



MFC-EMN
ANNUAL CONFERENCE
Bilbao, 3rd - 5th October 2018



PEOPLE AND THE DIGITAL REVOLUTION:
Advancing our social mission through technology

Fundraising for MFIs

Facilitator

Paul Kalinauckas

Chief Executive, BCRS Business Loans

Speakers

Anya Berezhna

Head of Investment Pipeline, Symbiotics SA

Stephen Deakin

Finance Director, BCRS Business Loans

Tatjana Antić Drča

Fundraising Manager, AgroInvest

EMN Think Tank on Fundraising

To share best practice on Fundraising activities

To map and share different experiences and ways of Fundraising

EMN Think Tank on Fundraising

Investment Readiness Check List

Best practices on fundraising

- Helenos Equity Fund
- Lendahand Foundation
- Community Investment Enterprise Facility

Fundraising for MFIs

Anya Berezhna

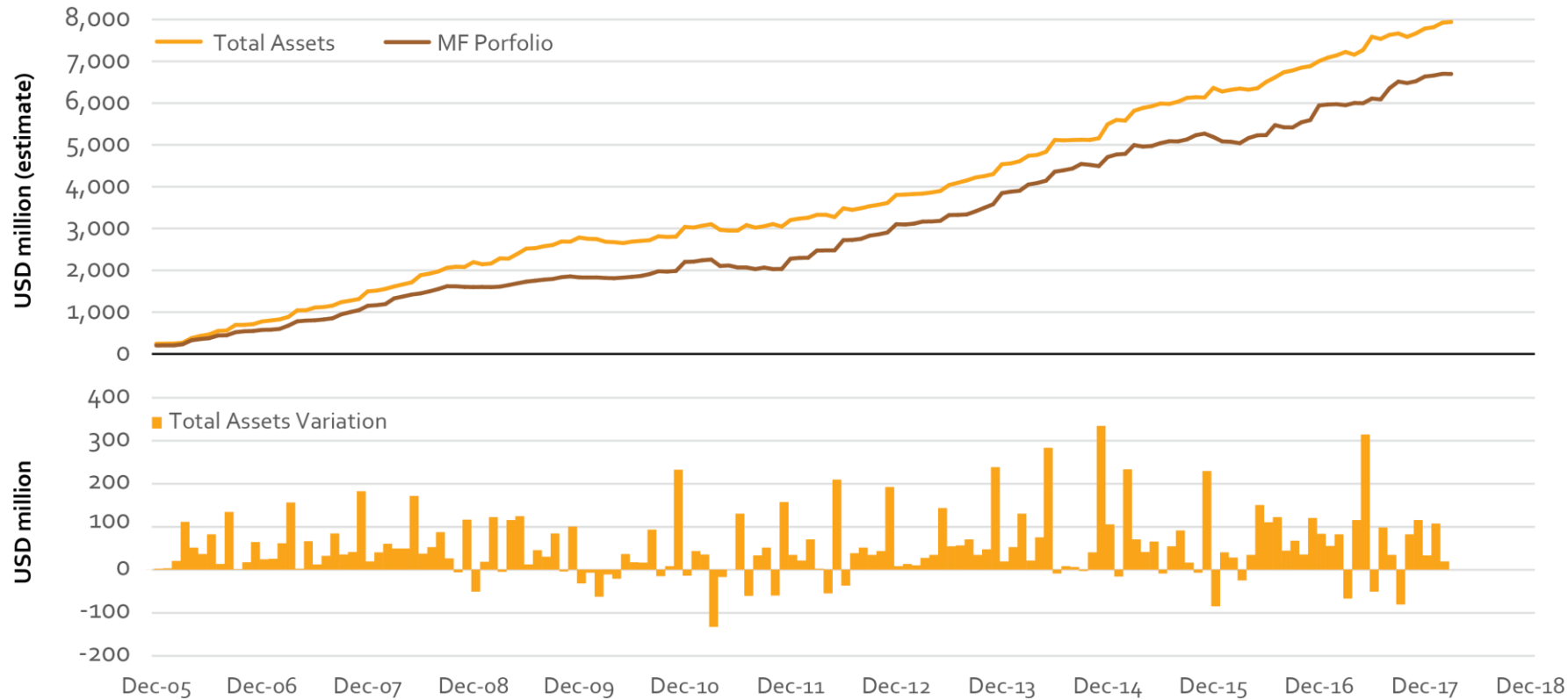
Head of Investment Pipeline, Symbiotics SA

