



EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

NEWSLETTER

AUTUMN 2010

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EUROPEAN MICROFINANCE WEEK

30th November - 1st December 2010

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EUROPEAN MICROFINANCE WEEK 2010

European Microfinance Week, 30th November – 1st December, is e-MFP's annual event for its members to come together, debate, share ideas and network. Last year it attracted more than 300 participants (members and non-members) from 37 countries.

At European Microfinance Week a combination of plenary, workshop and roundtable sessions facilitates a dynamic exchange of experiences and views. It is also the ideal opportunity to network and make those important new business contacts. Registration for the event is available on our website www.e-mfp.eu and we recommend you register and book hotel accommodation early to avoid disappointment.

Similar to the last two years, there will also be an exhibition area, the Plaza, where EMW participants can publicize their organization or service and distribute information material. If you would like to reserve a place at the Plaza for your organisation, please contact the Secretariat, contact@e-mfp.eu.



EDITORIAL



Dear Members and Friends,
With the European Microfinance Week 2010 only some weeks away the e-MFP Secretariat is currently very busy preparing the event which will take place 30 November - 1 December in the Abbaye de Neumünster, Luxembourg. Our event is unique because the content is driven by our members and sessions have a high level of member participation. The themes and topics of European Microfinance Week [EMW] have been proposed by you, so they reflect your current priorities and concerns about the microfinance sector. This ensures a dynamic exchange of ideas and a real opportunity to voice your opinion and influence future directions (details of the program are available on our website www.e-mfp.eu).

Nowhere else will you find such a diverse group of stakeholders debating the vital challenges of microfinance.

So, join us and contribute to the debate. We look forward to welcoming you to a stimulating European Microfinance Week 2010.

Christoph Pausch, Executive Secretary



NEWS FROM THE SECRETARIAT

CONFIRMED SESSIONS AT EUROPEAN MICROFINANCE WEEK INCLUDE:

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| <p>BUILDING LOCAL DEPOSIT DRIVEN FINANCIAL MARKETS: WHAT ROLE FOR FUNDERS AND MICROFINANCE ACTORS?</p> <p>Organized by CGAP/European Commission</p> | <p>TRAINING SESSION: RISK MANAGEMENT FOR MFIS: LESSONS LEARNED FROM THE IMPLEMENTATION OF "THE RISK MANAGEMENT FACILITY" (RMF)</p> <p><i>Speakers:</i> Alex Silva, Managing Partner of Omtrix/Risk Management Facility-RMF, Costa Rica</p> | <p>THE SMART CAMPAIGN AND THE PRINCIPLES FOR CLIENT PROTECTION IN MICROFINANCE: ASSESSING THE PROGRESS, IMPLEMENTING THE PRINCIPLES THROUGH THE ANALYSIS OF CASE STUDIES</p> <p><i>Speaker:</i> Isabelle Barres, <i>The Smart Campaign</i></p> | <p>SOCIAL PERFORMANCE STRATEGY DEVELOPMENT FOR NATIONAL NETWORKS AND PROFESSIONAL MICROFINANCE ASSOCIATIONS: PRESENTATION OF THE DECISION TREE (CERISE AND IMP-ACT CONSORTIUM)</p> <p><i>Speakers:</i> Cécile Lapenu, <i>Cerise</i>; Anton Simanowitz, <i>Imp-Act</i></p> | <p>RESPONSIBLE PRICING IN MICROFINANCE: WHAT IS TO BE CONSIDERED FAIR AND WHAT FAIRNESS ENTAILS?</p> <p><i>Speakers:</i> Marek Hudon, <i>CERMI</i>; Isabelle Barres, <i>The Smart Campaign</i></p> |
| <p>BUILDING LEADERSHIP AND INCLUDING YOUTH: THE ROLE OF MICROFINANCE AND EDUCATION</p> <p><i>Speakers:</i> Paul Surreaux, <i>ADA/CIF</i>; Carola Saba, <i>WWB</i></p> | <p>RISK MANAGEMENT GATE WAY</p> <p><i>Speakers:</i> Yves Mathieu, <i>ATTF</i>; Nawal Kerdougli, <i>Open Space Risk Assessment for Microfinance Institutions</i>; Alex Silva, <i>Omtrix</i></p> |  | <p>IMPACT ON POVERTY ALLEVIATION: WHAT DOES AVAILABLE EVIDENCE TELL US?</p> <p><i>Speakers:</i> Antonique Koning, <i>CGAP</i>; Beatriz Armendariz, <i>Harvard University</i></p> | <p>REGULATION AND SUPERVISION OF MICROFINANCE INSTITUTIONS: THE BASEL COMMITTEE INITIATIVES</p> <p><i>Speakers:</i> Anne-Francoise Lefevre, <i>WSBI</i>; Erna Karrer-Rüedi, <i>Credit Suisse</i>; Paul Armbruster, <i>DGRV</i></p> |
| <p>MICROFINANCE AND THE ENVIRONMENT: THE CHALLENGE FOR MICROFINANCE INSTITUTIONS</p> <p><i>Speakers:</i> Pascale Geslain, <i>PlaNet Finance</i>; <i>Microenergy</i>; David Quien, <i>ADA</i></p> | <p>MAKING MICROFINANCE INVESTMENT RESPONSIBLE BY BUILDING A COHERENT FRAMEWORK FOR STRENGTHENING THE SOCIAL STRATEGY OF MIVS.</p> <p><i>Speaker:</i> Cécile Lapenu, <i>CERISE</i></p> | <p>HOW TO SUPPORT VALUE CHAIN FINANCE INITIATIVES IN A SMART WAY?</p> <p><i>Speakers:</i> Michaël de Groot, <i>Rabobank</i>; Calvin Miller, <i>FAO</i>; Tom Rausch, <i>FAO Pride Africa</i>; Miriam Cherogony, <i>IFAD Africa</i></p> |  | <p>INCREASING ACCESS TO FINANCE USING MOBILE BANKING SERVICES: WHAT ARE THE FACTORS MFIs SHOULD CONSIDER BEFORE ENGAGING IN M-BANKING SOLUTIONS?</p> <p><i>Speaker:</i> Carol Caruso, <i>Triple Jump</i></p> |
| <p>UNIVERSITY MEETS MICROFINANCE: PRESENTATIONS OF AWARD WINNING MICROFINANCE RESEARCH THESIS</p> | <p>RESPONSIBLE MICROFINANCE: VIEWS FROM NATIONAL NETWORKS FROM THE SOUTH</p> <p><i>Speaker:</i> Francisco de Hoyos, <i>ProDesarrollo</i></p> | <p>IS THERE A RISK OF CREATING A MICROFINANCE BUBBLE?</p> <p><i>Speakers:</i> Representative from the European Investment Bank, <i>EBI</i></p> | <p>PRESENTATION BY THE EUROPEAN COMMISSION OF THE SECOND EU/ACP MICROFINANCE PROGRAMME (2010-2014)</p> | <p>SESSION ORGANIZED BY THE MICROINSURANCE NETWORK</p> |

