In early June, I met Alfred near Thika, an hour drive from Nairobi. Alfred cultivates two acres of maize and avocados (around 0.8 ha). The soil is good, but due to lack of irrigation, Alfred is highly dependent on rain for his corn. Rainfall patterns, however, tend to be increasingly erratic. Since last year, Alfred and his group of 48 farmers are in contact with ACRE-Africa, a crop insurance provider that designs and markets insurance products based on weather indexes. ACRE was created two years ago, at the initiative of the Syngenta Foundation, in partnership with the Grameen Crédit Agricole Foundation. In specific terms, the 2-kilogrammes bag of maize seeds Alfred buys from the shop run by Anthony, in Thika, contains a card with a code number. Back home, Alfred only needs to communicate, by telephone, the number indicated on the card to trigger the geolocation of his field and a three-week period during which he will sow. If indexes show that the rains were not sufficient to permit germination, Alfred will be automatically compensated for the purchase price of the bag, by bank-transfer to his M-Pesa account. Even if the sum insured is very small, around USD 45 (about € 40), Alfred values the protection against climatic risks.

A few days later, in Rwanda, I accompanied Patrick, a Rwandan agroveterinary, in his visit to a breeder, 100 km from Kigali. Charles raises two cross Friesian cows. He is a member of a dairy cooperative. The purpose of the visit? Put a tag on the right ear of the cows and submit to the breeder the insurance certificate prepared by ACRE-Africa. This is a conventional insurance that compensates the farmer in the event of death up to 80% of the value of the cow that is about USD 500 (around € 450). By paying a premium equivalent to 3.3% of the value of the cow, the farmer protects his income and his capital.

Although the insurance product is simple, the chain of actors that makes this possible is complex, from the international reinsurance group to the local dealer of agricultural inputs or the country veterinarian, including the local insurance company and the technical operator that designs and markets these insurance policies.

The twofold challenges of food security and adaptation of the most vulnerable populations to climate changes can be met by reproducing this chain in all developing countries, removing barriers and remaining technical imperfections, educating farmers about insurance and relying on groups and producer cooperatives.

In Kigali, I also met with 32 leaders of microfinance institutions from Sub-Saharan Africa, partners of the Foundation within the framework of the African Facility. This scheme has allowed 16 institutions to benefit from both funding granted by the Grameen Crédit Agricole Foundation and a technical assistance programme. All the institutions are up-to-date with their commitments and all appreciate the technical assistance tailor-made approach proposed by the Foundation, with the support of the Agence Française de Développement (AFD). The four-day seminar organised by Philippe Guichandut and his team allowed formal and informal exchanges about best practices between the 16 institutions (eight from Western Africa and eight from Eastern Africa). The training provided by the Social Performance Task Force on methods and tools for assessment and reporting on social performance was highly appreciated.

It was a great pleasure to talk with the leaders of small African institutions, fully involved in the microfinance social mission and seeking to improve their practices vis-à-vis their clients.
IRISH MUSIC IN THE SERVICE OF THE FIGHT AGAINST HUNGER: THE MEMBERS OF Doolin’ MEET WITH MUHAMMAD YUNUS

On March 18, the members of Doolin’ met with Professor Yunus, in the margins of the Grameen Crédit Agricole Foundation’s Board meeting.

On this occasion, the six musicians, who recently came back from Nashville, where they celebrated their ten years and recorded their fourth album under the crook of the artistic producer and musician John Doyle, a key figure in the Irish americana music, shared a title of their last album with the Directors of the Board.

The band has decided to partner with the Grameen Crédit Agricole Foundation and to donate 10% of proceeds from the album sales, which was released on June 24, to support agricultural development projects in Africa.

THE FOUNDATION PUBLISHES ITS 2015 ANNUAL REPORT

As of December 31, 2015, the Foundation is active in 27 developing countries among the poorest, in partnership with 59 microfinance institutions or social business companies.

Its partner microcredit institutions are serving 3.3 million active borrowers, 85% of them being women and 79% of them living in rural areas.

For more information on the Foundation’s activities and results during the year 2015: download the Annual Report by clicking here.

