèye noted that it is not a minimum requirement for MFIs to access funds.

Nonetheless, she emphasized that Oikocredit does work on raising awareness among MFIs on the importance of SPM.

On the request of a member of the audience, Rasch clarified that Moody's uses a multi-step process in assessments, which begins at analysing the MFI's documentation. This step is followed by interviews with the MFI, which helps Moody's to fill in gaps and complete the scorecard. Consequently, a site visit is scheduled, whereby Moody's makes sure to visit smaller branches and to talk to clients as a means to verify the information provided by the MFI. Once these steps are completed, Moody's presents the report to the MFI, which can still add extra documentation and amend the final version. The report is then presented to a global rating committee and once the final report is presented to the MFI, the institution can still choose whether it will be made public. Rasch drew attention to the fact that some MFIs prefer to make the report public as a means to attract donors and investors.

BUILDING AN EFFECTIVE SAVINGS CULTURE: **FINANCIAL SERVICES FOR THE NEXT GENERATION**

Moderator	**Jared PENNER**, Child and Youth Finance International (CYFI)
Speakers	**Niclaus BERGMANN**, Sparkassenstiftung für Internationale Kooperation
	Grzegorz GALUSEK, Microfinance Centre

This session aimed to identify issues to be tackled in building a savings culture among youth and to share best practice strategies. Jared PENNER first invited the audience to join in a brainstorming session on lessons learned and challenges in developing a savings culture among young people. The outcomes of this session revolved around several main issues:

- There needs to be licensed financial institutions taking deposits and offering young clients the right to save; either stemming from regulation or from institutional practices. Linking informal savings groups, especially those based in schools, with formal financial institutions can offer opportunities in this respect.
- Youth income, either their own income or allowances from family members, is generally low, making it difficult for young people to find sufficient resources to save. Youth perceive their current financial needs as more pressing than saving for long-term financial goals and the sustainability of their future livelihoods.
- Financial institutions must provide incentives for young people to save, either through higher interest rates, lower minimum balances and complementary services.

- Cultural issues need to be taken into account; saving is not a universally accepted concept and in some cultures saving is not considered rational or receiving interest is not allowed.
- A savings culture depends on the support of parents, family and the wider community.
- There is a need to make a stronger case to financial institutions that engaging young people helps to build their future client base.

Penner added that even when resources are scarce, building a culture of savings amongst young people is important. A more holistic understanding of the 'spirit of saving' envisions the saving of resources as more than money - encompassing water, food and other resources. Niclaus BERGMANN explained the youth engagement strategy of German Savings Banks, which his institution shares with actors in developing countries. To them, the business case is clear: young savers are future customers. Still, not all banks are equally active in engaging youth. Bergmann provided a best case example from a bank in a deprived region in Eastern Germany, which succeeded in becoming a highly effective organisation in an adverse situation.

The bank identified youth as a vital target group to ensure their future sustainability and designed various services to build a savings culture and entice youth to become clients and remain with the institution. The following examples were shared: parents of new-borns being provided with gift vouchers to be redeemed when a savings account is opened; finance games; youth clubs at local branches; comic books with financial literacy themes; and birthday cards with

from school leaders, to facilitate the training of teachers and promotion of savings groups in schools. Thirdly, working with local leaders and community and savings groups helps to engage with non-school youth. Cooperation between institutions is important to lower costs of developing materials and services. As youth do not become attractive to banks until a much later age, a long-term commitment from financial institutions is needed. The main point is to be there when young people decide on which bank to choose for a current account. It was added that more research should be done on client loyalty over time. It is also important to find the right balance between schools and financial service providers in the provision of financial education to children and youth.

In his closing remarks, Penner summarized the main points from the session:

- Community mentors and parents are important in building a savings culture. Promoters should consider training of trainers and peer-to-peer methodologies for (cost-) effective outreach to young people.
- Both financial service providers and formal education systems play a role in financial education. Important context-specific questions to be answered are the division of responsibilities and how financial education is introduced into the formal school system, either as a stand-alone subject or integrated into existing course material.
- Engaging with government is important, including awareness raising, capacity building and technical assistance to ministries, education boards and central banks to develop strategies, systems and tools for youth finance.
- To effectively support a savings culture among youth, it is important to go where the youth is and to identify teachable moments that make financial literacy most relevant for young people.

an invitation to open accounts. Furthermore, the bank has specific offers for youth (e.g. higher interest rates, free accounts) and engages with teachers by providing them with training materials. Long-term cooperation with school boards and offering materials that include financial literacy in curricula is vital for the active cooperation of schools and teachers. This package has proven its effectiveness, with the bank having an outreach of 92% within the age group of 14 - 15 year olds; a key age when most children get a checking account. As 80% stay on as clients, the business case is evident to Bergmann, especially considering the expenses associated with acquiring clients at a later stage.

Grzegorz GALUSEK shared his experiences with youth finance at the Microfinance Centre in Poland. The Centre focusses on microfinance policy development, financial literacy and indebtedness. Financial literacy for youth has been part of its services for a long time. Experience shows that awareness raising and behavioural changes are needed, instead of only transferring knowledge from one generation to the next. Building local capacities of MFIs and microfinance stakeholders is vital. The Centre is also active in supporting the development of national financial literacy strategies with different stakeholders, such as ministries, grass-roots groups and MFIs. In terms of technical assistance, Galusek mentioned working with MFIs to develop services, such as text-message reminders to encourage clients to use their savings account.

A long-term vision is needed for effective youth engagement, which is often outside of the project horizon of donors and governments. This makes establishing or supporting local resource centres important. In terms of practical lessons learned, Galusek stated that including additional modules in education is usually not feasible. Instead, financial literacy can be effectively included in other courses, such as economics or mathematics. It is also important to prepare proper materials for teachers and engage youth at the right time and place through appropriate 'teachable moments'.

The discussion then turned to the costs of youth engagement, and how to make strategies more effective. A comment from a Rwandan participant mentioned different models to make outreach more sustainable. Firstly, train-the-trainer concepts are promising, allowing for peer-to-peer training among youth. Secondly, he mentioned ensuring buy-in

ALTERNATIVE MODELS TO FUND MICROENTERPRISES: **P2P LENDING AND MICROEQUITY**

Opening	**Caroline LENTZ**, European Microfinance Network
Moderator	**Mirko BENDIG**, evers&jung
Speakers	**Yasmine HAMRAOUI**, Babyloan
	Gloria ESTAPÉ-DUBREUIL, Universitat Autònoma de Barcelona
	Cécile DAMBRICOURT, FinanCités

PRESENTATIONS

Caroline LENTZ opened the session with a presentation on the European Microfinance Network (EMN) and the Joint Action to Support Microfinance Institutions (JASMINE), for which EMN provides microfinance development services. EMN supports its members with capacity building, networking and information exchange activities, and advocates on their behalf with EU and national governments. Lentz noted that microfinance is young and heterogeneous, and this has led to the introduction of various initiatives at the EU level to support microfinance, such as JASMINE. The programme provides technical assistance to selected MFIs in Europe, focusing on institutional assessments, tailor-made training and microfinance development services. EMN provides the microfinance development services for JASMINE, consisting of workshops on good microfinance practices and a helpdesk for more information on microfinance in the EU.

Mirko BENDIG introduced the topic of this workshop by explaining the benefits of alternative funding models such as peer-to-peer (P2P) lending and micro-equity. P2P lending has less fixed costs, lean and faster processes, and a higher outreach and potential to reach scale. Micro-equity can provide new capital for entrepreneurs, has no strict repayment rules and high interest rates, and aims for a continuous value addition to the supply chain. Bendig closed his presentation with two open questions to the speakers: Are micro-equity and P2P-lending new ways to boost the growth of microenterprises in the medium-term? And are they on their way to replace traditional microloans?

Yasmine HAMRAOUI continued the session by presenting Babyloan's lending initiative in a wider framework of crowdfunding models. She explained crowdfunding as 'the collective effort of individuals who network and pool their money, usually via the Internet, to support efforts initiated by other people or organizations'. Crowdfunding is most popular in North America and Europe and mostly focusses on donations or lending. In particular, lending initiatives to fund microbusinesses have shown significant growth in recent years, in part due to the failure of the financial system to answer to their funding needs. Hamraoui notes, however, that these models are not replacing traditional models, instead challenging them by providing additional funding options. Crowdfunding is also increasingly regulated and supported by government, which Hamraoui illustrates with new legal frameworks in the USA, France and Italy.

Babyloan has tapped into this trend by establishing the first European philanthropic micro-lending platform. This internet-based platform allows the collection of interest-free capital, providing a source of low-cost financing to MFIs. This enables them to increase their loan portfolio, expand their outreach and ultimately lower the interest rates they charge to their clients.

Gloria ESTAPÉ-DUBREUIL presented the findings of her research on the 'Investment Clubs for an Alternative and Local Management of Solidarity Savings' (CIGALES) movement in France. The movement started in 1984, when the first club was established. The coordination between clubs is done through regional associations and a national federation. Although each investment club has its own legal form and is independently managed, a Charter sets the main principles of the movement. A club is made up of 5-20 people, who deposit part of their savings on a monthly basis for five years. Once enough money is collected, the club starts looking for suitable investments, which

take the form of minority stake for a period of 5 - 10 years. After exiting all investments, approximately 10 years later, the club dissolves.

Estapé-Dubreuil concluded that these 'micro-angels' are different from microcredit, because micro-equity also bears downside risk when a micro-entrepreneur is not successful. She stressed the innovative nature of the movement, with relatively low expectations on returns and incorporating a responsibility to guide micro-entrepreneurs. High survival rates of supported micro-enterprises clearly demonstrate the effectiveness of the approach. However, exiting an investment remains a challenge for clubs as it is difficult to find buyers for microenterprises. Estapé-Dubreuil concluded that further research is needed on how the CIGALES system can be adapted to developing countries.

Cécile DAMBRICOURT shared her experiences in FinanCités; a social venture capital company which finances the

growth of microenterprises in underprivileged urban areas. The company has a social business model focused on generating sufficient turnover to cover costs and investment losses. Most clients of FinanCités are entrepreneurs with a low education level and a lack of management skills. Furthermore, they are often excluded from formal financial services. As such, most enterprises are financed by the entrepreneur's own savings, or by savings of families and friends. FinanCités aims to service these entrepreneurs by providing micro-equity or participating loans.

