MICROFINANCE BAROMETER 2016

CONVERGENCES

ZERO EXCLUSION CARBON POVERTY

7th Edition

IN PARTNERSHIP WITH

CAISSE D'EPARGNE FEDERATION NATIONALE · The MasterCard Foundation · GROUPE Caisse des Dépôts · EUROPEAN MICROFINANCE PLATFORM NETWORKING WITH THE SOUTH · OIKO CREDIT investir dans l'Homme

SUSTAINABLE DEVELOPMENT GOALS: WHAT ARE THE STAKES FOR MICROFINANCE?

Introduction

The microfinance sector continues to enjoy double-digit growth. In fact, global figures testify to significant levels of development, with a portfolio of USD87 billion and 111 million clients in 2014, and an estimated growth of 10% in outstanding portfolio and 15.8% in borrowers in 2015 (see pp. 2 and 3).

Microfinance is not only a factor for financial inclusion, but is also a significant lever in the implementation of the 2030 Agenda. By fostering access to services in the fields of health, food security, education, energy and housing, the sector confirms its role as a catalyst in global and inclusive development. This is the special feature of the 2016 Microfinance Barometer.

Microfinance actors worldwide support access to essential services by developing innovative schemes and diversified products, and by adopting an integrated approach. Improving personal finance education, financing agroecology, and fostering the development of renewable energies, those are all indicators of the role and increasing potential of the sector (see pp. 5-9).

As in every year, the Barometer exclusively presents the figures for microfinance in France and in Europe (see pp. 10 and 11). As guarantor for sustainable housing access, driving force in job provision and a tool of social innovation, microfinance is once again demonstrating its impact in developed countries.

In view of this growth in the sector, it will be important to continue ongoing initiatives in order to build a responsible and reactive microfinance that places clients at the heart of the sector's strategies and action (see p. 4).

This 7th edition of the Barometer provides an overview of the sector's growth and the constant reach for innovation of microfinance actors.

Happy reading!

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PROGRAMMING AND STUDIES MANAGER
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EMILIE POISSON
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Editorial

Jean-Luc Perron
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Managing Director of Grameen Crédit Agricole Foundation

In 2015, the Addis Ababa Conference on the financing of development, the adoption of the 17 Sustainable Development Goals (SDGs) by the United Nations General Assembly, and the Paris Agreement on climate change, were the highlights of a remarkable diplomatic sequence that set the course for the next 15 years for a responsible, coordinated and inclusive development. Convergences summarises this course in a mobilising formula: Zero exclusion, Zero carbon, Zero poverty.

Although microfinance is barely mentioned in the texts solemnly adopted by the international community, it is an essential tool to reach the objectives that the community has set itself.

The ambition of the 2016 Microfinance Barometer is to illustrate the current role and the potential of microfinance in the pursuit of these objectives.

Despite the controversies, microfinance remains true to the ambitions of its pioneers: to help eradicate poverty (SDG 1) by allowing the most disadvantaged to develop income-generating projects and accompanying them through training programmes and advice.

Access for the world's 450-500 million small farmers to suitable financial services is an essential condition for achieving SDG 2: to end hunger and ensure food security. Although microcredit, taken individually, has shown its limits in the financing of agriculture, micro-insurance of crops and livestock is bound to play a steadily increasing role in the protection of family farms against natural risks, and provides an incentive to produce more.

The articles proposed in this Barometer also highlight the products and services developed by microfinance institutions (MFIs) to provide better access to health services (SDG 3) and education (SDG 4), to good-quality, safe and affordable habitat and to clean energy (SDG 7), in the context of both developing and developed countries.

Finally, need we remind the essential role played by microfinance in the promotion and empowerment of women, thus directly contributing to the realisation of SDG 5?

If the MFIs can play this economic and social role, it is because of their proximity to their clients and the trust those clients put into them. In return, this trust requires the MFIs to comply with higher standards of transparency, quality and responsibility in the provision of their services and loans, and in reports on their social performance. In this regard the action of the Social Performance Task Force (SPTF) for the adoption of Universal Standards, and that of CERISE in distributing the SPI4 tool, are essential.

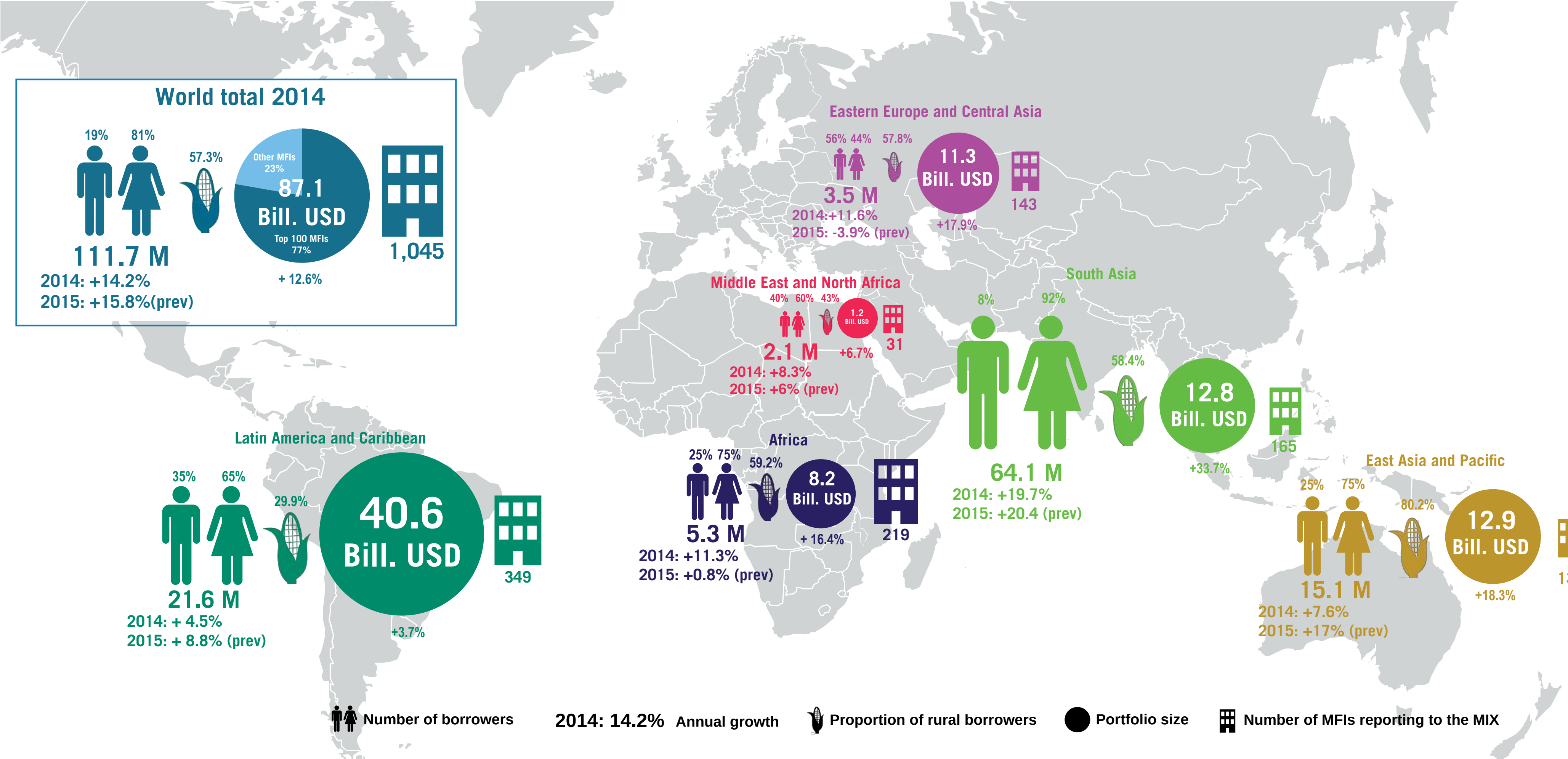
By means of this Barometer, Convergences aims to enhance the role of microfinance in development and calls on all actors in the sector to continue their actions in providing a responsible and inclusive microfinance system, which represents a real lever in the 2030 Agenda.

Content

KEY FIGURES OF FINANCIAL INCLUSION

Focus on global microfinance figures

World portfolio of loans and number of borrowers in 2014



Source: MIX Market

Microfinance: a sector growing at two different speeds

In 2014, the 1045 institutions that sent their data to the MIX platform reached 111.7 million low-income clients and produced a loan portfolio of $87.1 billion with a growth of +12.6%. The increase in numbers of borrowers has almost tripled compared to 2013, increasing from +4.8% à +14.2%. It is estimated that the rate of growth in the sector for 2015 will be +10% for loan portfolio and +15.8% for borrowers.

The 100 most significant institutions dominated the market, with 76.9% of total loan and 67.7% of global borrowers.

Banks and non-governmental organisations (NGOs) respectively served 27% of global borrowers, leaving the rest of the market to non-banking financial institutions (NBFIs) (43.3%). Despite the equivalent distribution of clients, banks held 50.9% of total loan while NGOs only registered 10.2%. A preliminary study for 2015 predicts a growth of +16% in total loan for NBFIs and +14.8% for NGOs.

Southern Asia recorded the highest growth in terms of total loans and clients (+33.9% and +19.7%). This region numbered more borrowers than the rest of the world (57.3%) despite accounting for only 14.7% of the global loan portfolio. According to estimations, the region once again registered the strongest growth in 2015 (+42.7% and +20.4%). In contrast, Eastern Europe and Central Asia grew less compared to 2013, moving from +30% to +17.9% of total loans, and in 2015 seeing a fall of -23.9% in loan totals and -3.8% in clients because of the economic crisis affecting the region. Africa also saw a less significant growth in 2014 (+16.4%), and is expected to slow sharply to +3.4% in 2015. Latin America saw the smallest levels of growth in total loans and clients (+3.7% and +4.5%), although it holds almost half of the global portfolio (47%). Estimations for 2015, however, predict that the rate of growth in Latin America will double.

At world level, 57.8% of borrowers come from rural areas, with East Asia and the Pacific Region topping the list at 80.2%, in contrast to Latin America registering only 29.9%. In addition, 81% of borrowers were women and although Eastern Europe and Central Asia were the exception (44%), this trend is clearly evident in South Asia where women accounted for 92% of borrowers.