SATISFACTION SURVEY: MFIS PARTNERING WITH THE GRAMEEN CRÉDIT AGRICOLE FOUNDATION, VERY SATISFIED WITH THEIR PARTNERSHIP

For the fourth year, the Foundation assessed the level of satisfaction of partner microfinance institutions it supports to better adapt its funding offer.

At the end of the survey conducted in 2016 on the activities carried out in 2015, with a response rate of 66% (that is 31 partner MFIs), it appears that microfinance partners are very satisfied with the relationship they have with the Foundation, with 90% of respondents being satisfied or very satisfied (compared to 78% during the previous survey). This increase is mainly due to the relationship with the Foundation’s team (96% of satisfied partners in 2015, compared to 78% during the previous survey) and the dossier processing (96% of satisfied institutions in 2015 compared to 89% previously). Respondents also expressed greater satisfaction in relation with due diligence missions (93% of satisfied institutions in 2015 compared to 88% previously). However, concerning contract procedures, only 94% of respondents are satisfied compared to 100% during the previous survey.

Institutions also expressed the wish to see improvements with regard to interest rates charged, currency options and maturity periods for the loans granted by the Foundation.

Concerning technical assistance, 14 out of the 31 MFIs responding to the survey benefited from the Foundation’s support in 2015 with an average satisfaction level of 80% compared to 88% previously, whereas 73% of respondents consider the offer meets their needs.

These results will enable the Foundation to pursue its efforts to satisfy all the partners and better meet their expectations in the areas of credit and technical assistance.
MARRAKECH (MOROCCO) WELCOMES THE 2016 SPTF ANNUAL MEETING

The Social Performance Task Force (+), chaired by Jürgen Hammer, welcomed over 250 participants from 45 countries in Marrakech, Morocco for the organisation’s 11th Annual Meeting, May 30 - June 2, 2016.

This year’s meeting focused on how financial inclusion stakeholders can implement the Universal Standards for Social Performance Management (“the Universal Standards”). A particular focus was given on measuring and managing client outcomes. The meeting, hosted by the Fédération Nationale des Associations de Microcrédit (FNAM) and the Centre Mohammed VI de Soutien à la Microfinance Solidaire, was the first SPTF Annual Meeting held in North Africa. To access notes and materials from the meeting please click here (+).

The meeting kicked off with a speech from SPTF board member Dina Pons, called “All Roads Lead to the Universal Standards” (+) describing how the Universal Standards are providing guidance to change the industry for the better. Her speech gave a comprehensive overview of how each Dimension of the Universal Standards contributes to strengthening responsible inclusive finance.

Prior to the 2016 SPTF Annual Meeting, the Social Investor Working Group (+), as of June 2016 led by Jürgen Hammer, Christophe Bochatay (Triple Jump) and Margot Quaegebeur (Anthos Asset Management), also organised an in-person meeting of leading investors and donors that continued the work on the various priority topics of the industry. The investor meeting allowed to present advancement since the previous meeting of this group at Deutsche Bank in New York in March 2016. The Social Investor Working Group, which aims at promoting responsible investment in the financial sector, is open to all investors seeking financial and social returns. Currently, the SPTF has more than 300 investor members representing over 100 organizations. The Investor working group meets twice a year in person, once in February/March and once in conjunction with the SPTF annual meeting, and holds several webinars throughout the year.

CREDIT AGRICOLE, ADIE AND BABYLOAN ROLL UP THEIR SLEEVES AND WORK TOGETHER TO SUPPORT EMPLOYMENT IN FRANCHE-COMTÉ

Elisabeth Eychenne, CEO of Crédit Agricole Franche-Comté, has committed her Regional Bank to pay €350,000 to support the actions carried out by Adie Bourgogne Franche-Comté. €300,000 will be devoted to professional microcredit loans, Adie’s core activity. The remaining €50,000 will be used to promote employment, by improving, for example, mobility for job seekers. This will thus allow Adie to support around 75 projects to create or develop business activities and nearly 20 mobility projects.

The willingness of Crédit Agricole Franche-Comté to further promote the creation of businesses and jobs, through microcredit, “reflects the Bank’s commitment to support the economy of the Franche-Comté area” explains its managing director. “We are already supporting local innovation with, for example, the upcoming establishment of the Innovation Village in Besançon But this is another way to do so: certainly by injecting liquidity to help credit, but also by creating networks between our bank and a specialised institution such as Adie. This greatly facilitates the procedures for loan applicants.”