Fundraising for MFIs – Symbiotics experience

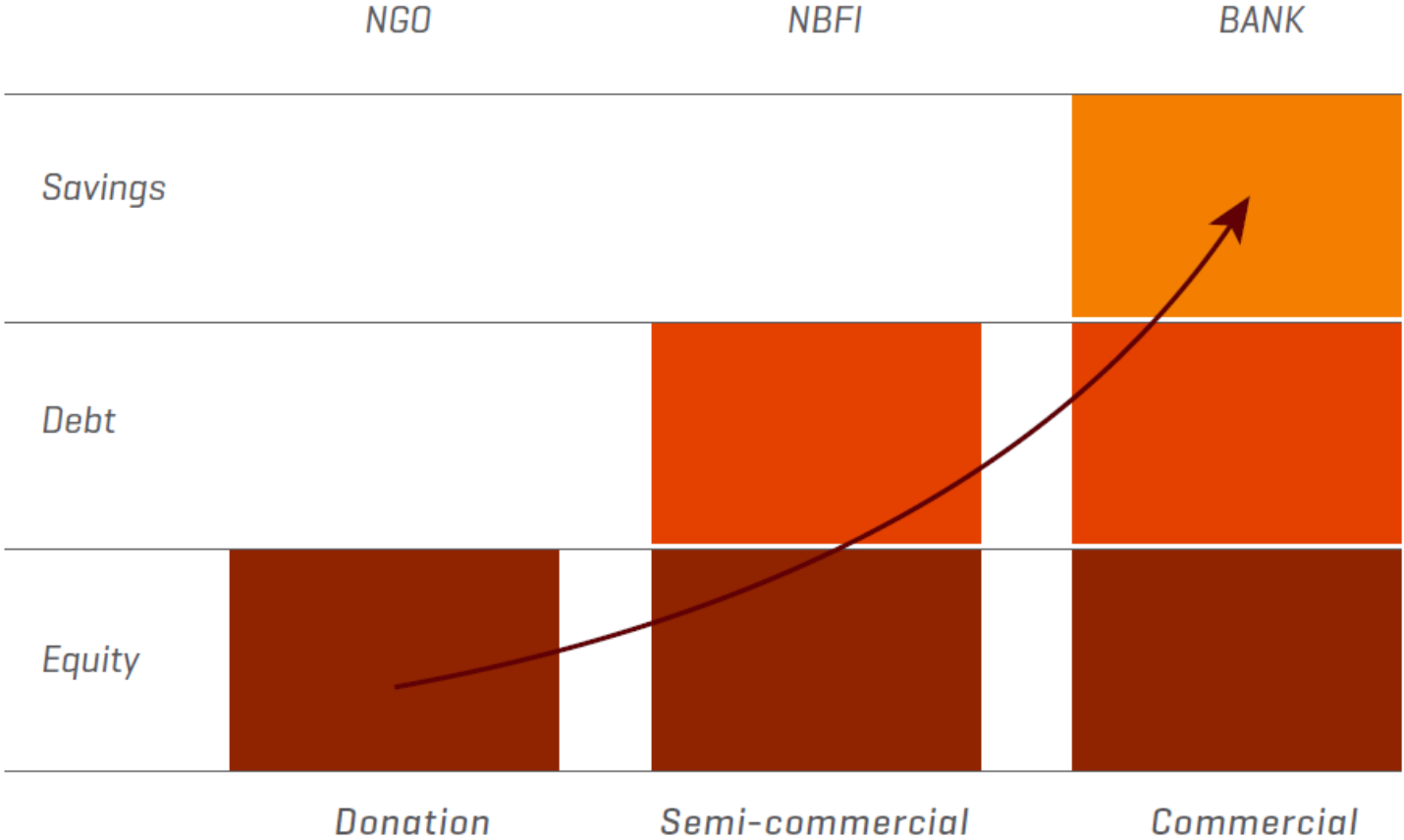
MATCHING INVESTORS' EXPECTATIONS AND MFI FUNDING NEEDS

- Set up in 2004
- >135 staff in 7 offices: Geneva (HQ), Zurich, London, Cape Town, Mexico, Singapore, Amsterdam
- FINMA regulated; FCA registered; AIFM equivalence
- USD 4.2bn originated, more than USD 1.9bn under management
- representing 390 institutions
- 79 countries

