

SAM - African Microfinance Week

Addis Ababa, ETHIOPIA
9-13 October, 2017

**Creating value for SMEs:
A new frontier for inclusive finance**
2017 Report



What is the SAM?

The African Microfinance Week (referred to as the SAM, based on the French acronym) is a major conference dedicated to the development of financial inclusion in Africa that takes place every two years and the last edition took place from the 9th to the 13th October, 2017, in Addis Ababa, Ethiopia.

The main ambition of the SAM is to provide a unified African platform for exchange on the microfinance issues facing the African continent by bringing together all the professionals of the sector – investors, MFIs, researchers, banks, networks, innovators, governments and others.

The SAM is a whole week to:

- meet the major players in inclusive finance in Africa: public and private investors, MFI directors, innovators, and researchers;
- build new partnerships and strengthen current business relations;
- extend and develop your network of contacts;
- share innovative best practices;
- accelerate financial inclusion on the continent.

The 2017 edition of SAM by the numbers

700 participants from **62** nationalities,
58 countries represented
including **32** from Africa



25 innovators
at the Innovation Fair



170 contacts
at the Investor's Fair



60 speakers



12 training courses



Interview with Laura Foschi, deputy director of ADA

How has SAM evolved since its launch four years ago?

Laura Foschi: We held the first edition of SAM in 2013 in Arusha, Tanzania. Our goal was to align the annual meetings of three networks of African microfinance institutions: AFMIN, AMT and MAIN. We had conference sessions on the first day, the networks' general assemblies on the second day and an Investor's Fair on the third day. During the week, we realized the potential of SAM to become a major African inclusive finance event. We decided to move the location each time with the aim of engaging both French-speaking and English-speaking regions and organizations. In 2015, we held the conference in Senegal, expanding it to include two days of conference sessions and a broader range of parallel events. We were pleasantly surprised to have our registrations double to over 500 people! Perhaps for the fourth edition we will move to North Africa or Southern Africa.

How did you select Ethiopia for the 2017 SAM?

Laura Foschi: In order to maintain Ethiopia's strong economic growth, its large young population will need to achieve what we call "economic inclusion." In order to address this challenge, the government of Ethiopia has prioritized both microfinance and SMEs. As we looked further into holding SAM in Ethiopia, we entered into a productive dialogue with AEMFI and discovered that it was very interested in the event.

Speaking of SMEs, please tell us about this year's theme, "Creating value for SMEs."

Laura Foschi: We wanted to focus on job creation and economic inclusion. There is a new class of entrepreneurs that want to develop their businesses in Africa. Thirty years ago, African entrepreneurs often moved to Europe, the US or other places where it was easier to do business. Today, many more of them are staying in Africa. We also have international organizations and investors supporting SMEs, such as AFD, with its accelerator and incubator process in West Africa, and the World Bank, which is focusing on women's entrepreneurship. We want to encourage debate on how prepared the microfinance industry is to serve SMEs. While some microbanks have a long way to go, ACEP and COFINA are examples of organizations that have been very successful in serving these customers.

Is there something on the SAM agenda that you would like to highlight?

Laura Foschi: Throughout the week and in particular during the “Voices from the Field” plenary session, entrepreneurs will explain their daily challenges, dreams for their businesses and past failures. We will also get into agro-business, gender issues, digital solutions, incubators and business development service providers. There is a Research Meets Africa session; the Innovation Fair; the Investor’s fair; and training sessions organized by Accion, CGAP, FAO, SPTF and others.

Highlights of the conference

Click on the picture below to watch the a video resume of the conference:



Interview with Ann Miles, Director of Financial Inclusion for the Mastercard Foundation

The Mastercard Foundation is organizing a session at SAM on «Envisioning agriculture as a business for youth in Africa.» What tools do youth need to be successful in agriculture?

Ann Miles: Learning and training is critical for youth to succeed in whatever they undertake, so we offer scholarships for talented but underprivileged youth to obtain secondary and university education.

