The Missing Middle

November 6th, 2014

Alliance Forum Foundation
Chief Operating Officer
Mike Tanji
The Alliance Forum Foundation (AFF) is a not-for-profit organisation incorporated in Tokyo, Japan in 2011 to promulgate **Public Interest Capitalism** globally; promote social development programmes in **innovative** approaches; and, keep your life on the cutting edge of the **proven smart technology**.

The Alliance Forum Foundation, incorporated in California, USA, in 1985 is the Principal AFF Office and is a 501(c)(3) not-for-profit organisation. The Alliance Forum Foundation is an organisation in Special Consultative Status with the United Nations Economic and Social Council. AFF in Japan is a Member Foundation.
Alliance Forum Development Program

Nutrition Project
- Ease malnutrition by using an African-native type of algae rich in protein

Distant Learning/Telemedicine
- Deploy the cutting-edge technologies like WiMAX and XVD to build infrastructure and support distant learning and telemedicine

Microfinance Programme
- Nurture professionals in microfinance who support the self-sustainable lifestyle

MDG1,4
Eradicate Malnutrition w/ Spirulina

MDG2,other
Improve education and health services w/ WiMAX & XVD

MDG8
Promote Self-reliance w/ Microfinance

Global Professional Training

AFDP Scalable Model
AFDP’s Scalable Model in Support of Developing Countries

Support economic independence and self-reliance through Microfinance Programme

Lusaka, Zambia  2nd – 8th December  
Dhaka, Bangladesh 1st – 7th November

Eradicate Malnutrition
Supply protein source through Spirulina Programs

Improve Education and Health Services

Promote Self-reliance and Empowerment
Provide telemedicine and distance learning with XVD and WiMAX technologies

AFDP’s Scalable Model in Support of Developing Countries
Microfinance

• Promote Self-reliance and Empowerment
  Support economic independence and self-reliance of the people through improving;

Access to capital
• Start up their own business using microcredit

Access to training
• Scale up and capacity building for the poor
• A variety of trainings to be coordinated with JICA, NGOs in vocational education and other areas

Access to market
• Teach how to reflect the commercial value
• Export strategy, (distribution channel ie 7eleven)
• Branding ie AFF UN ECOSOC Organic Certificate
AFDP Microfinance Courses in Bangladesh

- *Microfinance Services for the Poor* launched in Bangladesh in September 2009
- Aims to foster microfinance professionals
- Bringing Public Interest Capitalism Model to Developing Nations
- Over 160 people across the globe graduated

Co-organized by:

Sir. Fazle Hasan Abed  
Founder of BRAC

Dr. Muhammad Yunus  
Founder of Grameen Bank

Dr. S. M. Hashemi  
Chairman, Economics and Social Science, BRACU

Cooperating Organizations:
AFDP Microfinance Courses in Bangladesh

<table>
<thead>
<tr>
<th>Classes</th>
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<tr>
<td><strong>Study</strong> the fundamentals of microfinance in-depth</td>
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<th>Expert Lectures</th>
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<td><strong>Understand</strong> the challenges and possibilities of pro-poor financial services</td>
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<th>MFI Field Visits</th>
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<td><strong>Experience</strong> MFI operations and interact with clients and loan officers</td>
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- **Date**: 1<sup>st</sup> – 7<sup>th</sup> November, 2014
- **Location**: Dhaka, Bangladesh
- **Participants**: 20 – 30 participants across the globe
AFDP Microfinance Training Programme for Africa

- In 2012, AFF conducted exclusive program for African Professionals, recognizing superlative importance for MF trainings in Africa.
- Aims to establish strong and solid Microfinance framework by developing prominent human capital in Microfinance.

“We can learn a lot from the BRAC concept and application on microfinance to integrate the poor into the social framework.”
Central Bank of Uganda

“The course was beneficial for someone who is trying to develop microfinance in their own country. I now have a clearer image of how we could develop microfinance products in our organization.”
Financial corporation Swaziland Development

14 participants from 7 countries across from Africa.
AFDP TICAD  African Leaders & CEOs Summit

•  (May 31th, 2013, Organized by the Alliance Forum Foundation in special consultative status w.the UN ECOSO)

•  Signed a MOU on May 31\textsuperscript{st} 2013 on the day before the TICAD V
  \textit{Cooperates in carrying out activities conductive to foster economic and social
development of COMESA member states.}

Focus of the two institutions’ common goals for economic growth of COMESA;

\begin{itemize}
  \item Nutrition
  \item Investment Promotion
  \item Microfinance
\end{itemize}
# Microfinance Development And Policy In COMESA

Co-organizes by AFF-COMESA-AfDB

<table>
<thead>
<tr>
<th>Date</th>
<th>• 2nd – 8th December, 2014</th>
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<tbody>
<tr>
<td>Location</td>
<td>• Lusaka, Zambia</td>
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</table>
| Participants  | • 38 officials from each COMESA member states’ Central Banks and MFIs  
|              | • 10 financial professionals from world wide |

## Fundamental Program

- The fundamentals of microfinance in-depth

## Application to African Microfinance

- How MFIs fundamental methodology can be adopted to the African Microfinance environment.