Market growth (Luxembourg MIVs)



Funding life cycle



Eligibility criteria

- Developing a microfinance portfolio with the mission of serving principally micro or small entrepreneurs
- Minimum track record of 3 years
- Commercially sustainable or promising business plan and market positioning
- Externally audited accounts
- Commitment to transmit quality information monthly and undergo a yearly due diligence visit

Social charter

Each investment made by Symbiotics needs to comply with the following criteria:

- Target domestic markets in emerging and frontier economies
- Invest in real economy, promoting the social function of finance
- Pass a social responsibility rating using ESG norms, and seek a long term value creation
- Benefit low and middle income households and micro-, small and medium enterprises
- Foster job creation and access to primary goods, such as homes, food and energy

Fundraising for MFIs









Stephen Deakin

Finance Director, BCRS Business Loans



BCRS is a UK MFI

Our business loans funds in a nutshell:

 <p>Loans ranging from £10,000 to £150,000</p>	 <p>Terms from 1 – 7 years</p>	 <p>Support for SMEs in West Midlands & environs</p>
 <p>Relationship based approach to lending</p>	 <p>No early repayment charges</p>	 <p>Speedy loan process</p>

Achievements to date:



Why we created the new fund

CIEF (Community Investment Enterprise facility)

- To support our mission/strategy
- To be in control of our own destiny and remove reliance on government funding

CIEF Fund - £15million total fund

First loss c33% covered by Loss Guarantee and BCRS not taking whole of interest for managing fund and BCRS providing a 5% guarantee

Loss Guarantee used EFG could be EaSI/COSME

% first loss cover depends on a number of variables including average interest rate, term and timeline of non performing loans

Junior Debt – £7.5m (capital not at risk until c33% of portfolio not repaid)

Junior debt provided by Big Society Capital

Senior debt - £7.5m (capital not at risk until c50% of portfolio not repaid)

Senior debt provided by Triodos bank

Interest rate we have been offered has been reduced as we are able to offer funders a UK tax relief (CITR)

CIEF Fund - £15million total fund

- £3m of Junior debt to be utilised before Senior debt
- Following this Senior debt utilised to match Junior debt
- Once Junior debt has become subordinated, increased interest rate applied to Junior debt
- Separate subsidiary company set up to ring fence the fund

Challenges:

- Time taken – 3 years and counting
- Initial consortium led approach fell through
- Finding interested funders
- Explaining the model to funders

7 Top Tips

1. Don't form a formal consortium

We did this on the initial version of this model and you end up having to try and satisfy too many view points and the due diligence is more complex. It may be useful to form a unofficial consortium as funders may look for scale and it is also useful to have peers to bounce ideas off.

2. Build a robust model and business case

Funders will want to see a robust model and business case to know they can trust you. Try to put yourself in the funders mindset. It is also essential to be able to easily modify a number of assumptions.

3. Use quality professionals

We used a Corporate Finance House to build the model and have also taken advice from accountants, lawyers and other specialists along the way and their advice has been invaluable.

4. Deal with the junior debt funder first

This simplifies the process as you are only dealing with one funder/lawyer at a time.

5. Talk to as many funders as possible

It takes time to bring new funders on Board and convince them of the viability of MFI's. Some of the funders we have talked to may not be interested in this fund but could be in future funds when the model has been proven.

6. Be flexible and think outside the box

Work with funders to find solutions for any issues they have and be prepared to be flexible and remember as an MFI supporting businesses is the reason we do what we do.

7. Don't Give Up

This has been a long protracted process with many ups and downs but sticking with it has resulted in £15m of funding.

The future:

- Ensure this fund is delivered and prove it works
- Repeat this fund with entirely commercial funders
- Develop new funds including:
 - Local government fund where local government get both a monetary and economic impact return
 - A fund where secured/guarantee backed lending supports unsecured lending

Fundraising for MFIs

Tatjana Antić Drča

Fundraising Manager, AgrolInvest

AgroInvest Serbia



Mission: serving and empowering rural families with high quality financial services.

