Thibaut VALLET, Thomas CHAUMONT
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ACCESS TO FINANCE

A GLOBAL STUDY

Groupe Énergies Renouvelables, Environnement et Solidarités
Group for the Environment, Renewable Energy and Solidarity
House no.350, Street 350 • Sangkat Boeung Keng Kang 3, P.O.Box 2528 • Phnom Penh 12304 • Cambodia
Tel: +855 (0)23 986 891 • Fax: +855 (0)23 221 314
www.cambodia.geres.eu • cambodia@geres.eu

CONTENT

1. Executive summary

Access to finance depicts the availability to a given person or institution of affordable and appropriate financial services. For micro-entrepreneurs, access to finance means enhancement of income-generating activities. For consumers, it means improving the affordability of a product or service that can ameliorate their living conditions.

Access to finance materializes in most of our programs around the world. GERES 'portfolio' of entrepreneurs lies exactly in the middle gap: financing needs of our beneficiaries are too big for micro-finance institutions and too small for commercial banks.

The question 'in-house financing vs. partnership' is debated, and the answer depends on the profile and needs of beneficiaries and opportunities for partnership with local financial service providers. So far, GERES has developed eight in-house financial mechanisms to address this issue, among them the Economic Pillar in Cambodia offers an example how to transfer the offer of financial services to the private sector.

Activities aimed at improving access to finance should be better integrated into our projects. First as a safeguard, considering that financial mismanagement can lead to potentially negative impacts, and second as a way to help design meaningful and better transferable projects.

However, access to finance alone don’t make much sense if it not complemented by non-financial services such as baseline assessment, capacity building, and private and public sector engagement, which in turn still highlight the need for grants.

2. PROJECT BACKGRUND, OBJECTIVES AND METHODOLOGY

During GERES strategic seminar 2013-2017, ‘private sector engagement’ was endorsed as a key project component in order to ensure meaningful and transferable interventions and long-term project sustainability. At global level, the private sector engagement approach is hosted in GERES expertise (GEX), an emerging unit created in October 2013.

Access to finance was identified as an essential aspect of private sector engagement effort. After GERES taking part, among other practitioners, in the study *Marketing innovative devices for the base of the pyramid*, access to finance was presented as a topic for discussion during GERES 2013 strategic seminar. Following a preliminary analysis, an in-depth study was commissioned by GERES HQ to GERES in Southeast Asia (GSEA).

The study has been conducted from December 2013 to March 2014 by Thibaut Vallet, under the guidance of Thomas Chaumont, and has been funded by GSEA. In addition to literature review, 26 case studies from GERES were analysed. 13 colleagues from 4 GERES regions answered an online questionnaire and participated in Skype interviews. 50 external stakeholders (financial service providers and NGOs) were also interviewed.

3. INTRODUCING ACCESS TO FINANCE

> Access to finance depicts the availability to a given person or institution of affordable and appropriate financial services.

Low-income individuals, most frequently in developing countries, face difficulties in accessing financial services, as traditional market solutions are often inadequate. In other words, they are 'financially excluded'.

Financial exclusion affects not only the poorest but other segments of the population as well (small-medium enterprises, for instance, struggle to grow as a consequence of the limited access to adequate financing).

The World Bank points out few reasons of financial exclusion[1]:

- The physical difficulty in reaching the nearest agency or bank branch
- A lack of appropriate documents (identification card, payslip, proof of residence, etc.)
- The difficulty in putting together the amount required for opening a bank account, and paying the fees
- The impossibility to provide guarantees

It has been recognized that financial inclusion, i.e. the delivery of affordable financial services to disadvantaged and low-income segments of society, plays a catalytic role for economic and social development[2].

4. OVERVIEW OF FINANCIAL SERVICE PROVIDERS

4.1. INVESTMENT FUNDS/PRIVATE EQUITY

Investment funds are private organizations, institutional or angel investors investing in enterprises in order to get a financial return (ROI).

Investment funds are usually specialized per sector and/or level of business maturity.

SERVICES	Mainly venture capital
TARGET	Medium-large enterprises in both developed and developing countries
RANGE	100,000-500,000USD
FEES	Expected ROI of 5%-30% (possibly higher in developing countries)
GUARANTEES	Legal agreement on expected ROI
ADVANTAGES	Big amount of money available, often provide advisory

[1] [1]

[2] [2]

DISADVANTAGES	High entry ticket
REMARKS	Heterogeneous sector, not in line with GERES mandate

Table 1 Investment funds, overview

4.2. IMPACT INVESTMENT FUNDS

Impact investment funds invest in enterprises in order to generate, along with a financial return, measurable social and environmental impacts. They can be managed by development institutions, institutional and angel investors.