Once they graduate, we assist young people in finding work in agriculture; accessing finance or training for entrepreneurship; or developing the “soft skills” necessary to succeed in any job, such as networking, communication, or demonstrating reliability and resourcefulness. Studies consistently have shown that young people beginning or expanding agricultural businesses face major obstacles with access to finance. We support pilot projects that demonstrate how lenders can mitigate risk and integrate the expectations of young people into sustainable business models. There is great energy and ambition among the 11 million young people coming onto the labor market in Africa each year. Many of these young people will pursue a combination of formal employment in agriculture, informal seasonal work, family support and/or entrepreneurship. Microfinance institutions can enable young people to prosper in all of these areas by promoting savings, facilitating money transfers and removing obstacles to credit.





What roles can technology play?

Ann Miles: We see technology as a game-changer, and not just to reduce costs for microfinance institutions seeking to better serve existing customers or reach new, distant ones. The future of the agri-food system is in the hands of young people who, by their nature, are more comfortable with emerging technologies. That's why we advocate for young people to be an integral part of any planning process for using new technologies to facilitate the agricultural value chain. For example, collecting weather and crop data using GPS-enabled devices can help improve agricultural techniques. For microfinance firms, the use of new technologies to better understand and respond to customer needs can make the difference between profit and loss.

Can you offer an example in which you see this all coming together?

Ann Miles: Our support to One Acre Fund is a good example of a comprehensive approach to helping smallholder farmers increase their productivity and livelihoods through access to better agricultural inputs, training, finance and markets. Other institutions should take a page out of One Acre Fund's book and partner with other actors to do the same thing. When young people see that farming can be a profitable way to make a living, they will be more attracted to it. In addition to farming, the work we do with organizations such as TechnoServe and SNV shows how much potential there is for young people to build small and medium-sized enterprises all along the agricultural value chain.



Microfinance Investment Vehicles, MFIs “Speed Date,” Ink Deals

At the SAM Investor’s Fair, dozens of MFIs and investors met for the first time or renewed old connections. Speaking on behalf of REGMIFA (the Regional MSME Investment Fund for Sub-Saharan Africa), Duncan Frayne of the Symbiotics Group said, “The value for me is meeting up-and-coming MFIs as well as swapping notes with peer investors.” Regarding the Investor’s Fair at the last SAM in 2015, Mr Frayne said, “There are a few MFIs that we made first contact with in Dakar with which we since have closed deals.”

Reinventing MFIs to Serve SMEs: Building Staff Capacity, Sharing Default Risk, Helping Entrepreneurs Think Big

Godwin Ehigiamusoe of Nigeria’s LAPO explained that his microfinance institution (MFI) became involved with SME lending as its microenterprise clients grew. He finds SMEs to be sensitive to price and averse to posting collateral. Mr Ehigiamusoe argued that SMEs need to get their records out of their heads and onto paper (if not into digital form). Brian Kuwik of US-based Accion stated that “it’s important to treat SMEs as a different business, with different policies and procedures as well as different products.” Regarding how investors can support MFIs’ growth, Ahmed Laasri of Morocco’s Jaida Microfinance Fund said that his firm helps MFIs harness technology. Jarri Jung of the Netherlands’ Triple Jump cited a study called “Closing the Gap” that found significant differences between markets in East and West Africa. In Kenya, SMEs are suffering primarily from a “lack of adequate financial solutions; in Togo, there is a lack of entrepreneurial mind-set and lower level of professionalism.” Also in Togo, Mr Jung said, “SME policies and regulations still stifle SMEs and financiers.”



Left to right: President of ADA Max Meyer, General Manager of ADA Olivier Massart, Executive Director of ADA Laura Foschi, Managing Director of the Grameen Credit Agricole Microfinance Foundation Eric Campos and Minister for Development Cooperation and Humanitarian Affairs Romain Schneider.