FinanCités is still searching for the right method to achieve its aims. Profitability is challenging due to particulars of its target group (e.g. low education and management skills, financial illiteracy) and is further complicated by the high risk profile of the venture capital sector. A final challenge is asymmetries in information. As a result, FinanCités needs to pay relatively more attention to mentoring.

DISCUSSION

The discussion was started by a question whether business incubators are used in the initiatives presented. According to Dambricourt, this is often not the case, as many incubators focus on IT start-ups. The discussion continued with a comment that most investments presented closely resembled charity. Estapé-Dubreuil replied that in the case of the CIGALES, investment clubs donate more time than money, but also agreed that in many cases the return on investment cannot be expressed in financial terms. Hamraoui added that most investors are 'samaritans´ which aim for a social return more than a financial return on investments. She continued by adding that the presented initiatives have increased in popularity as a result of the financial crisis. Investors increasingly demand transparency of their investments. The crowdfunding models presented provide investors a more direct link to their investments.

The discussion then turned to the direct connection between micro-investors and microbusinesses as a result of crowdfunding platforms. How can you keep control on your investments during the implementation? Hamraoui recognized this issue and mentioned that Babyloan uses the MFI as a curating intermediary for screening and monitoring. As such, the platform is interesting for MFIs as a low cost source of capital for the MFI.

MICROFINANCE AND HOUSING

Moderator	**Daniel ROZAS**, e-MFP
Speakers	**Patrick McALLISTER**, Habitat for Humanity International
	Renan MÁRQUEZ, MFI CACIL
	Wilson TWAMUHABWA, MFI UGAFODE
	Suresh KRISHNA, Grameen Financial Services Private Ltd.

PRESENTATIONS

Daniel ROZAS referred to the opening plenary in terms of the variety of products microfinance now offers in order to satisfy the diversity in customer needs. He mentioned that housing is one of these products and proceeded to introduce the speakers.

Patrick McALLISTER stated that 1.6 billion people live in poverty housing and more than 500 million people in Asia live in slums, lacking safe and decent homes. Poor populations lack formal property rights and formal income to become eligible for a mortgage. Habitat for Humanity International assists these people to improve or build their house through a variety of programs including the MicroBuild fund. The fund provides capital on terms appropriate to allow MFIs to offer home improvement loans, combined with technical assistance (TA) to MFIs. He commented that TA is very important for market research, product development and product testing. Housing loans have a minimum 2 years repayment period. McAllister argued that there is increased need for longer term loans which are better adapted to financing needs for housing.

Suresh KRISHNA, Managing Director of the Grameen Financial Services Private Ltd. (GFSPL), explained that for many years, microfinance clients have been demanding loans to repair or build their homes. He mentioned that there was a clear need to get involved as 90% of the rural housing shortage in India comes from people living below the poverty line. Clients of GFSPL belong to the bottom of the pyramid and most lack formal income and property rights. He explained the housing loan process and mentioned the challenges of the sector, in particularly the high interest rate (22%). Krishna concluded his presentation by stating that housing may be a challenging sector for microfinance, but that we need to consider that when people have a house to live in, their living standards improve, automatically making them a safer investment. This is especially relevant, as these are often also clients of other microfinance products.

The scope of the session then shifted to the MFIs. According to Renan MÁRQUEZ, 57% of people living in Honduras do not have a home or live in a poor quality house. The demand for housing is so large that the government and non-governmental organizations cannot meet it. At the same time, housing products of the formal financial sector are designed for those working in the formal sector, leading to the exclusion of a large part of the population in both urban and rural areas. MFI CACIL, a savings and loan cooperative, initially created products targeting those with monthly wages, but soon shifted its policy to include people working in the informal sector with quarterly or semi-annual income. Márquez mentioned that MFI CACIL provides loans for constructing or maintaining houses with no requirements on specific house-size or materials used, with no premium, and with the lowest interest rate (8% if the loan is given in US$). He concluded his presentation by mentioning the challenges faced. He specifically stated the need to identify

external sources of funding to supplement savings from the cooperative.

Wilson TWAMUHABWA started his presentation by explaining the two housing micro-products UGAFODE offers. The first one is a flexible housing loan that was created based on research conducted in 2006. The research revealed an increased need by customers for a low cost housing loan product. Moreover, a loan portfolio analysis showed that 30% of general loan products were being diverted for housing purposes. The second product is a micro-mortgage loan that offers more capital than the flexible housing loan and has a longer repayment period.

Twamuhabwa discussed the future perspectives and mentioned that owning a house is a key factor in defining status in Uganda and there are many opportunities as demand is high. However, high demand for housing loan facilities calls for funding support. Furthermore, housing microfinance is unlike any other microfinance product and requires technical assistance in construction. He emphasized that strong working relationships between partners and effective management client relationships are key for future scale-up of housing microfinance.

DISCUSSION

The discussion focused on the profitability of housing portfolios in microfinance. According to Krishna, housing is not profitable as a stand-alone business due to the high borrowing cost for the MFI and the low loan density. However, he added that housing loans are usually complementary to other types of microfinance products and therefore can add to the profitability of the institution at a slight incremental cost. Twamuhabwa commented that housing should be viewed as a social product that customers need and institutions should be willing to provide.

The moderator then addressed McAllister by asking whether MFIs have an advantage in financing housing micro-products. McAllister replied positively by mentioning that many MFIs perceive housing not as competition for their existing loans but as an additional product their customers want and need, and so are willing to receive smaller profit margins on those loans. Therefore, in the case where the client also has a business loan, the MFI often receives higher returns on the combined products. Moreover, housing loans are often complementary because home improvements can also help a microenterpreneur's business. Krishna also added that housing loans can increase client loyalty and build long-term relations with customers.

Paul Thomes of RWTH Aachen asked why interest rates are so high and the repayment period so short while in Europe you can have a mortgage with extremely low interest rates and much longer repayment period. Krishna commented that this has been a constant struggle for MFIs. He explained that the reasons are high lending costs by MFIs and the high government taxation imposed on MFIs. Twamuhabwa added that it is expensive to do business in a developing country. McAllister stated that costs of funds for housing lending are higher in developing countries. The mortgage market in developed countries is supported by a sophisticated secondary market, which is not the case in most developing countries. And even where housing loans are securitized, most MFIs are not able to provide mortgage loans.

THE ROLE OF FINANCIAL MARKET INFRASTRUCTURE IN BUILDING FASTER FINANCIAL INCLUSION

Moderator	**Minh Huy LAI**, CGAP
Speakers	**Fabrizio FRABONI**, International Financial Corporation (IFC)
	Blaine STEPHENS, MIX
	Sachin S. VANKALAS, LuxFLAG

ROUNDTABLE DISCUSSION

Minh Huy LAI introduced the subject matter by stressing that financial infrastructure is indispensable for the proper functioning of financial markets. Financial infrastructure not only refers to banks and bank accounts, but to a whole range of financial services, information services, settlement and clearing systems, credit and social performance rating agencies, legal services and of course, a regulatory framework. In this sense, it functions like an ecosystem, in which institutions are adapted according to local needs. Appropriate financial infrastructure is particularly relevant for financial inclusion of the bottom of the pyramid.

It was discussed that much more effort is needed to overcome challenges in terms of fragmentation of services and information. In this sense, Fabrizio FRABONI mentioned information-sharing as an important prerequisite for the proper functioning of infrastructure. Blaine STEPHENS added a number of other factors, such as the credit black list sharing in Morocco (which unfortunately never achieved scale) and incentives for adoption, requiring a change in current behaviour. This, according to Sachin S. VANKALAS, requires rating and labelling to ensure quality of operations, the financing of which is often not covered by MFIs. Stephens responded that such services do not serve the direct interest of servicing clients and also require additional communication efforts. It is particularly important to develop the value proposition for communication when seeking funding for such efforts because the benefits of infrastructure are not as immediately obvious as direct services to clients. We need to provide the tools to funders for them to be able to make the case for supporting infrastructure projects within their own organizations.

In this respect, Fraboni explained it requires the users to know how to use infrastructures, such as credit bureaus. In other words, how much of the infrastructure is known to all those who could potentially benefit from it, hence having the right focus to use and develop it. According to the audience, this is also complicated due to the competition among the players within the infra-structure.

Lai asked the speakers what could be done to strengthen the players in the financial infrastructure. According to Vankalas, this can be achieved by strengthening initiatives like The Smart Campaign and social impact networks. For Stephens, this would require better information systems and services. Fraboni added that concentration or fragmenta-tion of infrastructure varies substantially between different situations and countries. In general, if there is no regulation, the effects are not very positive for clients. Thus, commented Lai, in that respect, financial infrastructure could be considered as a public good.

Someone from the audience remarked that it should be in the interest of the regulators, such as central banks, but for some reason such a model is not taken on in the case of microfinance (i.e. regulatory framework under supervision of the central bank). It is therefore important to rethink microfinance systems in terms of legal frameworks. On this point, Lai asked the audience if there are also other possible solutions. Vankalas commented that the international rating industry could perform such a function, although currently there are many differences and a lack of uniformity. According to Moody's, there are not many incentives for rating agencies to harmonise. The fact that in some countries there are private and public rating agents, is adding to the confusion.

Subsequently, Lai then asked what could be proposed if we are aware and understand these complexities. Fraboni responded that much can still be done concerning more mature regulatory frameworks in microfinance. This requires deeper understanding and in-depth analysis. Stephens added the importance of information exchange and the incentives for adoption. He noted that the Financial Transparency Award was a good example of a short term (3 - 4) year investment from funders that helped raise awareness of International Financial Reporting Standards (IFRS) compliant information and disclosures in audit reports with a long-term impact of improving availability of good audit reports by MFIs beyond the life of the program. In this sense, the award targeted the right incentives (recognition for financial transparency) and coordination (training programs for local auditors) to make this impact. Others mentioned a need for improved transparency and stakeholder dialogue, and advancements in legal systems. For some, this would require subsidies to create public-private collaboration, in which the public part could fund the regulatory framework, and the private part (banks, MFIs, other users) could pay for the rating infrastructure. In this sense, it is important to determine

what the market requires, and define models for collaboration. There are too many datasets, not necessarily always providing what is needed, thus requiring standardisation and harmonisation. We could envisage a value chain of information, in which it becomes possible to define who is paying for what kind of service and at what is the added value of a specific component of the chain. This could also define which part needs to be subsidised.