SERVICES	Productive loans and seed or venture capital
TARGET	Social and environmental enterprises in both developed and developing countries
RANGE	50,000-500,000USD
FEES	Minimum expected ROI of 3%
GUARANTEES	Background check of entrepreneurs and enterprises
ADVANTAGES	Work closely with the entrepreneurs, invest in people and in business models
DISADVANTAGES	Only large deals, limited outreach in rural areas
REMARKS	Industry under consolidation

Table 2 Impact investment funds, overview

4.3. COMMERCIAL BANKING

Commercial banks are credit institutions conducting market transactions with individuals and businesses in order to redistribute funds in the form of credit or perform ancillary operations.

SERVICES	Term loans, overdrafts, savings management and possibly insurance
TARGET	Enterprises and individuals in both developed and developing countries
RANGE	Depend on use and country, for businesses usually from 100,000USD
FEES	Interest rates usually lower than other options (depending on the country)
GUARANTEES	Collaterals and background check (financial history, professional background)
ADVANTAGES	Often the cheapest interest rates available
DISADVANTAGES	High level of guarantees required, no follow up, low level of risk-taking
REMARKS	Commercial banks sometimes diversify in investment banking and insurance

Table 3 Commercial banks, overview

4.4. MICRO-FINANCE INSTITUTIONS

Micro-finance Institutions (MFIs) are organizations backed by private and public financiers offering financial services to low-income, financially excluded individuals.

SERVICES	Mainly loans and savings management

TARGET	Micro-entrepreneurs and low-income individuals in developing countries
RANGE	50-3,000USD
FEES	Interest rate of 2%-5% per month
GUARANTEES	None except capacity building of borrowers
ADVANTAGES	Customized access to finance for the poor, simple training on business management and follow-up, relatively good outreach in rural areas
DISADVANTAGES	High interest rate, limited financial services provided
REMARKS	High reimbursement rate, profitability comes often before social impact[3]

Table 4 Micro-finance institutions, overview

Over the last two decades financial markets in developing countries have experienced the successful rise of micro-finance. Part of the reason behind this success is that MFIs mainly focus on provision of cheap finance.

Recent research casts doubt on the effectiveness of micro-finance as a way to empower entrepreneurs. Evaluation of micro-finance lending programs demonstrates that they mainly contribute to boosting consumption of poor households (which in itself has a strong impact on poverty reduction) rather than strengthening the entrepreneur's business model[4].

4.5. CROWDFUNDING

Individual lenders in developed countries can support development efforts initiated by individuals or organizations in developing countries by pooling their money, usually via Internet, into a fund. The money is usually given to project implementers.

SERVICES	Environmental and social project funding
TARGET	Small enterprises and individuals in developing countries
RANGE	100-5,000USD
FEES	Interest rate of 0-15% per year
GUARANTEES	None, risk often borne by private lenders
ADVANTAGES	Cheap access to finance
DISADVANTAGES	Loose link between field implementer and private lender, entrepreneurs rarely have the ownership of the partnership
REMARKS	Can have negative impact on borrower's conduct (especially when dispensed in the form of grants)

Table 5 Crowdfunding, overview

4.6. INFORMAL FINANCE

Communities, households and individual money lenders provide informal finance as a response to the requirements and regulations of formal financial markets.

Community solidarity has a long-standing tradition in certain societies and informal finance as a form of community solidarity still plays an important role in developing countries[5].

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3 [3]
4 [3]
5 [4]

Services	Loans and savings management
Target	Communities, households and individuals, especially in developing countries
Range	N/A
Fees	N/A
Guarantees	Social pressure, trust
Advantages	Customized, flexible solutions, ubiquity/proximity to borrowers, few requirements make it accessible to the poor
Disadvantages	Social exposure and lack of regulations might result in higher risks and costs

Table 6 Informal finance, overview

5. Access to finance: What for whom?

Granting access to finance implies making affordable and appropriate financial services available to a given person or institution. For micro-entrepreneurs, access to finance means enhancement of income-generating activities. For consumers, it means improving the affordability of a livelihood-enhancing solution.

It should be noted, however, that affordability of financial products is a double-edged sword. On one side, the solution should be affordable in order to be accessible. Affordability mainly depends on loan costs (i.e. interest rates) and structure (terms, frequency of instalments…).

On the other side, the more affordable the solution is, the lower the degree of ownership assumed by beneficiaries. In fact, if adoption of new practices translates into a financial effort, beneficiaries will more likely realize and embrace the change. The cheapest the loans, the less concerned the beneficiary about the use and repayment of money.

