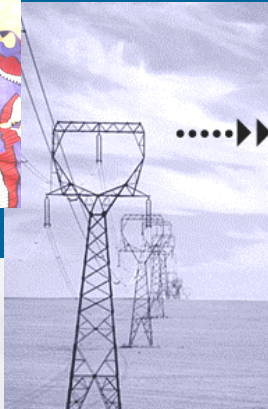
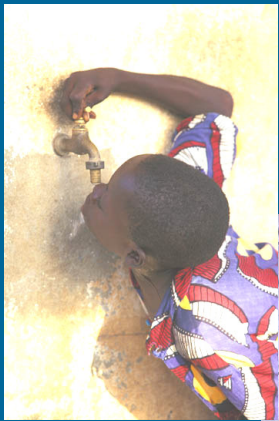


Global Microfinance Investment Congress Paris, January 22, 2008

The role of IFIs and measuring social performance

Aude FLOGNY-CATRISSE

Agence Française de Développement,
Head of Financial Sector and Private Sector Development



AFD: French Development Agency

- **The main operator for French bilateral development aid**
- **Operating in over 60 countries: Africa, Mediterranean, Asian and Caribbean areas**
- **A SO financial institution, under French banking regulation: rated AAA**
- **A large customer base (public & private) and a comprehensive range of financial tools**
- **2007 Commitments: 3.3 billion €**



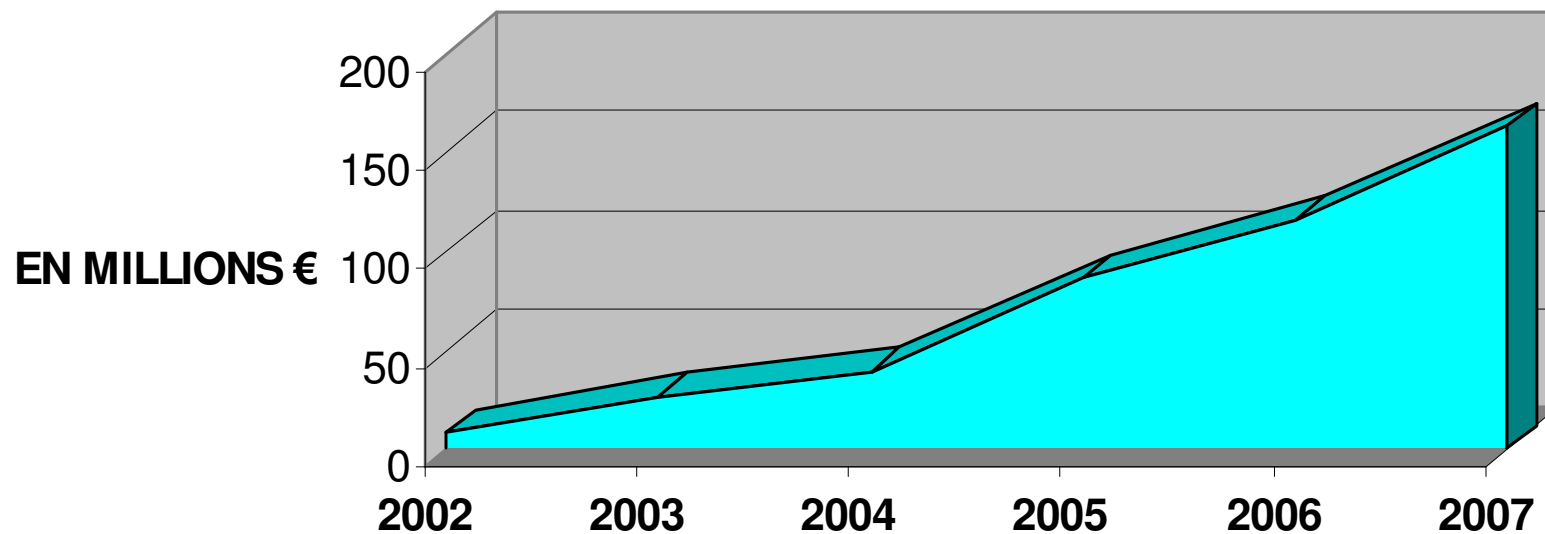
AFD and the Microfinance sector : 20 years of experience

- **Over 300 M€ cumulated investments in the microfinance sector**
- **A main objective: direct support to the MFIs**
- **30 active investments with 19 in Sub-Saharan Africa – strong rural exposure**
- **Since 2002, a dedicated team who appraised in 2007, 12 projects amounting to 47 M€ (Equity, sub-debt, LCY loan, guarantee, TA)**

