



Macro crisis, micro solutions? Microfinance as a lever against poverty?

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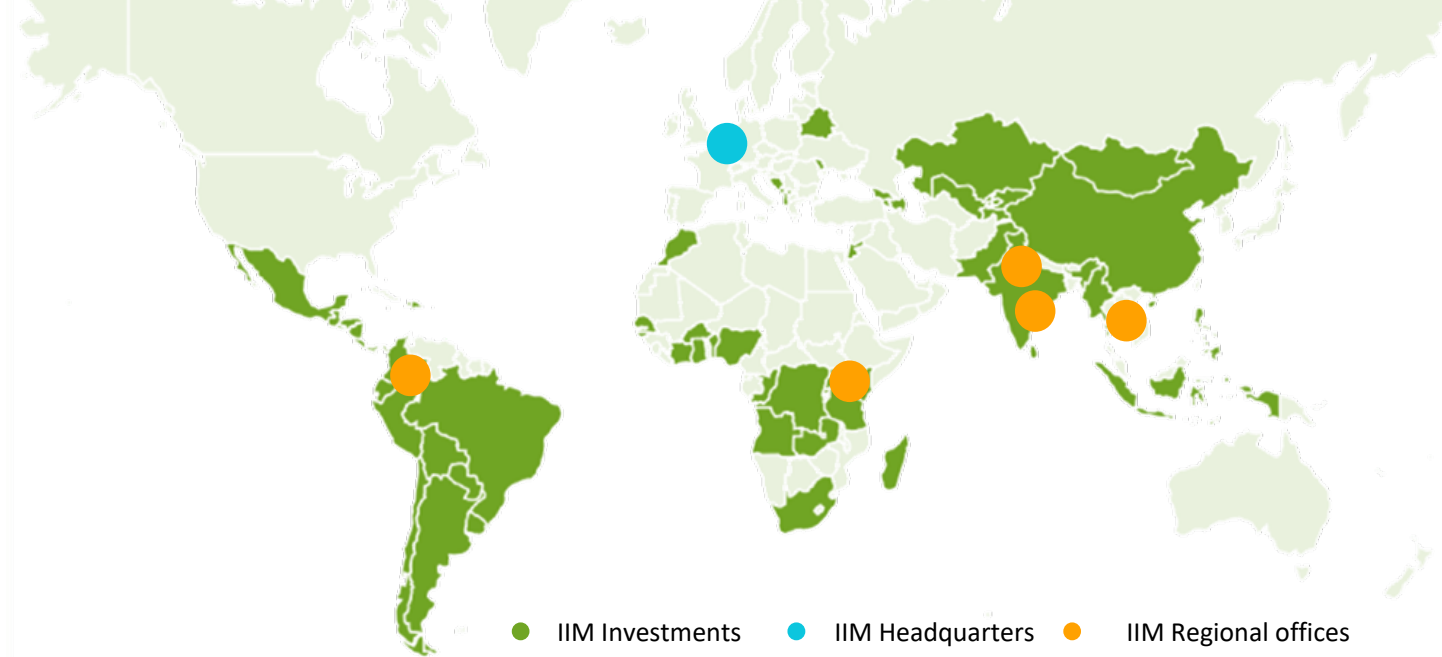


Introducing Incofin IM

International impact investor

- **Emerging markets focused impact investment manager**
- More than **20 years of experience**
- Supported by a **diverse and loyal investor base**
- **EUR 1 billion** committed assets under management
- We provide **private debt, private equity** and **technical assistance**
- Sectors: **Financial inclusion, agriculture, food & nutrition**, and **water**
- European **AIFM**¹ license (European passport) since 2014

Some of our investors



42m end-clients



330 000 smallholder farmers and collectors served



68% rural borrowers



USD 75 million premiums received by investees through certifications



60% women active borrowers



854 000 hectares of sustainably cultivated land

Microfinance as a means, not as a goal in itself

The relevance of microfinance for an impact investor

Incofin's Mission

Driven by a strong interest for **business solutions** that promote **inclusive progress**, we want to **improve the lives** of the more **vulnerable or less privileged people**. By doing so, we are committed to deliver **fair returns** to our investors.

Why do we support **microfinance** – what does microfinance achieve?

- Enabling and fostering **entrepreneurship**
- **Smoothens income/consumption** and **helps to absorb shocks**
- Catalysing **social dynamics** (gender, self-confidence, dignity,..)
- Platform for the **supply of a wider range of services** (such as SME loans, housing loans, crop insurance,..)

But:

- Microfinance is **not a panacea**
- Incofin diversified its own portfolio **beyond microfinance** into areas with high direct impact (eg **SME finance, agri value chains**)

“Microfinance” has evolved over time

Product diversification – sophistication - digitization

- 20 years ago: mainly **group lending/village banking** (solidarity loans)
- Group lending can be valuable but has **shortcomings**:
 - Forced (unfair) solidarity in case of default of a group member
 - MFI passes costs of credit analysis on to group members
 - Lack of customization of the product
 - Underlying businesses may not be profitable (Duflo) → micro-borrowers are not necessarily entrepreneurs
 - Risks of over-indebtedness in case of aggressive providers
- In order to enhance impact, **individual loans** have increasingly been offered (and demanded)
- Growing importance of **SME-loans**, which have a direct impact on economic activity, employment, value creation (eg DR Congo: no SME-lending prior ProCredit Bank entering the Congolese market – Banco FIE, Bolivia)
- Solid MFI banks offer **wide range of products** including insurance products, agri-loans, housing loans and technologies (payment systems, digital services)



Client-Centricity is key

Microfinance has been under attack for aggressive lending

- Client Protection is a bare minimum (client protection principles – **do no harm**)
- One can/should expect MFIs to aspire improving their clients' lives and have appropriate procedures and products → scoring based on Universal Standards for Social Performance Management (**do good**)
- In a nutshell, what matters:
 - **Understanding** the clients' needs
 - **Measuring** clients' situation (satisfaction/progress/outcome rather than output)
 - **Responsible** attitude and caring
 - Responding adequately with **adapted products and services**



Examples of excellence in MFIs

AMK - Cambodia



Do no harm

- Actively monitoring refinancing levels preventing over-indebtedness
- Never seizing a land title

Do good

- Crop insurance (weather stations based)
- Agri App (price of crops, farming techniques,..)
- Single women pension fund: “Happy old age”
- Empowerment of women leaders and women customers

Key figures AMK	Dec 2020
# Active accounts	962.000
Loan portfolio	374 m USD
Average loan	914 USD
# Villages covered	13.009
# Staff	3.176
Return on Equity	11,7%



Microfinance as a laboratory for other impact sectors

The Impact Industry emerged from the proven business model of microfinance

- Microfinance demonstrates that “it is possible to develop viable businesses at the bottom of the pyramid”
- The Impact Investment Industry represents an estimated **715 bn USD** (GIIN Impact Survey 2020)
- 33% annual growth rate in period 2015-2019
- **Microfinance only represents 8% of Impact Investments**
- Main sectors include in descending order:
 - Renewable energy
 - Financial sector excluding microfinance
 - Forestry
 - Food & Agriculture
 - Microfinance
- Impact Investments were enabled by the success of the microfinance investment model