EUROPEAN MICROFINANCE WEEK SPONSORSHIP

If you are interested in positioning your organization at the forefront of the microfinance sector, sponsorship opportunities for European Microfinance Week 2010 are still available. For more information contact the Secretariat, contact@e-mfp.eu

3rd EUROPEAN MICROFINANCE AWARD

All applications for the 3rd European Microfinance Award have now been received and e-MFP would like to thank all our members for encouraging their partners from the South to apply for this prestigious award. Each application will undergo a rigorous evaluation procedure carefully monitored by a sub-committee of the European Microfinance Platform Board and the Luxembourg Roundtable on Microfinance.

On the 30th November a High Jury will meet and from three finalists decide a winner which will be announced that evening at the 3rd European Microfinance

Award ceremony hosted by the European Investment Bank, Luxembourg. All European Microfinance Week participants are invited to attend the ceremony where the € 100,000 prize will be given by HRH Grand Duchess Maria Teresa.



3rd EUROPEAN MICROFINANCE AWARD



NEWS FROM THE SECRETARIAT

e-MFP's General Meeting of Members will be held on 1st December 2010 from 8.00 – 10.00 a.m. at the Abbaye de Neumünster (breakfast event). As e-MFP values the input of all our members, we invite you to support and participate in this important meeting (further information will be sent).

Voting will also take place at this time for the nine vacant e-MFP Board seats which will be available this year (further information will be sent). We encourage those who are interested in becoming a Board member to contact the Secretariat to discuss this valuable role, contact@e-mfp.eu

'LOOKING FOR PARTNERS' PROPOSAL



INTERNATIONAL YEAR OF YOUTH AUGUST 2010-2011 OUR YEAR OUR VOICE

Recently introduced, the e-MFP 'Looking for partners' concept informs members of potential collaboration opportunities with other e-MFP members and other parties. e-MFP members interested in diffusing their 'Looking for partners' proposals please contact Juana Ramirez, at jramirez@e-mfp.eu.

The following 'Looking for partners' proposal introduces a project on youth inclusive financial services, an initiative led by e-MFP member ADA in West Africa.

The United Nations General Assembly proclaimed the International Year of

Youth: Dialogue and Mutual Understanding commencing on 12th August 2010. The manner in which challenges and the potential of young people are addressed will influence current social and economic conditions and the well-being and livelihood of future generations. For this reason and convinced that microfinance has a role to play among young populations in developing countries, ADA and CIF would like to raise awareness about youth empowerment issues and challenges ahead. We invite all European microfinance actors to promote and share experiences related to their activities in this field of expertise.

The Project

The project CRED'ART driven by ADA (Appui au Développement Autonome) and CIF (Confédération des Institutions Financières de l'Afrique de l'Ouest) aims to promote youth self employment by providing a mix of financial and non-financial services. The CRED'ART project finances and trains young artisans recently graduated from professional schools who have no work experience, but who wish to start their own microenterprise.

Credits are provided by a microfinance institution member of the CIF network and specific financial mechanisms such as guarantee funds have been created to finance the start-up phase and the additional costs linked to the intensive follow-up and training required to successfully finance and develop young entrepreneurs.

In 2009 the RCPB started a pilot phase based on the early findings of PAMECAS in Senegal a few years before. As of today, the CRED'ART project has successfully financed 120 entrepreneurs aged between 18 to 35 years old. It is planned to expand activities in Burkina Faso and to replicate the initiative in Mali in order to achieve a target of 300 young entrepreneurs financed by 2011. In addition to the overall goal of designing

and creating incentives for microfinance institutions to finance youth, the project also incorporates raising awareness and disseminating information on youth empowerment issues.

Expectations

From organizations not yet active on the topic, ADA/CIF would be interested in a commitment and willingness to provide effective solutions to address the issue of Youth Financial Exclusion (in the form of human resources support and financing). From organizations active on the topic, ADA/CIF would like to initiate and facilitate information exchange on youth and microfinance related issues and practices. They are looking for a willingness to look for synergies, build partnerships, form an e-MFP Action Group and disseminate information. There is the potential to organize a session during the European Microfinance Week 2010 to present findings and lessons learned from the provision of Youth Financial Services.

If you or your organisation are interested and would like to get involved, please contact Paul Surreaux, ADA; email Paul.ada@microfinance.lu or telephone +352 45 68 68 28



NEWS FROM OUR ACTION GROUPS

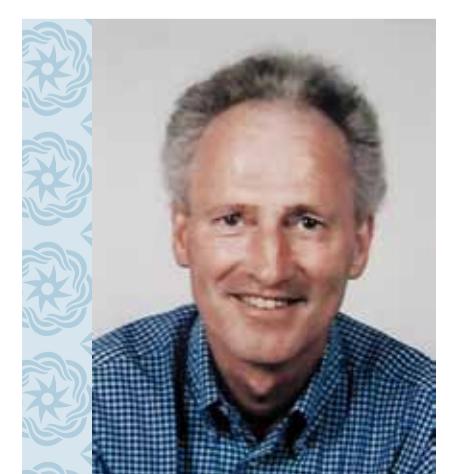
WHY SUPPORT VALUE CHAIN FINANCE INITIATIVES?