Top 10 countries by borrowers and loan portfolio outreach

Rank	Country	Borrowers FY 2014	Borrower growth (%)	GLP FY 2014 (USD)	GLP Growth (%)
1	India	39.5 m	28.5%	7.3 bn	42.6%
2	Peru	4.1 m	3.5%	10.1 bn	0.1%
2	Vietnam	7.7 m	0.5%	6.9 bn	5.2%
4	Bangladesh	21.8 m	6.7%	4.6 bn	22.8%
5	Mexico	6.0 m	2.8%	4.7 bn	1.7%
6	Colombia	2.8 m	5.2%	6.5 bn	-8.9%
7	Ecuador	1.6 m	13.6%	4.7 bn	16.7%
8	Bolivia	1.3 m	0.1%	5.4 bn	16.4%
8	Cambodia	2.1 m	13.2%	3.9 bn	43.5%
10	Brazil	2.9 m	4.7%	2.8 bn	7.4%

The top 10 countries listed are defined base on the loan portfolio size and borrowers served in the country during 2014. Countries are ranked based on the average of the percentile ranking for each of these indicators e.g. if Bangladesh has scored percentile rank of 93% for loan portfolio and 99% for borrower the average value is arrived at 96% and then ranked at 4th position.

International financial inclusion funding remains stable in 2014

International funders committed at least $31 billion to financial inclusion in 2014. This commitment level is stable when compared to total commitments in 2013. These data align with Official Development Assistance (ODA) trends reported by OECD, which showed that international aid (across all development sectors) also stabilized in 2014. Public funding accounts for 72% of cross-border financial inclusion funding.

The majority of funding (about 80% of total commitments) is allocated, either directly or indirectly, to the retail sector. Financing is usually on-lent to clients typically in the form of credit products. The second largest commitment by volume targeted capacity building of retail financial service providers (FSPs) in order to improve their operations, management and governance. FSP financing dominates commitments partially because of the total volume of these interventions. When we look at number of projects, we find that one third of international funders' projects target the capacity building of the financial inclusion sector, primarily to develop suitable and appropriate products and services that better suit the needs of the underserved and to foster an enabling policy environment and infrastructure that allows greater financial access.

During 2014, there was an increasing interest in digital financial services and a rapid and sustained growth in funding to the Middle East and North Africa (MENA). Eastern Europe and Central Asia continue to receive the bulk of commitments because of the high concentration of financing of FSPs, while Africa is home to the largest number of projects, focusing on topics ranging from youth or women, to digital finance or agricultural finance.

Going forward, funders report that they will increase their funding to Sub-Saharan Africa and continue to focus on supporting FSPs, as well as payment systems and consumer protection programmes.

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LEAD ANALYST
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KEY FIGURES OF FINANCIAL INCLUSION

Focus on microfinance institutions: from financing to products offer

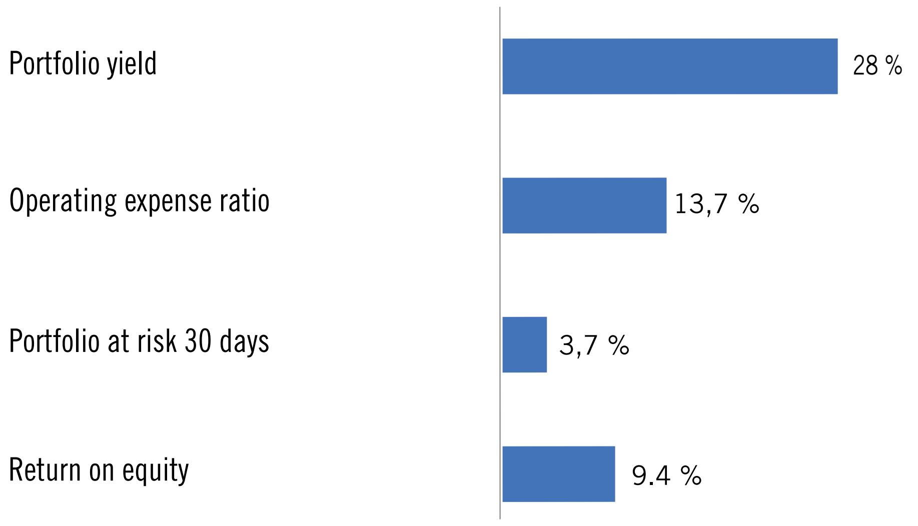
In 2014, the return on equity of institutions reporting to MIX at world level was 9.4%. South Asia was in the lead, with a return rate of 14.2%, closely followed by the Middle East and North Africa (MENA) and East Asia and the Pacific with respective return levels of 12.3% and 12.2%. Despite a slight rise, Africa showed the lowest return this year, with 6.9%.

Financial service providers earn a yield of 28% on the gross loan portfolio with MENA out in front (32.4%), while South Asia produced the lowest return (23.7%).

The global portfolio at risk exceeding 30 days was 3.7%, with South Asia registering less than 1%. The Sub-Saharan African institutions faced more risks, with a rate of 6%.

The Operational Expense Ratio, a measure of service delivery cost, stood at 13.7% at world level. The South Asian institutions have managed to maintain lower operating expense costs (9.9%) thanks to lower staffing costs and higher overall productivity from their delivery models. In contrast, Sub-Saharan Africa recorded the highest ratio, with 17.1%.

MFIs median performance ratios in 2014



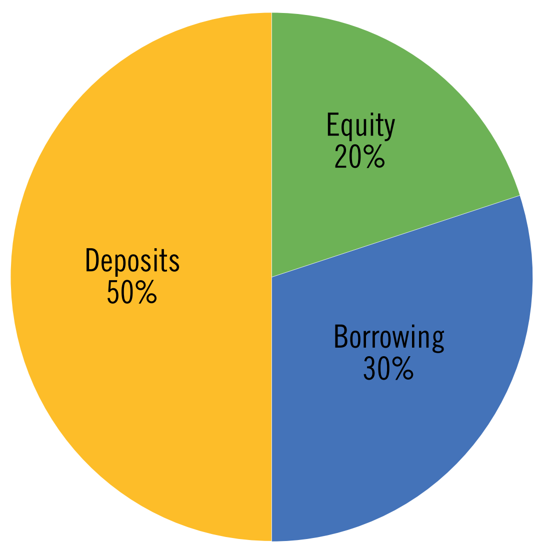
Deposits, first source of funding in the sector

The funding structure in the microfinance sector is comprised of deposits, borrowing and equity. In 2014, deposits constituted the principal source of financing for institutions with 50%, followed by borrowings (30%) and equity (20%).

The banks were principally financed by deposits, for 60%, in contrast to NGOs and NBFIs, which relied principally on borrowings (52.8% and 40.8%). Equity was only a subsidiary source of funding, with 17.6% for banks, 30.6% for NGOs and 19.8% for NBFIs.

Sub-Saharan Africa was the region most financed by deposits (70.6%), followed by Latin America (62%). In MENA and South Asia, where most NBFIs are not able to collect savings, the first source of funding was borrowings for over 50%, followed by equity (42.8% and 20.9%).

Sources of funding of MFIs in 2014



The institutions expand their offer with non-financial services

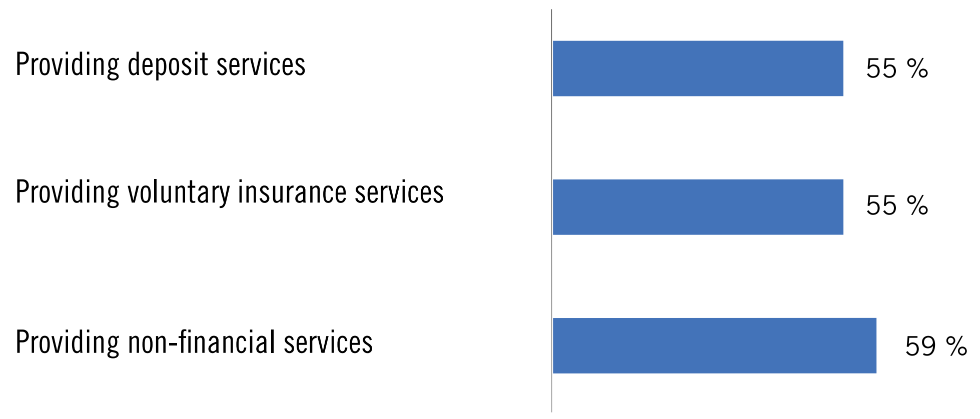
The global average of non-credit product offers is balanced between deposit services, voluntary insurance and non-financial services. Indeed, the offer of voluntary insurance services has grown significantly, rising from 17% in 2013 to 55%. Offers of non-financial services rose from 40% to 58.9%, concentrating in particular on education services, entrepreneurship, health and women empowerment, which all returned a rate of over 50%. Deposit services, in contrast, fell from 76% to 54.7%.

Banks showed the highest rate for institutions offering deposit services (90%). NGOs were the leaders in the voluntary insurance market (65.9%) and the non-financial services market (60.9%).

Thus, regions with a large presence of banks, such as Sub-Saharan Africa, East Asia and the Pacific, had the highest rate of institutions offering deposit services (93.6% and 83.3%) and the lowest rates of voluntary insurance services and non-financial services offers. In contrast, Southern Asia, a region characterised by a heavy presence of NGOs and NBFIs produced the highest rate of institutions offering these services, with an offer exceeding 70% for each of them, followed by Eastern Europe and Central Asia (69.2% and 74.1%).

MOHITA KHAMAR
MARKET INTELLIGENCE LEAD
MIX MARKET

MFIs product offer excluding credit in 2014



Glossary

Microfinance Institutions (MFIs): Institutions which can provide savings, credit and other financial products to lower income clients. They include non-financial providers (non-governmental organisations, suppliers, branchless banking providers), members based organizations (cooperatives, financial service associations, self-reliant village savings and credit banks, self-help groups) and financial institutions (banks and non-bank financial institutions)[1].

Equity: Investments that typically take the form of an owner's share in business whose legal status allows it and often also a share in the return or profit[2].

Borrowings: Funds received by an MFI through a loan agreement or other contractual arrangement that carry a market rate of interest (commercial borrowings) or a below-market rate of interest (concessional borrowing)[3].

Deposits: Total value of funds placed in an account with an MFI that are payable on demand to a depositor. This item includes any current, checking, or savings accounts that are payable on demand. It also includes time deposits which have a fixed maturity date[4].

[1-2] MIX Market and CGAP, 2015 Funding Explorer for Financial Inclusion, 2015.
[3-4] CGAP, Consensus guidelines definitions of selected sinancial terms, Ratios and Adjustments for Microfinance, 2003.

Methodology

MIX calculations are based on data provided by financial service providers to MIX that is publicly available at www.mixmarket.org. MIX makes every effort to collect the data from the dominant actors of each market to ensure visibility into each market, but does not collect data on every actor in every country. Total figures for borrowers and loan portfolio as of 2014 are based on data provided by 1,045 institutions.

Growth figures for borrower and loan portfolio values from 2012 through 2014 are based on a balanced panel data set of 1,045 institutions that provided both data fields to MIX for each of the years from 2012 to 2014.

Estimate growth values for 2015, globally and regionally, are based on all institutions that provided data to MIX for the periods of December 31, 2014 and either September 30, 2015 or December 31, 2015.