It was concluded that there is still a long way to go. More coherent collaboration and information sharing, as well as proper regulatory frameworks guided by central banks, are vital for the extension of financial services, in particular vis-à-vis clients at the bottom of the pyramid. Financial inclusion infrastructure requires public and private financial support for additional technical assistance, the rating and labelling of value-added services, and more precise, harmonised and standardised data. In this respect, it is crucial to entice strategic collaboration and avoid duplication and competition.

THE DUE DILIGENCE PROCESS: **A KEY PROCESS IN ASSESSING THE SUSTAINABILITY OF AN INSTITUTION, MAIN CHALLENGES AND OPPORTUNITIES**

Moderator	**Raphael BETTI**, European Investment Fund (EIF)
Speakers	**Riccardo AGUGLIA**, European Investment Fund (EIF)
	Georgi BRESKOVSKI, Mikrofond AD
	Aldo MOAURO, MicroFinanza Rating
	Tatyana DOLGAYA, BFC Consulting

PRESENTATIONS

Raphael BETTI started the session by stressing the importance of due diligence processes in order to assess the sustainability of an MFI. This session aimed to show the main challenges and opportunities from different perspectives.

Aldo MOAURO stated that MFIs differ in terms of sustainability, which can be identified by due diligence processes. Rating services are useful tools to determine the sustainability of MFIs. Moauro then explained the services of MicroFinanza Rating. Pre-ratings are diagnostic tools to identify the main internal weaknesses and external threats alongside existing opportunities for the institution. The main service of Micro-Finanza Rating is institutional rating, which provides an assessment of the long-term sustainability and credit-worthiness of an MFI by measuring the probability that MFIs continue to operate in case of unexpected events. Social ratings are their newest service and assess an MFI's capacity to put its social mission into practice.

Moauro proceeded with the framework of rating services by explaining the different risks for MFIs and how they relate to: 1) performance, i.e. the financial and operational results; and 2) reputation, i.e. responsible finance and client protection. He also highlighted the differences between impact assessments and social ratings. The latter focuses on the process, including social responsibility towards staff, clients, communities and the environment. Impact assessments, on the other hand, focus on final outcomes.

Tatyana DOLGAYA presented her experience in due diligence processes, focusing on common problems and success factors. She showed the most frequent causes of low risk scores and provided suggestions on how MFIs can make a better impression during the due diligence process. She highlighted that quality monitoring and reporting of the portfolio can be improved by showing familiarity with metrics and by providing reports as evidence. In order to make a better impression during the due diligence process another suggestion related to underwriting and credit administration, which are not only about assuring a good asset quality. An MFI has to show understanding of how borrower cash flows will lead to repayment. Her third recommendation related to good corporate governance. The MFIs' Board of directors needs to show independence and understanding of risks. Highlighting the effectiveness of internal audits can also support good corporate governance. As a final recommendation, she stressed the importance of the management's ability to control risks, for example by quoting risk limits and sharing the way management responds to risks and changes in policies.

Dolgaya continued with recommendations for due diligence. Transparency is vital; avoiding questions or withholding data are not good solutions and create the impression that management is not competent. Instead, MFIs should clearly state to the due diligence team what is being done to fix problems. Another recommendation was on good preparation. MFIs should designate staff to oversee the process, to respond to information requests in a timely manner and clarify what is expected of the site visit.

Riccardo AGUGLIA presented the due diligence process of the European Investment Fund (EIF). When assessing an MFI for a potential investment, due diligence is key to EIFs selection process. In order to help European MFIs to strengthen their due diligence capabilities, the EIF asks them to carefully prepare this important phase and provides them with a clear overview of the information that needs to be collected during the due diligence. The process starts with a first screening in order to understand financing needs, including a preliminary assessment which identifies the points of attention for the MFI regarding investment needs, risk and portfolio management, legal due diligence and compliance.

Based on the outcomes of the screening, a due diligence procedure is prepared, containing the attention points, due diligence questionnaire and an agenda. During the due diligence visit, many different topics are assessed in order to determine the MFI´s risks. Aguglia closed his presentation by affirming that a successful due diligence can be achieved when an MFI has a clear and well defined strategy in microfinance, operates in a favourable and straightforward legal framework, and has a good balance between financial and social returns.

Georgi BRESKOVSKI presented the MFI perspective on the due diligence process of the EIF. Regarding the EIF application procedure, Breskovski explained that it is a fast process if an MFI is well prepared. Before applying, Mikrofond was audited, which proved crucial for improving reporting on risk analysis and management. A prior rating experience can also improve the quality of the portfolio report.

Breskovski continued with the second stage of the due diligence procedure of the EIF: the due diligence visit. When the preparatory phase results in high quality reports, an MFI is ready for an on-site visit. Client visits are an important part of the due diligence process as it enables MFIs to test whether they understand the client's financial and social needs. Breskovski also found the management interview a real test, as it shows whether you have the right team for the job. Finally, data checks are crucial for good due diligence to search for inconsistencies and collect different opinions on various topics within the MFI.

As to the final steps in the due diligence process, Breskovski complimented EIF for being able to adapt to local realities of MFIs. He added that the contract should not be underestimated as it is sometimes difficult to grasp the essence of the proposed conditions. He closed by stating that after complying with this comprehensive framework, the final stage of the due diligence process, reporting, is relatively easy.

DISCUSSION

Based on a question on the preparation phase, Breskovski mentioned that the better the preparation, the due diligence team can work more effectively. If an MFI has not answered all questions, the process will take more time. He reiterated the importance of putting a staff member in charge of the process. The next question was about the chances of MFIs being rejected before the on-site visit. Moauro stressed the need to identify tailored needs of MFIs. His company first identifies whether the MFI is ready for a rating by doing a pre-rating beforehand. Aguglia added the importance of focusing on both internal and external management processes.

The discussion then turned to the importance of social return to the EIF. Aguglia explained that in its EIF assessment, it first investigates whether there is a real value added through market development and catalytic effect on developing microfinance in a specific area. In addition, the EIF collects information on the social goals of MFIs. Nevertheless, pricing of EIF funds is based on the market, as the EIF should not create distortions on market competition, and on the risk profile of the specific transaction.

A final question was about client protection and the role of The Smart

Campaign. Moauro mentioned that the Client Protection Principle certification of The Smart Campaign is recognized by most rating agencies. The Smart Campaign has put the bar high for this certification, making it hard for non-equipped MFIs to meet requirements.

YOUTH AND EMPLOYMENT

Moderator	**Benjamin MACKAY**, ADA
Speakers	**Jules Théoneste NDAHAYO**, Umutanguha Finance
	Fatma TRIKI, enda inter-arabe
	Shahnoz IKROMI, MDO Arvand

PRESENTATIONS

Benjamin MACKAY opened this session by highlighting that youth unemployment is a hot topic around the globe, especially in developing countries where this population group is increasing at a fast pace. He explained that, in this challenging context, microfinance can play an important role in creating self-employment and entrepreneurship opportunities for youth. Mackay warned that youth entrepreneurship is not a panacea within the microfinance sector, since not everyone can be an entrepreneur, but highlighted that the panellists represented MFIs around the globe which managed to develop successful initiatives in this direction.

Jules Théoneste NDAHAYO shared his experiences from the MFI Umutanguha Finance in Rwanda. He revealed that Umutanguha Finance has 20,900 youth clients (12 - 24 years old), and that 90% of its clients are located in rural areas. The MFI's youth products are based on market research conducted in partnership with the UNCDF, which concluded that youth are bankable, but present a series of constraints. In addition to representing a high-risk group to the financial sector, youth presented other difficulties such as lack of entrepreneurship skills, financial illiteracy and lack of collateral. The latter constraint led to a youth product based on leasing, whereby the MFI buys the necessary equipment for the client's professional activity. When all instalments are paid by the client, the ownership is transferred to them. He explained that this system, which is accompanied by a special training component, led to a number of benefits, including the elimination of collateral requirements, simple evaluation procedures and full financing of the equipment through leasing while reducing the risk that funds are diverted. Ndahayo also mentioned a few challenges, including overwhelming demand in rural areas, the difficulty of monitoring equipment in remote areas and the reluctance of insurance companies to cover some equipment.

Fatma TRIKI briefly introduced the work of enda inter-arabe, highlighting the MFI's 25-year experience in providing clients with different types of loans, financial education and other business development services. Triki focused on its Bidaya

programme, which started in July 2011. Similarly to Ndahayo, she explained that young people face several challenges when starting their own business due to the regulatory and institutional environment, the lack of entrepreneurial skills and because they represent a high-risk group for financial institutions. Triki emphasised that Bidaya focuses on financial inclusion of youth start-ups (older than 18, younger than 35 years old) to promote entrepreneurship among this target group. She explained that the programme combines a loan and a training/coaching component for business planning. Triki highlighted that this programme has helped around 1,800 young people create businesses and 3,450 jobs have been created (directly and indirectly) so far, with an access to credit rate of 36% in 2012. In her conclusion, Triki explained that Bidaya's pilot and evaluation helped enda inter-arabe to realise better financial inclusion and to reduce its risk aversion toward youth by enabling young people with the right support to create businesses and jobs. She also highlighted the importance of creating success stories among the youth community. In addition, loan officers must be trained to deal with this target group and new staff should be recruited to develop and deliver supporting non-financial services.

Prior to presenting the work of Arvand, Shahnoz IKROMI provided a brief insight into the business atmosphere in Tajikistan. She explained that the country was strongly hit by a civil war in the 1990s, and nowadays is characterised by a high poverty rate and a general disbelief in institutions, which is manifested in a hesitance to establish SMEs. In this context, Ikromi revealed that Komyobi – Path to Success, a joint project between Arvand and a local TV and radio company, aims to show clients that building your own business in Tajikistan is possible. She elaborated that one third of Arvand's clientele consists of youth (18 - 35 years old), making the provision of non-financial services very important to the MFI. Financial education is one of the key foundations of Komyobi, a pioneer project with a reality show element which targets start up entrepreneurs who are casted according to their business ideas. The project is currently in a pilot phase, and consists of accompanying the progress and achievements of the competitors, which are broadcasted weekly by mass media. The winner will get the opportunity to participate in a business forum in London. Ikromi explained that participants receive a loan and a series of trainings. By broadcasting the critical steps in the process, the audience also receives financial and business education indirectly.