The e-MFP Action Group on Rural Outreach and Innovation is focusing its activities on one of the frontiers in microfinance; how to effectively serve rural areas and how to sustainably finance the agricultural sector (small farmers, producer groups, cooperatives). The action group brings together multilateral organizations, donor organizations and investors¹. This year the focus of the

action group is on value chain finance, as a holistic methodology to deal with the multitude of challenges in this field.

In a recent publication of FAO², value chain finance is described as "any or all of the financial services, products and support services flowing to and/or through a value chain to address the needs and

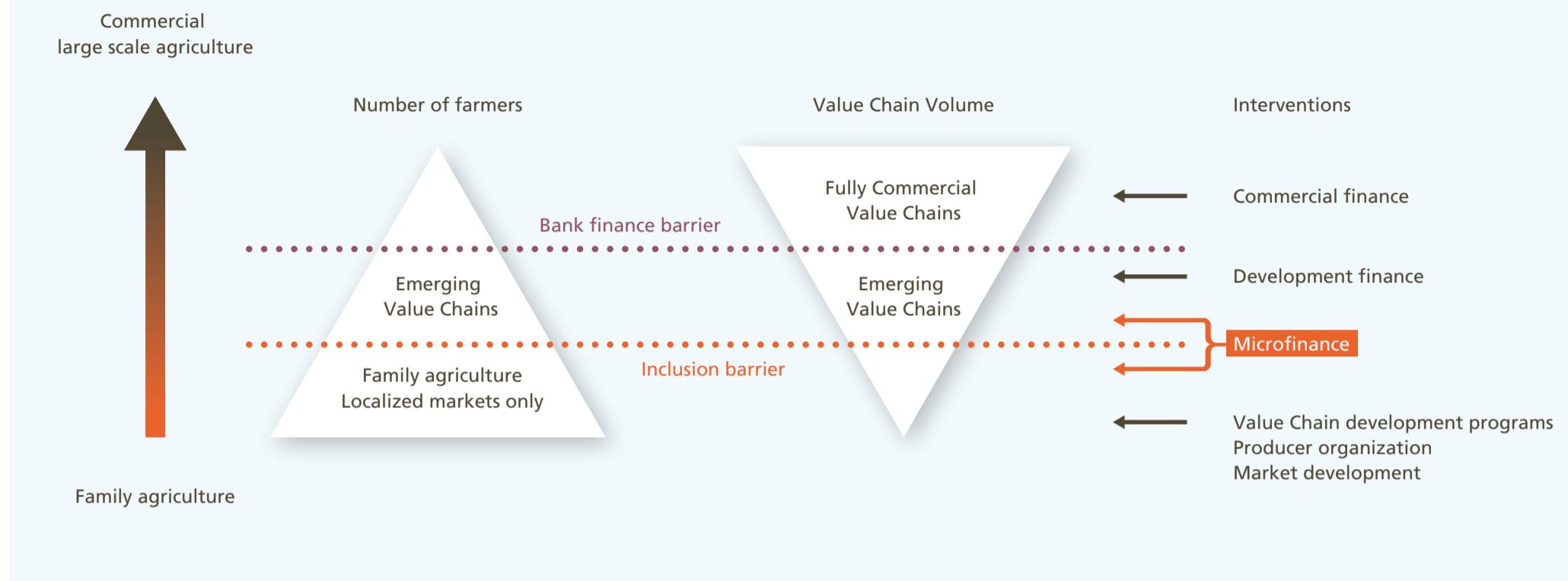
Joost de la Rive Box





NEWS FROM OUR ACTION GROUPS

Frontier areas in Value Chain Finance



constraints of those involved in that chain, be it a need to access finance, secure sales, procure products, reduce risk and improve efficiency within the chain". While in a number of new publications, the practice of value chain finance has been extensively described, much less is published about how 'northern' actors can best support these interventions. It is this aspect that the Action Group aims to address in its 2010 sessions.

Two frontiers

Finance is a vital component of value chain development, as often in the early stages primary producers, processors and even commercial traders, find it hard to access credit. If access cannot be facilitated, the chain will not be effective or cannot scale up. But what is the role of donors in this sector? Should the formal financial sector in the country be involved? In value chains, donors are working on two frontiers. The first frontier is to ensure inclusion of primary producers in the chain, usually through value chain development (VCD) programs. It is helpful when VCD is at least conceptually distinguished from value chain finance (VCF), to indicate the non-financial interventions leading to development in the chain (such as setting up farmer's organisations, extension work, certification etc.). These interventions often require government or donor support. The second frontier is to create access to finance for actors in emerging value chains. In breaking through these barriers, donors have a role to play, be it, that their interventions are aimed to make the transition to a sustainable commercial process as fast and as efficient as possible. If managed well, value chain finance provides tremendous potential for unleashing capital, up scaling and enduring chain prospects.

The composition of the e-MFP Action Group reflects the different types of actors involved in the process leading to a mature VCF structure.

It should be noted that the literature on value chain finance spans a great diversity of finance practices, ranging from adapted microfinance to highly sophisticated structured finance products for international commodity based trade. This wide range is related to differences between value chains, but also to varying degrees of maturity of the value chains concerned. The commercial commodities traded by developing countries such as cereals, fruits and vegetables, dairy products and meat, represent the "mature" part of value chains with a value estimated in 2005 at some \$ 120 billion. It is the top of the pyramid with high value added and a relatively low share in job creation. The bottom of the pyramid represents the majority of farmers who are involved in small scale family agriculture, usually selling in village markets at low prices. This segment represents large numbers of farmers, but the value of their produce is low. Without special interventions, these farmers are not linked to a commercial value chain (inclusion barrier). In between these two segments one finds the emerging value chains. This is the segment that usually finds it hard to get access to finance, as commercial banks prefer the 'high end' of commercial value chains.