Growth was calculated by institutions and then weights were assigned by that institution's market share using the assumed value for the end of 2014. These institutions number to 451 and represent 90% of the 2014 market by borrowers and gross loan portfolio.

Funding data is provided by microfinance institutions. To fill in any gaps in the funding data, values were assumed provided that enough data was initially reported by the institution. For example, equity was calculated if no value was provided by the institution, but the assets and liabilities were available. Similarly, deposits or borrowings were calculated assuming total liabilities were comprised of either deposits or borrowings and that two of the three values were available from the MFI. The number of institutions included in the funding analyses total 641 institutions and comprises 70% of the 2014 market by borrowers.

Summary of the 2015 Universal Standards Implementation Survey

Launched in 2012 by the Social Performance Task Force (SPTF), the Universal Standards for Social Performance Management (Universal Standards) are a comprehensive manual of best practices to help financial service providers (FSPs) put clients at the center of all strategic and operational decisions and align their policies and procedures with responsible business practices. Today, the Universal Standards are considered the globally accepted standards for strong social performance management practices in the inclusive finance sector.

For the last three years, the SPTF has partnered with the Global Appeal for Responsible Microfinance, the MIX -and for the first time in 2015- the Microcredit Summit Campaign to conduct an annual Universal Standards Implementation Survey. This survey helps the SPTF and its partners understand the state of implementation of the Universal Standards and related tools and initiatives, and identify the best ways to promote and support stakeholders in the implementation of social performance management practices.

The 2015 survey gathered 407 responses from all stakeholders in the sector. 60% of them were FSPs -including NGOs, banks, and non-bank financial institutions). 13% of respondents represented networks/associations and 8% represented investors.

The results show a continued increase in the awareness and implementation of the Universal Standards across stakeholder groups. 91% of respondents mentioned being "very familiar, familiar, or aware" of the Universal Standards and 82% found the Universal Standards to be "very helpful" or "helpful" to their institutions.

As in 2014, the SPTF website ranked #1 in terms of being "the place" where to look for information, tools and resources on social performance management. The Smart Campaign, MIX, and CGAP websites were also highly ranked (SPTF's #1 ranking increased from 58% to 71% in one year).

The SPI4 (social assessment tool aligned with the Universal Standards) showed significant increase in awareness, with 77% of respondents being "familiar, very familiar or aware" of it (vs. 66% the previous year).

Results also showed high influence of the Universal Standards in the practices of FSPs: 74% of FSPs noted the Universal Standards influenced the implementation of SPM practices and 47% mentioned having changed practices in their organisation after learning about the Universal Standards.

Dimensions related to "defining and monitoring social goals" (Dimension 1) and "ensuring board, management, and employee commitment to social goals" (Dimension 2) were indicated as the ones where the Universal Standards had highest level of influence. The dimensions of the Universal Standards that have highest levels of current implementation by FSPs were indicated to be "treat clients responsibly" (Dimension 4) and "treat employees responsibly" (Dimension 5).

Results from networks/associations were also promising, with 96% being "very familiar, familiar, or aware" of the Universal Standards. 100% of those noted having discussed the Universal Standards with stakeholders in their region (vs. 90% in 2014).

Results from social investors were also very encouraging. 100% of social investors noted being "very familiar, familiar, or aware" of the Universal Standards (vs. 91% in 2014). 64% mentioned having discussed the Universal Standards with their investees at least once in the last year. Another significant progress was the offering of preferential terms by investors to financial institutions demonstrating strong social performance commitment. In 2015, 50% of respondents noted offering preferential terms (vs. 32% the previous year).

Despite the bias inherent to this type of survey, these results show a very encouraging trend from financial service providers, networks and investors to implement the Universal Standards and put the end client at the center of their strategy and operations.

In the upcoming year, the SPTF will continue to promote and support the awareness and implementation of the Universal Standards around the world and across stakeholder groups. For this the SPTF will offer trainings and tools for implementation, manage the Responsible Microfinance Facility (RMF), and work with CERISE in the worldwide adoption of the SPI4 (the Universal Standards assessment tool). SPTF is also developing guidelines for managing social outcomes (for FSPs and for investors) and defining short list of common social indicators in certain areas of priority. Guidelines and social indicators will be pilot tested in the field later in 2016. The work on outcomes is a key step for the financial inclusion sector to be able to achieve and demonstrate its social promise.

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SOCIAL PERFORMANCE TASKFORCE (SPTF)

Source: The Universal Standards for Social Performance Management Implementation Guide, SPTF, Leah Wardle

Going further

Social Performance Task Force (SPTF) website for Universal Standards for Social Performance Management:
sptf.info/spmstandards/universal-standards

SMART Campaign website to access the Client Protection Principles:
www.smartcampaign.org

MIX Market website for social reporting of microfinance institutions:
www.mixmarket.org

CERISE website to access the SPI4 social performance evaluation tool:
www.cerise-spi4.org

Global Appeal for Responsible Microfinance website, launched by Convergences:
www.theglobalappeal.org

Microcredit Summit Campain website:
www.microcreditsummit.org

Behind the buzz : the rise of client-centred finance

Every sector has its jargon. Buzzwords that seep into our collective psyche, pepper our conversations and top conference agendas. Microfinance is no different. Depth. Breadth. Sustainability. When these concepts first emerged in the mid-1990s, they had a buzzword feel. Today, however, they are built into the sector's DNA, integral to our understanding of microfinance. Responsible finance. Social performance. Client-centred management. Are the terms dominating today's conference agendas fleeting fashion, or do they reflect new approach to microfinance?

To answer this question, it is worth taking a step back, to the mid-2000s. From 2004-2008, the microfinance sector grew at unprecedented rates, with average annual asset growth of 39 per cent[1]. It seemed that after years of experimentation and innovation, the sector had finally found its footing. But then the crises started: Bosnia, Andhra Pradesh, Morocco, Nicaragua... Over-indebted clients, high rates of delinquency, eroded trust. Soon it became clear that unbridled growth combined with a vulnerable clientele was a risky mix, with grievous consequences for clients and providers alike.

Responsible finance -defined as the provision of financial services in a way that is transparent, fair, safe, and likely to generate benefits for poor clients[2]- emerged not only in reaction to these crises, but as a coordinated response to a form of microfinance that over-emphasized growth (and in some cases, profits) to the detriment of client well-being and microfinance's social mission.

Responsible finance is the recalibration of the sector against a new set of standards. Defined in the Universal Standards for Social Performance Management, which include the Client Protection Principles, these standards put clients at the centre of strategic and operational decisions. This means making choices based not just on profit and growth, but on effects to clients. Like offering loan officer incentives that value client service quality alongside portfolio growth. Or deciding to open a new branch based not just on the potential revenues, but an honest review of external and internal factors: Is there room for another financial provider in the market, or is there a risk of saturation and over-lending? Do I have the capacity to ensure new staff is well-trained to provide quality service? Can my audit department handle adding another branch to its annual plan, to safeguard against poor quality loan analysis or fraud?

This is what we mean by client-centred management, and it is not necessarily costly or complex. It does, however, take more than just re-branding one's operations as responsible. This is because behind the buzz are concrete practices and indicators. They have been collaboratively developed and are freely accessible. They are gaining traction, in part thanks to audit tools like the CERISE-SPI4, which lets financial service providers assess themselves against the Universal Standards and compare their practices to peers, through benchmark reports that can be shared with their board or investors.

The increasing ubiquity of the responsible finance agenda is indisputable, but it is more than a passing trend. It's about a change in perspective, from the balance sheet back to the client. Far from being a big new idea in microfinance, responsible finance is a return to origins.

[1] CGAP Focus Note No. 61, Feb 2010.
[2] USSPM Implementation Guide.

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CERISE

Credit: David Maurel

Healthy, Wealthy & Wise:
The results of integrating financial and health services

Sustainable Development Goal 3 (SDG 3) sets out to ensure healthy lives and wellbeing at all stages of life. To reach this goal, reductions in infant, child and maternal mortality as well as increases in health care services, essential medicines, and health financing options have to be achieved.

The public health sector has focused historically on trying to guarantee the supply of health services to achieve this goal but has been challenged with reducing the financial barriers people have in accessing available services. Despite efforts to improve the supply of health services, health care services continue to be sparse or operate at limited capacity, especially in the under-served areas where the majority of the world's poor live. This in turn leaves millions of people with limited options for preventing and treating illness, locking them in cycles of poverty and poor health.


Credit: Karl Grobl for Freedom for Hunger

Meanwhile, the rapid growth and development of the microfinance sector has led to an extensive, financially-sustainable network comprising more than 350 million poor people who regularly interact with a trusted group or institution. Microfinance institutions (MFIs), by the nature of their business, have regular contact with clients. Clients prioritize this interaction over those with other sectors because access to financial services is critical for them. This dynamic creates an open and reliable access point to a population that the health sector has historically struggled to serve.

In 2012, the Microcredit Summit Campaign estimated that approximately 50% of 317 reporting MFIs globally provided some sort of health service, such as health education, sales of health products and medicines using social enterprise or franchise models, health fairs, and linkages to or direct provision of health services. Equally and even more naturally, these MFIs also manage health financing products, such as health loans, health savings, microinsurance or prepaid packages to help cover the health needs of their clients, and do so at scale and in a sustainable way as part of their core business[1]. MFIs can partner with the health sector to improve their services to make them more convenient and cheaper to under-served communities, in exchange for an increase in effective demand for health services by their clients.

When thousands of MFI clients are armed with health information and financial capability, the goal of achieving improved health and wellbeing is within reach. In fact, we already know that integrated financial and health services works. MFIs, when they have integrated health services or collaborated with the health sector, have proved to be effective at increasing health knowledge, improving health behaviors and access to appropriate health care, and improved health outcomes[2].

[1] Metcalfe M., Hollingworth, S., Stack, K., Sinclair, M. (2014). Leveraging the Strengths of Two Sectors to Achieve Widespread Change in Health and Poverty: A Business Case for Integrated Microfinance and Health Programs. Freedom from Hunger. Davis, CA. Available at: https://www.freedomfromhunger.org/leveraging-strengths-two-sectors-achieve-widespread-change-health-and-poverty-business-case

[2] Gray, B. (2015). Healthy, Wealthy and Wise: How Microfinance Institutions Can Track the Health of Clients. Health Outcome Performance Indicators (HOPI) Project Report. Freedom from Hunger. Davis, CA. Available at: https://www.freedomfromhunger.org/healthy-wealthy-and-wise-how-microfinance-institutions-can-track-health-clients

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Towards Universal Healthcare:
Health Microinsurance in Rural Western Africa

The governments of several West African countries are moving towards Universal Health Care (UHC). However, these systems take time to implement and can have difficulties reaching vulnerable populations particularly in rural areas, which can represent up to 60% of the population. Health microinsurance is a useful tool to complement UHC and as it relies upon traditional microfinance distribution channels, can more easily access these populations. Moreover, health microinsurance allows populations to protect themselves against adverse shocks allowing them to invest in the development of their activities or the education of their children. Finally, insurance can help reinforce the supply of health services. By giving populations the capacity to pay for healthcare, microinsurance injects financing into the healthcare system allowing the network to arm itself with medicine and equipment

Currently, we are witnessing a positive momentum towards the development of health microinsurance. Innovative models tailored to low-income populations have emerged. For instance, the healthcare system in India combines Public Private Partnerships technology and solvent demand permitting to cover over 40 million people in rural areas. The development of information and communications technology (ICT) and mobile technology eliminates cumbersome banking and insurance systems and enables to equip entire masses with inclusive social protection products. New technologies in e-money and management of financial services via mobile apps are decisive in improving mass distribution of guarantees, improving services and reducing management costs. These are all factors that contribute to making health insurance more accessible at a lower cost than ever before.