5.1. Enterprise financing

Most of GERES beneficiaries can be seen as entrepreneurs: they are facing choices and bearing risks related to the management of a particular business. In order to buy equipment and raw material, to allow their daily operations, to pay for labor and transport, they need to raise money. In order to reach an optimal size, to finance innovation and development, to take advantages of possible investment opportunities, they need money. This money can be raised through financial products.

Different financial products can address different financing needs and help cover capital (CAPEX) or operational expenditures (OPEX):

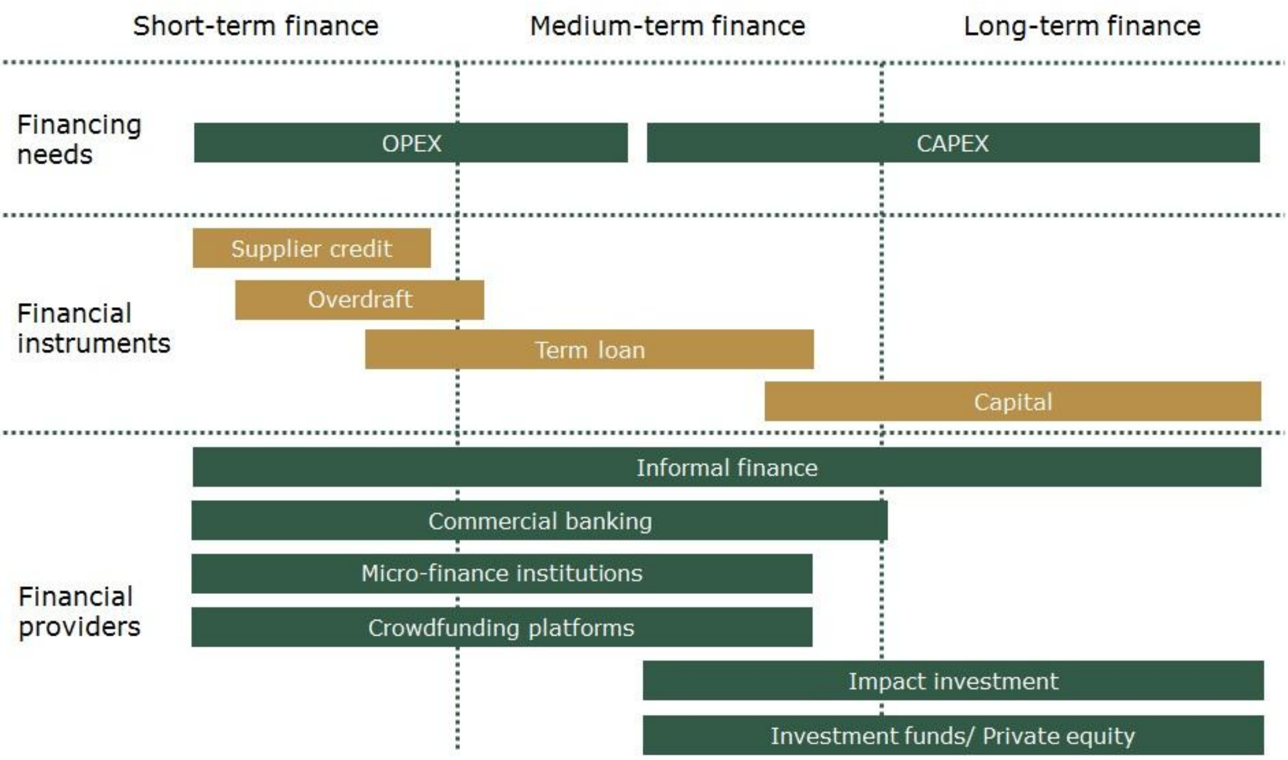

Figure 1 Financial instruments for enterprise financing

The limited guarantees that micro-entrepreneurs can offer, coupled with their relatively small needs, represent a huge barrier preventing them to access finance through conventional service providers. Micro-entrepreneurs have limited business management skills (unavailability of accounting and monitoring tools, limited knowledge, etc.), and cannot provide the information required by investors with a pure economic focus.

Besides the need for improved, customized financial instruments, micro-entrepreneurs need support and advice on business management and market analysis and capacity building.

5.2. CONSUMER FINANCING

Consumer financing is the other dimension of access to finance in the developing world. The common answer is to complement the offer of the improved solution by the supported entrepreneur or the project itself with a financial mechanism in order to increase its rate of adoption. Such pro-poor consumer financial products will ultimately, if well designed, help the project extend its outreach.