The Babyloan online crowdfunding platform initiated in 2008 by Arnaud Poissonnier and of which the Grameen Crédit Agricole Foundation is a shareholder since 2010, also contributes to this partnership. “Solidarity” lenders will benefit from an exclusively franc-comtois website, where they can have access to all the projects in the region. “We wanted to strengthen our solidarity actions with a French public, which was lacking in the current website,” says its Chairman. Babyloan was a natural partner for Crédit Agricole Franche-Comté, which is a shareholder since 2011, and Adie which has been collaborating with the platform for several years now.

This great project allows closing the solidarity loop between Crédit Agricole, which will finance Adie, Babyloan, which will give internet users the opportunity to refinance part of these projects, and Adie which will be using Babyloan’s website.
CONVERGENCES PUBLISHES ITS 2016 MICROFINANCE BAROMETER

“Microfinance is hardly mentioned in the texts formally adopted by the international community in 2015. Yet, it is an essential tool to reach the Goals it has set for itself. The ambition of the 2016 Microfinance Barometer is to illustrate the current and potential role of microfinance in achieving these Goals.”

Jean-Luc Perron, Vice President, Convergences. Managing Director of the Grameen Crédit Agricole Foundation

For the 7th consecutive year, Convergences publishes the Microfinance Barometer, in partnership with the National Federation of Savings Banks, the MasterCard Foundation, the Caisse des Dépôts Group, the European Microfinance Platform (e-MFP) and Oikocredit. This annual publication provides updated figures worldwide and in France, analyses the key industry trends and examines new opportunities for microfinance in northern and southern countries.

In this new edition, the Barometer presents a focus on “Sustainable Development Goals: what challenges for microfinance?”. Researchers and industry’s professionals analyse microfinance as a factor of financial inclusion and its leveraging role in the implementation of the 2030 Agenda.

Among these experts, Pierre Casal Ribeiro, research officer in agricultural insurance at the Grameen Crédit Agricole Foundation, presents agricultural finance and the new approaches to better serve small farmers such as mobile banking, microinsurance or the integration of non-financial services.

This focus also includes an interview of Professor Yunus, Director at the Grameen Crédit Agricole Foundation and Chairman of the GCA Fund for whom the “17 Sustainable Development Goals constitute a list of the most important issues” and who wonders whether it is possible to “pursue [the] efforts to achieve these 17 Goals, while defeating, changing and correcting the things that went wrong”.

The next Convergences World Forum will be held in Paris from 5 to 7 September, 2016. To register, please click here.

MFIS, PARTNER OF THE GRAMEEN CRÉDIT AGRICOLE FOUNDATION, COMMITTED TO GREEN MICROFINANCE

Green microfinance comes from a simple idea with huge potential: make use of the network and expertise of Microfinance Institutions (MFIs) to facilitate access to innovative products and services that meet the essential needs of the poorest.

There are indeed a growing number of technological innovations aimed at meeting the essential needs without any need to deploy an infrastructure similar to that existing in developed countries. This is particularly true in the energy area with solar solutions (lanterns, solar home systems), improved stoves or domestic biogas units but also in the area of sanitation with autonomous sanitation systems. The obstacles to their dissemination are often linked to the ability to ensure their commercial deployment in a sustainable way and to provide rural poor people with financing solutions.

MFIs enjoy the confidence of their customers; know better than anyone their financial behaviour and how to help them finance a project. The fact of using these privileged links between MFIs and their clients, developing their skills and creating new partnerships so these MFIs can offer, in addition to financial services, access to electricity, water, sanitation or health is an idea with huge potential. Green microfinance is deeply consistent with the socially oriented strategy of many MFIs whose mission is, certainly, to facilitate access to financial services, but also and above all to help improve the living conditions of their clients.

In April, the Grameen Crédit Agricole Foundation conducted a survey with partner MFIs to identify their Green microfinance initiatives, understand the constraints and limitations on their development and potentially provide the institutions which express an interest, with technical and / or financial support. 80% of the partners contacted responded to the survey.