Emerging value chains typically have poor access to commercial finance. It is this "missing middle" that is the target for most value chain finance interventions. Aiming lower is ineffective because these producers are not yet linked to a commercial value chain. Aiming higher is not relevant, because the formal financial sector could take care of it. Thus, donors have several good reasons to intervene in value chain finance:

- To ensure inclusion of primary producers (achieved in value chain development programs) together with access to financial services (i.e. lowering the inclusion barrier, in combination with microfinance).
- To facilitate finance from the formal financial sector to 'the missing middle' (i.e. lowering the finance barrier).

A third justification for donors may be to ensure that established relationships in the chain are fair to primary producers and that chain organisation is environmentally sound (e.g. fair trade).

In European Microfinance Week 2010, the action group will focus on three aspects of value chain finance that are particularly relevant for the e-MFP member organisations:

- How to ensure a SMART aid approach towards VCF development?
- Present innovative tools and approaches of value chain finance.
- How to improve knowledge management within and between e-MFP actors in this new field?

The topic of the 3rd European Microfinance Award is value chain finance and the winner will be announced on 30th November in an award ceremony hosted by the European Investment Bank. During the conference there will also be a session with an expert panel on value chain finance on 1st December.

The next decade may become to be recognised as the breakthrough of inclusive value chain finance, effectively reaching out to the bottom of the pyramid. We urge you to become aware of this new frontier of microfinance and support its development.

[1] Current members are: Alterfin, BNP Paribas, Cerise, Cordaid, FAO GTZ, IFAD, Oxfam Novib, Pamiga, Rabobank, SOS Faim, Terrafina, Trias

[2] Value Chain Finance, Tools and Lessons – Calvin Miller and Linda Jones – FAO 2010



NEWS FROM OUR ACTION GROUPS

SECOND EUROPEAN RESEARCH CONFERENCE ON MICROFINANCE

The Second European Research Conference on Microfinance will take place June 16 – 18, 2011 in Groningen, the Netherlands. The conference provides researchers and professionals in the sector with the opportunity to present their work, to discuss with senior researchers, and to exchange ideas with international colleagues. A call for papers (see www.rug.nl/let/onderwijs/Master/humanitarianAssistance/EUMicrofinconf2011/CallForProposals) has been launched for the conference workshops. Prominent researchers in the field of microfinance will give key note lectures.

The e-MFP Research in Microfinance Action Group organises the Research Conference bi-annually. In 2009 a successful first conference took place in Brussels with 300 participants and excellent contributions (see www.microfinconf.eu). The Second European Research Conference on Microfinance, 2011 will serve to highlight innovations in research of microfinance programmes and institutions using superior methodologies, including research on actual poverty reduction and emancipation impact of microfinance, commercial banks providing microfinance, and financial sustainability of microfinance institutions. The conference will give special attention to product innovation in microfinance, such as microinsurance and microsavings. Young researchers in microfinance are especially invited to participate and to interact with



prominent researchers and practitioners from banks, development agencies and government agencies.

The conference is organized by the e-MFP Research in Microfinance Action Group lead by Globalisation Studies Groningen (GSG) and the Centre for International Banking, Insurance and Finance (CIBIF) of the University of Groningen. For more information please visit www.rug.nl/let/microfinance2011.

First Research Conference on Microfinance
June 2009 (source ULB)

BUILDING A COHERENT FRAMEWORK FOR STRENGTHENING THE SOCIAL STRATEGY OF MIVS

NEW 'EUROPEAN DIALOGUE' TO BE PRESENTED AT EUROPEAN MICROFINANCE WEEK

The recent Social Performance Task Force meetings in Bern were intensive and productive. During five days, from 28 June until 2 July 2010, committed actors forming part of the e-MFP Action Group 'Making Microfinance Investment Responsible' (MIR), advanced in their mission to build a coherent framework for strengthening the social strategy of MIVs.

Current practices on responsible investment were shared, discussed and revised. Impact investors need to actively place capital in business and funds that can provide solutions for people at a scale that purely philanthropic interventions are unlikely to achieve. Marilou van Goldstein Brouwers from Triodos was optimistic about the idea of a 'social stock exchange' presented by Mark Campagnale to raise capital for social business, but she warned against a potential bubble for investment in microfinance as there already seems to be too much money chasing too few investment-wor-

thy MFIs. Xavier Reille raised several questions following CGAP's experience of building a market for MFI ratings: what is the price of an MIV rating and who will pay for it? Who should be the rater? Cécile Lapenu from CERISE and head of the e-MFP MIR Action Group introduced a discussion on M-CRIL pilot ratings of MIVs with Ben Simmes (Oikocredit), Sarah Leshner (Blue Orchard), and David Dewes (Incofin). Nancy Sommers (responsAbility) and Ging Ledesma (Oikocredit) led a discussion on the current level of over indebtedness and the responsibility of funders to help prevent it and how to address it once it arises. They called on several investors to share their experiences in different countries that were experiencing over-heated markets and increases in levels of portfolio at risk, such as Morocco, Bosnia and Nicaragua.

Many ideas arose during these meetings and the efforts of the MIR Action Group to engage in collective action with a view

to advancing social performance and responsible investment in microfinance was ensured with their participation. The MIR Action Group will publish a new 'European Dialogue' for European Microfinance Week which will capture the main advancements on this subject and will illustrate the tools for assessing responsible investment in microfinance. ESG reporting, audits on responsible investment, ratings of MIVs and the reasons for integrating social and environmental criteria in the process of MIVs labels adjudication, will be the main topics addressed. Principles for investors in inclusive finance, knowledge sharing on social performance due diligence and more experiences from MIVs in assessing responsible investment, will also be included in this European Dialogue. e-MFP looks forward to sharing this new publication with all interested parties during European Microfinance Week 2010.



Robin Ratcliffe directed The Smart Campaign from its inception until September 1, 2010 when she left to head ACCION International's 50th Anniversary Year 2011. As e-MFP has worked closely with The Smart Campaign over the past year, we would like to take the opportunity on this occasion to discuss with Robin about the Campaign.

When did The Smart Campaign start and what sparked the initiative?