DISCUSSION

This session's first discussion point revolved around the difficulty of MFIs to finance youth, since start-ups represent a high-risk segment. Ikromi acknowledged this difficulty, and admitted that Arvand does not have a large basis of start-ups. However, she noted that risk mitigation depends heavily on the quality of the MFI's staff, i.e. loan officers and coordinators. As such, Ikromi emphasised that it is important for staff to have knowledge which goes beyond financial issues. Previous business experience can be especially important. Triki also revealed that enda inter-arabe's pilot phase was very difficult. In her experience, the key to success was the mixture between an appropriate theoretical framework, high-quality selection criteria, staff experience and market knowledge.
Triki noted that she finds communication amongst staff members especially important, facilitating 'learning from practice'.

In a separate discussion point, a member of the audience noted that financial education is a means to give poor people hope and asked how the initiatives presented build on this hope to make their interventions more sustainable. Ndahayo mentioned that building on hope and confidence is implicit to any intervention involving youth; in his view, financial education is the designated tool to motivate youth and to help them acquire life skills.

Another member of the audience pointed out that one of the major problems in youth finance is the lack of a track record among this population group. As such, he suggested that MFIs should link up with savings groups in order to build the business capacity of youth before they engage in higher risk activities. In reaction to this suggestion, Ndahayo revealed that a number of initiatives are trying to elaborate on this strategy. He noted that savings groups, without necessarily being linked to MFIs, can be an interesting point of departure for start-ups. Once the client is well prepared, they can be linked to an MFI.

This session's discussion also addressed the issue of partnerships with universities and other educational institutions, as well as possibilities to combine the initiatives presented with internships. Ndahayo explained that Umutanguha Finance does not offer internships, but they do have a vocational training centre which links their clients to financial institutions. Ikromi revealed that Tajikistan has specific programmes for microfinance training targeting youth, enabling individuals to get a certificate. Triki noted that her experiences with universities are two-fold. Firstly, partnerships between enda inter-arabe and universities have made microfinance courses targeting youth viable. Secondly, enda inter-arabe regularly participates in events for university students who are looking for jobs.

MICROINSURANCE INVESTMENT OPPORTUNITIES

Moderator **Thérèse SANDMARK**, Grameen Crédit Agricole Microfinance Foundation

Speaker **Estelle LAHAYE**, CGAP

PRESENTATIONS

In this session, Thérèse SANDMARK aimed to explore new frontiers in and the potential of microinsurance investment. She presented a landscape study done within a project of the Microinsurance Network Funder Discussion Group, which is facilitated by her organisation, Grameen Crédit Agricole Microfinance Foundation, and CGAP. The study which was carried out by consultants, BFA, looks at microinsurance and microinsurance investment.

She described microinsurance as insurance for the un-served and under-served market by providing low-premium products to the bottom of the pyramid. The sector has recently experienced strong growth, from 78 million people covered in 2007, to 500 million in 2012. Also, 33 of the 50 largest insurers worldwide now offer microinsurance compared to 7 in 2005. However, the potential market is much larger and demand is growing in excess of 10% per year. Of the 500 million people covered by microinsurance, 80% live in China and India, which both have state backed programmes. Coverage is much lower in Latin America and especially Africa (mostly funeral insurance). Regulated commercial insurers are key to increasing outreach in both regions, particularly in Africa, where only a few policies are provided by commercial insurers. Still, the African market is increasingly dynamic, especially in terms of insurance sold through mobile phones (m-insurance).

She explained how m-insurance is changing the landscape rapidly. The majority of new models are loyalty or 'freemium' based, where consumed airtime is converted into a life insurance coverage paid by the telecom company. These models can reach scale fast by leveraging the mobile network operator's client base. Coverage and pay-outs are currently limited, but systems include possibilities to extend coverage when clients gain further trust in insurance. Market dynamics are also driven by regulatory 'innovation', with countries establishing specific microinsurance regulations.

Turning to the investment landscape, Sandmark explained that the research identified 23 microinsurance investments. These are backed by a limited number, but diverse range of investors, including development finance institutions, private development investors and investment funds. As a nascent investment class, microinsurance remains limited and lacks structure. Investors indicated having to adapt investment criteria to support investments (below minimum size of investment, cash flow requirements).

Although with smaller size of investments compared to Latin America and Asia, the study showed strong deal activity in Africa. Most investments are either during early stages of initiatives (e.g. seed capital) or when they are firmly established. Few invest in initiatives around their break-even point. As there are few insurers with substantial microinsurance portfolios, Sandmark mentioned five options for investors: dedicated microinsurers, technical service providers, brokers and intermediary, distributors (e.g. retail banks, MFIs and Mobile Network Operators (MNOs)) and mainstream insurers going downstream.

The study identified three focus areas of microinsurance investments, either around capital or secondary needs (e.g. business development and agents). A channel approach can reach scale quickly by investing in financial inclusion channels to distribute insurance. However, scaling up beyond the channel's client base is difficult. A value chain approach, such as investing in enablers, brings the risk of being crowded out when the market matures. A third option is to invest in product innovation. Sandmark stressed that insurance is highly different from other microfinance sectors in regard to liquidity needs, regulatory requirements, low opportunities for leverage and no quick returns.

Investors still lack sufficient knowledge for effective investment decision making, management and Board participation. Furthermore, the sector only showed context-specific success stories instead of commercial viability across multiple products and geographies. Several investors are meeting this challenge by strengthening advisory models and technical assistance, or by leveraging-off existing investments in non-insurers as a way to generate new businesses. In terms of outlook, opportunities exist around microinsurance legislation, investing in new microinsurers or those facing higher capital requirements, and in downscaling models. Investing in publicly funded,

privately operated entities offers opportunities to reach scale more rapidly.

Estelle LAHAYE considered the study of great use in exploring this nascent area of investment. She used emerging lessons from equity investments in MFIs to determine their applicability to micro-insurance investment. Firstly, high investment costs make larger size of investments more attractive to investors. Secondly, in microfinance investment there is also room for improvement in terms of governance, for example by placing people with sufficient knowledge on the Board. This will be more difficult for microinsurance; more time is needed for investors to build up investment teams with sufficient sector knowledge and setting up technical assistance structures. Thirdly, as the time horizon of most equity investors is between five to eight years, she wonders whether it fits the microinsurance sector, considering the lack of proven business models, insecurity and expected issues with exit. This calls for exploring different return models, such as royalties and revenue sharing. Fourthly, using synergies between microinsurance and other microfinance investments by distributing microinsurance products through an investee MFI can be an option to take the MFI to the next level, while leveraging its client base for insurance.

At the industry level, Lahaye stressed that structure is needed, for example by organising investor fairs. Moreover, increasing transparency by developing common indicators and publishing data can facilitate decision making of investors. However, deciding on common key performance indicators will be difficult for this investment category due to the high diversity in market players, products, markets and channels.

DISCUSSION

To kick of the discussion, Kaspar Wansleben discussed LMDF's experiences with microinsurance investments. The fund identified microinsurance as a viable business opportunity to augment investments in MFIs, but quickly discovered how complex this area of investment is. He related to the complexity of products and especially distribution, the need to reach scale quickly and the different regulatory environment. The right expertise needs to be acquired to make investments in the sector feasible. As yet, this expertise is not sufficiently available among investors and needs to recruit from the insurance sector. For example, investors need to be able to do due diligence on distribution channels and benchmark compensations. Investors need to identify ways how they can make smaller size of investments viable and whether to invest in service providers, distributors or risk takers. A key issue is identifying innovative practices, as there are few viable models out there.

Bert Richly Brinkenberg from FMO agreed that building a capable team to effectively invest in this investment area is important. There also remains a need to invest in appropriate models which can be downscaled to include the poor. Risk-hungry capital now mostly finds its way to risk takers, e.g. the insurance companies, while investing in innovative distribution models might pay off more. Anne-Marie CHIDZERO mentioned that most MFIs only offer insurance products that protect their portfolio, not the client. As such, she wondered whether we should be focusing on downscaling insurance companies to offer microinsurance or push MFIs into a sector where they have little experience. She added that equity exit continues to be difficult in Africa, even out of MFIs, due to shallow equity markets and unwillingness of other investors to take over. An option is to sell equity back to promoters. Sandmark agreed that most microinsurers in the market are spin-offs of insurance companies and sometimes the risk continues to be carried by traditional insurers. In this case, investors focused on financial inclusion should consider whether their investment requirements allow for investment in downscaling by insurance companies.

CLOSING PLENARY: KEEPING AN EDGE

Speakers	**Sam MENDELSON**, Arc Finance
	Diana DEZSO, SEEP
	Marjolaine CHAINTREAU, Citi

PRESENTATIONS

Marjolaine CHAINTREAU started the closing plenary by questioning whether microfinance is ready for the coming 'disruption'. She referred to the introduction session by Prof. Michael Chu: How are microfinance institutions integrating the technological innovations and new business models to not become the next

'Kodak' in the industry? Disruption is already taking place and the trends presented in the 2013 SEEP Survey, Keeping an Edge', are not new; instead she identified them as common features affecting the financial services industry in general. She asked the audience to participate in this interactive session in order to define the competitive advantages of microfinance: 'How to keep the edge'.

Diana DEZSO continued by presenting SEEP's survey 'Keeping an Edge' on the transformational state of the microfinance industry. This state is characterized by governments embracing financial inclusion mandates, technological innovations in financial service provision, and new entrants gaining market share. The survey asked national microfinance associations (MFAs) their opinions on the prevalence, challenge to MFIs' relevance and MFIs' preparedness for 6 pre-defined trends in their national microfinance industry. The research showed that new technologies and diversified client needs are most likely to challenge the relevance of MFIs. Moreover, the preparedness to adapt to these challenges was perceived as low. From a regional perspective, Dezso showed that the relevance, prevalence and preparedness to adapt to the 6 defined trends differed significantly, noting that change will be different per continent.