ADA and Grameen Credit Agricole Microfinance Foundation Sign Collaboration Agreement

After Tuesday's sessions at SAM, Olivier Massart, the General Manager of ADA, and Eric Campos, Managing Director of the Grameen Credit Agricole Microfinance Foundation (GCAMF), signed an agreement to collaborate on their institutions' service delivery to MFIs. Mr Massart explained that the two Luxembourgish NGOs will work "hand in hand" in areas including the measurement of social impact. ADA specializes in technical assistance (TA), and although GCAMF also provides TA, it is a major local-currency funder of microfinance. Both institutions prioritize working with MFIs that serve people in rural areas as well as women in general. Mr Campos told MicroCapital that a primary motivation for the collaboration is to reduce the workload for MFIs, which are often called upon to submit substantial amounts of overlapping data to funders and other interested parties.

SMEs, Financial Inclusion and Job Creation in Africa

Laura Foschi of ADA addressed the question of "how to support enterprises as they make the transition from micro- to small and medium-sized." Rebecca Rouse of Innovations for Poverty Action, described how randomized controlled trials have shown significant impact from interventions such as business plan competitions, facilitating the initiation of exports and replacing cash support with the provision of in-kind services. Matthew Gamser of the IFC-managed SME Finance Forum argued that data are key: As SMEs shift from cash to digital payments, they leave data trails that help lenders evaluate their creditworthiness upfront as well as monitor their fiscal health after loan disbursement. Kimanathi Mutua of the K-Rep Group cited the importance of movable collateral registries and government financial inclusion policies and goals. As challenges, he cited corruption as well as competition from low-cost imported goods. He also cited a shift in focus from microenterprise lending to consumer lending. To stay relevant, as well as focused on their social mission, he envisions more MFIs lending for water and sanitation, clean energy, and agricultural processing.

Calls for Insurance, TA, Cheaper Loans, Alternatives to Collateral

During one SAM session, Willie Mzumala of Malawi's Tapika Food Products argued that small and medium-sized enterprises (SMEs) need help with marketing, getting international exposure, standardizing quality and accessing affordable financing. Richard Muteti of the Kenya National Federation of Jua Kali Associations spoke in favor of reducing transaction costs; using credit bureaux to reduce reliance on collateral; balancing lending in terms of gender and age; boosting SME management skills; and addressing problems with patents, land title and taxes. Wairimu Muthike of ACRE Africa described indirect benefits of insuring farmers, such as the possibility of lenders accepting the policies as loan collateral. Khatarine Pulvermacher of the Microinsurance Network cited the example of a lender in Ghana that is experimenting with directly insuring the earning power of its borrowers. Thus the lender can be reimbursed if a borrower cannot repay a loan due to an inability to work, such as because of illness.

Harvesting Wins €10k FMO Fintech for Microfinance Prize for Use of Satellite Data to Boost Agricultural Lending

Ruchit Garg, the founder of Harvesting, gave the winning pitch for the EUR 10,000 Fintech for Microfinance prize given by the Netherlands' Entrepreneurial Development Bank, which is also known by the Dutch acronym FMO. Mr Garg's firm describes its work as "enabling financial inclusion for farmers by providing actionable insights to financial institutions via global data sets, such as weather, satellite, agronomic data to help reduce risks for crop insurance and lending companies." Founded in 2016, Harvesting is active in India and Africa.



Left to right: Gerbrich Salverda (Capacity Development Officer - FMO), Ruchit G Garg (Founder CEO - Harvesting), Jeroen Harteveld (Fund Manager Massif - FMO) and Lonneke Noteboom (FinTech Analyst Financial Institutions - FMO)



Interview with Romain Schneider, Luxembourgish Minister for Development Cooperation and Humanitarian Affairs

Your Ministry has endorsed ADA for over 20 years. What explains the major role Luxembourg plays in microfinance development?

Romain Schneider: The Luxembourgish government has been active in supporting the development of microfinance and inclusive finance during the past two decades because these are efficient means of promoting economic development and eradicating poverty – which are our ultimate goals. In order to reach those goals, Luxembourg aims to facilitate the access poorer persons, otherwise excluded from formal financial services, have to basic financial services: credit, savings, money transfers and microinsurance. Since its beginnings as an NGO, ADA (Appui au Développement Autonome – Supporting Autonomous Development) has played a vital role in establishing the foundations of the Luxembourgish microfinance sector, and our collaboration has deepened continuously since.