Officially launched in October 2009, The Smart Campaign (www.smartcampaign.org) was born out of the recognition that by providing financial services to low-income people, microfinance providers have a special obligation to serve them fairly and respectfully. However, competition, the desire to achieve profitability, and internal sales incentives may all play a role in pushing financial institutions into practices that do not coincide with pro-consumer ideals. At the same time, risks such as client over-indebtedness, inflated interest rates and lack of transparency, unethical lending and collections practices, and loss of client data can damage the financial institution, its clients, and the microfinance industry as a whole.

The idea of the Campaign actually dates to an April 2008 meeting in New York convened by Deutsche Bank. Twenty-six microfinance leaders from around the world representing a wide range of institutions and divergent viewpoints met to talk about the future of microfinance and especially to determine potential risks to its ongoing health and growth. They agreed that many good things were happening in microfinance: overall interest rates were lower, efficiency was increasing, and provider profits were declining as competition increased. But they also recognized that over-indebtedness among clients was rising, "perhaps to unsustainable levels," while many countries were facing the threat of destabilizing state

activism, nominally on behalf of the poor. At the same time the U.S. sub-prime lending scheme was imploding and there was increasing media focus on interest rates and transparency in microfinance.

The time was ripe to do something on a global scale. Elisabeth Rhyne, the MD of the Center for Financial Inclusion at ACCION International, long an advocate for consumer rights in microfinance, stepped forward to lead the development of a global initiative focused on keeping clients first in microfinance.

Who leads the Campaign?

The Campaign Secretariat is housed at the Center for Financial Inclusion at ACCION (CFI). The Campaign team works primarily with MFIs, associations and networks while in partnership, CGAP concentrate on investors, donors and regulators. A 28-member international Steering Committee provides guidance and advice to the Campaign staff.

What are the goals and mission?

The three-year Smart Campaign is a global initiative to unite microfinance providers worldwide around a set of Client Protection Principles (see page 7). The overall objective of the Campaign is to embed strong client protection deep within the heart of microfinance operations and for microfinance to be recognized as a strongly pro-consumer industry. The Campaign seeks to engage with all parts of the microfinance community in all parts of the world. It is committed to depth of

INTERVIEW WITH ROBIN RATCLIFFE, THE SMART CAMPAIGN



Keeping clients first
in microfinance

impact: to influencing actual practice inside MFIs and creating mechanisms such as certification that will help keep client protection principles in place over time. This requires development of best practice standards and implementation tools, the lack of which has been a major stumbling block to past microfinance consumer protection initiatives.

How is this achieved?

The Campaign structure serves as the vehicle for worldwide industry collaboration and will support the microfinance industry as a whole to incorporate 'best practices' in consumer protection and transparency. It aims to raise awareness about client protection, develop and disseminate best practices, assist microfinance institutions to implement best practices and create processes to certify MFIs as pro-client.

We know that to be successful the Campaign needs the help of all microfinance stakeholders. Investors and donors are taking a very strong role in advancing client protection. Working with CGAP, more than 100 MF investment funds and most major donors have endorsed The Smart Campaign and are beginning to incorporate client protection into their due diligence activities. Investors are working together to identify more practical ways of incorporating the Client Protection Principles into their screening, audits, funding agreements, monitoring, reporting and governance roles.

Membership organizations such as e-MFP also play a key leadership role with the Campaign by educating their



FORUM

members about the competitive advantages of providing transparent, respectful and prudent financial services, and supporting member MFIs with assessments, tools and the training they need to deliver improved services to all clients.

The primary vehicle for implementation are regional networks and country associations of microfinance institutions which are partnering with the Campaign to collect and analyze institutional self-assessments, conduct in-depth assessments with some members, and provide training on "Putting Principles into Practice" for MFIs. In 2010 the Campaign has concluded long-term partnerships with the SEEP Network, MFC, Sanabel, ACCION, Plan Asia, and AFRMIN in Africa, and SIDBI investees in India, among others. Each year the Campaign will add additional partners.

Why is this important? Why should I join The Smart Campaign?

The Smart Campaign comes at a watershed moment for microfinance with the increasing focus by governments and the media on consumer abuses by financial institutions, high interest rates and soaring ROEs. But, strongly pro-client microfinance is not only the right thing to do; it's also the smart thing to do. There is a strong business case for MFIs and their investors to incorporate client protection into their operations: stronger, longer lasting relationships with clients, greater staff satisfaction, increased client recruitment and retention, and reduced financial risk. The broadest possible Campaign membership means that these core messages are being broadcast widely and signal that the industry is taking its social objective very seriously.

What has the Campaign already achieved?

Launched nearly a year ago after another year of intensive preparation, the Campaign has created a sturdy base and increasingly strong momentum. Among the most important accomplishments to date:

- Over 1,000 endorsements, including approximately 300 MFIs, 100 investors and donors, 120 networks, associations, and other supporting organizations. Endorsement is a first step in an ongoing process to deepen practice. Many endorsers are eager to take next steps, and are looking to the Campaign for guidance.
- Tools for assessing the practices of MFIs through the CFI's Beyond Codes action research project. MFIs can now carry out self-assessments; consultants can conduct third-party assessments, and the Principles have been incorporated into the Social Performance Reporting framework of The MIX.
- Launch, in English, of www.smartcampaign.org, the virtual Campaign "headquarters" as an industry resource center on client protection. By year end the site will be duplicated in French, Spanish, Arabic and Russian.
- Creation of a robust, industry-wide Campaign governance and implementation structure, including the Steering Committee and four Task Forces. The Steering Committee and Task Forces demonstrate the widespread industry buy-in and commitment that the Campaign has developed. These participants constitute a foundation for taking the Campaign deep into all regions and industry segments.
- Development of the Campaign team which includes staff at the Center for Financial Inclusion and research and implementation consultants to help move the Campaign deeper into the field.
- Development of a number of partnerships with some of the largest regional networks in the world.

What are The Smart Campaign's immediate priorities?

In the coming year, the Campaign is focused on completing an extensive suite of practical tools to help MFIs and networks implement the Consumer Protection Principles. In addition, in partnerships with SEEP, the Campaign will train more Smart-Certified Assessors and conduct TOTs to enable network partners to deliver training on "Putting Principles into Practice." Along with Campaign staff and consultants, we expect to offer trainings and tools to MFIs on all continents. In some cases this begins with basic sensitization via panels and discussions about the state of client protection in a particular country. In other cases, this footwork has been done and the industry is ready to examine practices and implement changes to enhance their client-facing policies and procedures.

