



European Microfinance Award 2018

Financial Inclusion through Technology

Explanatory Note

The European Microfinance Award 2018 “Financial Inclusion through Technology” is intended to highlight how financial services providers can use technology innovations to expand outreach, broaden product offerings, improve the client experience, and increase operating efficiency, all guided by an unwavering focus on socially responsible finance.

The prize of €100,000 will be presented on 15th November 2018 during the European Microfinance Week in Luxembourg.

Organised by:



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs



EUROPEAN
MICROFINANCE
PLATFORM

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InFiNe
Inclusive Finance Network
Luxembourg

European Microfinance Award

The European Microfinance Award is a prestigious annual award with €100,000 for the winner, which attracts applications from financial service providers around the world that are innovating in a particular area of financial inclusion. The Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, and is jointly organised by the European Microfinance Platform (e-MFP), the Luxembourg Ministry of Foreign and European Affairs, and the Inclusive Finance Network Luxembourg (InFiNe.lu), in cooperation with the European Investment Bank. It serves two parallel goals: rewarding excellence, and collecting and disseminating the most relevant practices for replication by others. Previous editions were devoted to the following subjects:

2017, Microfinance for Housing

How do MFIs respond to the complex housing needs of low income and vulnerable populations, helping them access better quality residential housing?

Winner: Cooperativa Tosepantomin, for its holistic housing programme serving rural communities and promoting environmental responsibility.

2016, Microfinance and Access to Education

How can MFIs increase access to education for children, or provide skills training for youth and adults to enhance their employment and self-employment opportunities?

Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

2015, Microfinance in Post-disaster, Post-conflict Areas & Fragile States

What can MFIs do in order to operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities?

Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea.

2014, Microfinance and the Environment

Is it possible to integrate environmental governance into the DNA of MFIs and promote initiatives to improve environmental sustainability?

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.

2012, Microfinance for Food Security

Which microfinance initiatives contribute to improving food production and distribution conditions in developing countries?

Winner: ASKI (The Philippines), for serving smallholder farmers and fostering effective market linkages.

2010, Value Chain Finance

What are the outstanding microfinance initiatives in productive value chain schemes?

Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain.

2008, Socially Responsible Microfinance

What innovative initiatives can MFIs undertake to promote, measure and increase the social performance of its activities?

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.

2006, Innovation for Outreach

What are breakthrough initiatives within microfinance that deepen or broaden rural outreach?

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

European Microfinance Award 2018

Financial Inclusion through Technology

Microfinance has typically been a costly and human-intensive process. The remoteness of target communities, and the need for the ‘human touch’ in providing financial services to excluded populations means microfinance is expensive to do well, and limited in how it can expand to certain segments who need it the most. As well as being costly, manual processes are also vulnerable to errors and fraud, meaning there needs to be a balance struck between providing high quality services on the one hand, and sustainably expanding to underserved and remote segments on the other.

The financial inclusion landscape is changing quickly, however. Recent years have seen the acceleration of technology as a driver for facilitating communication, expanding enormously the access and exchange of information, and interconnecting instantly people and services beyond geographic, cultural and language boundaries. Relatively cheap, transformational technology solutions have been made available for a growing number of users worldwide, including women and the poor. As just one example, the adoption of alternatives to cash in developing countries (mobile money), especially in Sub-Saharan Africa¹, has immense potential to expand financial inclusion, a trend made possible through massive increases in connectivity and access: Internet usage in Africa overall is increasing 20% per annum; has doubled in a year in Benin, Sierra Leone, Niger, and Mozambique, and increased an astonishing six-fold in Mali since January 2017².

The key relationship between financial inclusion and the technology that enables it is increasingly well recognised. The Group of Twenty (G20) has acknowledged this synergy as an instrument to bring together the world economy in an innovative, invigorated, interconnected and inclusive way. The United Nations has made clear that technology is a crucial element of achieving the Sustainable Development Goals (SDGs): in 2012, the UN Conference on Sustainable Development (“Rio+20”) called for identifying technology facilitation mechanisms in order to eradicate poverty and reorient current unsustainable development trajectories from 2015 to 2030, highlighting that affordable technological solutions have to be developed and disseminated widely in the next fifteen years. In 2017, Member States agreed that the May 2017 High-level Political Forum on Sustainable Development (HLPF), entitled *Harnessing Science, Technology and Innovation to achieve the Sustainable Development Goals*, should focus on “*Science, Technology and Innovation for a Changing World - Focus on SDGs 1, 2, 3, 5, 9, and 14*”³. There is no doubt: the use of technology as a facilitator of progress in low-income populations is at the top of global policy-makers’ agenda.

These policy-makers understand that technology promises financial inclusion to more and more people. But technology-enabled financial services and solutions remain relatively nascent. However, a growing number of financial service providers across the world have started using a wide range of digital solutions to facilitate service delivery, collect and monitor clients’ performance data, and measure outcomes. Technology is changing the way of doing business, and its

¹ GSMA State of the Industry Report on Mobile Money, Decade Edition: 2006 - 2016

² Global Digital Report 2018, We Are Social, <https://digitalreport.wearesocial.com/>

³ UN Sustainable Development Knowledge Platform, <https://sustainabledevelopment.un.org/TFM/STIForum2017#2017sti>

opportunities can attract new entrants into the financial inclusion sector that are disrupting and re-shaping the *status quo* into the next era of financial inclusion.