Microinsurance benefits from this positive momentum and can be a complementary tool to UHC and even facilitate its implementation. PlaNet Guarantee, a social business dedicated to the development of inclusive insurance, has been actively involved in the development of health insurance and innovative models in health since 2009. Based on its experiences and its strong implantation in West Africa, PlaNet Guarantee is developing an innovative model for health coverage in this region.

The system relies upon several key principles as depicted in the adjacent table. This approach is being done largely with the microfinance sector and large agribusinesses. Rural health care products are being distributed via microfinance institutions and cooperatives in Ivory Coast.

For roughly €20 per year and per person, rural populations have access to health services for chronic illnesses, obstetrics, consultations, surgery, etc.

PlaNet Guarantee adopts a participatory approach to microinsurance. Products are developed in collaboration with end beneficiaries through focus group discussions that reveal the needs of the beneficiaries as well as their contribution capacities. Access to products is made possible via collaboration with the agribusiness industry and the rural microfinance sector. Microfinance serves as a vector of distribution for health insurance products. The main challenge ahead involves bringing the initiative to scale via mass distribution. Here technology can play a large role. Mobile and digital subscription and payment platforms are being implemented to generalise distribution to large numbers.

Access to health insurance is the number one demanded product in microinsurance. Health insurance is one tool to promote the well-being of low-income populations. This insurance is complementary to universal health care programmes implemented by national governments in the sense where it might equip rapidly rural areas, facilitated in that by the existence of a well-developed microfinance sector.

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CHAIRMAN
PLANET GUARANTEE

ANAAR KARA
PARTNERSHIPS DIRECTOR
PLANET GUARANTEE

Cover critical illness

- These illnesses are the ones most common in a given context (ex. India, the Philippines)
- Effects of illness are economically devastating to a family
- Cover hospitalisation costs
- Defined healthcare package so supplier network must organise itself to provide services

Render demand solvent and lower management costs

- Upon diagnosis of a covered illness, cash available to cover health costs
- If health care networks have cash available, they can stock on medicine and improve quality of network
- Control healthcare supply and not individual beneficiaries

Public Private Partnership

- Public authorities help define healthcare package
- Government fix public expenditures on healthcare
- Private organisations via calls for tender are responible for implementing the programme at a local level

Technology

- Population equipped with smart cards with their individual data
- Hospitals equipped with biometric readers
- Mobile technologies to reduce costs

Financing agriculture: towards a logic of partnerships

There are between 450 and 500 million smallholder farmers in the world. Together with their households, this represents 2,000 million individuals[1]. They are not a homogeneous group: some are involved in subsistence farming while others' farms thrive as a true business and are integrated in structured value chains. Although their needs are not the same, they all are confronted with the problem of insufficient access to good-quality financial services. In total, the credit needs of 270 million small farmers living in Latin America, Sub-Saharan Africa and South and South-East Asia are estimated at $200,000 million per year[2]. At present, barely a quarter of these needs are being met, and half of these are through "informal circuits". However, access to proper financial services is an essential condition to modernize farms and reach the second Sustainable Development Goal (SDG 2): eradicating hunger in the world.

It must be observed that at present, microfinance institutions (MFI) work mainly in urban and peri-urban zones or finance non-agricultural activities in rural areas. The reasons are well known: unsuitable loan methodologies, geographical scattering of clients, variability in raw material prices, risk of poor harvest and so on. Financing agriculture is both more expensive and riskier than financing other activities.

We have however seen new developments in agricultural finance since the 2000s, with the emergence of new approaches aimed at best serving small producers. For example, Soro Yiriwaso in Mali has a clientele that is mostly agricultural: the MFI has recruited a number of agronomists, trained its loan officers in agricultural matters, and adapted its products and interest rates according to the different types of harvest. Numerous innovations are also transforming the sector: mobile banking, micro-insurance, integration of non-financial services and so on. Credit is becoming an integral part of a wider range of services on offer to farmers. In Indonesia, Vasham offers loans to farmers both in cash and in kind in the form of fertilisers and seeds. Each loan is accompanied by training in agricultural techniques, and Vasham facilitates market access with a guaranteed minimum price for production.

Credit : Philippe Lissac

We are seeing a multiplication in both products and channels aimed at helping farmers. This involves moving outside the vision of development in silos (agriculture, financial inclusion, new technologies) and forming partnerships between different categories of actors with skills and capacities that complement each other. In 2015, the social enterprise ACRE Africa managed to protect 400,000 farmers against the risk of drought in Kenya, Rwanda and Tanzania. One of the leading products is the replanting guarantee; a farmer who buys a bag of seeds will find a card, included in the price, with a code to be sent via SMS. Sending this code will geolocate the producer and activate a three-week insurance against drought. If rainfall is insufficient within the following three weeks to guarantee germination, the farmer will automatically receive compensation via his mobile, allowing him to buy a new bag of seeds and replant during the same season. ACRE Africa's micro-insurance products have been designed and distributed thanks to partnerships with insurance and reinsurance companies, microfinance institutions, suppliers of agricultural inputs, telecom operators and satellite data providers.

The needs of smallholder farmers go beyond credit and beyond investment in agriculture. The MFIs alone cannot satisfy the demand. In contrast, a true ecosystem needs to be put in place to improve access to finance, modernise farms and increase farmers' income.

[1] Christen, Peck & Anderson, "Segmentation of Smallholder households: Meeting the range of Financial Needs in Agricultural Families", CGAP, April 2013.

[2] "Inflection Point: unlocking growth in the era of farmer finance", Initiative for Smallholder Finance and Rural & Agricultural Finance Learning Lab, April 2016. This estimate excludes China, Central Asia, the Middle East, North Africa and Eastern Europe.

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Credit : Philippe Lissac

Microfinance and family agriculture: focus on Agrosolidaria in Colombia

As Colombia is finally dreaming of peace after 50 years of armed conflict, the toll is heavy on rural population. First victims of the violence and expropriations inflicted by the various armed groups, many have had to abandon their land. Those who stayed then faced a turning point in national agricultural policy. Promoting the opening of markets and an agro-exporting model, this policy was implemented first and foremost to the detriment of the small family farms, who could not withstand the increased competition, the disappearance of lending entities to small agricultural structures and the massive importation of food at low prices.

The financial needs of family farms are many, but the banking and microfinance sectors are just beginning to express an interest in developing loan offers aimed at financing agricultural and rural businesses. Their strategy was more on focusing on urban clients – 79.5% of the portfolios of Colombian microfinance institutions (MFIs) were devoted to these clients in 2014, according to figures compiled by Asomicrofinanzas – and also oriented in more reliable and profitable sectors than agriculture.

The chronic lack of financial resources has forced some producers' organizations to consider alternative models to support their members' activities. This is the case of Agrosolidaria, which for more than 20 years now has been developing a solid economic network of small local associations of producers, processors, distributors and consumers, which ensures the viability of family farms by guaranteeing them outlets. A total of over 32,000 families have been building short food supply chains through these network links, which offer locally-produced foods while respecting agro-ecological practices.

In order to meet the financial needs of local associations and their members, savings and credit groups have been set up in certain localities. Each group sets its own operating and lending conditions, although agricultural activities are a priority. These self-managed funds are increased by members' contributions and also by refinancing from a federated fund, itself increased by national and international lenders such as SIDI in France. At the end of 2014, the 50 self-managed and re-financed local funds had a cumulative portfolio of almost €400,000. This financial link of the agricultural food chain is essential, as it not only allows supporting the development of productive activity, but also gives family members, traditionally excluded from standard banking systems, a means of accessing credit to improve their living conditions.

This post-conflict period that is now beginning foreshadows the return of many people displaced from their lands in the coming years: they must be welcomed, accompanied and financially supported. This poses a great challenge to civil society and the State. In this context, the offer from Agrosolidaria which combines the strengthening of social links, development of outlets and financing of the production is currently a modest but highly significant response.

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Credit: Agrosolidaria

Microfinance and impact in education: from financing to capability-building

Meeting Sustainable Development Goal 4 on providing quality education for all by 2030 is a great challenge of our time. Education fosters self-reliance and prosperity. In its absence it breeds unemployment, crime, and social isolation. Population bubbles in developing countries mean more and more youth will need jobs, and the skills to do them in a changing world. Progress has been made. Since the start of the Millennium Development Goals process, primary education access has increased to 91%, and literacy and numeracy continue to reach new levels in most places. But more needs to be done.

Governments in developing countries struggle to collect the tax revenue to fund their needs, parents also struggle to pay for private tuition in the absence of quality state education. Infrastructure and resources are often inadequate. Curricula must prepare children for adulthood, and young adults need vocational skills to break cycles of poverty within dynamic economies which value new talents. Governments, private companies and NGOs all have roles to play in this complex problem.

Alongside the responsibilities of governments, there is a practical need for private financial resources to support education access. Cost is a major barrier for students, parents and providers. Innovations that balance quality and quantity on the supply side with the demand-side requirements for education services will be crucial.

Microfinance is an important channel to address those challenges. On the supply side, MFIs can improve the financial capacity and efficiency of the education system. Loans to schools can channel investment capital to address insufficient or outdated educational material or poor physical infrastructure. These can be further leveraged when bundled with capacity-building services such as training for teachers and school owners/entrepreneurs, curriculum development support, or enhancing school safety standards. On the demand side, barriers to school entry disproportionately impact the poorest children and youth – many of whose families are microfinance clients.

Education finance products can include credit (education loans to pay for tuition fees, transportation, exam-related preparation expenses, or uniforms and other school materials); savings (commitment savings or term deposits to smooth the payment shock of school fees, uniforms, school material or books); insurance (linked to education saving plans or loan products to cover school fees for children in specific circumstances); or remittance programmes (to encourage migrants to use remittances for educational purposes in the countries of origin). Beyond financial services, MFIs can provide 'Education to Employment' services including vocational training or capacity development services for young people and unemployed adults.