What are the long term objectives?

While the long term objective of The Smart Campaign is a microfinance industry known for its pro-consumer behaviors, it is important to note that the Campaign is not an enforcement mechanism. Instead, it seeks to develop mutual accountability across the microfinance sector. For those institutions signing on to the Campaign, self-assessments and reporting along guidelines established by the Campaign will be required. At the same time, we recognize that self-reporting is not enough. Although the Campaign itself will not become a certifying body, it is working to facilitate the development of certification processes that can be used by other organizations, such as rating agencies, investors, and national associations. Among these may be a "stamp of approval" that is globally recognized (though locally adapted). You may also ask "what about the clients of microfinance?" The Campaign is not directly reaching out to clients because

e-MFP would like to thank Robin Ratcliffe for this interview and for the excellent co-operation between our two organizations. We wish her success in her new role and look forward to working with Isabelle Barres, the new Director of the Smart Campaign

THE SIX PRINCIPLES OF CLIENT PROTECTION

1. Avoidance of over-indebtedness
2. Transparent and responsible pricing
3. Appropriate collections practices
4. Ethical staff behavior
5. Mechanisms for redress of grievances
6. Privacy of client data

we recognize the immense challenge of reaching millions of people worldwide. However, clients remain the center of the Campaign's goals. They are actually the Campaign's "bottom line." Thus, the Campaign hopes to raise the funds to conduct field research with microfinance clients to understand their attitudes and experiences around client protection issues. In addition, the Campaign will work to partner with leaders in the area of financial literacy and consumer education to help MFIs ensure they are helping their clients become more informed consumers and understand the implications of their financial decisions.

How many current endorsers are there?

More than 1,000 organizations and individuals from 108 countries have endorsed The Smart Campaign of which 650 are financial institutions, donors, investors or supporting organizations. The goal is to end 2010 with 1,000 institutional investors and e-MFP members can help the Campaign achieve this goal by reaching out to colleague institutions to encourage endorsement.

How do I join?

It's easy to join The Smart Campaign by logging on to www.smartcampaign.org. While just a first step, endorsement of The Smart Campaign and its core Client Protection Principles signals the intention of MFIs, networks and associations to position consumer protection initiatives at the core of operational plans and institutional values. Endorsers commit to a process of energetic implementation of the principles in their own organizations and promotion and support of The Smart Campaign externally. For MFIs, the next step is the 40-indicator Getting Started Questionnaire, which provides a first level examination of policies and practice. It helps MFIs identify their strengths and clarify areas for improvement.

WHY NOW?

- The principles of consumer protection are widely agreed upon.
- Networks and MFIs have created client protection codes and are moving to implementation
- Socially responsible investors and regulators are increasingly looking for assurances about consumer protection within the overall financial sector.
- Social investors and funders are looking for a certification process as part of their due diligence
- Policy makers are considering consumer protection legislation or have enacted it.



UNIVERSITY MEETS MICROFINANCE (UMM)



Saikumar C. Bharamappanavara, Student of Agricultural Economics (IMRD) at Humboldt University, analyzes the performance of Self Help Groups in his award winning thesis.

Thousands of households in rural India retain small savings. Instead of locking this money away and leaving it idle, members of Self Help Groups (SHGs) can collectively put the money together and have it work for them. These savings combined with mutual trust, healthy peer pressure and the support of NGOs, governmental agencies or banks enable SHGs to support their members to take up self-employment jobs, to be self-reliable as a group, to overcome adversities and challenges, to meet emergency needs and to make progress towards a better social life.

Saikumar received the 2nd prize of the University Meets Microfinance Awards for his Master thesis examining the factors influencing the performance and collective action of three microcredit delivery models operating in India; each model differing with respect to the institutions supporting the SHGs and the framework used: governmental agencies, NGOs or banks. Saikumar has carried out his empirical research in three taluks of Davanagere district in Karnataka state (India) and has analysed nine SHGs with 90 sample respondents. He is honoured to present a brief summary of his research:

Being an agrarian economy, rural development and poverty alleviation is a major challenge for India. Microcredit through SHGs has emerged as a springboard to reach the rural poor in an effort to meet their financial demands. Healthy peer group pressure can serve as a val-

able collateral substitute and a key factor driving high repayment rates.

Group-based banking has become the primary mode of microfinance in India. Village peer-groups of 10 to 20 members organize savings, provide credit and repayment. The basic collective mechanism thus formed greatly reduces the per unit credit cost and the risk of default. All SHGs are financed by banks but different "actors" such as the Government, NGOs, or banks themselves organize and incentivise the formation of these groups. Between the programs there exist systematic differences e.g. in the amount of capacity building given, the relative cost of access to credit, the process of group formation and the characteristics of the members. These "differences" constitute the point of departure for Saikumar's comparative analysis.

Using factor analysis, Saikumar studies the performance of three different SHG-microcredit delivery models: SHGs promoted by banks, by government agencies, or by NGOs. Taking loan repayment status and overall group functioning as measures for economic and social performance respectively, Saikumar finds that factors influencing the performance differ with respect to the delivery model: e.g. while the level of satisfaction with the institution has a significant impact on the loan repayment rate (economic performance) in SHGs supported by NGOs and banks, institutional satisfaction had no impact for SHGs supported by governmental agencies. In accor-

dance with group behaviour and collective action theory, Saikumar's results prove a significant positive effect with respect to member-participation and to members' perceptions of trust and transparency on social performance over all three models.

Overall, Saikumar's results indicate that SHGs initiated by banks perform relatively better than those formed by NGOs or by government organizations. These findings further underpin the common assumption that banks, though often providing credit at a comparatively higher cost, have a more professional approach towards credit and are more likely to provide effective capacity building to group members. The results also allow for the conclusion that the higher costs of credit acquisition have a sort of disciplinary effect upon the borrower leading to a positive effect on the overall performance of SHGs.