The Directorate for Development Cooperation has tasked ADA to act in the field of microfinance with the multiple aims of innovating, improving management tools, facilitating exchanges, and supporting microfinance-institutional pilot projects in Central America, Asia and Africa. ADA furthermore played an essential role in the training of inclusive-finance experts in Luxembourg. One may, at this point, also note the endeavours of the Luxembourg Microfinance and Development Fund (LMDF), the Microinsurance Network and the University of Luxembourg's Chair in Financial Law (Inclusive Finance).

Our government has actively contributed to the sector's development since the beginning of the 1990s, in particular through its political action in a large number of national and international fora, and through its collaborative work with its bilateral, multilateral, public, private, and civil-society partners. Luxembourg has grown to become a key center of excellence for inclusive finance. In extension, microfinance represents a niche market within our financial marketplace, and over a third of microfinance investment vehicles worldwide are domiciled in Luxembourg. The strong leverage public investments have had can clearly be seen.

Through our action, we aim to make a particular positive impact on poverty eradication, as well as contribute to implementing the Structural Development Goals. The role the public actors carry, and thus also the Directorate for Development Cooperation, includes establishing a climate of confidence as well as an environment propitious to the development of inclusive finance. We make technical assistance available, for example in what concerns legislating, regulating and supervising microfinance activity, as well as to reinforce the institutional and human-resource capacities of stakeholders. More recently, Luxembourg also began using microfinance and inclusive-finance instruments that contribute to environmental protection and promote the use of renewable energies.

How does Addis Ababa, selected as the venue for the third SAM, inspire you?

Romain Schneider: Over the years, Addis Ababa has grown into becoming one of the African continent's major hubs in a number of respects. Not only has Addis Ababa become Africa's diplomatic capital, the African Union and the United Nations Economic Commission for Africa being seated there, but the Ethiopian capital has also witnessed remarkable development and high economic growth rates. Luxembourg moreover holds a diplomatic mission in Addis Ababa. Ethiopia holds rich experience in the field of microfinance, and particular mention should be made of the two Ethiopian institutions that have already won the European Microfinance Award: Buusaa Gonofaa, in 2008, and Harbu in 2010. Microfinance is therefore well understood as an instrument, in the Horn of Africa, and a number of structures have already been put in place. The subject chosen for the next African Microfinance week - SAM is on developing SMEs in Africa, also in line with Ethiopian national priorities.

The new SAM is dedicated to SME development in Africa. Why is that subject awakening such interest today?

Romain Schneider: In Europe as in Africa, small and medium enterprises form the backbone of local and national economies. Yet unfortunately, one must witness that only very few financing structures cater for SMEs. Their loan requirements are often situated between the upper limit microfinance allows and the lower limit required by banks. SMEs therefore face a so-called financing gap, which negatively impacts their development. Given that the thrift of the SME sector is key to resolving the major challenges Africa faces, such as youth employment for example, it is essential to better the condition of their financing. Improved access to financing will also enable SMEs to move away from the informal economy, into the formal economy, with all the benefits that bears, such as strengthened social security systems for example.

What support can Luxembourg offer to banks and MFIs who, themselves, finance and strengthen SMEs?

Romain Schneider: As we have seen, Luxembourg has been dedicated to the cause of inclusive finance and microfinance for many years. One of the foundations of Luxembourgish development cooperation policy is its continuous and on-going commitment, which provides the MFIs concerned with a greater degree of foreseeability in their planning.