The answers show that more than half of our partners already offer services and / or products associated with green microfinance in order to tackle important challenges such as lack of access to energy or inadequate agricultural yields. The most common offer among our partners is that of loans to purchase renewable energy systems (solar panels or lamps, biogas facilities). Some partners also offer loans to improve energy efficiency (insulation of the house or improved cook stoves) or to finance environmentally friendly activities (organic agriculture, agroforestry, ecotourism).

Internally, our partners have established recycling processes and solutions to combat wastefulness to reduce their ecological footprint. Nevertheless, green microfinance programmes are relatively new and suffer from lack of funding, expertise and technology providers at a local scale. Our partners have informed us of their technical support needs, and indicated their wish to benefit from support on issues as diverse as environmental policy, risk analysis, marketing strategy, development of sustainable products or training of loan officers.

On the client end, a lack of awareness concerning sustainable development (organic farming, renewable energy, environmental practices) leads to a weakened demand for green microfinance products even if some of our partners offer environmental awareness programmes.

The results of this study will therefore enable the Foundation to continue its reflection on these issues in order to ultimately give concrete answers to the specific needs expressed by all respondents.
FOCUS AFRICAN FACILITY

Three years of the “Take-off Facility for agricultural and rural microfinance in Africa”: outcomes and prospects.

Microfinance institutions, partner of the Foundation within the framework of the African Facility, meet in Kigali

Meeting from 4 to 8 June in Kigali (Rwanda), 32 representatives of the 16 institutions, partner of the Grameen Crédit Agricole Foundation (eight from Eastern Africa and eight from Western Africa) within the framework of the African Facility, co-funded by AFD, met in the presence of Jean-Luc Perron, Managing Director of the Foundation and the microfinance teams. They assessed the three years of this innovative scheme.

We are very satisfied because thanks to the training our capacity has been strengthened in terms of social performance management. Everyone, at his/her level, was able to assess the effective implementation level within its institution and the customer well-being is more than ever central to our concerns. Once we become champions of social performance management, we will undoubtedly contribute, along with all stakeholders, to address the challenges for a balanced financial and social performance of our institutions.

Thérèse Yaméogo – AplEna (Burkina Faso)

This seminar in Kigali was very insightful when it comes to how to understand our organisation’s performance in relation to social performance. We now understand that it is vital for a microfinance institution to have a social mission, implement social performance management and report on it. SPM will actually help an institution achieve its financial objectives. […] As a representative of AMZ we are excited to be part of the African Facility because it has helped us build capacities where it was lacking, which has resulted in strong performance in 2016.

O’Brien Njebe – AMZ (Zambia)

The assessment covered several topics: the content of the partnership, its strengths and weaknesses, the implementation of technical assistance programmes and the effects of the partnership. The conclusions of these discussions showed that, in general, partners are very satisfied, both in terms of funding received and technical assistance offer, with a mechanism that works well, tailored to their specific needs and which already has positive effects on institutions. Some methods for improvement were put forward, especially with a view to the current negotiation with AFD for the second phase of the project which could begin by the end of 2016 and would reach a greater number of institutions.

Following these discussions, participants took part in a training organised by the Social Performance Task Force (SPTF) on social performance management. This training enabled them to understand all the issues and challenges related to the implementation of a relevant and pertinent social management within their institutions.

Co-funded by AFD since February 2013, the “Take-off facility for agricultural and rural microfinance in Africa” has enabled the Foundation to fund 16 microfinance institutions in eight countries (four in Eastern Africa and four in Western Africa) to a total amount of € 4.7 million in the form of loans. In terms of technical assistance, the Foundation has allowed the completion of 90 missions (including 19 ongoing missions), and 41 new missions should help complete the programme amounts to over € 1.2 million. To carry out these missions, the Foundation has built a consultant database: to date, 183 consultants or firms are registered. The purpose of technical assistance missions is varied, the main topics being the strengthening of credit (25%) and risk departments (14%), but also human resources or finance departments. Improved MIS (management information systems), internal audit or business plans are topics also addressed. Overall, partners were very satisfied with these missions, with an overall score of 4.2 out of a possible maximum score of 5.

All 16 African Facility partners serve over 263,000 active borrowers, 72% of them being women and 65% of them living in rural areas, which match the initial objectives of the Foundation. Institutions have a combined outstanding portfolio of € 55.5 million, of which 35% is aimed at the agricultural sector. The average loan to customers remains very low, even if there is a difference between Eastern Africa (€ 286) and Western Africa (€ 186).

