Workshop: Access to Finance in Sub-Saharan Africa & Social Performance Mainstreaming in Microfinance 02 December 2008

Peter Tschumi (SDC) opened the workshop and welcomed the speakers and participants. Hans Ramm (SDC) introduced the morning programme on **Access to Finance in Sub-Saharan Africa** and the speakers of the workshop: **Renée Chao-Béroff**, director of PAMIGA and executive steering committee member of CGAP and of CERISE, **Konrad Ellsässer,** managing director of FIDES and **Cécile Lapenu**, director of CERISE.

In her first presentation, Renée Chao-Béroff outlined the **trends in access to financial services in Sub-Saharan Africa**. The offer of financial services is still very limited in this region and mainly provided by member-owned institutions, in particular in rural areas. Member-based institutions are often characterised by weak governance, low staff capacities and a concentration of risks, which does not allow them to reach scale and consequently increase their outreach and the range of their products. These challenges can be addressed either through:

1) scaling up member-based institutions through strategic mergers at regional/national level, the building of apex bodies or transforming MFIs into shareholder companies to attract investors with capital and professional skills; or
2) building linkages and business alliances, e.g. between rural and urban MFIs;
3) product development to increase the MFI's range of clients by offering products such as housing finance, value chain finance or leasing.

Konrad Ellsässer started his presentation on the **key roles of donors in facilitating access to finance in Sub-Saharan Africa** by identifying human resources development as the key challenge of microfinance in Africa, in addition to high transaction costs in rural areas. The challenges faced in Africa call for innovation in terms of technology and organisation and for private sector involvement. With regard to donor involvement, a CGAP study shows that donors spend a large part of funds for financial sector development in Africa, but these funds are concentrated in a few countries and few MFIs only. The instruments used by donors are to a large majority grants and loans (even though local refinancing resources would be available) and in very few cases equity. Only 3% of all MIV investments go to Africa. In conclusion, donors should assist MFIs in becoming eligible for commercial funding - without mission drift - through increasing financial transparency, supporting capacity building and technical innovations, research and product development and strengthening supervision agencies.

Before the coffee break, the two speakers answered questions on value chain finance, the regulatory framework for member-owned MFIs in different African countries, the co-operative model in the African context and remittances. During this short question-answer round, representatives of MIVs gave some explanations why investments in Africa are very low: there are difficulties to find suitable MFIs to invest in, there is crowding out through donors providing cheaper credit to first-tiers MFIs and the currency risk is very high in most countries.

After the coffee break, Mr. Elsässer presented **FIDES**[1], a private company acting as consultant, investor and manager of sustainable rural microfinance institutions. Mr. Elsässer presented FIDES' approach with an example from Namibia where FIDES is building up a commercial bank targeting SMEs, microentrepreneurs and low income people. The bank is investing in building local staff capacity and offers a demand-driven range of products to otherwise "unbankable" clients. In addition to simple loans and savings products, the bank is testing money transfer (through mobile banking and service points) and insurance products. In order to reach out to villages, the bank offers its services through village associations. Before creating a fully commercial bank, a pilot operation phase has allowed FIDES to test products and delivery mechanisms during several years. In the initial phase of the bank creation, the bank will be owned by a group of social private investors (75%) and KfW (25%) having a medium-term exit strategy.

[1] Financial systems Development Services, www.fidesgroup.org, FIDES has its head office in Fribourg.

Subsequently, Cécile Lapenu, briefly introduced the audience to the francophone **microfinance internet platform www.lamicrofinance.org** (co-financed by SDC) which aims at providing tools and documentation for microfinance practitioners and specialists in francophone countries.

In her second presentation, Renée Chao-Béroff outlined the services offered by the microfinance network for institutions in rural Africa **PAMIGA**[2]. The network allows rural MFIs to disseminate innovation, to benchmark with peers and to support MFIs in creating business alliances or apex bodies. PAMIGA offers also advisory services in organisational development, risk management, MIS, marketing or product development. Furthermore, PAMIGA provides financial services in the form of equity, quasi equity and flexible credit lines to its members.

The programme of the afternoon was dedicated to **social performance** in microfinance and presented by Cécile Lapenu, the director of **CERISE**[3], a platform of capitalization, exchange of experience and information, applied research and publications on microfinance with several years of experience in developing tools to measure social performance in microfinance. SDC has been the main funder of Cerise' Social Performance Initiative. The microfinance industry is moving rapidly towards mainstreaming social performance in financial sector development.

Social performance is the effective translation of an institution's social mission into practice and aims at serving larger numbers of poor people, improving the quality of financial services, creating economic and social benefits and increasing social responsibility of an MFI. The achievements towards social performance mainstreaming in microfinance are the clarification of concepts and tools, the wide use of social performance assessments and the large involvement of MFIs, networks, rating agencies, donors and investors. Key social performance indicators will be integrated into the Social Performance System of the Mix Market starting from July 2009, and main social investors will collect a range of key social performance indicators in their due diligence.

In a second presentation, Cécile Lapenu introduced the participants to one particular social performance assessment tool – the **Social Performance Indicators (SPI) Tool**. This SPI tool is process oriented and does not measure outcomes or impact. It is a questionnaire designed with and for MFIs to assess four dimensions of social performance: outreach, products and services, benefits to clients and social responsibility. In addition, the questionnaire includes also the main financial indicators. Today, the tool is used either by MFIs for self assessment, by social investors for due diligence or by apex institutions/networks for benchmarking. It is available for free on CERISE's website.

After a short round of questions, answers and discussion – in particular on the use of the SPI tool for MIVs and social investors – Hans Ramm wrapped up the workshop. He highlighted the key challenges in accessing financial services in Sub-Saharan Africa namely isolation, the concentration of risks and the human resources capacities and summarised good practice in addressing these challenges being greenfielding (FIDES), upgrading (PAMIGA) and disseminating information (the francophone microfinance platform). He then shortly summarised the achievements of the SPI audit tool for benchmarking, increasing transparency and accountability. Peter Tschumi then emphasised the important role of collaborations between global partnerships and bilateral SDC programmes at the field level. Roger Denzer (SDC) then closed the workshop by thanking the speakers, the participants and organisers of the workshop for the rich presentations, the lively discussions and the good organisation of the workshop.

On behalf of the Financial Sector Backstopping Team of SDC
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[2] Participatory Microfinance Group for Africa, www.pamiga.org
[3] www.cerise-microfinance.org