This expansion of financial inclusion through technology is a key element of a broader advancement in financial access that is taking place, some of which is attributable to technological innovation. According to the 2014 World Bank Global Findex, the number of unbanked adults has decreased from 2.5 billion in 2011 to 2 billion in 2014. Nevertheless, there remains much to do, particularly among women and the poor. Between 2011 and 2014, the gender gap in financial inclusion has remained unchanged and the poorest 40% of households still lag far behind their counterparts in higher-income segments.

This is an opportunity as well as a challenge. Technology-enabled services and solutions (TES) are already proving how access to financial services could be enhanced for traditionally and non-traditionally excluded groups such as women, the poor, the young, the elderly, farmers, small and medium enterprises (SMEs) and other underserved customer segments⁴. It is not enough to develop technology by itself, though. It is crucial to take on the digital financial inclusion challenge as a *means*, not just an end: a way to reduce costs, broaden and deepen the scale of outreach to achieve universal financial inclusion, and realise technology's promise in the context of *responsible* finance, which, with its twin focus on client protection and the social mission of financial inclusion, takes on even greater urgency with entrance of new actors and the rapid growth of financial digital services.

The landscape of digital and technology-enabled financial service providers is extremely wide, and a variety of service providers are now active players within the microfinance ecosystem. Traditional MFIs, NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, mobile money providers, Fintech companies, Mobile Network Operators (MNOs) and Money Transfer Organisations (MTOs) are all implementing technology solutions in different ways and levels of sophistication. Technology-enabled services are increasingly the result of partnerships between different, specialised providers: the opportunities and challenges around serving the base of the pyramid do not have a single accountability centre, but instead become a shared responsibility and opportunity alike.

This Award seeks to shed some light on how technology-enabled services are improving access to finance for low income and financially excluded clients. By recognising those that do it best, it hopes to promote those financial providers that offer innovative products and services capable of responding to users' needs for trust, speed, low cost, security, usability, and transparency, and become standard-setters for other players in the market.

The Award

The goal of the Award is to highlight how financial services providers (FSPs) can use technology innovations to expand outreach, broaden product offerings, improve the client experience, and increase operating efficiency, all guided by an unwavering focus on socially responsible finance.

The Applicants should demonstrate good understanding of the implications of using technology-enabled solutions in the financial inclusion landscape in which they operate and the impact this has

⁴ G20 High-Level Principles for Digital Financial Inclusion

on the lives of target clients. They are expected to provide an appropriate response to clients' needs in the form of technology-enabled financial services, including, but not limited, to credit, savings (including e-wallets), insurance, payments, transfers, international remittances, operational/delivery-side innovations, or technology-enabled non-financial services. The applicant should present a clear strategy that ensures the long-term sustainability of the technology used and its enabled services and a delivery of such services in a manner consistent with the principles of responsible finance and the protection of vulnerable clients.

The Applicants' commitment to addressing clients' financial needs will be assessed against the priorities set out in the strategy, the specific innovation in delivery and client relationships that is made possible by the technology, the overall social responsibility towards clients, the quality and outreach of the service offered, and the impact and outcome it has made possible.

Technology-enabled solutions

There are several ways that FSPs can deploy technological innovations to increase financial inclusion among low-income segments. The following is not an exhaustive list, but includes some of the better-known types of initiative. However, Applications that meet the eligibility requirements and are consistent with the goals of the Award are very welcome.

Examples of technology-enabled solutions include one or more of:

- **Technology-enabled credit (TES-Credit):** credit services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or digital process (e.g. technology solutions applied to marketing, origination, creditworthiness analysis, loan approval, loan disbursement, loan monitoring, loan payment, loan recovery).
- **Technology-enabled savings (TES-Savings):** saving services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or digital process (e.g. technology solutions applied to marketing, account opening, saving deposit, saving withdrawal, account closing).
- **Technology-enabled insurance (TES-Insurance):** insurance services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or a digital process (e.g. technology solutions applied to marketing, subscription, premium payment, claim submission, claim settlement, contract termination).
- **Technology-enabled payment and transfer (TES-Payment and TES-Transfer):** payment and transfer services (national and international), including services provided in partnership with other organisations, delivered to clients using a technology digital channel (e.g. mobile network operator, USSD, e-wallet, internet, applications, credit/debit card, ATM).
- **Technology-enabled delivery solutions (TEDS):** technology solutions introduced on the institutional – rather than the client-facing – side, that increase outreach and efficiency of the delivery of financial services (e.g. smartphone or tablet applications for loan officers in the field; ID verification technologies such as biometrics; innovations in client data management) that have a *direct* impact on service delivery to clients.
- **Technology-enabled non-financial services (TES-Non financial):** non-financial services delivered to clients using digital channels.