It can be argued that if solutions are designed to be affordable by the target population, financial products can be avoided. But consumer financing as an option for project design shouldn’t be overlooked, as it can generate additional impacts, notably ‘reach the last mile’ (i.e. the poorest) or promote more efficient, higher-quality technologies to the same target.

In GERES case, financial products help consumers invest in energy access products and services otherwise unaffordable.

5.3. WHO FINANCES THE MIDDLE GAP? MESO-FINANCE

A crucial aspect of access to finance it’s the middle gap. The gap concerns a specific segment of the financial market that is under-serviced by both MFIs and commercial banks. Enterprises located in the middle gap struggle to grow, because their needs exceed financing possibilities by MFIs and at the same time do not appeal the commercial banking sector. It is not only a question of amount: the nature of financial products needed and the conditions entrepreneurs have to meet to access them can also represent a main barrier to financial inclusion[6].

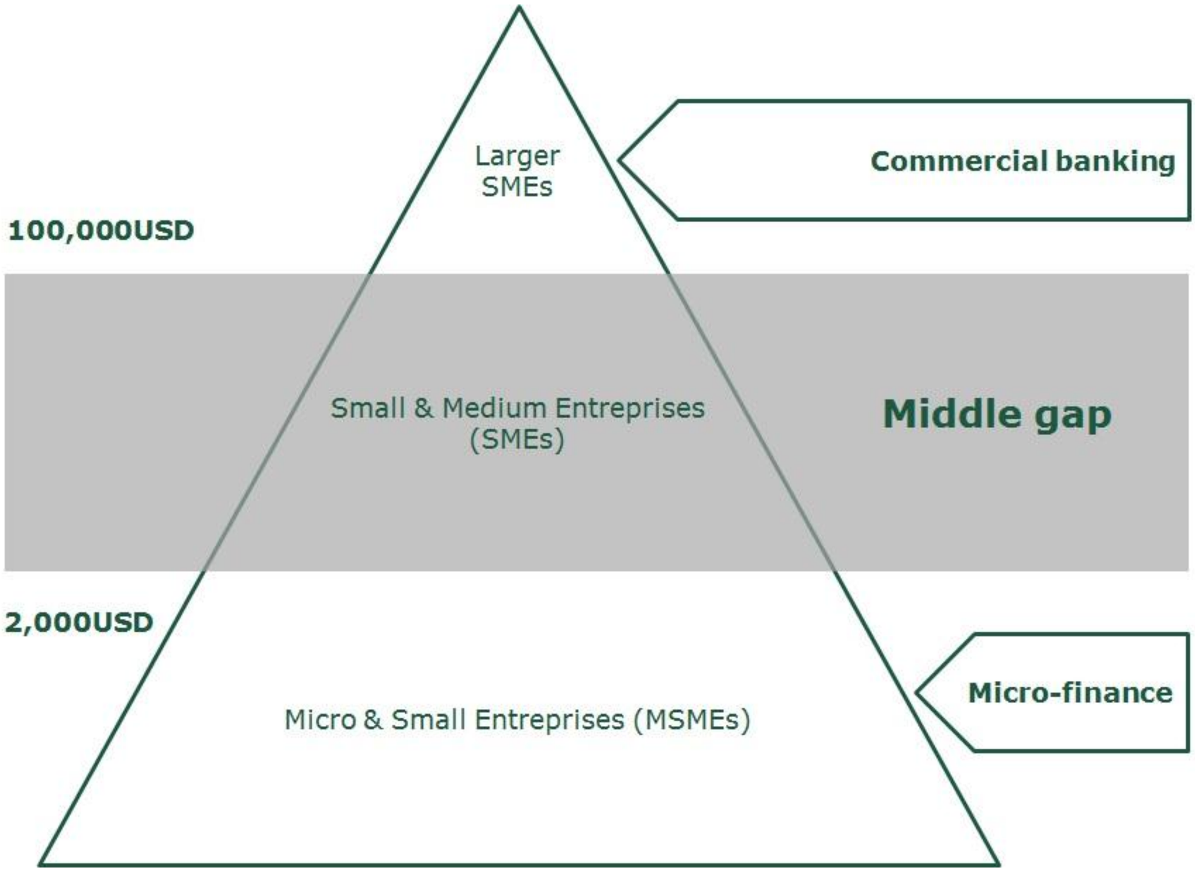

Figure 2 Meso-finance for the middle gap

Meso-finance (also known as SME finance) represents the missing link between micro-finance and commercial banking services. Sometimes, public institutions like Investment Fund Corporation (IFC) provide financial support to MFIs in order for them to scale up and tackle the middle gap, or liaise with the commercial banking sector for a review of the requirements to access financial services.