Dezso then provided more details on these two most important trends. As regards diversified client needs, she showed that most MFAs believe that MFIs feel the urgency to diversify their product portfolio, to improve market assessment practices and to segment clients. Most MFAs also noted the importance of responsible finance in order to build trust and loyalty including implementation of client protection principles, transparency in product pricing, financial literacy and social performance management. MFAs also indicated that they are assisting member MFIs with product development support, capacity building and policy advocacy. Regarding the emergence of new technologies, the survey showed that MFAs do not yet see a wide adoption for product delivery and that, so far, MFIs mostly adopt new technologies for internal operations. On this topic, MFAs indicated that they support their members through feasibility studies on mobile money services and by facilitating partnerships. Dezso concluded her address by stressing that, although the sector is working on keeping its edge, it is important to step up our efforts and to do so at a higher speed.

Sam MENDELSON then presented the EMW 2013 survey, which was conducted prior to and during the conference. The survey was a simplified version of the SEEP survey, focussing specifically on the relevance of the 6 defined trends and on whether MFIs are sufficiently prepared to adapt to these challenges. The aim of the presentation was to look for differences between the SEEP survey and the EMW 2013 survey. Mendelson mentioned that overall results were in line with the SEEP survey. For most trends a gap between the relevance of a trend and the preparedness by MFIs to adapt to the trend became apparent. Mendelson noted that, compared to the SEEP survey, many practitioners at the conference perceive a lack of preparedness by MFIs to adapt, but were less negative in their average ratings than the MFAs. He concluded his presentation by notifying the audience on the upcoming Microfinance Banana Skins 2014 report.

DISCUSSION

The session was concluded with a short discussion on the main topic: 'Are we keeping our edge?' A participant from the audience mentioned that if you can see disruption coming, it is no longer disruption. He continued by stressing the importance to widen the scope and scale of microfinance. Microfinance has to service its clients and not the other way around. In his opinion, this meant that it is not technological innovations which will bring microfinance forward; it is education of the target group which is most needed. A practitioner from Uganda stressed that the audience should think about how to become more familiar with the concerns of people on the ground.

Mendelson then asked the audience about several possible disruptive changes in the market. The audience, by raising hands, agreed that MFAs should focus on facilitating diversified client needs and new technological innovations. It was added that microfinance practitioners should look at a wider distribution channel with more players involved besides MFIs.

CLOSING OF THE EUROPEAN MICROFINANCE WEEK 2013

After the discussion, Christoph Pausch, e-MFP Executive Secretary, announced and introduced the new Board of the European Microfinance Platform before giving the floor to the new e-MFP Chairwoman, Anne Contreras. She closed European Microfinance Week 2013 by thanking all those involved in its organisation and gave special thanks to the sponsors. She also thanked all the participants for attending, and encouraged them to keep learning and communicating about the microfinance sector. Contreras finished by announcing the 5th European Microfinance Award in 2014 on Microfinance and Environment.

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Maude	MASSU	CARE International UK	United Kingdom
Thaddaeus Charles	BUKENYA	Catholic Workers Movement Uganda (CWM Uganda)	Uganda
Kate	HALLAM	CDC Group plc	United Kingdom
Maria	LARGEY	CDC Group plc	United Kingdom
Nargiza	ALIMUKHAMEDOVA	CERGE-EI	Czech Republic
Marie Anna	BÉNARD	Cerise	France
Cécile	LAPENU	Cerise / e-MFP	France
Elodie	GOUILLAT	Cerise / Gret	France
Marek	HUDON	CERMi - Université Libre de Bruxelles	Belgium
Camille	MEYER	CERMi - Université Libre de Bruxelles	Belgium
Luminita	POSTELNICU	CERMi - Université Libre de Bruxelles	Belgium
Marc	LABIE	CERMi - University of Mons	Belgium
Nadine	CHEHADE	CGAP	Lebanon
Zeke	GEH	CGAP	France
Antonique	KONING	CGAP	France
Estelle	LAHAYE	CGAP	USA
Minh Huy	LAI	CGAP	France
Gunnela	HAHN	Church of Sweden	Sweden
Mauricio J. Moscoso	GUTTENTAG	CIDRE IFD	Bolivia
Marjolaine	CHAINTREAU	Citi	United Kingdom
Luc	GALAND	Citi	Luxembourg
Vincent	MAZZOLI	Citi	Luxembourg
Francis	PEDRINI	Citi	Luxembourg
Erol	OZBILEN	Citi	Luxembourg
Emil	AGAEV	City Sberkassa, OJSC	Russia
Alexander	MAMONOV	City Sberkassa, OJSC	Russia
Bart	DE BRUYNE	Consultant	Belgium
Maren	RICHTER	Consultant	Germany
Daniela	RÖTTGER	Consultant for DEG	Germany
Albina	PERFILEVA	Consumer credit co-operative Capital Plus	Russia
Frans	GOOSSENS	CORDAID	The Netherlands
Amadou	DARA BARRY	Crédit Rural de Guinée	Guinea
Laura	HEMRIKA	Credit Suisse / e-MFP	Switzerland
Oliver	OEHRI	CSSP-AG (MIL)	Liechtenstein
Ignacio	BIANCO	CYFI	The Netherlands
Jared	PENNER	CYFI	The Netherlands
Staale	BRINCHMANN	DAI Europe	United Kingdom
Robert	DRESSEN	DAI Europe	United Kingdom
Peter	BLUM SAMUELSEN	Danish Forum for Microfinance	Denmark
Paul	ARMBRUSTER	DGRV	Germany
Fedor	BÖHMERT	DGRV	Germany

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Delphin	NGAMIJE	DUTERIMBERE-IMF, LTD	Rwanda
Joseph	MUGUME KAZOOBA	EBO SACCO	Uganda
Barbara	DOSWELL	ECLOF International	Switzerland
Nicolas	KARAMBADZAKIS	ECLOF International	Germany
Maria Luisa	FERREIRA	EIB Institute	Luxembourg
Rémy	JACOB	EIB Institute	Luxembourg
Tima	BECIROVIC	EKI	Bosnia And Herzegovina
Sadina	BINA	EKI	Bosnia And Herzegovina
Anne-Gaëlle	DELABYE	Elvinger, Hoss & Prussen	Luxembourg
Frédérique	LIFRANGE	Elvinger, Hoss & Prussen	Luxembourg
Geert Jan	SCHUITE	Enclude BV	The Netherlands
Adriaan	LOEFF	Enclude BV	The Netherlands
Lukas	WELLEN	Enclude BV	The Netherlands
Kaouther	DEROUICHE	enda inter-arabe	Tunisia
Fatma	TRIKI	enda inter-arabe	Tunisia
Eugénie	CONSTANCIAS	Entrepreneurs du Monde	France
Thomas	THIVILLON	Entrepreneurs du Monde	France
George	THOMAS	ESAF Micro Finance & Investments Ltd	India
Aurélie	BERTRAND	European Investment Bank	Luxembourg
Edvardas	BUMSTEINAS	European Investment Bank	Luxembourg
Francesco	CONSIGLIO	European Investment Bank	Luxembourg
Guadalupe	DE LA MATA	European Investment Bank	Luxembourg
Angus	MACRAE	European Investment Bank	Luxembourg
Xavier	MOMMENS	European Investment Bank	Luxembourg
Flavia	PALANZA	European Investment Bank	Luxembourg
Perrine	POUGET	European Investment Bank / e-MFP	Luxembourg
Luisa	ROTOLO	European Investment Bank	Luxembourg
Hannah	SIEDEK	European Investment Bank	Luxembourg
Timothy	WINTERS	European Investment Bank	Luxembourg
Riccardo	AGUGLIA	European Investment Fund	Luxembourg
Raphael	BETTI	European Investment Fund	Luxembourg
Stefano	BOTTANI	European Investment Fund	Luxembourg
Florian	DEVERNOIS	European Investment Fund	Luxembourg
Cristina	DUMITRESCU	European Investment Fund	Luxembourg
Emmanuel	NSHIMIYIMANA	European Investment Fund	Luxembourg
Stefan	OBERBICHLER	European Investment Fund	Luxembourg
Senait	ZERE	European Investment Fund	Luxembourg
Francesco	GRIECO	European Microfinance Network	Belgium
Caroline	LENTZ	European Microfinance Network	Belgium
Gabriela	ERICE GARCIA	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
Victorin	SALIFOU	European Microfinance Programme of Solvay Brussels School	Belgium
Elisa	VILLA	European Microfinance Programme of Solvay Brussels School	Belgium
Nikiéma	PASEKBA SARATA LAURENCE	European Microfinance Programme of Solvay Brussels School	Belgium
Abategiovanni	ANTONELLA	European Microfinance Programme of Solvay Brussels School	Belgium
Nicola	BENAGLIO	European Microfinance Programme of Solvay Brussels School	Belgium
Gemma	DAFFARRA	European Microfinance Programme of Solvay Brussels School	Belgium
Felix	PINDADO	European Microfinance Programme of Solvay Brussels School	Belgium
Evangelos	CHRISTODOULIDIS	European Microfinance Programme of Solvay Brussels School	Belgium
Mirko	BENDIG	evers & jung	Germany
Lynn	EXTON	Exton & Partners	Canada
Justina	ALDERS-SHEYA	EY	Luxembourg
Laurent	CAPOLAGHI	EY	Luxembourg
Christofer	CHINA	EY	Luxembourg
Anja	GRENNER	EY	Luxembourg