AgroInvest is a part of VisionFund International.

Started Operations in Serbia in 2005.

Serbia doesn't have a regulatory framework and it is a very bank centric environment

AgroInvest worked with PBB bank, since 2005. **In 2012, PBB bank went into Bankruptcy**

In 2012 AgroInvest had to stop disbursement

After failed negotiations with 21 banks, established cooperation with a new bank and continued disbursement

Funded through banks

AgroInvest in Serbia today operates in **17 offices** and one head office, and serves the needs of over **16,000 rural families**.

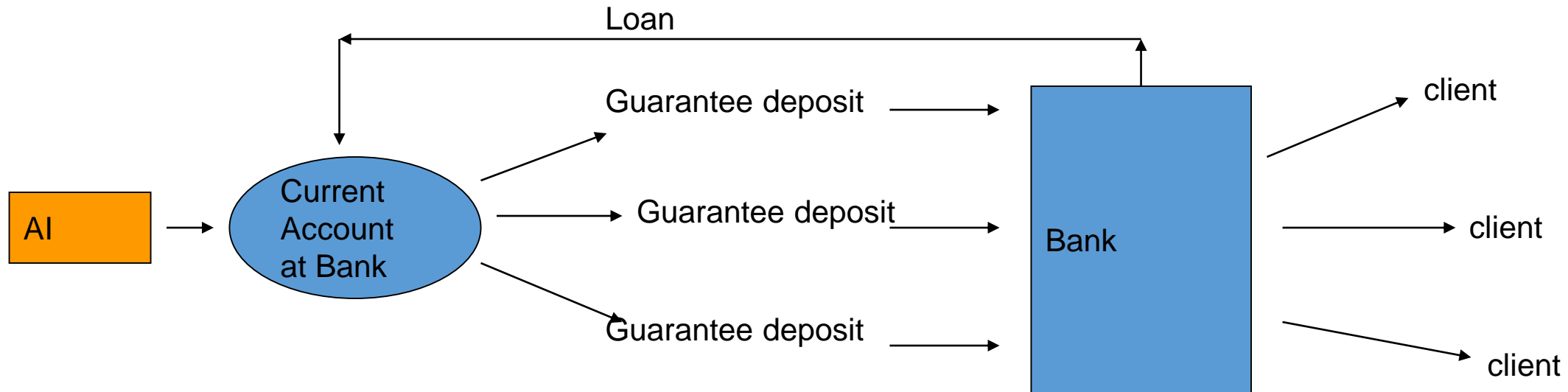
Externally audited.

Key figures June 28, 2018

Gross Portfolio (EUR)	13.3 million
Write-off Ratio (annualized)	0.03%
Portfolio at Risk 30 days	1.39%
Number of clients	16,460

AgroInvest as an illustration

AIS deposits 100% guarantee deposit for each loan with partner bank



- AI borrows from partner bank and deposits many small deposits with partner bank as guarantee for many small loans
- Partner bank places loans to AI's clients, with each loan being guaranteed by a specific deposit of 100% provided by AI
- Partner bank pays the agreed monthly agency fee to AI for AI's services (finding and assessing clients, delinquency management)

Roles and responsibilities

AgroInvest roles

- Outreach /promotion
- Risk assessment
- Disbursement administration assistance
- Monitoring
- Means of collateral
- Takes all the risk on the portfolio by providing a deposit for the loans to the bank at any point in time

Bank roles

- Disbursement – Process opening of the account, loan disbursement and payments in the bank branches
- Means of collateral – sign-up and activation of means of collaterals
- Financing – properly financing the loans to AgroInvest clients

Problems AgrolInvest still faces

- Problems on the asset side for the MFI: preventing growth due to bank putting caps and changing conditions, high cost of the model
- Problems on the liability side for the MFI: local funding hard to obtain due to lack of regulatory framework and collateral requirement is prohibitive. Foreign lenders offer short-term expensive deals and open currency exposure is created/remains.

Fundraising for MFIs

How have you raised funds for your MFI?

What has worked in Fundraising?

What hasn't worked so well in Fundraising?

Fundraising for MFIs

THANK YOU

To our Speakers

To all Workshop participants

Speakers Slides will be available on line shortly



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