



EUROPEAN MICROFINANCE ACTORS

WORKING IN
DEVELOPING
COUNTRIES

DIRECTORY,
MAIN TOPICS
AND PRIORITIES

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

Luxembourg, March 2009

EXECUTIVE SUMMARY

1. e-MFP member organizations were asked to provide their key institutional data to compile a directory of all members. In total 74 members responded before the closing date of data collection. Most were NGOs, followed by financial institutions, networks, universities, public sector entities and a large number of other organizations, mostly support service providers. Nearly half of all organizations employ less than 20 staff persons whereas a fifth employs more than 200. This is a higher staff-per-organization ratio compared to 2005 with may indicate continued professionalization of platform members. This is also indicated by lower average part-time scores.
2. Although insufficient data were submitted on overall member funding products to draw far-reaching conclusions, it appears that grant provision is more earmarked for particular activities than for random expenditure. Subsidies to cover operational deficits of microfinance institutions (MFIs) seem to have almost vanished, except in cases of start-up operations. The bulk of subsidies is earmarked for capacity building and technical assistance activities.
3. Most members are active in various networks simultaneously at an average rate of 3.6 network affiliations per member. At the same time cooperation with other e-MFP members is less developed. Only a third of all platform members report an established pattern of cooperation with at least one other member.
4. In terms of regional focus, half of all members are active in Africa, followed by Asia, Latin America and Europe, where a third of all members are active. Also a third of all members are active in all of these continents. Calculated in number of actors per inhabitants of these continents, attention is fairly evenly distributed over Europe, Africa and Latin America. Asia gets considerably less attention. The most covered country in this comparison is Montenegro, whereas China is the least covered one.
5. In general, European actors display a strong preference for a selected number of relatively small or mid-size countries, particularly in Latin America where Central American and Andes countries draw substantial support. In Africa most attention is drawn by various francophone West African countries, in Asia by Mongolia, Laos and Cambodia and in Europe by the former Yugoslav republics. It would appear that the larger states in these continents receive relatively little attention, notably Brazil, Mexico, Russia, Nigeria, India and China.

6. There is no significant correlation between member interest and countries' poverty and development levels as indicated by their ranking on the Human Development Index. Investment and support interest seems to be driven rather by pragmatic considerations such as actual handling capacity on the ground and historical or cultural patterns of affiliation.
7. European actors in most cases support a wide range of activities in microfinance, typically including capital placements and capacity building and technical assistance support. This indicates overall comprehensive investment and support strategies but a potential consequential downside is lack of industrial coordination and institutional specialization. There are few reported cases where European actors in some configuration align their investment strategies vis-à-vis a particular country or region beyond syndication or cooperation vis-à-vis a particular MFI.
8. As regards capacity building, the single most popular topic among European actors is social performance management, followed by networking activities and market research. Technical assistance is primarily focused on strategic and operational planning of MFIs and their internal support systems. In view of product development, the most popular topics are savings and microinsurance. Nearly half of all members show affinity with particular microfinance clients, particularly the rural poor and women. Gender equality is often mentioned as a challenge.
9. When it comes to future challenges, members express concern about the process of commercialization in the industry. While it is acknowledged that international capital markets have been instrumental in financing the exponential growth of the industry in the last five years or so, they feel it is important to also acknowledge the importance of other approaches such as cooperative and community-based models. Over-reliance on commercial investors and practitioners runs a distinct risk of mission drift and under-appreciation of the role and position of other industry stakeholders, particularly the poorest and more vulnerable sections of potential clients.
10. As a result, many members place emphasis on an industry-wide effort towards "socially responsible" regulation of the industry at large, augmenting prudential supervision. This is expressed in calls for codes of conduct, consumer protection, transparency of motives, truth-in-lending and client education.
11. Considering these concerns, there appears to be a rather broadly shared effort towards equating the importance of financial performance with social performance on an institutional and industry-wide basis. Social performance management is not considered a facultative add-on but rather a necessary ingredient of overall performance assessment.

12. As regards the rationale of the platform proper, there is a need to overcome fragmentation whilst appreciating the values of diversity in mandates, preferences and instruments among members.
13. The European actors display an above-average affinity with two key triggering considerations in the microfinance industry: self-organization and stakeholder value as opposed to mere shareholder value. It is suggested that both considerations could fortify the rationale of the e-MFP at large and be captured as core ingredients for future program design.

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