For me, the partnership with the Grameen Crédit Agricole Foundation is a relationship that does not stop at the supply of loanable funds but which insists, professionally, on the gradual improvement of the partner’s viability and development. Through its interventions, the Grameen Crédit Agricole Foundation breaks indeed with the traditional approach of partnerships by providing an appropriate response to specific problems faced by each partner who participates in the diagnosis of difficulties and the choice of solutions.

Dieudonné Gnanvo – RENACA (Benin)
CAMBODIA: PPSE LAUNCHES THE PHARE CREATIVE STUDIO, IN COLLABORATION WITH THE VISUAL AND APPLIED ARTS SCHOOL OF PHARE PONLEU SELPAK

The Cambodian NGO Phare Ponleu Selpak, with the financial support of AFD and CCFD-Terre Solidaire, has created the Visual and Applied Arts School (VAAS) in Battambang to provide students with a professional training in graphic design, visual arts and animation. The school specifically targets young people from disadvantaged backgrounds who display an aptitude for drawing. Tuition is free of charge and support technical equipment is provided. Students gain the methodology and practice of applied arts, develop their personality and open the door of professional skills in the field of visual arts.

To provide these students, graduated from VAAS, with job opportunities in the field of their choice, PPSE, the social business company established four years ago by Phare Ponleu Selpak and Grameen Credit Agricole, has decided to develop a new artistic production entity specialised in graphic design, animation and video. Phare Creative Studio will be run as a social business within PPSE: the studio will look for orders from companies or local institutions, but also for contracts with big production studios to allow its young artists to make a living from and develop in the visual applied arts. The NGO, which owns 70% of PPSE, will enjoy a financial return as soon as this new entity makes a profit.

NEW INVESTMENTS

In the first half of 2016, the Foundation made 12 new investments, including four to new partners:

- The Foundation granted a new loan in local currency equivalent to €380,000 over a three-year period to AslEnA, partner of the Foundation in Burkina Faso. AslEnA (Association Inter Instituts Ensemble et Avec) is an association created in 2002 with the support of CCFD - Terre Solidaire that operates mainly through a group lending methodology (Mutuelle de Solidarité or MUSO) developed by SIDI. It promotes savings and credit activities with groups of 15-50 women living in remote rural areas or poor suburbs in towns. These groups also promote the sharing of experiences and economic and social training. At the end of March, 2016, AslEnA had 11,300 active borrowers, 91% of them being women and 91% of them living in rural areas. The outstanding loan portfolio of the institution amounted to €1.2 million.

- In Kenya, the Foundation granted a loan in local currency equivalent to €1.2 million to Juhudi Kilimo, partner since 2014. Juhudi Kilimo is a microfinance institution whose mission is to elevate the quality of life for rural smallholder farmers and enterprises in the country by providing wealth creating financial solutions for agribusiness. Unlike traditional microfinance, which primarily provides loans for working capital to informal businesses, the institution finances specific agricultural assets that offer immediate and sustainable income for farmers. As a way of promoting more innovation, the institution also provides start-up capital for new agribusinesses. At the end of March, 2016, the institution had 29,000 active borrowers, 45% of them being women and 89% of them living in rural areas, for an outstanding loan portfolio amounting to €8.5 million.

- Similarly, the Foundation granted a loan in local currency equivalent to €500,000 to Musoni Kenya, a new partner that leverages Information Communication Technology (ICT) heavily to manage its operations efficiently and to scale rapidly. The objective of Musoni Kenya is to become the leading MFI in Kenya by offering the most flexible and best suited service to clients on the market. Musoni aims at empowering women who are among the marginalised groups and whose proportion among the institution’s clients has grown with Musoni Kenya's expansion in rural areas to reach 60% of its active borrowers that, at the end of March, 2016, totalled a number of 17,200, 40% of which were located in rural areas (see Focus MFIs). The outstanding loan portfolio amounted to €5.7 million.

