

SC-FORUM 2016-03 INCLUSIVE FINANCE

**STATE OF THE ART IN
LEVERAGING THE FINANCIAL
SECTOR FOR PROMOTING HIGH
IMPACT SOLUTIONS IN RURAL
AREAS.**

Bern, Switzerland
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1990's: Maximalist vs. Minimalist approach

- Compartamos arose from the NGO “*Gente Nueva*”, which initially focused on *health* and *education* when it was founded in 1982
- The World Bank’s Consultative Group to Assist the Poor (CGAP) conventional microfinance thought began favoring a “*commercial approach*” from 1990 onwards



Minimalist



- Emphasis on financial self-sufficiency
- Financial service provision only
- Provision of non-financial services considered too costly and difficult to manage, especially for small MFIs

The Evolution

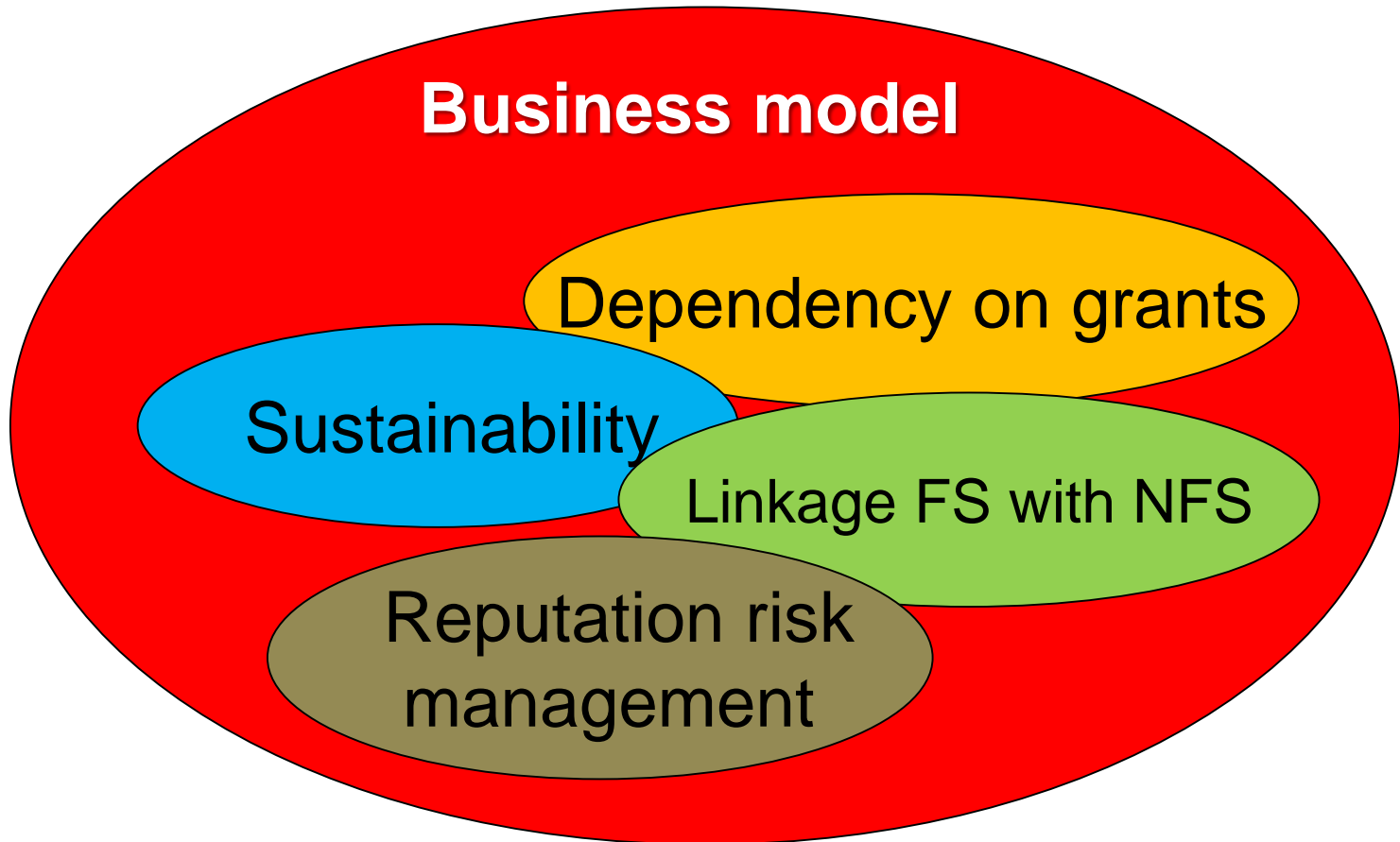
*Continued technological and organizational innovations had enabled MFIs to offer evermore-tailored financial and nonfinancial services in recognition of the **multi-dimensionality of poverty***



Microfinanza Plus (Maximalist)

- Building links between microfinance and other development programmes, for example, in *health, education* and *environment*.
- *Value chains*, and the strategic targeting of microfinance services along them

Cornerstone for a MF-plus approach



MFI perspective

- What N-F services to deliver? Level of functionality to the F services? With which operational approach?
- Higher operational costs passed on to clients through higher interest rates. Is sustainability possible?
- Benefit to be measured (RCT) and demonstrated (reputation)
 - Financial education
 - Disease prevention
 - Loyalty to the MFI
 - Business capacity
 - Confidence and self-esteem
- N-F services: to be well adapted to the needs of borrowers



Leveraging financial sector (MFIs) for promoting impact solutions

- From «project-focus» to «institution-building» approach
- Leveraging the financial sector:
 - aggregation points of «beneficiaries»
 - sustainability, permanent effects, «institutionalization» of the FS and N-FS
- Push (and support) FIs towards the frontiers and higher impact
 - Innovative financial services to riskier targets (youth, start-ups, agro)
 - Support consolidation of already existing operations by FIs
- Different models:
 - MIV+TA facility
 - Multilateral donors partnering with identified local FIs
 - DFIs offering F+N-F facilities to selected local FIs



Guiding remarks/(recommendations) for funders



- Selection of partner FIs
 - Commitment + Capacity
 - Buy-in of the project
 - Pilot-testing the operational scheme
- Exit strategy
 - Especially for N-F Services
- Incentive system
 - Gradual disbursements (against results)
 - Reporting standards
 - Definition of KPIs and monitoring
 - Third-party financial and social assessments
 - RCTs exercises

Expertise for Transparency in Microfinance

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