This important topic is the subject of the 7th European Microfinance Award, which seeks to highlight the innovations and best practices among MFIs facilitating access to education. Drawing on the work of 30 applicants from 19 countries, the Award will highlight how MFIs are innovating in this space. Finalists will be announced in September, and the eventual winner announced during European Microfinance Week in Luxembourg on 17th November 2016.

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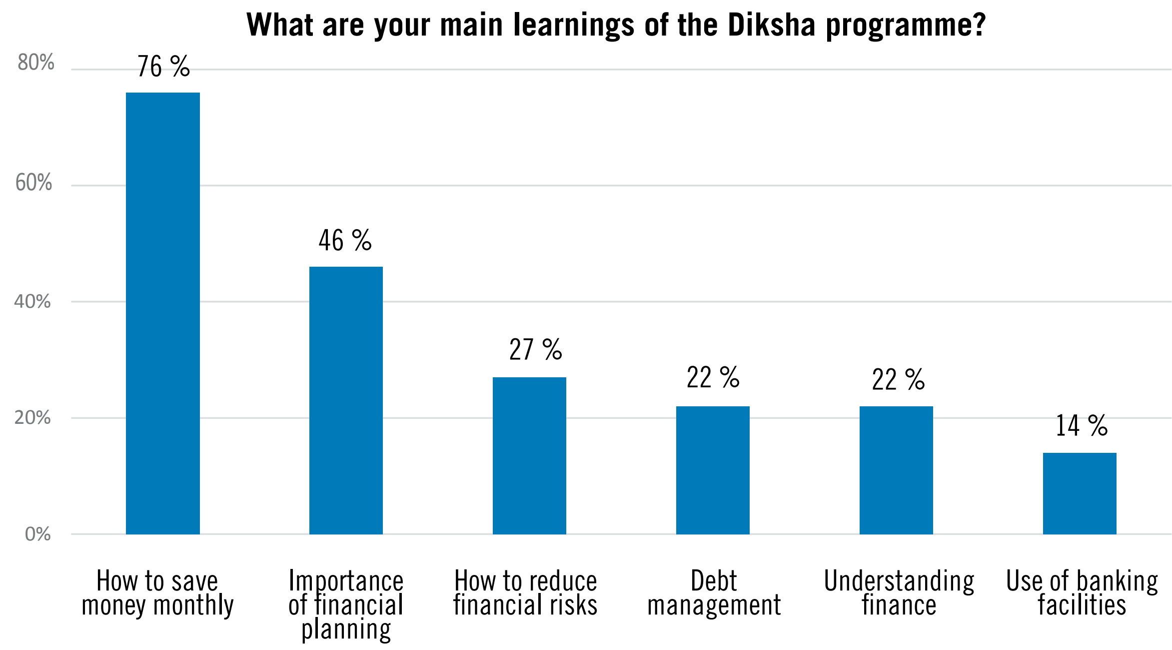
NETWORKING WITH THE SOUTH

The Ujjivan case or how to conciliate microfinance and education



Building more responsible models is one of the main challenges for the microfinance sector. In this perspective financial education programmes can be a valuable tool to address it. The success of Ujjivan, an Indian microfinance institution (MFI) that BNP Paribas contributes to finance, illustrates what happens when microfinance and education converge. A survey performed by (IM)prove[1] in 2015, sponsored by BNP Paribas, demonstrates it.

Aiming at assessing the social impact of Ujjivan's actions, the survey focused on group lending clients of women who represent 85% of Ujjivan's portfolio. The sample consisted of 100 customers having completed at least 2 loan cycles at Ujjivan. The results are remarkable: 24% of the interviewees are currently using their loan for education, which makes it the third loans' destination. 41% of mothers took a loan to pay for the education of their children. The education level has undoubtedly improved as 68% of children who had quitted school had however a higher level of education than their mothers' (16.4 years for children, 12.1 for mothers). The protagonist of those results: the Diksha programme.

Launched through Parinaam, Ujjivan's foundation, Diksha is a financial literacy programme aiming at training its clients at financial risk management and budget planning. It is a 5-module in-depth classroom training spread over 5 weeks.

The training provides several tools that attendees extensively use: 85% use calculators, 74% saving boxes and 56% financial diaries. By the end of 2014, more than 137,000 women benefited from this project.

Among the 100 respondents of the survey, 37 have attended at least one module of the Diksha programme. All the women who attended the 5 modules agreed that the Diksha programme was useful for them. For instance, 76% affirmed that they learnt how to save money monthly, while 86% shared their learnings with their family. Furthermore, 16 bank accounts have been opened thanks to Diksha, mainly used to save money and receive loan amounts.

Nevertheless, there are still efforts to be done. Although 95% know what they repay monthly thanks to informative documents about their loan (total amount, interest rate, monthly reimbursement, etc.), two thirds of the sample admit they do not know how much they reimburse in total (principal + interests).

Several challenges need therefore to be addressed as the Diksha programme has planned to involve a growing number of customers in the years to come. However, Ujjivan has already proved how MFIs can have a significant impact beyond financial inclusion. With 91% of the survey participants declaring their self-confidence has increased and 65% affirming being more involved in their household's decision making, the effects of this type of programmes on women empowerment shall encourage MFIs and other stakeholders to develop those responsible and holistic practices.

On the investors or lenders point of view, it is important to include this evaluation into the standard tools used to assess an MFI. Together with financial assessment, the social performance measurements are essential not only to select the best MFI but also to help them to continue the educational approach.

[1] (IM)prove is a French volunteering students-based association of support to social entrepreneurs around the world.

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Credit: (IM)prove

Clean Energy and Green Microfinance in Latin America and Caribbean

Based on the Inter – American Development Bank study: "Green Microfinance in Latin America and the Caribbean: Current State and Opportunities", done by the author and collaborators.

Latin America and Caribbean (LAC) region is increasingly affected by Climate Change, with droughts, floods or storms affecting 98.2 millions of people in 2001-2015. Climate change's impact is exacerbated by high deforestation rate and unsustainable use of land, that are also among the main sources of greenhouse gas emission in the region. In 2012 still 23 million people were without electricity[1], and 68 million people depended on the use of unhealthy and expensive traditional biomass which fosters deforestation[2].

The very dynamic microfinance market (around 20 million clients, USD40 billion[3]), is mainly focused in urban areas with increasing competition and saturation risk, while rural areas have low outreach and only 6% of the microfinance portfolio is dedicated to agricultural credits. Green microfinance could hence be a social and market opportunity to address these needs.

Green microfinance outreach in Latin America and Caribbean.

Between 2011 and 2015, 183 microfinance institutions (MFIs) in LAC have tried, are distributing or are presently trying to develop green credits. In 2015, 51 MFIs declare having specifically dedicated green microcredits, 33 specifically financing Renewable Energies (RE) or Energy Efficiency (EE) and other 35 financing RE or EE with non-dedicated loan products. The most financed RE or EE solutions are solar home systems, efficient cookstoves, biodigesters, efficient refrigerators and air conditioners[4].

Despite their positive trends and high potentiality, MFIs products' outreach for RE and EE remains still limited in LAC with on average only few hundreds of loans disbursed per MFI per year and a total portfolio between USD3.5 million and USD15 million in 2014. Other kinds of green microcredits supporting sustainable practices such as agroforestry and recycling seem to have better outreach. Various challenges are at stakes among which the lack of clear understanding of the economic opportunity of green products, and of sound business models for RE and EE lending. However, in presence of good strategies, partnerships and products, the potential microfinance market in LAC for climate change adaptation and mitigation can be estimated at various hundreds thousands clients and hundreds millions dollars.

Partnerships impact on green microfinance

The case of Te Creemos, in Mexico, proves this potential. While Criotec, a company providing energy efficiency refrigerators, is in charge of the majority of the technical activities: marketing, clients selection, promotions of energy savings, after-sales services, etc., Te Creemos does the credit analysis and loans disbursement. Mobile technology and psychometric credit scoring support credit disbursement. The strong partnership, common objectives and balanced roles distribution, are the key factors for the success of the project. At the end of October 2015 Te Creemos declared having disbursed USD860,000 and it forecasts to grow its energy efficiency portfolio to more than USD9 million by the end of 2016. The MFI has discovered a new market sector and it is integrating green dimensions in its procedures.

[1] IEA (2014), World Energy Outlook 2014

[2] IFC (2013), "Access to Energy in Low-income Communities in the Latin America and Caribbean Region: Lessons Learned and Recommendations".

[3] Trujillo, V. and Navajas, S., (2015). "Inclusion financiera en América Latina y el Caribe: datos y tendenciasé, edición especial para Foromic 2015, FOMIN.

[4] Green Microfinance in LAC Current State and Opportunities", IDB Study by D. Forcella, in collaboration with D. Castellani, F. Huybrechs and M. Allet.

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Microfinance and access to electricity in rural environments for sustainable development: the Burkina Faso case

With a rural population totaling 71%[1], 80% of economic activity concentrated on agriculture and livestock producing 34% of the Gross national product (GNP) in 2014, Burkina Faso had 14 million people without electricity, and a rural electrification ratio of only 2%[1]. In response to this difficult rural energy situation, Energies pour le Monde Foundation (Fondem) and the RCPB[2] network of financial cooperatives in Burkina Faso (the first IMF of the country) launched in 2011 the MICRESOL solar microcredit programme with the aim of distributing 1,000 solar kits to 15,000 beneficiaries and developing a sustainable and replicable business model.

MICRESOL offers a range of four solar kits for the use of low-consumption lights and electrical appliances that meet the demands of households, micro-entrepreneurs and social infrastructures. Each kit specifies the credit conditions: total loan amount, duration, interest rate, initial and monthly payments. At the same time, a procedure to train and support the technicians for the installation and after-sales service of the solar kits is established. These solar kits have been made accessible to the rural population through a combination of two essential mechanisms: on one hand, grants for bearing the cost of the equipment, and on the other hand microcredit for financing the electrical equipment and its installation and after-sales service.

A particular feature of this programme is the involvement of several actors and the structuring of operations. Fondem is responsible for coordinating and verifying the quality of local services, the link with donors and proper operation of the grant element. RCPB manages the development and implementation of financial methods, the training and support of its loan officers and the follow-up of loan documentation. Finally, bank agencies manage the distribution of the kits to clients. In December 2013, 11 bank agencies had distributed solar kits throughout Eastern region. In early 2014, the marketing area was extended to cover 26 agencies, covering South-East Burkina Faso. 1,000 kits should be set up by the end of 2016.

At the end of 2014, a sample of 100 beneficiaries representing different social levels and professional categories was selected for an initial impact analysis. 22% of households were found to have started an economic activity, 62% of children can study in the evening thanks to the kits, and 38% of households claimed to have stopped using batteries. With regard to the current energy crisis and the willingness of the Burkinabe government to solve the situation, one can believe that this renewable energy distribution tool has a bright future.

[1] World Development Indicator 2014.