- The Foundation also granted a loan to ECOLOF Kenya for an amount equivalent to €488,000 over a three-year period. This new partner is a credit institution that provides financial and non-financial services to micro, small and medium sized enterprises of the country, while actively promoting savings (mainly through its compulsory savings scheme). ECOLOF Kenya targets mainly small entrepreneurs in rural areas, organised in solidarity groups. In addition to its loan offer to businesses, the institution provides a variety of complementary credit products such as agricultural, social, environmental and consumer loans, as well as a small number of institutional loans. Customers regularly attend trainings, including financial education. At the end of March, 2016, ECOLOF Kenya had 25,000 active borrowers, 49% of them being women and 67% of them living in rural areas for an outstanding loan portfolio of €7.8 million.
Also in Africa, the Foundation granted a loan in local currency equivalent to €300,000 to AMZ, a new partner in Zambia, thus developing its geographical presence in the region as it is its first investment in the country. Agora Microfinance Zambia (AMZ) is a microfinance institution founded in 2010 and which targets specifically people with low incomes through suitable financial products. At the end of March, 2016, the institution had 10,500 active borrowers, 58% of them being women and 74% of them living in rural areas for an outstanding loan portfolio of €600,000.

In Cambodia, the Foundation granted a new loan in local currency equivalent to €488,000 to Chamroeun, an MFI whose social mission is at the heart of its business. It provides financial services to the poor, excluded from the mainstream microfinance institutions offer. To maximize the impact of credit and forth effectively help the poorest families, the institution also offers them a range of training and economic, social and personal support services. Chamroeun reinvests all its financial results in its activities to strengthen its social mission. At the end of March, 2016, the institution had 39,000 active borrowers, 84% of them being women and 67% of them living in rural areas, for an outstanding loan portfolio amounting to €8.4 million.

The Foundation also pursued its partnership with AMK through two new loans equivalent to €948,000 and €1 million over a four-year period for the first one and a three-year period for the second one. AMK (Angkor Mikroheranhvatho Kampuchea Co. Ltd) is a Cambodian MFI authorised, since 2010, to also collect savings. The institution provides loans mainly through the “village banking” methodology primarily targeting poor women in rural areas and agricultural activities. At the end of March, 2016, AMK had 334,000 active borrowers, 82% of them being women and 91% of them living in rural areas. The outstanding loan portfolio of the institution amounted to €128 million.

Likewise, it granted a new loan for a total amount equivalent to €2 million to LOLC Cambodia (formerly TPC), over a three-year period. LOLC (Cambodia) Plc. is a microfinance institution with a social vision and a commercial orientation which provides entrepreneurs and families at the base of the socioeconomic pyramid with economic opportunities to improve their life quality and their community through the offer of effective and sustainable financial services. At the end of March, 2016, the institution had 219,000 active borrowers, 85% of them being women and 99% of them living in rural areas. The outstanding loan portfolio of the institution amounted to €192 million.

In Indonesia, the Foundation granted a new loan for a total amount in local currency equivalent to €498,000 to KOMIDA, over a three-year period. KOMIDA, which had 271,000 active borrowers at the end of March 2016, all of them women located up to 93% in rural areas, is a microfinance NGO that began offering microloans in 2005 to communities affected by the tsunami in Banda Aceh. The Institution became a savings and credit cooperative in 2008. At the end of the period, KOMIDA’s outstanding loan portfolio amounted to €23 million.

In Eastern Europe, the Foundation granted a €2 million loan to KRK (Rural Kreditimi I Kosoves) in Kosovo, her first partner in the microcredit field. At the end of March, 2016, KRK had 8,500 active borrowers, of which 10% were women and 88% were located in rural areas for an outstanding loan portfolio of €16 million. The institution, originally created as a project by ADIE International, aims at providing access to financial services in rural areas of the country, giving priority to the agricultural sector.

Finally, the Foundation granted a first loan for an amount in local currency equivalent to €449,000 over a three-year period to the microfinance institution FMCC (First MicroCredit Company) in Kyrgyzstan. This first loan granted in a new country in Central Asia brings the number of developing or emerging countries in which the Foundation is involved in the microcredit sector to 24. First MicroCredit Company is the largest MFI in the southern region of the Kyrgyz Republic and accounts for 5% of the microfinance market. The institution was established in 2006 to provide microfinance facilities in the rural mountainous areas of the Osh and Naryn provinces, which suffer from some of the highest poverty rates in the country. FMCC’s activities focus on providing loans, in particular in the livestock and agricultural sector, which reflects the macroeconomic characteristics of the country. Loans have also been extended to SMEs, which are generally involved in trade, manufacturing and service activities to enable clients to increase working capital, acquire fixed assets and develop or renovate business premises. At the end of March, 2016, the institution had 14,500 active borrowers, 42% of them being women and 94% of them living in rural areas. The outstanding loan portfolio of FMCC amounted to €8.7 million.

