The microfinance sector continues to enjoy double-digit growth. In fact, global figures testify to significant levels of development, with a portfolio of USD7 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!

CAROLINA HERRERA
PROGRAMMING AND STUDIES MANAGER

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CONVERGENCES
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 (+4.8% à +14.2%). It is estimated that the rate of growth in the sector for 2015 will be +10% for loan portfolio size and borrowers served in 2015 will be +11% for loan portfolio outreach.

The top 10 countries listed are defined based on the average of the percentile ranking for 2014. In this year, Bangladesh has scored percentile rank of 93% for loan portfolio size 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 infrastructure that allows greater financial access.

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.
Focus on microfinance institutions: from financing to products offer

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).

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 some deposits which have a fixed maturity date.

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

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).

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.

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 (30%) and equity (20%).

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%).

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%).

MIXfs median performance ratios in 2014

- Portfolio yield: 28%
- Operating expense ratio: 13.7%
- Portfolio at risk 30 days: 3.7%
- Return on equity: 9.4%

MIXfs product offer excluding credit in 2014

- Providing deposit services: 55%
- Providing voluntary insurance services: 55%
- Providing non-financial services: 59%
Behind the buzz: the rise of client-centred finance

Very few sectors and industries understand our collective psyche, peer our conversations, and create agendas as well as do business. Despite being a buzzword, they have had a significant impact on the microfinance sector in the past few decades. From the early 1990s when microfinance emerged in developing countries, it has grown significantly. According to data from the Microcredit Summit Campaign, there are now over 10,000 microfinance institutions (MFIs) operating in 110 countries worldwide, providing services to over 200 million clients.

The rise of client-centred finance

Client-centred finance is a movement that seeks to prioritize the needs and interests of clients over those of lenders or shareholders. This approach is based on the idea that clients are more likely to succeed and repay their loans if they are treated fairly, respectfully, and with trust. It also recognizes the importance of providing services that meet the specific needs and challenges of clients, rather than offering one-size-fits-all solutions.

The benefits of client-centred finance

Client-centred finance has numerous benefits for both clients and MFIs. For clients, it can lead to better access to credit, improved financial health, and greater social inclusion. For MFIs, it can result in increased profitability, reduced risk, and improved reputation. It can also help to attract new funding partners and build long-term relationships with clients.

The challenges of client-centred finance

However, there are also challenges associated with client-centred finance. Some MFIs may struggle to implement this approach due to a lack of capacity or resources. Others may find it difficult to balance the needs of clients with those of their investors or shareholders.

Conclusion

In conclusion, client-centred finance is a crucial aspect of the microfinance sector that can lead to better outcomes for clients and MFIs alike. However, it requires a commitment to new approaches and a willingness to adapt to changing circumstances. As the industry continues to evolve, client-centred finance will play an increasingly important role in shaping its future.

References


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

Sustainable Development Goal 3 (SDG 3) sets out to ensure healthy lives and well-being 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.

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 health services, such as health education, sales of health products and medicines using social enterprise or franchise models, health fairs, peer-to-peer or direct provision of health services. Equally and even more naturally, these MFIs also manage financial services, 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. 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 work. 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.

In 2012, the Microcredit Summit Campaign estimated that about 1.1 billion people were able to use MFIs globally provided some sort of health service, such as health education, sales of health products and mobile technology eliminates communications technology (ICT) and connects the health service with a trusted group or institution. This dynamic creates an open and reliable access to the population that the health sector has historically struggled to serve.

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 and 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 developed health 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 microinsurance 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 in the context of 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.

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
- If health care networks have cash available, they can stock on medicine and improve quality of network
- Control healthcare supply and not individual beneficiaries

Cover 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

Public Private Partnership
- Public authorities help define healthcare package
- Government fix public expenditures on healthcare
- Private organisations via calls for tender are responsible 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

Credit: Karl Grobl for Freedom from Hunger
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. 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.

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 (MFIs) 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 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.

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’ incomes.