[2] Réseau des Caisses Populaires du Burkina.

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Credit: Cyril Letourneur, Fondem

Facilitating access to clean energy: microfinance impact in rural Africa

Zaynaba is an Ethiopian farmer and mother of 5 children. She lives in Tijo Kerensa, a village with no access to the electricity grid. Earning less than USD2.50 a day, Zaynaba and her husband do their best to provide better living conditions to their children. In June 2015, through her microfinance institution, Zainaba was able to purchase a solar lantern on credit. The household then stopped using kerosene lamps, which Zaynaba considered as costly, unhealthy, and not bright enough for her children to study. Thanks to the solar kit, the family significantly reduced its monthly energy expenses from Birr 120 to 40, saving around Birr 80 per month (€3.50). Zaynaba has now finished repaying her Solar Loan and is thinking of applying for a second loan for investing in a larger solar solution.

Today, various MFIs operating in rural areas have understood that they could play a role in facilitating access to clean energy for off-grid vulnerable populations. Rural MFIs have two advantages: they have developed extended networks in rural areas and they offer loans that help overcome the financial barrier to investment in a solar solution. For rural MFIs, getting into energy lending is usually seen as a strategy to respond to their clients' needs and fulfil their social mission, as well as to diversify their products, differentiate from competitors, attract new clients and new sources of funding.

Since 2013, PAMIGA has been providing technical assistance to its member MFIs willing to engage in this area. The approach chosen was a "two-hand" model, where the MFI sets partnerships with one or several solar solution providers. In such a model, the adequate selection of providers, the clear definition of responsibilities among partners, as well as the development of last mile agent networks for effective customer services, are some of the key elements to put in place for a successful and sustainable involvement in clean energy lending[1].

Of course, one cannot expect microfinance to overcome all barriers to access clean energy. Involving other actors and testing different models remain crucial and complementary. However, rural MFIs still seem in a position to play a positive role in ensuring "access to affordable, reliable, sustainable and modern energy for all" (SDG 7). A recent study conducted by PAMIGA in March 2016, with 215 Solar Loan clients and 61 control clients from two partner MFIs in Ethiopia (Buusaa Gonofaa and Wasasa), shows interesting results in this regard. Using

Credit: PAMIGA

a difference-in-differences methodology, the study demonstrates that the provision of Solar Loans has been instrumental in: (a) facilitating access to solar lamps for 92% of concerned households; (b) totally stopping the use of kerosene lamps for 40% of households; (c) extending the average number of hours of lighting from 4 to 5 hours daily; (d) reducing on average energy expenditures by 64%. Besides, 70% of concerned households perceive that they have a better access to energy in terms of cost, power, healthiness, or safety.

Today, PAMIGA implements similar programmes in Kenya, Tanzania, Senegal, Cameroon and Benin, supporting its member MFIs in engaging in an impactful microfinance.

[1] For more on PAMIGA's methodology and lessons learned on energy lending, please refer to: Allet M. (2016), "Solar Loans through a partnership approach: lessons from Africa", FACTS Reports Special issue – Decentralised rural and peri-urban electrification in emerging and developing countries; and Allet M. (2016), "Energy Entrepreneurs: an innovative model to reach the last mile", FACTS Reports Special issue – Decentralised rural and peri-urban electrification in emerging and developing countries.

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Decent, affordable housing for all: Why does housing microfinance matter?

Can microfinance be an effective response to all of the challenges faced by poor people? Probably not, but it might be the best response to a few of those challenges. Safe, secure, affordable and appropriate housing is one of the "big three" priorities for low-income families around the world, along with food and primary education[1]. Access to suitable shelter is linked to other development outcomes such as better health, more consistent participation in the labour market, stronger ties to the community and better educational outcomes for schoolchildren.


Credit: Thomas White for The MasterCard Foundation

For many people, buying or building a home is the largest financial investment they will ever make. Yet, in developing economies, the World Bank's latest figures[2] show that less than 10% of people are able to borrow from a formal financial institution to purchase a home. A comprehensive report on the global housing crisis from the McKinsey Global Institute estimates that 330 million urban households around the world live in substan¬dard housing. More than 200 million households in the developing world live in slums.

The problem is particularly acute in Africa where the majority of households cannot afford to buy or build even the least expensive house. The United Nations Centre for Human Settlements provides figures which illustrate this stark reality: Latin American households need 5.4 times their annual income to buy a house. In Africa, 12.5 times the average income is required. The lack of housing finance in Africa means that middle class and low-income earners must self-finance their own home construction or improvement. Often, work takes place in unplanned areas with inferior materials and unsafe outcomes.

There is, however, a solution: housing microfinance specifically targeting low-income populations. In 2012, Habitat for Humanity, in partnership with The MasterCard Foundation, developed the "Building Assets, Unlocking Access" project[3] to test whether a market-based approach could help address the affordable housing challenge. Research in Uganda and Kenya confirmed that there was significant demand for incremental housing construction finance since it allows lower-income earners to improve or build their homes step-by-step, with repayment rates that match their repayment capacity.

That research persuaded financial service providers to structure new lending products and services specifically tailored to poor populations. The result: to date, seven financial service providers in those two countries have processed about 14,000 housing finance loans for low-income people. Early indications are that those people repay their loans on time and are satisfied with the experience because it responds to real needs and has real impact. What remains to be seen is whether there is a sustainable business case for banks and other financial service providers to offer this type of product.

This project highlights the impact microfinance can have on improving access to decent and affordable housing and its potential of development. Expanding housing microfinance on a large scale can help transform the lives of millions of people living in poverty and make cities and territories inclusive, safe, resilient and sustainable.

[1] Maes and Reed (2012). "State of the Microcredit Summit Campaign Report." Microcredit Summit Campaign.

[2] Demirguc-Kunt, Klapper, Singer, and Van Oudheusden (2015). "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research Working Paper 7255, World Bank, Washington, DC.

[3] The "Building Assets, Unlocking Access" Project is available at http://www.habitat.org/housing-markets/shelter-finance/services/projects/building-assets-unlocking-access

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The MasterCard Foundation

Indian water and sanitation initiative: a positive challenge for the microfinance sector

A recent study by WaterAid[1] concluded that around 60% of people in India have no access to a toilet. The resultant health crisis is a serious issue. In India more than 140,000 children under the age of five die each year from diarrhoea. With the World Bank estimating that over 20% of India's population lack access to electricity, there is also a growing demand and dire need for renewable energy products as well as appropriate sanitation.

The WATSAN project: Overcoming challenges with concrete results

To address these challenges, Oikocredit's Indian subsidiary, Maanaveeya, and the International Finance Corporation (IFC) jointly funded a USD 1 million Sustainable Financing for Safe Drinking Water, Sanitation and Renewable Energy project (known as WATSAN[2]). The three-year project, initiated in 2011, was designed to help microfinance institutions (MFIs) provide additional products and services to improve livelihoods.

As part of the WATSAN project, Maanaveeya provided loans to 12 partner MFIs with a total of 234,000 beneficiaries. Various types of loans were issued, including loans for the construction of toilets, piped water connections, water storage units and water filters, as well as renewable energy loans for solar lighting and energy-efficient stoves. Maanaveeya also supported partners in attempts to raise awareness about health, hygiene and the environment through campaigns, using street plays, documentary films, video clips and demonstrations. Over 1 million people were reached through these activities.

The partners involved in the WATSAN programme had to face real challenges and lift various obstacles. First of all, continuity in the project operations needed to be ensured in the field by local implementers rather than sponsors and promoters. Secondly, adequate monitoring was requested to assess the usage of the facilities by the end beneficiaries. Thirdly, a permanent offer of after-sales services had to be deployed for technical maintenance of water purifiers and solar lanterns.

The above targets were reached by aligning the WATSAN implementation strategy with the interested MFIs' business plans, by earmarking a part of their loan portfolio to WATSAN and renewable energy solutions, by strengthening standard monitoring procedures and by conducting ad hoc project assessments. Specific attention was also needed to select the appropriate technical solutions and related services for performance improvement.

Last but not least, the WATSAN project took-off after grant funds were spent for awareness and promotion of WATSAN and renewable energies, so that the end users would see the benefits and were willing to go for it.

The WATSAN project is already making a difference in India. The numerous women who participated in the project said they felt a greater sense of self-respect as well as safety, by having their own toilet. Aside from reducing the incidence of water-borne and faecal-related diseases, access to water and sanitation facilities also saved the families time and effort in fetching water.

The project has shown that when finance is made available to low-income households, it enables them to purchase sustainable technologies that improve their health and living conditions. The success of the project shows that MFIs can provide their clients with other types of products and services outside the traditional lending model.


Credit: Opmeer Reports

[1] Feeling the Pulse, A Study of the Total Sanitation Campaign, WaterAid, 2008.

[2] WATSAN Sustainable Energy, Oikocredit, Maanaveeya Development & Finance Private Limited.

GING LEDESMA
INVESTOR RELATIONS AND
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OIKOCREDIT

OIKO CREDIT
investir dans l'Homme

Building the future of the sector, one house at a time

At the 17th Microcredit Summit, Ms. Deepali Sood from Habitat for Humanity, shared a remarkable statistic: just 2% of microfinance capital is aimed at housing finance. Why is this remarkable? Consider that in 2015 housing loans accounted for 73% of household debt in the United States, 82% in France, and 88% in the United Kingdom. There is no question that the primary goal of consumer lending in high income countries is to fund housing.

The basic needs of poor families are not much different. It is well known that clients often divert "microenterprise" credit for household needs, with housing near the top of the list. The problem is that typical microfinance loans, designed for microenterprise lending, are too short and too small to meet most housing needs. The need for effective housing finance remains largely unmet.

The challenge of access to housing finance

Most poor families around the world rely on incremental building to construct homes for their families. A young family may save first to buy a small plot, then save again to lay the foundation, walls, roof, windows, and additions as the family grows. Or a family may build a temporary structure, then improve it over time. The process can take decades. Countless cities and towns in Asia, Africa, and Latin America have neighborhoods filled with such half-finished structures, many of them already occupied.

Even such incremental building requires significant funds at each stage – one can't build half a wall or half a roof. As a result, families will save over time, usually by purchasing and stocking construction materials until they have enough to proceed. Or they will string together savings and loans – including some microcredit – to make the incremental investment. But the process is inefficient and risky – bricks are stolen, cement bags get waterlogged, roofing sheets break.

The opportunities for housing microfinance

Housing microfinance – loans that are 2-3 times larger and 2-3 times longer than traditional microcredit – are perfectly suited to finance such building. But although the products have been around for more than a decade, they remain a minor part of microfinance overall. One largely unacknowledged reason is that housing loans are less profitable – at least in the short-term – mainly because to remain affordable, their interest rates have to be lower than those of shorter-term microcredit.