For more information on the GCA Foundation’s partnerships, click here
“THANKS TO MUSONI’S USE OF MOBILE MONEY TRANSFER, JAMES CAN NOW PAY HIS WORKERS ON TIME”

James Mwangi, is a commercial watermelon and tomato farmer, member of the Wamaitu Workmates group in Thika town and joined Musoni Kenya as a client in 2012. James started his business in the Madaraka market in 2008. He had a lot of challenges mobilising his business working capital. He had no sufficient money to sustain his workers’ wages and most of the time, he was up and down from the market to the farm and could not concentrate. His inability to pay his workers on time affected his business.

He learnt about Musoni Kenya through his mother who is a client and got interested because of Musoni’s use of mobile money transfer (M-PESA) that would enable him send money to his workers without having to physically go and pay them. This convenience has positively impacted his community in job creation because currently, he has employed 15 workers and 1 manager in his business. Having reliable workers has led to his business growth, hence enabling him to send his children to good schools and also enrol his wife in college. James is planning to export his commodities and own a transport lorry through Musoni Kenya.

Musoni is derived from “m-usoni” where “m” stands for Mobile and “usoni” is the Swahili word for Future, hence Mobile Future. Musoni leverages Information Communication Technology (ICT) heavily to manage its operations efficiently and to scale rapidly.

Musoni is a microfinance software company that supports MFIs with its innovative and award-winning microfinance platform, the Musoni System. Aside from the core system functionality (clients & groups, loans & savings, reporting, and accounting), Musoni is known for its new technology in microfinance that improves efficiency and reduces costs, including mobile money (over 2 million MMT transactions processed), SMS reminders (over 1.8 million SMS messages sent) and tablet apps (over 35,000 loans processed digitally).

Musoni Kenya envisions being the most efficient microfinance institution in Kenya by being cashless, paperless and data-driven to offer the most flexible and most customer-oriented financial services in the market. The institution has introduced a variety of products to meet its client’s financial needs. The different products are tailored for both urban and rural dwellers.

In addition, Musoni Kenya aims at empowering women who are among the marginalised groups. While both men and women are the beneficiaries of its services, women’s outreach has grown with Musoni Kenya’s expansion in rural areas. To date, over 110,000 loans valued at over Ksh 2.6 billion (around € 23 million) have been disbursed. At the end of March 2016, Musoni had had 17,200 active borrowers, 60% of them being women and 40% of them living in rural areas, for an outstanding loan portfolio of € 5.7 million.
The Currency Exchange Fund (TCX) is a special purpose fund that provides OTC derivatives to hedge the currency and interest rate mismatch that is created between international investors and local borrowers in frontier and less liquid emerging markets. The goal is to promote long-term local currency financing, by contributing to a reduction in the market risks associated with currency mismatches.

To achieve this objective, TCX acts as a market-maker in currencies and maturities not covered by commercial banks or other providers, notably where there are no offshore markets, no long-term hedging, or, in extreme cases, no markets at all.

This activity spans 70 currencies in Sub-Saharan Africa, Eastern Europe, the Middle East & North Africa, Central Asia, South East Asia, and Latin America.

TCX is usually unable to hedge itself. The core risk management principle is the risk-reducing effect of running a globally diversified pool of currency exposures. This is supported by a conservative capital base provided by patient investors and donors.

TCX's investor base predominantly consists of development finance institutions and microfinance investment vehicles active in the long-term debt markets of emerging and frontier markets. In 2010, the Grameen Crédit Agricole Foundation invested in TCX for a total amount of $ 2.4 million (around € 2 million) to be able to hedge its operations with MFIs.

How can TCX contribute to providing more stability and responsibility to financial markets?