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 farms (or have been expelled) or have been forced to change their economic 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.
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 for 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 youths will need jobs, and the skills to do them. 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 students 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 out-dated 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.

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 how the supply side with the demand-side balance quality and quantity on the education system. The success of Ujjivan, an Indian microfinance institution (MFI) that BNP Paribas contributes to finance, illustrates how the supply side with the demand-side balance quality and quantity on the education system.

Aiming at assessing the social impact of Ujjivan’s actions, the survey focused on group lending clients of Ujjivan’s foundation, Diksha, mainly used to save money monthly, and other stakeholders to develop those responsible and holistic practices. The Diksha programme was useful for them. For instance, 76% affirmed that they learnt how to save money monthly, while 86% shared their savings with their family. Furthermore, 16 bank accounts have been opened thanks to Diksha, mainly used to save money and receive loan amounts.

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.
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 million 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, and 68 million people depended on the use of unhealthy and expensive traditional biomass which fosters deforestation.

The very dynamic microfinance market (around 20 million clients, USD40 billion2), 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 2018, 183 microfinance institutions (MFIs) in LAC have tried, are distributing or are presently trying to develop green-credits. In 2015, 21 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, biogas digestors, efficient refrigerators and air conditioners3.

Despite their positive trends and high potential, MFIs products outreach for RE and EE remains still limited in LAC with on average only few hundreds of loans distributed per MFI per year and a total portfolio between USD0.5 million and USD10 million in 2014. Other kinds of green microcredits supporting sustainable practices such as agro-forestry, recycling 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 services for Refrigerators to the Mexico, and the majority of the technical activities: marketing, promotions of energy savings, after-sales services, etc., Te Creemos does the credit analysis and loan disbursement. Mobile technology and partnership with reputable microfinance institutions 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 USD600,000 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.

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

With a rural population totaling 71%, 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 rate of only 26%. In response to this difficult rural energy situation, Energies pour le Monde Foundation (Fondem) and the RCPB9 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, number of installments 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 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 credit 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 have stopped using batteries. With regard to the current energy crisis and the willingness of the Burkina government to solve the situation, one can believe that this renewable energy distribution tool has a bright future.

Facilitating access to clean energy: microfinance impact in rural Africa

Zaynaba is an Ethiopian farmer and mother of five. In 2014, Zaynaba 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 used to give light to her children for study. Thanks to the solar kit, the family significantly reduced its energy expenses from Birr 120 to 40, saving around Birr 80 per month (€3.50). Zainaba 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 discovered that microfinance is an important tool for facilitating access to clean energy for off-grid vulnerable populations. Rural MFIs have two advantages: they have access to local 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 diversify and to recoup their credit disbursement. Mobile technology and partnerships with reputable microfinance institutions 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 USD600,000 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.

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 9 to 6 hours; (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 members in engaging in an impactful microfinance.
Decent, affordable housing for all: Why does housing microfinance matter?

An 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. Access to suitable shelter is linked to other development outcomes such as better health, more consistent participation in the labor market, stronger ties to the community and better educational outcomes for schoolchildren.

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 figures¹ show that less than 40% of total investment comes 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 substandard 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, lack of finance hampers improvements in 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” project² to test whether a market-based approach could help address the affordable housing challenge.

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, improved 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 new challenges and lift various obstacles. First of all, continuity in the project operations needed to be assured 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 training for WATSAN staff was needed to learn 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 programs needed to ensure that the end users would see the benefits and were willing to go for it.

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

A recent study by WaterAid 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. 60% of people in India have no access to a toilet and over 20% of India’s population lack sanitation and renewable energy solutions, by offering additional

MFIs provide additional products and services to improve livelihoods.

The Maanaveeya project was designed to help microfinance partner MFIs with a total of 234,000 connections, water storage units and procedures and by conducting ad hoc project assessments. Specific training for WATSAN staff was needed to learn the appropriate technical solutions and related services for performance improvement.

The WATSAN project has shown that when finance is made available to low-income households, it enables them to purchase sustainable technologies that improve their 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.