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Carmen	VON NELL-BREUNING	EY	Luxembourg
Daouda	DAOUDA SAWADOGO	Faîtière des Caisses Populaires du Burkina (FCPB)	Burkina Faso
Jean-Pierre	BARBIER	FEFISOL	France
Claude	PETIT	FEFISOL	France
Anne-Sophie	BOUGOUIN	FEFISOL/SIDI	France
Ryan	ELENBAUM	Fern Software	United Kingdom
Eamon	SCULLIN	Fern Software	United Kingdom
Dominic	HERETH	Finance in Motion GmbH	Germany
Merle	ROEMER	Finance in Motion GmbH	Germany
Cécile	DAMBRICOURT	FinanCités	France
Makhmud	SAIDAKHMATOV	FINCA Kyrgyzstan	Kyrgyzstan
Richard	KENNEDY	FINCA UK	United Kingdom
Natalia	DOKUCHAEVA	FINOTDEL	Russia
Hatem	MAHBOULI	FMO	The Netherlands
Bert	RICHLY BRINKENBERG	FMO	The Netherlands
Roel	VRIEZEN	FMO	The Netherlands
Maria Cristina	NEGRO	Fondazione Giordano Dell'Amore	Italy
Carlos	MARQUEZ	Fondesurco	Peru
Bledar	YLLI	Fondi BESA sh. a.	Albania
Yekbun	GÜRGÖZ	Frankfurt School of Finance & Management	Germany
Lorena	LOPEZ	Frankfurt School of Finance & Management	Germany
Markus	SCHULTE	Frankfurt School of Finance & Management	Germany
Carola	MENZEL	Frankfurt School of Finance & Management - IAS	Germany
Raluca	DUMITRESCU	Frankfurt School of Finance & Management	Germany
Yasmin	OLTEANU	Freie Universität Berlin	Germany
Mathilde	BOUYÉ	French Ministry of Foreign Affairs	France
Nicolas	DEPOORTER	Friendship	Bangladesh
Manuel	OLAGO	Fundacion delamujer	Colombia
Idir	BOUNDAOUI	Fundacion Nantik Lum	Spain
Alberto	OTADUY	GAWA	Spain
Patrick	VAN DAMME	Ghent University	Belgium
Florian	HENRICH	GIZ	Germany
Marija	KUZINOVSKA	GIZ	Germany
Lisa	PETERLECHNER	GIZ	Uganda
Kathleen	WELVERS	GIZ	Germany
Jonas	ANDRADA SAGUM	GM Bank of Luzon, Inc.	Philippines
Philippe	GUICHANDUT	Grameen Credit Agricole Microfinance Foundation	Luxembourg
Jürgen	HAMMER	Grameen Credit Agricole Microfinance Foundation	Luxembourg
Thérèse	SANDMARK	Grameen Credit Agricole Microfinance Foundation	Luxembourg
Guillaume	MARTIN	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Christophe	PERSON	Grameen Crédit Agricole Microfinance Foundation	Luxembourg
Suresh	KRISHNA	Grameen Financial Services Private Limited	India
Patrick	MCALLISTER	Habitat for Humanity International	Thailand
Michael	CHU	Harvard Business School	USA
Bernardus	LEUSSINK	Hivos	The Netherlands
Gerrit	HELD	Hogeschool Utrecht	The Netherlands
Fabrizio	FRABONI	IFC	Turkey
Frédéric	PONSOT	Independent Consultant	France
Narasimhan	SRINIVASAN	Independent Consultant	India
Arnaud	GILLIN	Innpact	Luxembourg
Charles	KIRSCH	Innpact	Luxembourg
Claudia	MAGERI	Innpact	Luxembourg
Aurélie	MOREAU	Innpact	Luxembourg
Niels	SAUERLAND	Innpact	Luxembourg
Sigridur	TORFADOTTIR	Innpact	Luxembourg
Maximir	ALVAREZ	International Consulting Consortium, Inc.	United Kingdom
Birgit	GALEMANN	International Finance Development	Germany
Pedro	DE VASCONCELOS	International Fund for Agricultural Development	Italy
Patricia	RICHTER	International Labour Organisation	Switzerland

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Alan	MOORE	Irish League of Credit Unions Foundation	Ireland
Fatima Zohra	BENSAID	JAIDA	Morocco
Abdelkarim	FARAH	JAIDA	Morocco
Tamar	LEBANIDZE	JSC Bank Constanta	Georgia
Alou	SIDIBÉ	KAFO JIGINEW	Mali
Karlygash	RAIKHANOVA	KazMicroFinance	Kazakhstan
Matthias	ADLER	KfW	Germany
Heinz	DÜNSER	Liechtenstein Development Service (Member of MIL)	Liechtenstein
Shakhnoz	IKROMI	LLC MDO "Arvand"	Tajikistan
François	BARY	LuxDev	Luxembourg
Sabine	GIL	LuxDev	Luxembourg
Eleanor	DE ROSMORDUC	Luxembourg for Finance	Luxembourg
Daniel	DAX	Luxembourg Fund Labelling Agency (LuxFLAG)	Luxembourg
Thomas	SEALE	Luxembourg Fund Labelling Agency (LuxFLAG)	Luxembourg
Sachin	VANKALAS	Luxembourg Fund Labelling Agency (LuxFLAG)	Luxembourg
Hedda	PAHLSON-MOLLER	Luxembourg Microfinance and Development Fund	Luxembourg
Kaspar	WANSLEBEN	Luxembourg Microfinance and Development Fund	Luxembourg
Segun	IROKO	Mainstreet Bank Microfinance Bank Limited	Nigeria
Pacifique Ndagano	MATABARO	MECRECO	Congo DRC
Chuck	WATERFIELD	MFTransparency	USA
Kevin	FRYATT	MFX Solutions	USA
Bob	SUMMERS	MicroCapital	USA
Ruben	DIEUDONNÉ	MicroCred	Senegal
Sebastian	GROH	MicroEnergy International	Germany
Noara	KEBIR	MicroEnergy International	Germany
Hadley	TAYLOR	MicroEnergy International	Germany
Francis	CARPENTER	Microfinance Centre (MFC)	Poland
Grzegorz	GALUSEK	Microfinance Centre (MFC)	Poland
Mila	BUNKER	Microfinance Council of the Philippines, Inc.	Philippines
Allan	SICAT	Microfinance Council of the Philippines, Inc.	Philippines
Blaine	STEPHENS	Microfinance Information Exchange	USA
Aldo	MOAURO	MicroFinanza Rating	Italy
Lucia	SPAGGIARI	MicroFinanza Rating	Italy
Sebastian	VON STAUFFENBERG	MicroRate	USA
Magne Moumbe	ASTRIDE	MIGEC SA	Cameroon
Fossi	JULES MAXIMILIEN	MIGEC SA	Cameroon
Georgi	BRESKOVSKI	MIKROFOND AD	Bulgaria
Marc	SPAUTZ	Minister for Development Cooperation and Humanitarian Affairs	Luxembourg
Souhir	TAKTAK	Ministère des Finances Tunisie	Tunisia
Nima	AHMADZADEH	Ministry of Finance	Luxembourg
Richard	PHILIPPART	Ministry of Foreign Affairs - Development Cooperation	Luxembourg
Martine	SCHOMMER	Ministry of Foreign Affairs - Development Cooperation	Luxembourg
Richard	DONS	Ministry of Foreign Affairs The Netherlands	The Netherlands
Jody	RASCH	Moody's Analytics	USA
Bart	VAN EYK	Musoni	The Netherlands
Daisy	FILOCRE	MyTransfer	Brazil
Jean	POUIT	MyTransfer	Luxembourg
Narine	HOVAKIMYAN	National Mortgage Company RCO CJSC	Armenia
Lilit	YEGHIAZARYAN	National Mortgage Company RCO CJSC	Armenia
Anne-Marie	CHIDZERO	New Faces New Voices	South Africa
Roman	EVTEEV	Non-commercial partnership "Professional association of microfinance institutions"	Russia
Josien	SLUIJS	NpM, Platform for Inclusive Finance	The Netherlands
Aïda	GUEYE	OIKOCREDIT	Ivory Coast
Michaël	KNAUTE	OXUS / e-MFP	France
Alexis	SURUN	OXUS	France
Philippe	MAJERUS	Palais Grand-Ducal	Luxembourg
Adama	BA	Pamecas	Senegal
Mamadou	TOURÉ	Pamecas	Senegal

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Marion	ALLET	PAMIGA	France
René	AZOKLI	PAMIGA	Senegal
Claire	OZANNE	PAMIGA	France
Philippe	BREUL	PHB Development	Belgium
Mihai Ciprian	PANTURU	PHB Development	France
Marie-Sophie	TAR	PHB Development	The Netherlands
Gera	VOORRIPS	PHB Development	The Netherlands
Delphine	BAZALGETTE	PlaNet Finance	France
Adrien	CHAMPEY	PlaNet Finance	France
Vanessa	QUITEIRO	PlaNet Finance	France
Sven	VOLLAND	PlaNet Finance Germany / UMM	Germany
Daniela	PENSOTTI	PlaNet Finance Italia	Italy
Laurent	CHAUVET	Planet Rating	France
Emmanuelle	JAVOY	Planet Rating	France
Brigite	NARCISO	Planet Rating	France
Emilie	GOODALL	PRI / Principles for Investors in Inclusive Finance	United Kingdom
Jean-Gabriel	DAYRE	PROPARCO (AFD Group)	France
Thomas	ELOY	PROPARCO (AFD Group)	France
Saleh	KHAN	PwC Switzerland	Switzerland
Maria	COLIJN-VISSERS	Rabobank Foundation	The Netherlands
Michaël	DE GROOT	Rabobank Rural Fund	The Netherlands
Antony	MAYODI	Rafode Ltd	Kenya
Alexey	KIRYAKOV	Russian Microfinance Center	Russia
Paul	THOMES	RWTH Aachen University	Germany
Olarewaju David	ABAYOMI	SEAP Microfinance Institution	Nigeria
Diana	DEZSO	SEEP Network	USA
Pauline	BENSOUSSAN	Sciences Po Paris	France
Aaron Rex	OPOKU-AHENE	Sinapi Aba Savings & Loans	Ghana
Martina	GRIGOROVA	SIS Credit	Bulgaria
Anne-Laure	BEHAGHEL	Smart Campaign	France
Bonnie	BRUSKY	Smart Campaign - CERISE	France
Alexandra	RIZZI	Smart Campaign at Accion International	USA
Isabelle	BARRÈS	Smart Campaign at CFI	USA
Barbara	KLEINJOHANN	Social Business & Financial Systems Advisory	Germany
Arif	MIKAYILOV	Social Fund for Development of IDPs of the Republic of Azerbaijan	Azerbaijan
Laura	FOOSE	Social Performance Task Force	USA
Katie	HOFFMANN	Social Performance Task Force	USA
Paribartan	POUDEL	Solvay Business School	Belgium
Laurent	BIOT	SOS FAIM	Belgium
Marc	MEES	SOS FAIM	Belgium
Claire	STOECKEL	SOS FAIM	Belgium
Thierry	DEFENSE	SOS Faim Luxembourg	Luxembourg
Fanélie	MEYER	SOS Faim Luxembourg	Luxembourg
Niclaus	BERGMANN	Sparkassenstiftung fuer internationale Kooperation e.V.	Germany
Bob	BRAGAR	Strategies for Impact Investors	The Netherlands
Christophe	FAVRE	Symbiotics SA	Switzerland
Jose Manuel	GONZALEZ MENDOZA	Te Creemos	Mexico
Mariel	MENSINK	Terrafina Microfinance	The Netherlands
Babak	ABBASZADEH	Toronto Leadership Centre	Canada
John	BLIEK	TRIAS / e-MFP	Belgium
Ellen	WILLEMS	Triodos	The Netherlands
Marnix	MULDER	Triple Jump	The Netherlands
Natalia	REALPE CARRILLO	TU Berlin	Germany
Wilson	TWAMUHABWA	UGAFODE Microfinance Limited (MDI)	Uganda
David	SALAZAR GORJON	ULB-Solvay	Belgium
Jules Theoneste	NDAHAYO	UMUTANGUHA Finance Ltd	Rwanda
François	COUPIENNE	UNCDF	Belgium
Henri	DOMMEL	UNCDF	USA
Kameshnee	NAIDOO	UNCDF	USA