The disease is well known from the market. The “original sin” was extensively covered by the academic world already early 2000 (Barry Eichengreen, Ricardo Hausmann and Ugo Panizza, August 2003). The decision to finance in hard currency or local currency is still the decision of the investor. TCX cannot change that. Our Fund provides a remedy but too often the investor and borrower alike tend to consider the cost of the cure too expensive. Some investors in the case of the brutal depreciation of the Manat last year got heavily penalized by other lenders having lent in USD while they had provided funding in

After 6 years of cooperation, we have interviewed Jérôme Pirouz, Senior Vice President, to learn more about TCX’s positioning and know his opinion about the partnership with the Grameen Crédit Agricole Foundation.

According to you, what is the main added value of TCX as provider of OTC derivatives in the microfinance field?

Our main value is to offer hedging solutions in frontier currencies that no other dealer is or ready to quote. We make these impossible markets and this mainly in the microfinance field where the local currency offer is key for the healthy growth of the sector. I am referring to currencies like the Kyrgyz Som, the Cambodian real or the Haitian Gourde where no other swap dealer has ever ventured. TCX quotes 60 other currencies as we tend to provide hedging solutions for the most esoteric currencies where lenders and investors want to do business. The second added value we bring to the industry is stabilized access to the swap market: we have observed that an increasing number of microfinance funds have no more access to the swap market, as commercial and investment banks are more careful about the operational cost of running a relationship with smaller accounts, even if they are institutional clients. Typically we see more microfinance managers being cut off from their access to capital markets as they do not generate enough revenue for the banks. TCX as a catalyst for local currency financing does not treat the industry with the same cost base imperative and given our size TCX is well positioned to service what the banking industry considers as low margin clients.

How can TCX contribute to providing more stability and responsibility to financial markets?

The disease is well known from the market. The “original sin” was extensively covered by the academic world already early 2000 (Barry Eichengreen, Ricardo Hausmann and Ugo Panizza, August 2003). The decision to finance in hard currency or local currency is still the decision of the investor. TCX cannot change that. Our Fund provides a remedy but too often the investor and borrower alike tend to consider the cost of the cure too expensive. Some investors in the case of the brutal depreciation of the Manat last year got heavily penalized by other lenders having lent in USD while they had provided funding in
local currency (currency risk transformed into credit risk with NPLs on USD loan being as much as 4 times higher than on local currency). As the capital structure of some MFIs in Azerbaijan was mostly constituted of USD loans despite the presence of some AZN long term liabilities, the lenders who provided responsible funding in local currency got penalized by the lending practices of the other lenders having pushed their USD funding. Ultimately, after a sharp currency depreciation even with matched assets and liabilities, MFIs started to default on USD loans impairing the loans of all the lenders the same way.

We have clearly established the merits of local currency financing from a risk perspective, as neither the MFI nor the end customer bear the FX risk, which results in lower probability of default of local currency loans. But from the return perspective my feeling is that lenders refuse to adjust for lower returns where local currency becomes more competitive. It is a conundrum as lenders still expect the same return for a local currency loan than for the same dollar loan, while the risk adjusted returns are different (the probability of default of local currency loans being lower, return should be lower to keep the same risk adjusted returns). Things are not that simple of course but there is a tendency not to prescribe the right cure because of the cost of the medicine despite the beneficial effects both for MFIs and the local financial system. People have to realize that the occurrence of currency and/or banking crisis is extremely correlated (96%). That is even more important than studies have shown that excessive levels of hard currency debt are associated with higher sovereign credit risk and subsequent spill-over effects. In other words, responsible financing is not only protecting the end-client at the end of the chain who can least bear the currency risk, but also the whole financial system of the same country that finds itself much more resilient and sound.

How would you evaluate your partnership with the Grameen Crédit Agricole Foundation compared to your other partnerships with investors active in developing countries?

Well, I am biased because we have worked so much with the Foundation over the years but the (high) quality of the relationship is to me a function of the alignment between the interests and the strong social mandate of the Foundation which embraces the ideas I shared before on customer protection, making local financial system more sound and resilient to exogenous shocks (like FX typically). Another aspect is the quality and commitment of the staff that does not hesitate to challenge our team as well as the selection of investees. By this I mean, the Foundation is going down the chain to support MFIs that are less likely to receive funding and attention from offshore investors. These MFIs are generally more fragile and risky and local currency from a risk return perspective is almost a necessity to guarantee the sustainable development and growth of the institution and the quality of the investment made by the Foundation.