But MFIs that stick to the high-yields of traditional microcredit without substantially diversifying into housing and other segments are taking a risk. Competing with many other MFIs over a limited customer base of microentrepreneurs is not a recipe for either long-term growth or for greater financial inclusion.

As Ms. Sood highlighted at the Microcredit Summit the low level of investment in housing finance, she also challenged the audience to bring housing finance to 10% of total investment. Now that's a prescription worth following.

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MICROFINANCE IN FRANCE AND EUROPE

The development of personnal and professional microcredit in France

In 2005, the French State created the Social Cohesion Fund, or FCS, which guarantees professional and personal microcredit. The management of this fund was originally confided in the Caisse des Dépôts, which since then has contributed to the development of microcredit in France.

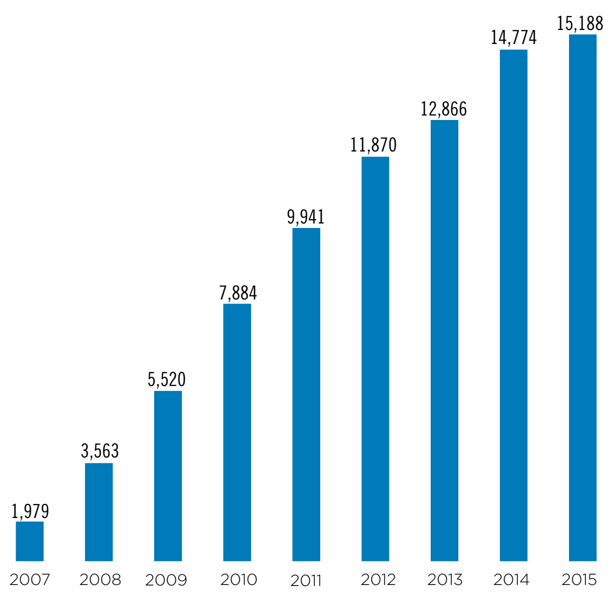
Personal microcredit

The Caisse des Dépôts has established partnerships with some twenty financial partners – retail banks, specialist financial establishments, municipal lenders and microfinance institutions – which grant the loans. Applications are initially examined by an accompanying assistant, who may be a social or voluntary worker from a financial exclusion prevention association. When the application is made, the plan is assessed according to the social or professional insertion that it could bring about; budgetary evaluation allows to advise on the managment of bank accounts, to open access to social benefits and to verify the applicant's capacity for repayment. For the 10 years for which the FCS (www.france-microcredit.org) has existed, the Caisse des Dépôts website has itself undergone substantial renovation; its visual identity has been revamped and it is now possible to make and monitor applications via the site.

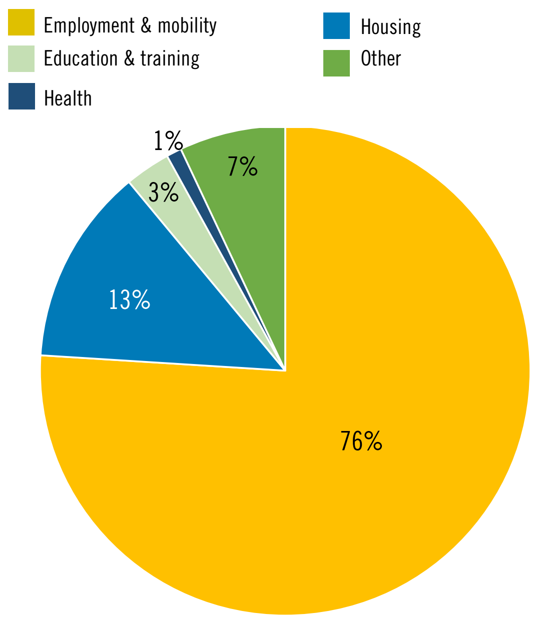
Personal microcredit in figures at the end 2015:

- 84,130 personal microcredits granted since 2006;
- €192.2 million: nominal distributed since 2006;
- €2,285: average loan amount.

Number of guaranteed personal microcredits distributed in France per year



Division of personal microcredits according to subject in France in 2014



Professional microcredit

FCS's support for professional microcredit translate into several ways:

- Allocating the state funds pooled under FOGEFI, the Guarantee Solidarity Fund for Female Entrepreneurship and Inclusion
- Supporting guarantees of "Galland law" territorial funds, managed by France Active
- Supporting accompanying enterprise creation networks
- New support for enterprise creation and recovery (Nacre).

In 2015 the FCS contributed €18.5 million to these fields, including €7.4 million for classic guarantee systems and €10 million for "Nacre" loan resources guarantees loans guarantees, the balance being assigned to finance the accompanying networks. This contribution has allowed FOGEFI to implement 15,210 files (an increase of 9% compared with 2014) equivalent to €65.2 million, showing an increase in the average guarantee amount. Thanks to the FOGEFIT, more than €108 million in loans were granted in favour of female entrepreneurship, microcredit (mainly from Adie), social integration enterprises and solidarity structures.

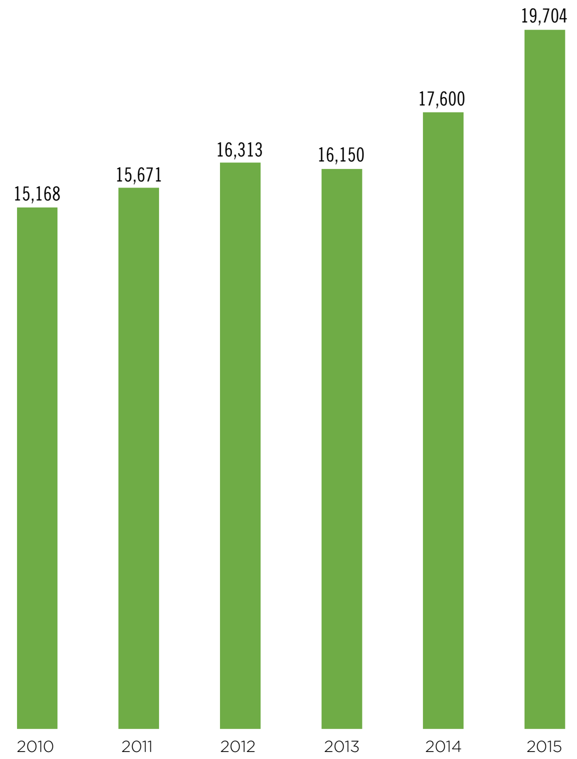
The "Galland law" territorial funds, to which the local collectives contribute jointly, have made significant progress: 4,021 guarantees representing €61 million. These guarantees concern both very small companies (VSC) and social entreprises.

In 2015, the guarantee of the "Nacre" loans via the FFS allowed about 9,600 loans totaling €36 million.

In total, more than 37,231 jobs were created or consolidated by the action of the FCS (excluding Nacre) in the field of professional microcredit in 2015.

ECONOMY AND SOCIAL COHESION DEPARTMENT
GROUPE CAISSE DES DEPOTS (CDC)

Number of professional microcredits distributed in France per year



The Commission's support to microfinance institutions in Europe

Microfinance has emerged at the European level as a crucial policy tool to fight against social and financial exclusion, promoting self-employment and supporting microenterprises. Although the sector has been steadily growing over recent years, in Europe there is still a significant unmet demand for persons and microenterprises who remain excluded from the traditional financial system.

To fill this gap, the European Commission has taken specific actions to increase the availability and accessibility of microfinance for vulnerable groups and microenterprises. The Commission provides support to the sector in the form of funding and capacity building primarily through the Employment and Social Innovation (EaSI) programme, a financing instrument to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions[1]. The programme covers the period 2014-2020 and has a budget of €919 million, of which 21% is specifically dedicated to support Microfinance and Social Enterprises.

Under the EaSI programme, the Commission does not directly finance microentrepreneurs, but rather enables selected financial intermediaries to increase lending to vulnerable persons and microenterprises, providing them with guarantees and funded instruments[2]. In fact, the objective is to increase the availability of microcredits for vulnerable groups who want to set up or develop their business, and micro-enterprises who lack access to traditional credit from mainstream banks.

On the occasion of the 1st European Microfinance Day organized by the European Microfinance Network and the Microfinance Center on 19th October 2015 and with the support of the European Commission, 6 microfinance institutions (MFIs) from the Netherlands, France, Ireland, Italy, Spain and Romania have signed the first EaSI guarantee agreements under the witness of the Commissioner Mrs. Marianne Thyssen. Experts believe that 20,000 micro-enterprises will access loans worth €237 million through the guarantee scheme. As of February 2016, an additional 5 guarantee agreements have been signed, supporting the disbursement of loans to micro-enterprises in Czech Republic, Poland, Spain, France and the United Kingdom. Some observers expect that the guarantee fund will be victim of its success and quickly run out of funds.

In addition to the financial instruments and as a continuation of the pilot technical assistance programme known as JASMINE (in the programming period 2007-13), the Commission continues its support to the institutional capacity of the MFIs. Fi-compass, a platform of the European Investment Bank, is managing the technical assistance (TA) programme under EaSI on behalf of the Commission. The TA programme was launched in 2015 and offers three types of support.

- Assessments / ratings carried by an independent specialised service provider and complemented by tailored trainings addressed to the staff and management of the MFI. The first 25 MFIs beneficiaries of this capacity building support were selected in 2015.
- Advice to MFIs regarding the European Code of Good Conduct for Microcredit Provision (Code) through trainings and evaluation of the Code's implementation. The Code is a set of common standards in terms of the operation and reporting of MFIs which has been built on recognised best practice in the sector. For MFIs, signing up to the Code has become a pre-condition for accessing assistance from EaSI Technical Assistance and EaSI guarantees.
- Access to market development services such as workshops and seminars on microfinance related topics, and a helpdesk in order to promote the spread of best practices and improve the visibility of microfinance in Europe.
- All the initiatives presented aim to expand the provision of microfinance in Europe and thereby promote employment and social inclusion. A mid-term evaluation of the EaSI programme for the period 2014-2016 is expected in 2017 and will be key to assess if the activities implemented are having an impact on the life of vulnerable people wishing to start up a microenterprise and on those who have existing micro-enterprises.

[1] http://ec.europa.eu/social/main.jsp?catId=1081

[2] The funded instruments are provided under the European Progress Microfinance Facility that until 2016 will run alongside the Microfinance and Social Entrepreneurship axis of the EaSI programme.

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The answers of housing microcredit to poor housing in France

Unhealthy or makeshift housing, fuel poverty and all other forms of bad housing can have adverse effects on the health of those who live in it. This issue concerns around 600,000 housing units all over France.

Poor housing conditions can lead to different health problems. For example, water infiltration, poor ventilation, inadequate heating or no heating may cause or aggravate allergic or respiratory problems. In old buildings, wear and tear can also bring to the degradation of lead paint which is of particular concern for young children who may ingest the dust and flakes: over 5,300 children in France currently suffer from lead poisoning, a condition that causes serious and irreversible problems of development.