International organizations such as AFD, GIZ, USAID are also working on solving the middle gap issue; however, no consensus has been found on how to define and tackle the issue.

[6] For instance, raising capital is hard for informal businesses because of the lack of structure and collaterals. Most of the time, productive loans are better accessible to them.

6. Access to finance in GERES projects

GERES came to 'access to finance' through the back door. Both from ideological standpoint and as operating principle, GERES is not directly involved in the market but relies on existing local economic actors to be the vehicles of the adoption, commercialization and transfer of its improved technologies and solutions.

Piggybacking on existing entrepreneurs helps achieve the great challenge of adoption and dissemination of affordable, relevant and efficient energy products and systems in developing countries. Indeed, it provides intimate knowledge of the market and market needs, allows the adaptation of products and systems to those needs and the design of effective distribution channels and below-the-line marketing techniques, and ensures transferability of solutions.

Most of our projects target entrepreneurs as direct or indirect beneficiaries of our interventions. Globally GERES directly empowers more than 1,300 entrepreneurs. Their financial needs range from 700USD to 100,000USD, with an average of 3,000USD. The effectiveness of GERES technical solutions cannot abstract from adopting a market-based approach, and access to finance is a key component of the private sector engagement effort.

6.1. Access to finance in GERES countries

6.1.1 Access to finance in Afghanistan

According to the Center for Financial Inclusion[7], only 9% of Afghans own a bank account, mainly for employers to transfer payrolls or for business purpose. Women are less financially included than men.

Saving is mainly done by higher-income, relatively educated people and residing in urban areas. However, saving is mostly done individually and informally, with only 2.8% of total savings operated through at a financial institution and 3.2% through an informal savings club (which represents the option the most widespread in rural areas).

Non-cash transactions are limited. Mobile phones might be used to received and send money, but mainly in urban areas by educated, high-income users. Therefore, mobile banking in Afghanistan does not yet represent the new frontier of financial inclusion.

In 2010, 44.3% of the population took a loan, typically to finance ceremonies (funerals and weddings), to react to health problems and similar emergencies or to build a house. Borrowers are mostly male with low income. Relatives and friends are the main financial service providers.

6.1.2 Access to finance in Benin

In Benin only 10% of the population owns a bank account. However, non-cash transactions are almost irrelevant.

One third of the population saved money in 2010: high-income, urban residents saved with a formal institution, whereas low-income people saved through an informal saving club or independently. Loans are taken more often in urban areas than rural area, and mainly from informal sources of financing.

6.1.3 Access to finance in Cambodia

According to the Center for Financial Inclusion, in Cambodia in 2010 3.7% of the entire population has a bank account. Most of the accounts are created for the employer to transfer payrolls, and non-cash transactions represent only 0.6% of total transactions.

31.1% of the population saves money but only 0.8% through a financial institution. As a general trend, it can be observed that a younger, richer person residing in rural areas saves more than an older, poorer person, especially if living in urban areas.

[7] http://www.centerforfinancialinclusion.org/

In 2010, almost 60% of the population took a loan, but only 19.5% has borrowed from a financial institution. Mainly, Cambodians borrow money from family and friends, private lenders or their employer. A commercial bank like ACLEDA[8], for instance, offers loans from 100USD up to 30,000USD, from 1 to 6 years. The interest rate prevailing on the commercial banking system is 13% per year.

The micro-finance business in Cambodia continues on its growth trajectory: *the pool of outstanding loans held by Cambodia's micro-finance institutions grew to more than 1.17 billion USD in 2013, marking a 44% industry-wide increase from 2012 […]. Consumer deposits grew more than 61% to reach 364 million USD last year*[9]. Licensed MFIs totaled 37 in July 2013, with licenses being increasingly granted to institutions lending to small-medium enterprises (SMEs), rather than strictly to those offering micro-finance[10].

Despite the growth, Cambodia micro-finance industry performs well, with a functioning credit bureau covering 80% of micro-finance loans and a nascent dispute resolution system being Cambodia’s main improvements in 2013[11]. Average interest rates are 2.5% per month and the amount lent ranges from 50USD to 5,000USD. Crédit Mutuel Kampuchea, for instance, offers loans from 100USD to 2,000USD.

Few impact investors are working in Cambodia: Advantage Ventures and Insitor Management are two examples of institutions offering loans and capital at an interest rate of 8-15% depending on strict financial and social or environmental criteria.