Underpinning theoretical models and concepts Saikumar identifies the most crucial factors for a sustainable microcredit program, consolidated and mapped in social, economic and institutional factors. Thus, Saikumar C. Bharamappanavara's work is equally relevant for decision makers and researchers in the areas of development studies and microfinance.

*The thesis was supervised by Professor Markus Hanisch, Division of Cooperative Sciences, Humboldt University, Berlin.
The publication can be ordered at www.universitymeetsmicrofinance.eu*



THE UNIVERSITY MEETS MICROFINANCE (UMM) PROGRAMME fosters cooperation between university students in Europe and microfinance practitioners. In 2009, 720 practitioners, students and professors from 14 universities of the European Union participated in the programme which is co-financed by the European Union. The overall aim is contribute to microfinance innovation and poverty alleviation. UMM offers microfinance seminars in partnership with European universities, mentorship & scholarships for Bachelor / Master / PhD students for field research and the publication of awarded Master theses. PlaNet Finance and Freie Universität Berlin initiated the programme in 2009.

For more information visit www.universitymeetsmicrofinance.eu or contact Delphine Bazalgette / Kathleen Welvers, PlaNet Finance Deutschland e.V., umm@planetfinance.org

UPCOMING UMM EVENTS 2010

October 2nd: UMM Workshop at the University of Bergamo, in cooperation with the Master in Microfinance

1 December: UMM – Session during the European Microfinance Week

APPLICATION DEADLINE 2010

UMM Scholarships for field research:
November 15th (Bachelor, Master)



NEWS FROM OUR MEMBERS

ADA AND THE e-MFP TO KICK-OFF ACTIVITIES IN THE FIELD OF FOREIGN OWNERSHIP IN MICROFINANCE

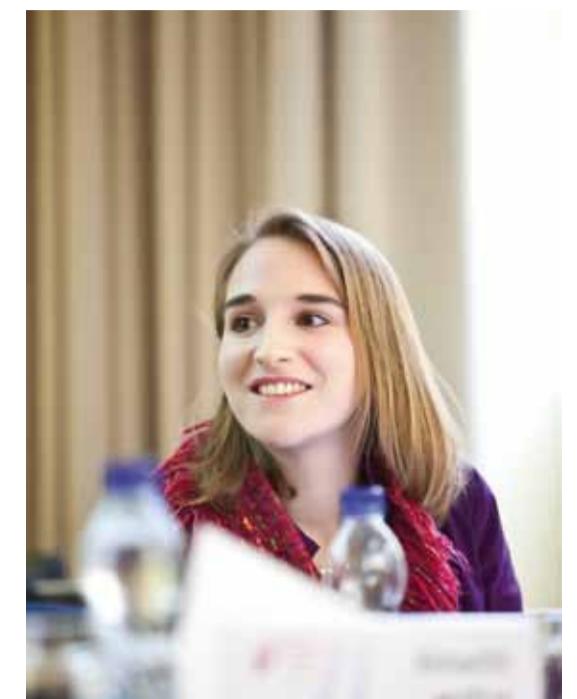
Sophie Wiesner, ADA

The first ADA Discussion Paper, published in 2009, traced out the possible consequences of a trend towards more foreign equity investments in microfinance and specifically dealt with the question whether foreign ownership in microfinance interfered with local development.

The issue was discussed at different occasions with microfinance actors from all around the world and most

prominently, with the participants of a roundtable session at the e-MFP European Microfinance Week 2009.

The positive and negative aspects of foreign ownership in microfinance identified by the participants were translated into a SWOT analysis.



Sophie Wiesner, ADA at the roundtable session at European Microfinance Week 2009

| STRENGTHS | WEAKNESSES |
|--|--|
| <ul style="list-style-type: none"> Resources: MFIs can get access to more funds Expertise: MFIs can get access to best practices, capacities and global networks Local ownership is often not available (not in appropriate amounts and / or not under appropriate conditions) Foreign ownership can enhance the image of an MFI, especially where local ownership is available, but is seen as suspicious | <ul style="list-style-type: none"> MFIs can encounter difficulties with board meetings (frequency, costs) Foreign investors can lack knowledge of and often do not adapt to the local socio-economic context Foreign ownership can act against nationalist feelings and perceptions Resources are expatriated Many foreign owners have only a short or medium term investment view Board members, representing international investors, sometimes act more as portfolio managers of their funds; their interests collide with the interests of the MFIs MFIs compromise their vision, lose their autonomy and experience governance conflicts |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> Opportunities lie in local / national investment funds The development of good local ownership is important to protect the mission of the MFI | <ul style="list-style-type: none"> Some foreign owners are only profit driven Foreign ownership can affect local investment spirit and can lead to a weak local entrepreneurial structure |

Of course, the question whether foreign ownership in microfinance interfered with local development, was not finally answered with a straightforward "yes" or "no", but the participants of the different discussions agreed that an increase in local ownership in microfinance would be highly welcome.

Furthermore, the participants formulated proposals for future action. Above all, they proposed to continue the research on the criteria for good foreign and local equity investments in microfinance, and they proposed to improve the communication between MFIs and microfinance equity investors.

In response to these excellent proposals, ADA in close collaboration with the e-MFP, suggests the following:

- To identify two key persons who would be willing to contribute to the activities of the e-MFP Action Group "Making Microfinance Investments Responsible" (MIR)

The objective of this group is to build a common framework for socially responsible investments in microfinance through defining criteria for

such investments, through developing audit, rating, reporting and certification standards, and through publishing the results of the group work and creating synergies among microfinance actors. These two key persons (still to be appointed) could be involved in the group's discussions and could also participate in future activities of the group.

- To form a group of several persons who would coordinate and manage the content of an open communication platform to be established on the e-MFP website

The e-MFP website will soon offer the possibility to set up public forums for exchanges on specific subjects. These open communication platforms will specifically allow microfinance institutions and investors to raise questions, to discuss ideas, to share documents and to interact in many other ways. The content of the virtual spaces will thereby depend on the participants' own contributions, but it will also have to be coordinated and managed (in collaboration with the e-MFP Secretariat), which would be the task of this group.