FIRST NAME	LAST NAME	ORGANISATION	COUNTRY
Karima	WARDAK	UNCDF	Belgium
Marc	BICHLER	UNCDF / e-MFP	USA
Diana	SCHVARZTEIN	Universidad Autónoma de Madrid	Spain
Gloria	ESTAPÉ-DUBREUIL	Universitat Autonoma de Barcelona	Spain
Sophie	WIESNER	Universität Bayreuth	Luxembourg
Pascal	WELE IDRISSOU	Université de Liège	Belgium
Jasmina	DEVINCK	Université Libre de Bruxelles	Belgium
Davide	FORCELLA	Université Libre de Bruxelles	Belgium
Frédéric	HUYBRECHS	University of Antwerp (IOB)	Belgium
Thilo	KLEIN	University of Cambridge	United Kingdom
Hans Dieter	SEIBEL	University of Cologne / e-MFP	Germany
Solène	MORVANT	University of Fribourg	Switzerland
Bernd	BALKENHOL	University of Geneva	Switzerland
Lotte	THELEN	University of Manchester	United Kingdom
Pavel	VELEV	Ustoi JSC	Bulgaria
Adjibi	WAKIL	VITAL Finance	Benin
Radu-Ionel	TOMA	VITAS IFN	Romania
EL Houssine	SAHIB	Winéo conseil	Morocco
Anna	GINCHERMAN	Women's World Banking	USA
Alejandra	RIOS	Women's World Banking	Germany
Fatoumata	CAMARA	WSBI	Belgium
Ian	RADCLIFFE	WSBI / e-MFP	Belgium
Mamadou	DIALLO		Belgium

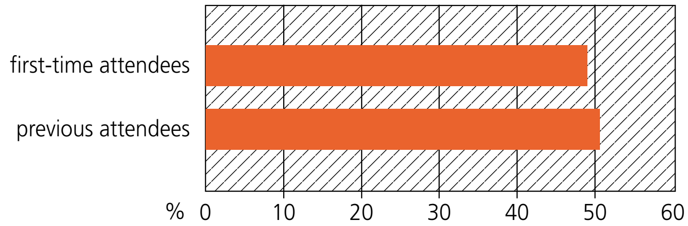
FEEDBACK AND STATISTICS

Following European Microfinance Week 2013, all participants were invited to take part in a satisfaction survey. e-MFP would like to share feedback received from the 93 respondents.

First-time attendees

49.46 percent of respondents were first-time attendees

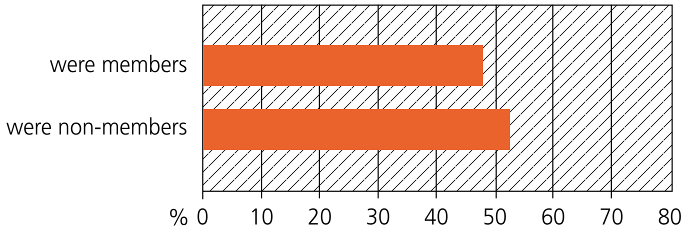
50.53 percent of respondents were previous attendees



Members attending

48.38 percent of respondents were members

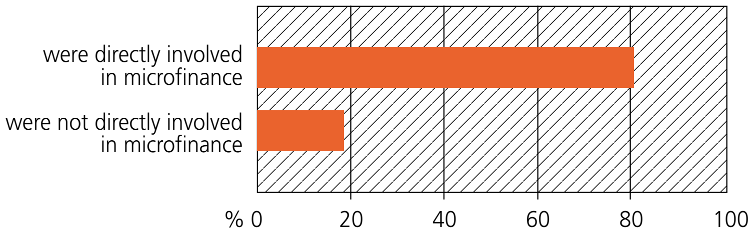
51.61 percent of respondents were non-members



Participants directly involved in microfinance

80.6 percent of respondents were directly involved in microfinance

19.4 percent of respondents were not directly involved in microfinance

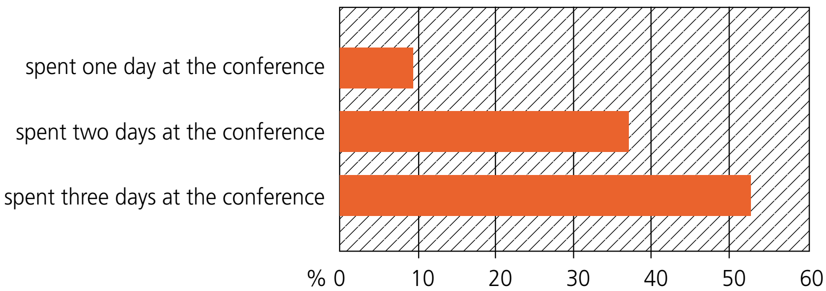


Days spent at the conference

9.68 percent of respondents spent one day at the conference

37.63 percent of respondents spent two days at the conference

52.68 percent of respondents spent three days at the conference



Quality of the conference organisation

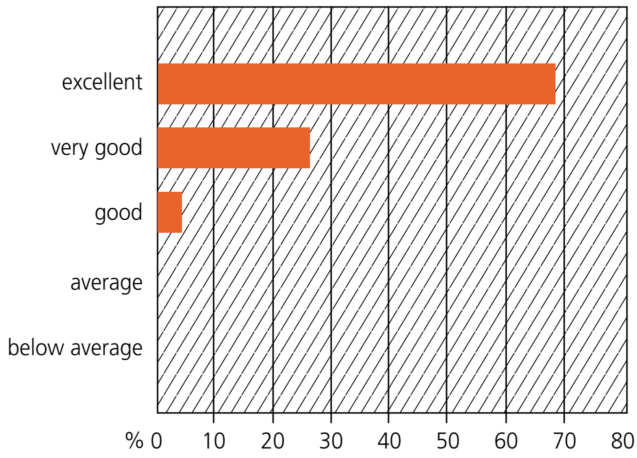
68.81 percent of survey respondents thought the conference organisation was excellent

26.88 percent of survey respondents thought the conference organisation was very good

4.30 percent of survey respondents thought the conference organisation was good

0 percent of survey respondents thought the conference organisation was average

0 percent of survey respondents thought the conference organisation was below average



Satisfaction with registration process

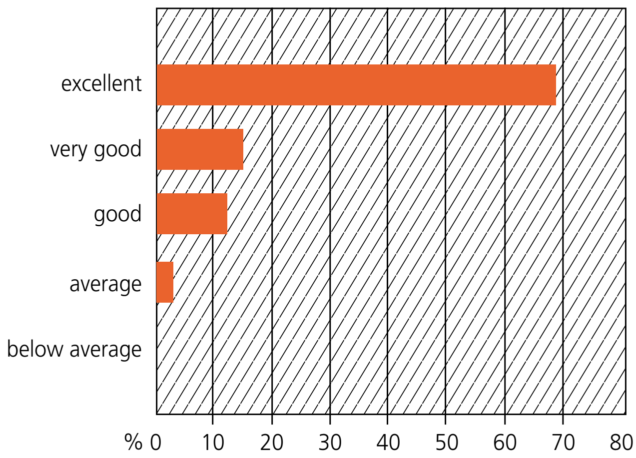
68.81 percent of survey respondents thought the registration process was excellent

15.05 percent of survey respondents thought the registration process was very good

12.90 percent of survey respondents thought the registration process was good

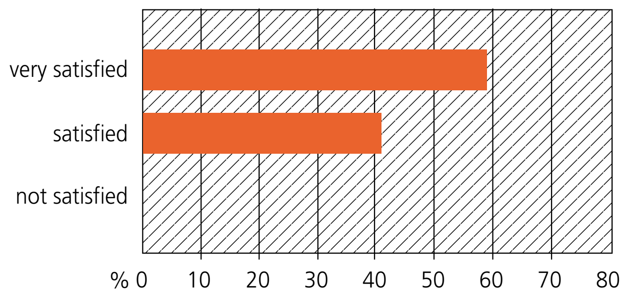
3.23 percent of survey respondents thought the registration process was average

0 percent of survey respondents thought the registration process was below average



Satisfaction with the conference materials

59.13 percent of survey respondents were very satisfied with the conference materials
40.86 percent of survey respondents were satisfied with the conference materials
0 percent of survey respondents were not satisfied with the conference materials

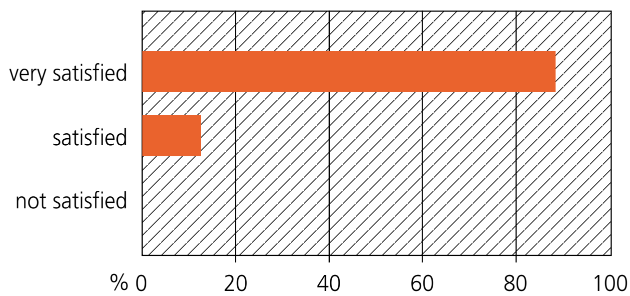


Impression of conference facilities

84.94 percent of survey respondents were very satisfied with the conference facilities

15.05 percent of survey respondents were satisfied with the conference facilities

0 percent of survey respondents were not satisfied with the conference facilities



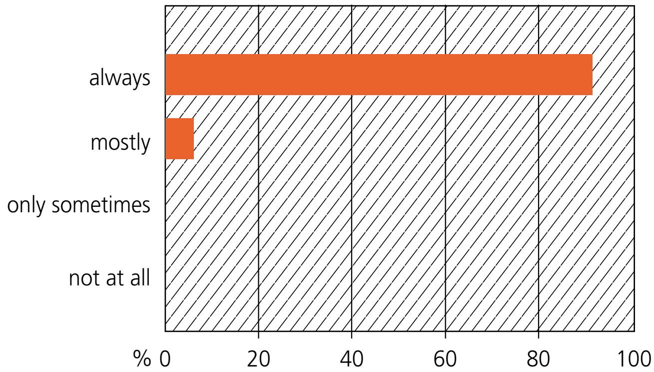
Were the conference staff helpful and courteous?