6.1.4 Access to finance in Mali

In Mali, only 8.2% of the population has a bank account. Account owners often reside in urban areas, are educated and relatively wealthy.

According to the Center for Financial Inclusion, in 2010 40% of the population saved money. However, only 4.5% of them saved through a financial institution; others prefer to use informal saving clubs or to manage their savings autonomously. On the other side, only 29% of the population took a loan in 2010, mainly by borrowing from family and friends.

6.1.5 Access to finance in Mongolia

The Mongolian financial sector is relatively developed, with almost 80% of the population owning and using a bank account for financial transactions. Poor segments of the population, especially if not educated, are financially excluded.

According to the Center for Financial Inclusion, almost one fourth of the population saved and borrowed money through a formal financial institution.

6.1.6 Access to finance in Morocco

According to the Center for Financial Inclusion, 39% of Moroccans own a bank account. However, most of them are inactive. Young women are the most financially excluded.

In 2010, less than one third of the population saved money, but the ratio drops to one tenth if we solely consider formal saving mechanisms. Also when it comes to loans, the majority of Moroccan people prefer to borrow from informal sources of financing.

6.1.7 Access to finance in Tajikistan

In Tajikistan, few people use a bank account. The limited outreach of financial service providers, and in particular of micro-finance institutions, places mobile banking via mobile phones at the leading edge of financial inclusion, especially in rural areas regardless the income, education, gender or age.

In 2010 only 13.8% of the population saved money, and savings management is done individually, without any formal or informal mechanism. In the same year, 31.7% took a loan,

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[8] ACLEDA was born as a MFI and grew into a commercial bank. However, it still provides loans for smaller amounts, being one of the few institutions able to reach the middle gap.

[9] [5]

[10] [6]

[11] [6]

and mostly from informal sources of financing, partly due to the high interest rates prevailing on the formal finance sector.

6.2. ACCESS TO FINANCE FOR MICRO-ENTERPRENEURS

Any GERES project targeting existing or new entrepreneurs has an impact on their business model, i.e. on the way the enterprise generates value. Changes in the business model[12] translate into the emergence of new financing needs: the introduction of energy-savings technologies, for instance, reduces energy bills (OPEX); a consolidation of the supply chain requires additional investments (CAPEX)…

It is usually the project implementer who responds to those needs. Even when no direct financing mechanism is provided within the project, technical support and assistance offered by project implementer can be considered in terms of financial assistance: the entrepreneur can access services (trainings, awareness raising, advocacy efforts,…) at no additional cost.

At global level, 95% of GERES entrepreneurs conduct informal businesses with no legal status. Their financial needs of 3,000USD on average are relatively small. For these and other reasons, many of them belong to the so-called middle gap and are often financially excluded.

As a result, only 25% of GERES beneficiaries have access to an institutional (formal or informal) saving mechanism[13]. None of them has access to insurance products for mitigating the risks of running an enterprise. Moreover, at least 65% of enterprises GERES works with are 'family businesses', i.e. there is no formal separation between family budget and the enterprise financial resources[14].

The design and the management of financial products, whether provided by GERES or outsourced, is therefore an essential aspect of GERES commitment to empower micro-entrepreneurs, together with capacity building.

6.3. IN-HOUSE FINANCING OR PARTNERSHIP?

Before start designing financial products, project implementers have to decide whether they want to keep the lead on design and management or they prefer to team up with a technical partner, i.e. a financial provider who will either develop new or offer existing products.

When it comes to GERES, there are several advantages and drawbacks related to each option:

	PROS	CONS
IN-HOUSE FINANCING	1-Complementary to non-financial services already provided[15]	1-Costly mechanism needed to transfer the product to another entity (e.g. business association)
	2-Flexibility and control over design choices	2-Management of financial assets and financial risk management needed
	2-Flexibility and control over design choices	3-Potential conflict with project financial management and donor requirements
		4-Potential reputational risk[16]
		5-Low repayment rate[17]

[12] For instance, initiating a new production process, introducing a new product, integrating into a new supply-chain, targeting a new market segment…

[13] So far, the Economic Pillar in Cambodia is the only documented saving mechanism introduced.

[14] Risks borne by the enterprise and the household are merged. Unexpected medical expenses faced by the entrepreneur family affect the business financial soundness (reducing cash-flow availability for instance) and growth potential. Conversely, the business risks affect directly the household wealth.

[15] Capacity building in entrepreneurship and value chain support.

[16] Associating GERES with provision of financial products could undermine its strategic positioning as development partner.