In 2015, a study conducted by the Abbé Pierre Foundation highlighted that the frequency of allergic and respiratory problems has increased within the 5 million households facing fuel poverty, that is, cannot be properly heated because the poor state of the accommodation makes heating unaffordable. Excessive use of portable heaters to compensate for a deficient heating system creates a further risk to people's health.

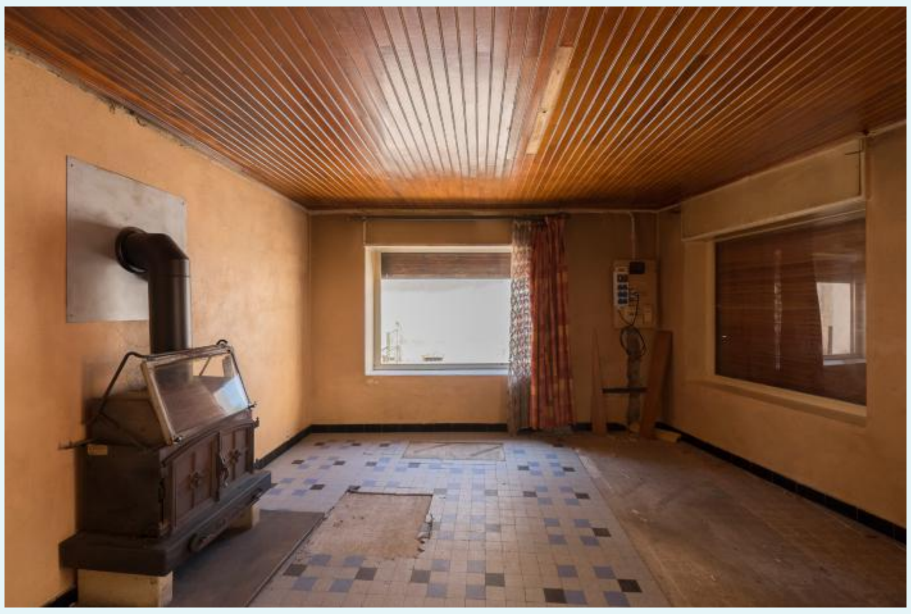
In view of this, carrying out housing improvement works appears to be a major challenge. It requires significant financial input for poor owners-occupiers and must go along with public support. Since its creation, the National Housing Agency (ANAH) has been offering assistance to owners for carrying these works, including, in 2012, the "Habiter Mieux" (Living Better) heating renovation programme. Depending on the territories, this assistance is complemented by local public and private programmes.

However, public programmes cover only a part, namely 60-70%, of the renovation costs. The remaining part is difficult and sometimes impossible to finance for vulnerable households who, for most of them, don't have any savings. For these households, housing microcredit is a solution, sometimes the only solution, that allows achieving their renovation work projects. Moreover, housing renovation can give access to new benefits that, in return, facilitate paying back the microcredit. For this reason, the Abbé Pierre Foundation has conducted an experiment with the Caisses d'Epargne, providing its support to housing microcredits in order to encourage public authorities to propose a large scale solution.

JULIA FAURE
PROGRAMME MANAGER
ABBÉ PIERRE FOUNDATION

Examples of housing renovation works realised thanks to housing microcredit

Before



After

Credit: Thomas Busk/Cultura/Photononstop

In its 2013 edition, the Microfinance Barometer featured a French housing microcredit experiment. Led by the Caisses d'Epargne and guaranteed by the Social Cohesion Fund (FCS) -a public fund for guaranteeing microcredit- and the Abbé Pierre Foundation, the microcredit programme targeted owners in difficulty, with the aim of financing housing renovation, thus reducing their energy bills. This was an ambitious challenge given the scale of energy insecurity in France, which affected about 2 million homes[1]. What would the results look like after three years?

Although constantly increasing (+30% in 2015 compared with 2014), the number of households financed each year is still low (less than 300 in 2015). The figure is to put into perspective because of the increase in public aid available as well as the complexity of the files processed, which require an important long term support. This support is provided by operators specialising in housing renovations, the most prominent being the Soliha network.

Housing microcredit finances the installation of new heating systems, insulation of buildings, and to a lesser extent the restoration of badly dilapidated housing. It reaches a different public from the traditional microfinance borrowers. 72% live in rural areas, compared with the usual 35%. Their average age is also higher, as one in two borrowers is retired (compared with 4%). The average total of a housing microcredit is €7,500, compared with an average of €2,000 for personal microcredit. That said, the average income for beneficiaries of housing microcredit is similar to that of personal microcredit beneficiaries, and this means a doubling of the average repayment period from 30 to 60 months. In the dynamic of this national experiment, in 2014 Crédit Municipal de Paris and its partners launched a new microcredit for low-income (on average, less than €1,200) homeowners in Île-de-France region. In addition to the support for housing renovation to reduce energy insecurity, beneficiaries can also be protected against risks of losing their house when unable to finance their share in the works voted by the association of homeowners.

To sum up, housing microcredit has met the needs of a new customer base, homeowners whose financial situation does not allow them to bear condo fees and renovation works. In this regard, these national experiments played a pioneering role and seem to have inspired the public authorities which have announced the creation of a new 0% eco-loan, guaranteed by the state. This is a fine example of financial innovation and partnerships for housing and sustainable development.

[1] Source: National Housing Agency (ANAH).

[2] All the statistics presented in this article are those of the Fédération nationale des Caisses d'Epargne.

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CAISSE D'EPARGNE
FEDERATION NATIONALE

Microcredit in France: a steeping stone into employment

Personal microcredit

Personal microcredit, unlike its big brother professional microcredit, does not have a direct link to employment, as it does not finance business creation. In France, the law specifies that it must finance professional or social integration projects. However, it is the first objective that has overtaken: since 2005, 3 out of 4 microcredits have been used to finance a job access or retention project. The principal reason for this is doubtless the fact that financing a professional integration project must be the most effective means of helping improve the poverty situation of the applicants. But is this appreciation justified?

In 2013, the Caisse des Dépôts conducted a study of the impacts of personal microcredit. This study showed that when the borrowers followed a professional objective, two third of them saw their situation improved or preserved. The scope of the results, however, varies according to the initial situation of the applicant: in 72% of cases the borrowers who had a job when they made the application accomplished their project on the long-term (keeping their current job, having a better job, etc.), while 55% of the unemployed borrowers saw a long-term success.

So what is the impact of personal microcredit on borrowers' living conditions. Here also we see a positive effect: borrowers having a professional integration project saw their average income increase from €771 when they applied for the microcredit to €881 at the time of the study (the period varying from 6 months to 5 years).

Even though we know that poverty and social exclusion have many different aspects, professional integration is one of the key factors to fight them. The positive results that we have just reported should convince us that personal microcredit has the power to meet the challenge.

Professional microcredit

In 2015, the benefits of professional microcredit guaranteed by the Social Cohesion Fund (FCS) totaled 37,231 jobs created or consolidated in all of the fields in question: bank and extra-bank guarantees for very small companies (VSC) and social enterprises in creation or development. This figure is almost unchanged in comparison with the previous year.

In retail, 20,750 jobs were generated in the VSC sector, and of these, 7,861 were covered by bank guarantees (especially related to female entrepreneurship), while 12,889 were covered by extra-bank guarantees such as Adie's, which saw a particularly significant growth of 15%.

With regard to social enterprises, the number of jobs created or consolidated was 16,482. In addition, in 2015 about 8,700 businesses were financed by "Nacre" loans (new accompaniment for the creation and restoration of businesses) loan. On the basis of declarations by project participants, it is anticipated that 12,800 jobs will be created thanks to "Nacre" loans, although it is not possible to add this total to the jobs data for the standard guarantee as some project could benefit under more than one system.

ECONOMY AND SOCIAL COHESION DEPARTMENT
GROUPE CAISSE DES DEPOTS (CDC)

Interview with Professor Muhammad Yunus

"We have created a financial system concentrated on the lucky ones"

Credit: Grameen Crédit Agricole Foundation / EDM

What should we do up to 2030 to achieve the Sustainable Development Goals (SDGs)?

The 17 SDGs are a list of our most important problems. We are decided to bring them to a reasonable level in order to avoid crossing poverty, hunger and climate change thresholds. For the 15 years to come, we have to concentrate efforts to make sure we can undo the problems we have caused in the past. So here is my position: why don't we keep on doing efforts to make sure we implement these 17 goals while undoing, changing and correcting the things which went wrong? This is what we have to focus on. Our economic framework is an example: 1% of the world's population owns 99% of the entire wealth, and tomorrow it will be worse. We have created a financial system concentrated on the "lucky ones" while the "unlucky ones" are completely forgotten. It is not just a question of giving microcredits; microcredits are important, but it is all about redesigning a financial system, open to everyone who has been rejected before.

How is microfinance a tool to reach the SDGs?

Microfinance has already proven to be an important tool. If you leave people out of the financial system, they are at the mercy of everybody else. With the support of a financial institution, I don't have to depend on anybody, I can take care of myself. I can go out, take the money and start my own life and career. All these women taking loans from microfinance banks and NGOs are not looking for job opportunities. They instantly become entrepreneurs and they keep growing. But this has to be done as a part of the whole entire financial system! It should not be a footnote in some financial discussion.

What evolution do you see for the microfinance sector?

We have a prepared ground and we can create financial institutions. NGOs can become microfinance banks. They are doing the whole thing but the law does not allow to deliver licenses. I say: change the law, create the law, so that microfinance NGOs can become microfinance banks and address all these issues. There are several banks in microfinance such as the Grameen Bank which tackles many aspects of the rejection we have been suffering from. Not only it provides loans, it also provides saving facilities, insurance facilities, pension funds and student loans. Provide all the services, not just one or two, stop there, and say "we have done it". There is still much to do. That is where technology, young people and social business are important; it all must be merged together so that we can move forward.

How can we all contribute to building a 3Zero world?

We have to believe that we can do it, it is not something impossible. We are in a phase of world history where nothing is impossible. It is about making up our mind. If we make up our mind, we will make it happen. Technology is there, creativity is there, entrepreneurship is there. Young people are best suited to address all these issues and redesign things. Redesigning is not just doing the same thing over again, a little less and a little more. You have to redesign the concept, redesign the framework so we can make it happen. There are two kinds of business: business to make money and business to solve problems. You can do both. Give people options, give young people options. Unemployment is a major issue that we need to address. We should believe that we are entrepreneurs, not jobseekers. Then suddenly everything changes. Use your creative power and make sure what you are using it for. You are using it to create a new civilisation, a civilisation that will not fuel all these 17 troubles that we have. We can have a new start, a fresh beginning.

MUHAMMAD YUNUS
FOUNDER OF THE GRAMEEN BANK
NOBEL PEACE PRIZE LAUREATE

INTERVIEW BY CONVERGENCES

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