Added to our continuous commitment, the know-how and the technical assistance our local implementing partners provide on the ground, including ADA of course, reinforces our drive in supporting MFIs. Traditional microfinance has granted its customers series of short-term credits and charged relatively high interest rates on these, in order to cover related risks and costs. That type of support however tends to encourage the replication of existing economic activity rather than fostering the development of promising new value-adding activity. That is why, in addition, high-growth-potential small and medium enterprises should be targeted, whose main objective is that of making an impact through job creation, whose products and services are dedicated to the needs of poorer customers, or which are otherwise driven by a social or environmental mission. Luxembourg, together with ADA, aims to work in that direction, and several projects are being planned to that avail. Choosing the topic of SMEs for the SAM 2017 will enable these arguments being spread further, and the awareness of donators and stakeholders to be heightened. Funds invested in Luxembourg represent a huge potential to developing SMEs as they do to reach the Sustainable Development Goals.

Public Solutions: Collateral Registries, Business Training

To support SMEs, Kennedy Komba of the Alliance for Financial Inclusion explained that his institution's regulatory and policy-making members have created collateral registries, adjusted lender liquidity ratios, updated know-your-customer frameworks and established rules for digital financial services. Trainers in Zambia used a financial education game to reach 5,000 entrepreneurs, of whom 80 percent reportedly improved their businesses as a result. In Ghana, the Ministry of Agriculture and the Bank of Ghana collaborated to boost local value chains in an effort to reduce costly food imports. This program included risk sharing to increase lending to farmers, encouraging insurance uptake, improving financial institution rating systems and integrating smaller farms into value chains.

Millison Narh of the African Rural and Agricultural Credit Association argued that agribusiness "has huge potential to create jobs and increase incomes." While the sector has the potential to grow four-fold, he said it requires additional investment on the order of USD 400 billion. As progress, Mr Narh cited the national entrepreneurship strategy launched this month in Ethiopia as well as an "enabling environment" strategy in Ghana that was supported by the US government. This effort includes aligning the work of the four Ghanaian financial regulators to develop financial infrastructure and attempt to reduce lending rates.

Maimouna Gueye of the African Development Bank (AfDB) agreed that interest rates are too high and added that loan terms are too short to meet the needs of growing enterprises. She also argued in favor of AfDB's practice of nudging lenders to provide technical assistance along with loans.

Ibrahima Keita of Kafo Jiginew said that from the perspective of his MFI, "the realities on the ground are different, in that resource mobilization is the holy grail...it is essential that eligibility be softened to help MFIs get more funds."

Olukayode Oluwole of the Central Bank of Nigeria described his country's recent establishment of a national collateral registry for movable assets, such as photographic or construction equipment, as a means to increase the flow of credit to SMEs. So far, commercial banks and MFIs have registered 17,000 assets valued at USD 20 million. In addition, a new system offers customers a uniform identification number that can facilitate dealing with multiple financial institutions. AfDB's Enable Youth program provides young Nigerians with funding and coaching to help them make a living in agriculture. And Entrepreneurship Development Centers in the country offer new graduates four- to six-week training sessions on business skills such as writing proposals.

Rachael Mushosho of the Reserve Bank of Zimbabwe agreed that boosting business skills is important. In targeting youth and women, her organization has been convening private and public organizations - including universities and agricultural groups - to align strategies. To maximize practicality, representatives of private organizations head each subcommittee. Accomplishments to date include a funding facility specifically for people with disabilities; establishing of a credit reference bureau used by banks, MFIs and utility companies; passing enabling legislation for a collateral registry; and deploying a credit guarantee scheme to encourage lenders to expand the range of clients they serve. On the ground in Zimbabwe, the Indian government is supporting microenterprise incubators, and the Zimbabwean government has set up rural information centers offering education on financial products. In addition, a UN partnership has helped people in areas of drought access funding and training. Taking a broader view of entrepreneurship, Mr Keita argued that we can reduce armed conflict by reducing poverty and despair through business success.

Innovations in Fintech, Human Resources Development

A wide variety of vendors presented their wares at the SAM Innovation Fair, including several core banking system providers. Antonio Separovic of Oradian argued that the leadership of the MFI must be motivated to bring in new technology, saying, "if the transition is led by the tech department, that is a non-starter." Regarding criteria for success, Rangunandhan Kumar of Bank-Genie said, "We should not sail the ship where the wind blows. What is the really important thing that needs to be implemented?" At an earlier fintech session arranged by FMO, Martijn Van Rooij of Above and Beyond described his firm's 4wrdr platform, which connects MFIs with a menu of 72 fintechs, whose services can be tested offline before roll out. Mohamed Asri of HPS explained how his firm's PowerCARD product can be implemented in three months on a pay-as-you-go basis.