Eligibility criteria

- Eligible applicants are organisations active in the financial inclusion sector who use technology-enabled solutions to increase outreach of quality financial services to financially excluded segments. The technology must focus on socially responsible finance for low income, vulnerable and excluded groups.
- Eligible institutions have to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. A list of Eligible Countries of ODA Recipients as defined by the DAC can be found at: [http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC List ODA Recipients2018to2020 flows En.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf)
- Various types of organisations are eligible including MFIs (all legal forms), NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, Fintech companies, mobile money providers, mobile network operators and money transfer organisations, that provide financial services to retail clients (including SME).
- At least one of the technology-enabled solutions should be fully operational for at least 2 years (if a pilot test was conducted, this cannot be included). “Fully operational” does not however mean that all of the technology-enabled solutions must be offered in all branches (e.g. tablets used in all branches, digital loans available for all client base, etc.).
- Eligible institutions must be able to provide audited financial statements.

e-MFP member support

Every applicant must be supported in written by an e-MFP member, e.g. by providing a short message or a letter addressed to the e-MFP Secretariat. A list of e-MFP members can be found at: <http://www.e-mfp.eu/about-us>

If an applicant does not have a relationship with an existing e-MFP member, they are welcome to contact the e-MFP Secretariat (EMAward@e-mfp.eu) to be connected with a potential supporter.

Award timeline

When	What	Responsible
23rd May 2018, 23:59 pm CET	Deadline for applications	Applicants
June – July 2018	Preselection Phase	Preselection Committee
2 nd half September 2018	Selection of 7 to 10 semi-finalists and the 3 finalists among the semi-finalists	Selection Committee
15 th November 2018	Selection of winner followed by announcement at the Award Ceremony	High Jury

The Award is launched in three languages: English, French, and Spanish. Applications must be submitted online. In order to apply, please go to the following website:

<http://portal.european-microfinance-award.com/>

During the pre-selection and selection phases, the applicants might be contacted and asked to supply additional information on a case-by-case basis if deemed necessary.

The judges' decision is final and not subject to appeal. Neither the judges nor the Organisers will enter into any correspondence relating to the decision.

The Organisers regret that information relating to the on-going evaluation of applications will not be released. The three finalists will be announced in the second half of September and the winner will be announced at the Award Ceremony.

The three finalists will be invited to attend the Award Ceremony on 15th November 2018, in Luxembourg, which will take place during the European Microfinance Week (EMW), 14th – 16th November 2018. The three finalists agree to ensure the presence of a representative from Senior Management from their organisation at the Award ceremony.

Award Selection Process

Preselection phase

In order to be preselected and considered for the Award selection phase, applicants must:

- Fulfil the eligibility criteria
- Demonstrate adequate quality and effectiveness and social performance of their technology-enabled solutions (Component 2 of the Application Form)
- Demonstrate sufficient financial performance (Component 3 of the Application Form)

The quality, clarity and transparency of the application will also be assessed during the pre-selection phase.

Selection phase

Applicants that meet the eligibility criteria (“Eligibility Criteria” section above) and pass the preselection phase will be evaluated on the basis of their technology-enabled solutions and services, taking into account the following sections of the Application Form:

- 2A. Financial Inclusion and Technology Context
- 2B. Technology-enabled Solutions
- 2C. Monitoring and Outcomes
- 2D. External validation and environment

These sections will be evaluated on the basis of the criteria listed in the “General Assessment Grid” below. Please note that Section 2A is not scored but provides the important context within which sections 2B, 2C & 2D are evaluated.

General Assessment Grid

An overview of the indicative weightings for Component 2 is included below. However, decisions will be based on a holistic review of each application.

Component 2	Weight
2A. Financial inclusion and technology context	N/A
2B. Technology-enabled solutions	83%
2B1. Description & strategy	18%
2B2. Service delivery & marketing	20%
2B3. Technology-enabled financial services	40%
2B4. Technology-enabled non-financial services	5%
2C. Monitoring and outcomes	12%
2D. External validation and environment	5%
Total Component 2	100%

The final evaluation will take into account an overall assessment of the application based on its quality, clarity, and transparency. The score will be calculated as follows:

$$\text{Final evaluation} = (\text{Total Component 2}) * 90\% + (\text{Overall assessment}) * 10\%$$

Award benefits

WINNER

- €100,000 (one hundred thousand Euro).
- Winner's Certificate
- Short video highlighting the winner's initiative produced at the organisers' expense; it will be featured during the Award Ceremony and available online afterwards
- Two press releases (September and November), circulated worldwide
- Media coverage by the Award organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Initiative presented for the Award featured in several publications

FINALISTS

- €10,000 (ten thousand Euro)
- Finalist's Certificate
- Short video highlighting the finalist's initiative produced at the organisers' expense and featured during the Award Ceremony and online
- One press release (September), circulated worldwide
- Media coverage by the Award organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Initiative presented for the Award featured in several publications

SEMI-FINALISTS

- Semi-finalist Certificate (electronic version)
- Initiative presented for the Award featured in several publications

All eligible applicants will receive a Certificate of Participation.

Winner follow up report

The Award winner will be requested to provide a follow up report by the 31st of January 2020 describing how the Award funds were used.

The instructions on how to prepare this report will be provided to the winner by the end of 2018.