PARTNERSHIP	1-Possibility to profit from partner's know-how	1-Difficult product customization
	2-Partner's existing pool of customers as starting point for better outreach	2-Higher cost of money for beneficiaries (no grants and high transaction costs)
	3-Synergies between loans repayment and project impact monitoring	3-Costly coordination with partner
	4-Easier transfer of activities at project closure	4-Different institutional culture between partners
	5-In line with principle to act as 'aggregator'	

Table 7 Advantages and disadvantages of outsourcing and internalizing financial services

6.3.1 In-house financing: A risk?

According to a recent study GERES took part in, *financing is best done in-house, whenever possible. […] Offering financing in-house comes with a handful of issues […]; but even when working with MFIs and banks is a necessity, marketers should also know that they cannot just "outsource" the issue to financiers*[18].

Despite the reputational risk associated with the in-house financing solution, GERES experience with in-house financing shows that GERES has the capability to offer effective financial services to our beneficiaries.

6.3.2 Partnership: With whom?

As of today, GERES has no long-term partnership with financial service providers, and few, at times disappointing, experiences with MFIs. As most of our entrepreneurs lie in the middle gap, the scale of the project and the level of capital needs potentially undermine the interest of service providers to partner with GERES.

The heterogeneity of regions and beneficiaries rules out a silver-bullet worldwide partnership with one single partner. Different levels and types of partnership and degree of internalization are to be considered.

	Impact investment funds	Commercial banking	Micro-finance Institutions	Crowd-funding	Informal finance
Why yes	Good match for strong business cases			Appealing option for small OPEX expenditures	Accessible option for informal sectors
Why not	High entry requirements 'aggregator'	Capacity building needed	Costly option	Short-term solution, viability not demonstrated	High risks, high involvement required
Priority	HIGH	LOW	MEDIUM	LOW	HIGH

Table 8 Partnership options for GERES

[17] Beneficiaries may perceive that enforcement power of a NGO is not to be taken seriously.

[18] [7]

6.4. GERES EXPERIENCE WITH ACCESS TO FINANCE

So far, GERES has successfully developed 7 financing mechanisms in Cambodia, Morocco and Benin[19].

6.4.1 GERES EXPERIENCE IN CAMBODIA: THE ECONOMIC PILLAR

In 2009, GERES established the Economic Pillar (EP) as an independent association with an initial capital of 3,000USD: the idea underlying EP is to introduce a mechanism for ICoProDAC[20] members to manage their savings and to take loans at a relatively low rate, for the purpose of expanding or improving their ICS production, distribution and selling activities.

ICoProDAC membership is a precondition for benefiting from EP. The EP currently counts 46 members, i.e. 18% of ICoProDAC members are also EP members. In early 2014, the amount of savings amounted at 12,500USD.

The interest offered on savings deposits is 2% per year. A minimum amount of 20,000KHR (5USD) should be added each month to honor EP membership. This monthly compulsory saving can be withdrawn only after 5 years of deposit. Interest rates for loans are fixed at 12% or 24% for EP or ICoProDAC members respectively. Maximum loan period is 18 months, maximum amount is 5x the deposit, up to a ceiling of 4,000,000KHR (1,000USD)[21].

Being the Economic Pillar a non-profit association, interests on savings and loans are redistributed yearly among EP members. EP is managed through an account with a commercial bank[22]. EP is presided by a 3-person Executive Committee, but given the limited financial management skills, GERES still facilitates money collection, deposit and withdrawal. In the future, capacity building should be undertaken to make the association autonomous.

A repayment plan is agreed upon between EP Executive Committee and requesting member at submission of loan request, when at least 2 guarantors are nominated. As of today, delays have been registered in repayment of loans. From 5 to 10 EP members ask for loans every year.

Solidarity and trust are at the core of EP mechanism. For cultural reasons, it is hard to engage new members, as Khmer people are diffident whether to trust associations, and traditionally prefer to keep money at home and ask money lenders for loans. This is also related to the fact that they prefer to keep their financial situation secret.

Despite the difficulties, the Economic Pillar offers an example how to transfer the offer of financial services to the private sector.

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[19] The eighth mechanism, within the CARF-AREA Tree nurseries project in Cambodia, has partially failed due to a flaw in the design of the financial product rather that to the good will of the borrowers: the seasonality of the activities has not been taken into account while setting the instalment schedule.

[20] The Improved Cookstove Producers and Distributor Association in Cambodia has been established within GERES Improved Cookstoves (ICS) Project.

[21] ICoProDAC members who haven't signed up for a EP membership can take a loan up to the maximum amount of 2,000,000 KHR (500USD).