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The basic needs of poor families are not the same as those of the middle class. It is well known that clients often prefer “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 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 money over a few years to pay for a building 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 stockin...
The development of personal 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 the French State, 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 management 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.

Professional microcredit

FCS’s support for professional microcredit translates 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 guarantees 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 to 2014) equivalent to €65.2 million, showing an increase in the average guarantee amount. Thanks to the FOGEFI, 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 communities contribute jointly, have made significant progress: 4,021 guarantees representing €61.5 million. These guarantees concern both very small companies (VSC) and social enterprises.

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.

MICROFINANCE IN FRANCE AND EUROPE

The Commission’s support to microfinance institutions in Europe

The European Commission has taken specific actions to increase the availability and accessibility of microfinance for vulnerable groups and microenterprises. The European 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 poverty and improving working conditions. 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 funding instruments. 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 watch of the Commissioner Mrs. Marianne Thyssen. Experts believe that 20,000 micro-entreprises 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 fund.

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 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.

MICROFINANCE BAROMETER 2016

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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, 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 is, for example, 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 out 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.

Examples of housing renovation works realised thanks to housing microcredit

Credit: Thomas Birk/Cultural/Photononstop

Before

In 2013, the Caisse des Dépôts featured a French housing microcredit experiment. Led by the Caisses d’Epargne and guaranteed by the Social Cohesion Fund (FCS) and the Social and Professional Integration Programme (PIS) 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.

Although constantly increasing (+30% in 2015 compared with 2014), the number of loans 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 Solitha 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 80 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 renovation and 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.

Microcredit in France: a stepping 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 are for personal microcredit. 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 presented 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) together with the Cohesion Fund (FCS) to finance 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 third of them were financed by “Nacre” loans (new accompaniment for the creation and restoration of businesses) which, at the end 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 (GCD)
Interview with Professor Muhammad Yunus
“We have created a financial system concentrated on the lucky ones”

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, there 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 financial system! It should not be a footnote in some financial discussions.

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 Zero 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.

Thank you to the members of the 7th Microfinance Barometer and to the authors: Abbé Pierre Foundation (Julia Faure); ACTED (Adrien Tomarchio, Silvia Icardi); BNP Paribas (Claudia Belli, Alain Levy); CERISE (Bonnie Brokky); CERMI (Daouda Fofolle); CNI: Inclusive Finance (Marguerite Chantreau); Credit Coopératif (AnthonyDegove); Credit Municipal de Paris (Sandra Bythell); Energies Pour le Monde Foundation (Yves Magnin), ESC Dijon (Arnold Ashta, Djamchid Asotari); European Microfinance Platform - e-MFP (GabrielaEriceGarcia, Sam Mandelson, Daniel Rozas); Fédération Nationale des Caisses d’Epargne - FNCE (Cédric Turin), Grameen Crédit Agricole Foundation (Pierre Cosal Ribeiro, Maria Franco, PhilippeGuichandit, Jean-Luc Perron, Muhammad Yunus), Freedom From Hunger (Bobbi Gray, GabrielaSalvador); Groupes Caisse des Dépôts - CDC (FredericLevet, SebastienPoidatz); MasterCard Foundation (Ruth DuclouxMbeba, RogerMorin); MiK Market (MohitaKhamat, BlaineStephens); Oikocredit (Gael Marteau, GindLedesma); OXUS (SebastienDuquet); PAMIGA (MarionAlet, QuentinAntoine, SnezanaJovic, ClaireOranne, KermanWildberger); PaxNetGuarantee (AnuarKara), European Microfinance Network - EMN (NicolaBenaglio); Social Performance Task Force (LeticiaEmme); Solidarité Internationale pour le Développement et l’Investissement - SIDI (LaurentChêreau, MorganeNzlemoua).

Convergences: Josephine de Bartilliat, Alix Bousillon, Emilie Chassagnard, Carolina Herrera, MathildeLigneau, CamillePesquet, EmiliePoisson, CelineRotaig, FannyRoussye, CarineValette, MathildeSulowski, AliceWagner.


THE INTERVIEW