92.47 percent of survey respondents said the conference staff were ALWAYS helpful and courteous

7.53 percent of survey respondents said the conference staff were MOSTLY helpful and courteous

0 percent of survey respondents were said the conference staff ONLY SOMETIMES were helpful and courteous

0 percent of survey respondents were said the conference staff were NOT AT ALL helpful and courteous



Impression of conference speakers

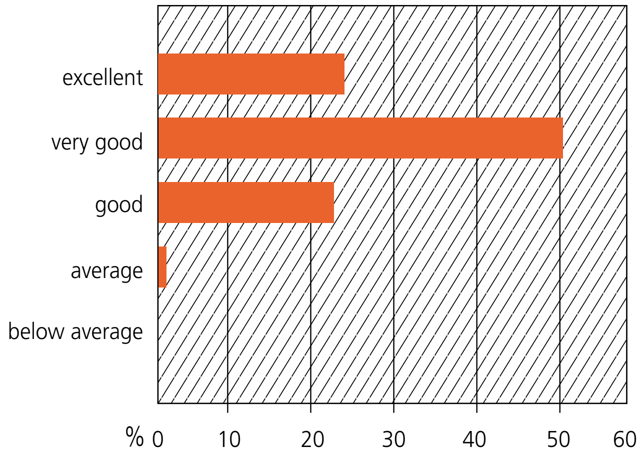
24.73 percent of survey respondents impression of conference speakers was excellent

50.53 percent of survey respondents impression of conference speakers was very good

23.65 percent of survey respondents impression of conference speakers was good

1.08 percent of survey respondents impression of conference speakers was average

0 percent of survey respondents impression of conference speakers was below average



Impression of the moderation of the conference sessions

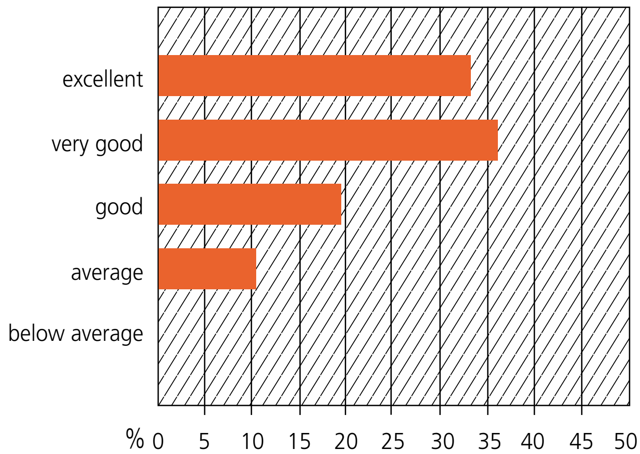
33.33 percent of respondents judged the moderation of the conference sessions as excellent

36.55 percent of respondents judged the moderation of the conference sessions as very good

19.35 percent of respondents judged the moderation of the conference sessions as good

10.75 percent of respondents judged the moderation of the conference sessions as average

0 percent of respondents judged the moderation of the conference sessions as below average

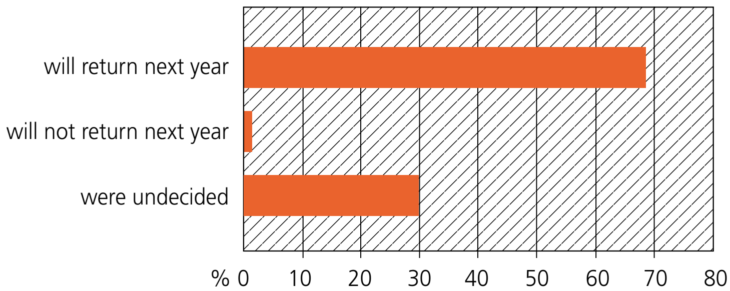


Participation next year

68.81 percent of respondents will return next year

1.06 percent of respondents will not return next year

30.10 percent of respondents were undecided



Below are some comments on what participants appreciated about European Microfinance Week 2013

"You are already waiting for the next conference to come once this one has just ended"

"An incredibly valuable conference"

"One of the best conferences I attend each year"

"Wonderful opportunity to meet excellent new contacts"

"I appreciate that people of high level participate in the conference"

"Some excellent speakers and presentations"

"Interesting panellists"

"A superb conference, very professionally organised"

"Great organisation & fantastic atmosphere"

"Excellent and innovative issues"

"The topics addressed are up to date and relevant"

"Great organisation and good attendance"

"The diversity of nationalities of the panellists is a very good thing"

"The content and topics covered are relevant and interesting"

"Good mix of practitioners, policy makers and academics"

"Keep the pace!"

"Valuable business making opportunities"

(Thank you Martin Kinsella & Associates for sponsoring the survey)

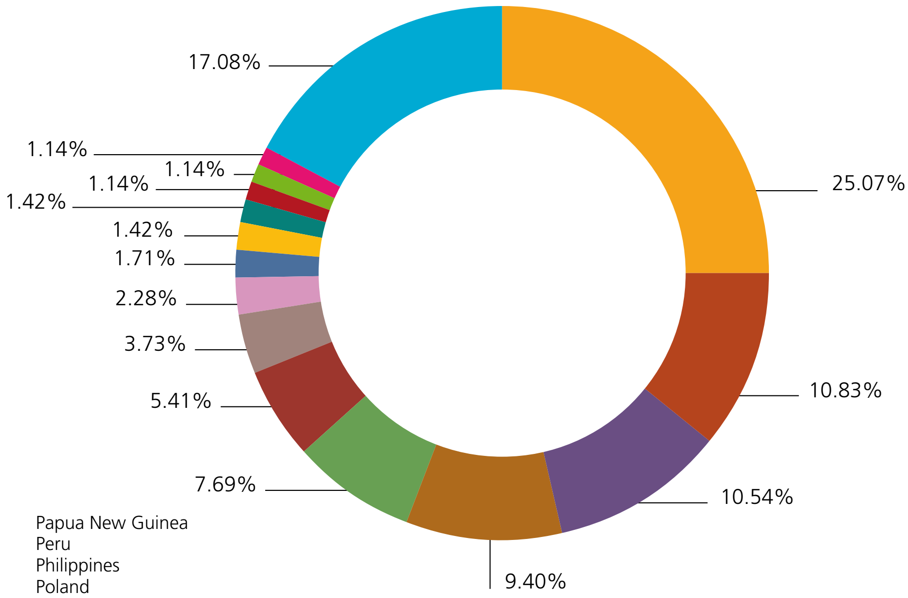
COUNTRIES

Number of registered participants 378

- Luxembourg
- France
- Belgium
- Germany
- The Netherlands
- USA
- United Kingdom
- Switzerland
- Russia
- Italy
- Senegal
- Morocco
- Spain
- Uganda

- Other

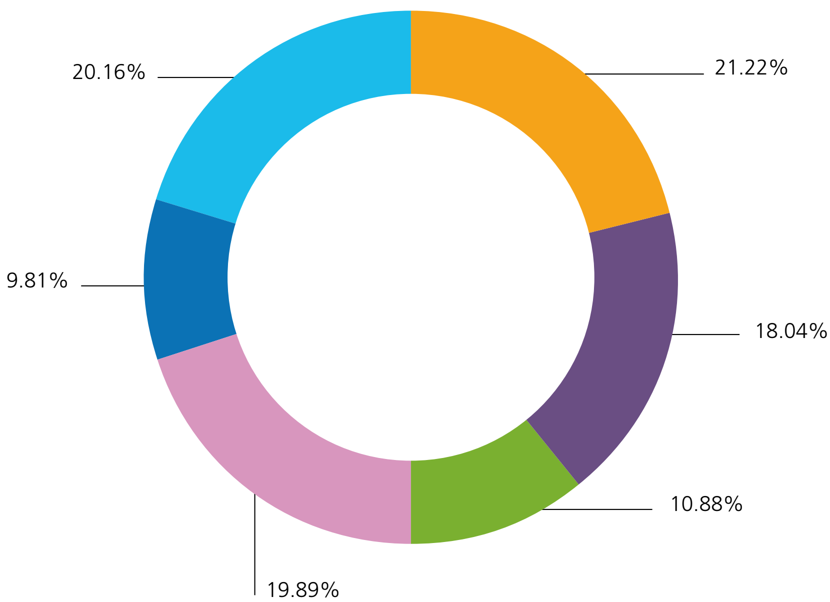
Albania
Armenia
Azerbaijan
Bangladesh
Benin
Bolivia
Bosnia & Herzegovina
Brazil
Bulgaria
Burkina Faso
Canada
Colombia
Congo RDC
Czech Republic
Denmark
Georgia
Ghana
Guinea
Honduras
India
Ireland
Ivory Coast
Kazakhstan
Kyrgyzstan
Lebanon
Liechtenstein
Mali
Mexico
Nicaragua
Nigeria
Papua New Guinea
Peru
Philippines
Poland
Romania
Rwanda
Serbia
South Africa
Sweden
Tajikistan
Thailand
Tunisia
Turkey



ORGANISATIONS

Type of organisation

- Bank or financial institution
- Consulting or support services
- Government agency
- NGO
- Research institution or university
- Other



EUROPEAN MICROFINANCE PLATFORM

The European Microfinance Platform [e-MFP] was founded formally in 2006. e-MFP is a growing network of over 130 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

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NEXT EUROPEAN MICROFINANCE WEEK
12TH - 14TH NOVEMBER 2014

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

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