If you would like to contribute to one of these activities, please contact discussion.ada@microfinance.lu. We are very much looking forward to your input!

For more details, please consult the **Follow-Up Paper of the first ADA Discussion Paper**, which can be downloaded at: www.microfinance.lu.

Please also note that ADA will soon publish its **second Discussion Paper** about the funding of microfinance. If you would like to subscribe to this publication, please contact discussion.ada@microfinance.lu.



NEW MEMBERS

ACADEMY OF GERMAN COOPERATIVES (ADG)



The Academy of German Cooperatives, ADG is a member of the German Cooperatives Organization. Since 1970 it operates as a provider of human resource development services for the management and experts of financial institutions, mainly of cooperative banks.

ADG provides a wide range of management programmes, academic degrees (BA, MBA, PhD) and all kinds of practice oriented trainings e.g. in the field of SME finance, rural finance, risk management, "green finance", cost management, HRD, marketing/sales, auditing and legal framework. Per year ADG hosts about 14,000 participants in its premises – a 1,000 year old castle located between Frankfurt and Cologne and conducts more than 1,200 seminars, workshops and conferences.

In addition to these national activities, ADG is involved in international financial sector projects. Currently ADG collaborates with partners in more than 20 countries – mainly in Eastern Europe, Asia and the Middle East. Most of the projects deal with microfinance, SME finance and capacity building.

ADG employs 195 full time staff and cooperates with a pool of approx. 600 experts.

Based on the cooperative values and on a broad expertise as training provider, ADG is committed to support the development of MFIs.

For more information visit www.adg-international.com

THE CENTRE FOR DEVELOPMENT STUDIES (CDS), UNIVERSITY OF GRONINGEN



rijksuniversiteit
groningen

The Centre for Development Studies (CDS) is an interfaculty research institute of the University of Groningen which connects about 60 researchers in the university who teach or conduct research in the field of globalisation and development studies. We work by interconnecting academics and assisting them in organisation of conferences, publications and project applications. We also link educational programmes which relate to globalisation in a university-wide minor programme Development Studies. The institute maintains relations with a number of partner universities in Africa and Asia, with which the university has long-term linkage relations, such as universities in Mozambique, Uganda, South Africa, Burkina Faso, Tanzania, Indonesia, Vietnam, China and India. As from 1 January, 2011, the institute will be transformed into Globalisation Studies Groningen (GSG). Microfinance is one of the areas where CDS researchers are very active – see the Center for International Banking, Insurance and Finance (CIBIF). Our research relates to microfinancing, micropensions and microinsurance. We organised several large international research conferences on microfinance in the past five years and will organise the e-MFP Second European Research Conference on Microfinance in June 2011.

For more information visit www.rug.nl/cds/index

The e-MFP Newsletter is a regular publication of the European Microfinance Platform whose aim is to facilitate the exchange of information and promote cooperation among various European actors involved in microfinance in developing countries. e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

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Please feel free to forward this newsletter to whoever it may be of interest. We welcome any contributions or suggestions which might improve and enrich the content.

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ANNOUNCEMENTS



- The new edition of '**The Microinsurance Trilogy**' available in English, French and Spanish, focuses on the work carried out by the Microinsurance Network's Insurance Education Working Group by presenting the main findings of two recently released publications: A landscape study of microinsurance education material and a case study on CARE-India's consumer education programme. Also included is information from the Network's 2009 Snapshot and the upcoming 6th International Microinsurance Conference, which is taking place in Manila, the Philippines, **9 - 11 November 2010**.

For more information visit <http://www.microinsurancenetwork.org/>

- **ADA, BRS and GTZ** – as part of their involvement in the Performance Indicators Working Group of the Microinsurance Network - are organising a half day workshop on **Performance Indicators for Microinsurance, 9 November 2010**, 8.30 a.m. - 11.30 a.m. at the Hotel Intercontinental, in Manila (Philippines). Travel to the venue and accommodation is at the participant's own expense. The deadline for registration is 15 October 2010.

For more information visit <http://www.microfact.org/manila-workshop/>

- **CGAP** is co-sponsoring a conference on **Microfinance Impact and Innovation** together with Moody's, Deutsche Bank and Innovations for Poverty Action during **21-23 October 2010** in New York. The event will bring together members of the academic community, practitioners and donors who are interested in discussing the latest research on the impact of microfinance.

For more information visit <http://www.cgap.org/p/site/c/template.rc/1.26.14010/>

- **PlaNet Finance** proudly announces its association to the international conference **From Microfinance to Inclusive Banking - Challenges & Opportunities to Banks and other Financial Institution, 3 & 4 November 2010** in Sandton Convention Centre, Johannesburg, Republic of South Africa. This event is a unique opportunity to explore some of the critical issues around reaching out to the Base of the Pyramid, discovering the new trends and best practices of the industry, and attracting investment in the African microfinance sector

For more information visit www.planetfinancegroup.org

- The next **CGAP Funder Training, "Developing Inclusive Financial Systems: CGAP Course for Funders of Microfinance"** will be held in Nairobi, Kenya on **8-12 November 2010**. This course is tailored for donors and investors who will benefit from a deeper understanding of microfinance to conduct their work more effectively. The course will be taught in English.

For more information, application forms and deadlines, visit:
<http://www.cgap.org/p/site/c/template.rc/1.26.1437/> or contact Estelle Lahaye: elahaye@cgap.org

- The **African Microfinance Transparency Forum** will be hosting its **3rd Annual Microfinance Investor's Fair** on the **18th and 19th of November** in Douala, Cameroon. This unique event brings together African MFIs that have had a rating together with microfinance investor's active on the continent.

For more information visit <http://www.amt-forum.org> or email info@amt-forum.org

- **Women's World Banking** will hold the **Advance Leadership Workshop, January 17 - 21 2011** in Philadelphia, PA. Co-designed with The Wharton School of the University of Pennsylvania, it addresses the needs of microfinance executives as they prepare for new levels of responsibility in their careers and build the skills they need to succeed in a competitive, rapidly evolving industry.

For more information visit <http://leadership.swwb.org>