[22] ACLEDA Bank.

7. ACCESS TO FINANCE IN THE LONG TERM

7.1. RISK MANAGEMENT

GERES actions and presence in the life of poor households, communities and entrepreneurs are not neutral. Access to finance is only one component of GERES projects, yet financial decisions can have dramatic and long-standing consequences. Exploring direct and indirect effects of granting access to finance is paramount to safeguard beneficiaries from potentially negative impacts.

Conducting a baseline study of current practices, financial needs and situation (incl. business modeling) can help design meaningful interventions and mitigate financial risks for micro-entrepreneurs, while designing suitable financial products. The same hold true for consumer finance: in this case the economic analysis, notably in terms of opportunity costs and overall payback period, would focus on investment choices borne at household level.

7.2. TRANSFERABILITY OF FINANCIAL PRODUCTS

Transferring knowledge and building capacity of beneficiaries in order for them to take informed decisions on financial planning is essential to enhance project sustainability.

When financial services are outsourced, transferability implies that commercial relationship between the financial service provider and the entrepreneur is healthy and that the entrepreneur is able to manage it autonomously. He should be able, for instance, to produce business documentation and meet the service provider on a regular basis. This can be ensured by transferring knowledge of business fundamentals and by building capacity.

When financial services are offered in-house, transferability may be more difficult to implement. Even if well designed, the products offered during the project cannot respond to the entrepreneur's long-term needs.

GERES best answer so far is to transfer the offer of financial services to the private sector, i.e. to integrate the offer of those services into the business model of business associations gathering market players with common needs[23] (cf. the Economic Pillar for an example).

[23] This is not an easy job as GERES entrepreneurs are rarely able to finance the costs of such associations or cooperatives. Public money is often required, but if backed up by careful business planning, such public investment is a smart choice in terms of aid effectiveness.

8. CONCLUSION

Entrepreneurship is a core dimension of GERES intervention, and the design of sustainable, adequate access to finance for GERES micro-entrepreneurs or consumers of GERES proposed solutions has a significant role to play in shaping the effectiveness and transferability of our programs.

As GERES beneficiaries are heterogeneous, with differing financial needs according to profile, scale and maturity of business, there is no 'one-size-fit-all' solution. Answering the question 'in-house financing or partnership' implies that both options of outsourcing and internalization should be considered, also depending on the opportunity to liaise with reliable local partners.

Be it internally designed and managed or developed in partnership with a financial service provider, the core issue when introducing a financial mechanism into a project is finding the right balance between affordability of financial product on the one hand and ownership by the beneficiary and sustainability of the access on the other. As a consequence, access to finance alone doesn't make much sense if it not complemented by capacity building.

Despite focusing on access to finance to design new modus operandi is tempting, financial products alone cannot ensure achievement of project goals. Grants are still needed to finance setup of project architecture, and provision of non-financial services remains central to our intervention.

Professionalizing access to finance activities in GERES projects require investment, notably in human resources. At the same time, project teams developed their own pragmatic answers, and lessons learned from field activities have much to teach us. This study is a knowledge milestone in our collective understanding and contributes to shed light on current practices and potential needs for financial products in our projects. Hopefully, it will lead to mainstreaming the entrepreneurial dimension in GERES current and future projects.

9. GLOSSARY AND ACRONYMS

- Affordability: a characteristic of quality financial services; describes products for which the price is in line with the client's ability to pay for them
- CAPEX: capital expenditures, i.e. investments in tangible fixed assets such as tools and equipment, machines, land, buildings
- Collateral: in lending agreements, money lenders try to secure repayment of the loan by a clause that allows them, in case of missing payment, to become owner of a borrower's specific property (e.g. house)
- Financial inclusion: a state in which all people have access to the financial services they need, at affordable prices, in a convenient manner, and with dignity for the clients
- MFI: micro-finance institution, providing financial services to low-income populations
- OPEX: operational expenditures, i.e. money needed for running the business and cover expenses such as salaries, energy costs, raw materials
- Productive loan: a loan granted to enterprises to finance the working capital (part of OPEX) and capital expenditures
- ROI: return on investment, i.e. the investor’s yield
- Seed capital (or seed money): a very early investment into a business to support its growth until autonomous
- Silent capital: the capital coming from a silent partner, whose involvement is limited to providing money with limited to zero involvement in daily operations
- SME: small-medium sized enterprise
- SME finance: funding of small-medium enterprises
- Venture capital: capital provided to early-stage, start-up companies by venture capitalists in return for a ROI

10. RESOURCES

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