It includes some unusual features, such as a process for determining employee bonuses, which can be tricky for management to set since they may benefit personally from the calculations. Regarding poor internet connectivity, Debbie Watkins of Fern Software said, “We offer three data configurations: cloud-based, centralized at your head office or distributed to each branch.” She added that MFIs can switch among the three modes simply as connectivity improves, and the system includes an offline mode as well. In closing, Cameron Goldie-Scot of Musoni stated that “Musoni was an MFI, and we went through the problems with fraud, human resources and everything. We made our technology based on what we learned.”

Thierry Artaud of the Moss ICT Consultancy described the M-BIRR service, which partners with six MFIs in Ethiopia, allowing users to send money to retailers and individuals as well as receive loan disbursements and government benefits. Users can earn roughly 7 percent interest on money they store in the system, and agents and MFIs are paid commissions on a daily basis. The software underlying M-birr is available for licensing to organizations in other countries.

On the topic of security, Niladri Roy of Craft Silicon explained his organization’s work on client facial recognition, but he warned that “most of the places we see fraud are among employees.” Jean-Louis Perrier of Suricate Solutions is working to create a cybersecurity resource center for financial institutions in Senegal, with plans to expand to West and Central Africa.

Several training providers were also at the Innovation Fair. Claire Bourdon of the Frankfurt School of Finance and Management stated her organization's consulting, live training and online training offerings are available in French, English, Spanish and Russian. The courses, which are accredited to contribute to master's degree programs, focus on practical issues because the teachers also perform consulting for MFIs. Ignacio Olafa of nonprofit Boulder Microfinance described his organization's three-week programs, which require travel and are available in three languages. They cover management, development, digital financial services risk and policy risk. Paul Kriews of the Savings Banks Foundation for International Cooperation described his firm's offerings, all of which are performed at client locations. Topics can include retail banking, microfinance, human resources, small and medium-sized enterprise, green finance, and others. The curriculum uses many games, and it can be delivered to staff for their own use or to train them as trainers. Thomas Roy Sinclair of Gateway Academy explained that his organization is new and looking for financial services providers in seven African countries to test its services in 2017 and early 2018. Rather than creating its own training content, the organization is working with providers such as Accion, Helix, CGAP and the Strathmore Group to help them move their in-person curricula online. Regarding free versus fee-based courses, Ms Bourdon seemed to strike a chord with the group when she stated that "my experience is when people pay, they are more disciplined and complete the course more often."

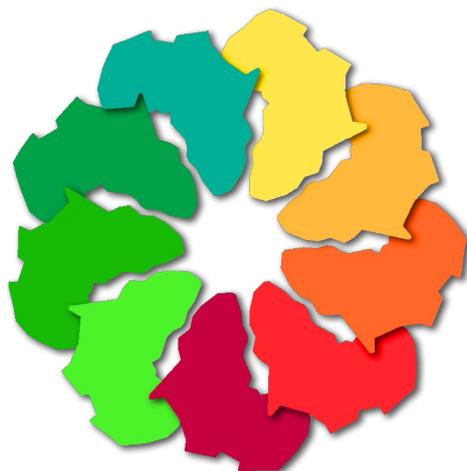
For further resources on the various sessions held during the SAM 2017, head on our website: www.microfinance-afrique.org





A “Moral Obligation” to Include More People in the Financial System

At the SAM gala dinner, Olivier Massart, the General Manager of ADA, argued that the attendees of the event have incurred a “moral obligation” upon themselves to increase financial inclusion. The 650+ attendees spent an estimated total of USD 1 million to USD 2 million on travel and registration fees to attend the conference. Because they elected not to spend this money directly on serving poor people, Mr Massart challenged each delegate to bring at least one additional person in to the financial system for each dollar she or he spent on the event.



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