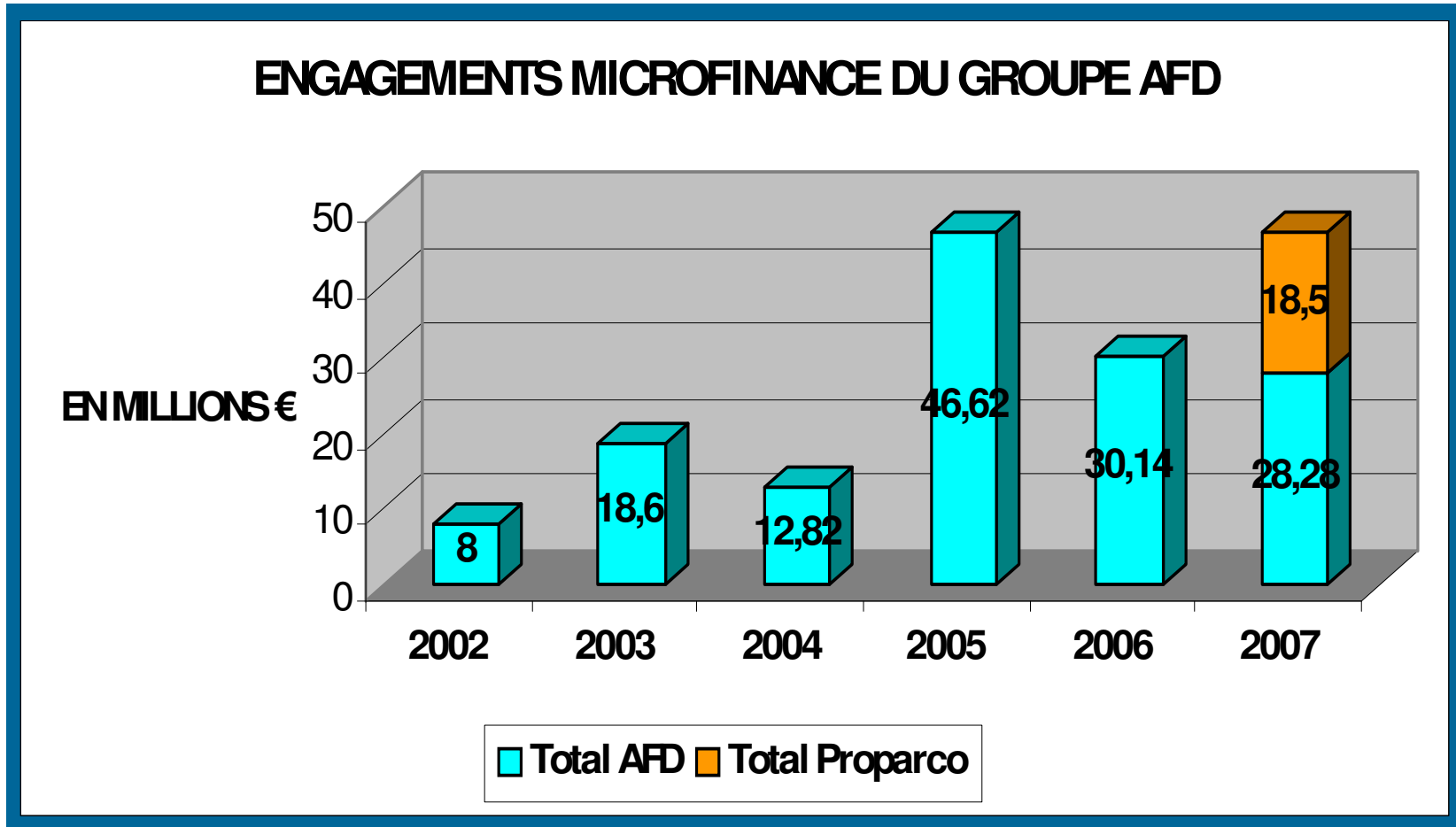


163 M€ of cumulated commitments : 2002-2007

Engagements cumulés du groupe AFD depuis 2002



Annual commitments – AFD group



Social performance = one of the pillar of good governance

- **AFD's objective to stimulate the CSR awareness (due diligence, covenants)**
- **Successful operations in Turkey with banks and their SME clients. Beyond the local regulation**
- **Designed financial products: to support the cost of social audits, soft credit lines to build CSR programs (training, communication, reporting)**



The importance of social performance for microfinance

- **MFIs social goals drive AFD's financial support**
- **Geographical and poverty outreach**
- **Diversification of client base: Rural coverage, social housing loans (Morocco)**
- **Frontier and post-conflict countries**



Social indicators collected for monitoring (not during appraisal)

- **Average loan size**
 - **Number of borrowers and % growth**
 - **Rural/urban**
 - **Business sector**
 - **Locality/region**
- **But requiring limited indicators to avoid additional burden may not be « developmental » anymore**



AFD needs to report about impact

- **Internal reason: DFIs need to justify the allocation of time and money. Microfinance projects are small and costly**
- **External reason : to address the threat of « Fair microfinance » and to demonstrate that a self sustainable MFI can provide financial services to the poorest.**
 - **The Social impact of Microfinance is not always obvious**



Another dimension than indicators: Al Amana impact assessment

- ...few rigorous studies evaluating the contribution of micro-credit to economic development and poverty reduction have been conducted yet.

- An impact study in Morocco :



- Taking advantage of the implementation of Al Amana in landlocked rural areas
- First contacts in 2005 with a team of researchers:
 - **Bruno Crépon, *INSEE – CREST***
 - **Esther Duflo, *MIT – Jameel Poverty Action Lab (J-PAL)***
 - **Florencia Devoto,**
 - **William Pariente, *Paris School of Economics***
- For more information about the J-PAL: www.povertyactionlab.com



Methodology and results

- Two villages (with two similar statistical population samples) are compared: one village - *treatment* - is involved in the program from the beginning, the second one - *control* - starts the program one year later.
 - *Access to micro credit is the only difference between the 2 populations*
 - *A comparison reveals the effects and change of livelihood* : poverty, consumption, assets, activity, investment,...

- Unfortunately, an impact assessment is survey long term, cumbersome and costly

- Next step: to implement a social performance measurement of AFD's investments in the microfinance sector



THANK YOU FOR YOUR ATTENTION

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