

## 11<sup>th</sup> UMM Workshop Wrap-up

### 11<sup>th</sup> University Meets Microfinance (UMM) Workshop of the e-MFP Action Groups “University Meets Microfinance” and “Microfinance & Environment” *Value Chains in Agricultural and Green Microfinance* Frankfurt School of Finance & Management, 3<sup>rd</sup> & 4<sup>th</sup> July 2014

The 11<sup>th</sup> UMM Workshop was a great success last week thanks to the speakers, moderators and participants’ contributions! There were over 80 participants including students and academics from over 10 leading European universities and practitioners from more than 20 organizations comprising of microfinance institutions, impact investors, sustainable energy providers and more. Speakers came from all over the globe: from Myanmar to Nigeria to New York and from Bosnia to Germany to Bolivia.

The intense two day program offered everyone the opportunity to present and discuss experiences and research on the topics of value chains in agricultural and green microfinance. The workshop began with the fundamentals of understanding value chains and how the value chain approach can improve financial inclusion in rural areas and identifying the key actors and the main opportunities and challenges for microfinance institutions. Sessions then further delved into *product development, approaches to value chain financing, the role of investors, creating partnerships to benefit micro-entrepreneurs, the role of microfinance in meeting green energy demand and risk management.*

The consensus was that it is important to understand the roles and needs of the various actors in value chains in order to provide appropriate products, manage risk, reduce costs and develop partnerships to enable growth and reach clients in the remotest of rural areas. Following are some more highlights from the sessions:

#### Value chains in green microfinance

##### Current state

- Many MFIs focus on lending credit for green energy or technologies as many MFIs reach people in rural areas where access to energy is often very low and the rural poor are sometimes the most vulnerable to climate change impacts

##### Key challenges

- Green is not a core part of business for most MFIs
- Small and medium enterprises (SMEs) providing green and sustainable solutions in rural areas require investment to expand and meet demand, however MFI loans are too small and these businesses are not attractive enough to traditional investors, creating a “missing middle”
- MFIs find themselves compensating for the lack of green technology distribution networks in rural areas: to meet their clients’ needs, MFIs buy bulk green technologies, for example solar panels, sell these products through loans to clients, exposing the MFI to reputational and operational risks
- It is important to present a viable business plan for an MFI that wants to offer green financial products; to encourage growth in this field it is necessary to show that there is a return on investment

##### Key opportunities

- Green can also become part of an MFI’s strategy by adapting environmentally friendly practices and greening their portfolio by lending to businesses with environmentally sound practices.

- Green energy or technology lending and microinsurance is a new product offering that can open up new markets for MFIs.

### Value chains in agricultural microfinance

#### Current state

- Agricultural microfinance that uses a value chain approach helps to reduce risk and transaction costs
- MFIs mostly focus on products for small holder farmers or traders

#### Key challenges

- In some cases financing one or two actors within an agriculture value chain runs the risk of disturbing an equilibrium or creating dependencies
- Microinsurance for agriculture is still an underdeveloped product which requires improved information for each country context in order to be able to help farmers manage losses.
- It is important to understand the different financing needs along the agricultural value chain

#### Key opportunities

- In many countries, urban microfinance markets are saturated, so agricultural microfinance offers an opportunity for MFIs to expand
- In some countries, agricultural microfinance may be a more efficient and higher profit product for MFIs as it could equate to a larger value portfolio with few clients in comparison to enterprise lending
- It is necessary to build partnerships to improve value chain financing and improve the performance of actors along the chain by linking each actor with appropriate financial institutions or investors, or in some cases with technical assistance providers

You can find the final workshop [program](#), the [speaker and student presentations](#) and the [posters](#) presented during the poster session available on the UMM website.

Through all of its activities UMM seeks to foster collaboration between students, European universities and microfinance practitioners with the aim of contributing to innovation and education in the financial inclusion sector. Today, more than 4,600 students, academics and practitioners have benefited from UMM activities.

Thanks to the UMM team at PlaNet Finance and staff from MicroEnergy International in addition to the hosting institution, Frankfurt School of Finance & Management with support from the International Advisory Services Department for the organization of the workshop.

Finally, thanks for the support of all the UMM partners including the European Union, the European Microfinance Platform, the GIZ on behalf of the BMZ, the Agence Française de Développement, the European Investment Bank Institute, Free University of Berlin and the Frankfurt School of Finance and Management.