## MFI Field Visits

- MFI operations and interact with clients and loan officers
Mission

Alliance Forum Foundation eagerly wish to be part of the positive impact in poverty reduction to lift up the poor into the middle class.

Improvement of malnutrition (Spirulina Project)

Foster economic independence and self-reliance (Microfinance)

→ Establish a local business model cultivating Spirulina.
**What is Spirulina?**

- Spirulina is an edible micro-algae that is green in color and spiral in shape
- It contains between 55% and 77% protein by dry weight

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<tr>
<th></th>
<th>Spirulina</th>
<th>Meat</th>
<th>Soy</th>
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<tbody>
<tr>
<td>Protein (%)</td>
<td>65-70%</td>
<td>19.7%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Necessary amount of water for producing 1 kg of protein (t)</td>
<td>2.1</td>
<td>105</td>
<td>9</td>
</tr>
<tr>
<td>Necessary land area for producing 1 kg of protein (1㎡)</td>
<td>0.6</td>
<td>190</td>
<td>16</td>
</tr>
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</table>

- Spirulina requires less resources (land/water) to cultivate compared with other protein sources such as meat and soy.
- Spirulina is recognized by the World Health Organization (WHO) as an important strategic tool to combat malnutrition.
Implementation of Microfinance

The model village works on production to distribution of Spirulina.
Implementation of Microfinance

*Finance to those who are healthy, educated and have the entrepreneurial spirit.

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Implementation of Microfinance

Model Expansion 1

MFIs

Finance

Model Expansion 2

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Pacific Islands & WIEF in 2012

May 2012
Pacific Islands Leaders and CEOs Summit

December 2012
8th WIEF in Johor Bahru
Africa in 2013

Prime Minister Shinzo Abe
Japan–Africa Business Forum 2014
Succeeding In Africa : Unlocking Growth & Opportunities.

Co-organisers: JICA, JETRO

Supporters:
Ministry of Finance / Ministry of Foreign Affairs / Ministry of Economy, Trade and Industry / Ministry of Agriculture, Forestry and Fisheries / Keidanren / Keizai Doyukai
JOGMEC / JBIC / UNIDO / UNDP / World Bank Group / The Africa Society of Japan / Association of African Economy and Development Japan / Alliance Forum Foundation / Africa Business Promotion Support Network
※AFF was the only one private incorporation.
Africa in 2013
Impact of Regenerative Medicine
2014

Prof. Shinya Yamanaka (Kyoto University)
Prof. Hiromitsu Nakauchi (Tokyo and Stanford Universities)
Prof. Yoshiki Sawa (Osaka University)
Prof. Hiroyuki Okano (Keio University)
Prof. Masayo Takahashi (RIKEN, Institute of Physical and Chemical Research)
George Hara (Salk Institute)
WIEF Commissioner
Tokyo Roundtable

AFF - WIEF MOU signed on 10 July 2014, Tokyo.
Creative Business Partnership

**Innovative and Fruitful Business Partnership for People**

**WIEF** to enhance the economic well-being of the people of Muslim nations and Muslim communities worldwide through increasing trade and business opportunities amongst them, as well as the world at large.

**AFF** to seek the next generation technology, which will develop new core industries; promulgate the Public Interest Capitalism; and, promote development programmes in innovative approaches.

- **Regenerative Medicine**
- **Halal Industry**
- **Social Infrastructure Development**

**Islamic Finance**
• Contribution to GDP is in the range of 25%(Brunei) to more than 80%(Cambodia)
• Number of employees of SMEs in percent of total employees is more than 60%
• Obstacles to growth of SMEs are (i) access to finance and (ii) electricity

* Above information including the diagram shown in the next page is based on the information provided by Mr. Jongsoo Shin at JFSA-ADBI-IMF Joint Conference on Jan.27th, 2014 with the reference to each sources of data
SMEs Employment in Asia

Number of Employees of SMEs
(In percent of total employees; year of latest available data)

Sources: Asian Development Bank (Shinozaki, Dec 2012)
Number of SMEs and their growth in Asia

- In terms of number, SMEs are more than 90% of the total number of enterprises in Asia.
- There are certain different phenomena shown on the growth of SMEs in each country.

* The above information including the diagram shown on the right is based on the ADB’s Asia Small and Medium-sized Enterprise Finance Monitor 2013.

CAM = Cambodia, PRC = People’s Republic of China, INO = Indonesia, KAZ = Kazakhstan, KOR = Republic of Korea, MAL = Malaysia, PHI = the Philippines, SME = small and medium-sized enterprise, THA = Thailand, VIE = Viet Nam.
Note: Data as of 2012 in the PRC, INO, KAZ, and THA; data as of 2011 in CAM, KOR, PHI, and VIE; data as of 2010 in MAL.
Source: Compilation from country review papers in the Asia SME Finance Monitor 2013.
Obstacles for SMEs on financing

• Higher Credit Risks based on the lack in reliable credit related information
• Lack in collateral and burden on personal guarantee
• Higher transaction cost for financial institution compared to the size of finance
How SMEs are served for financing in Asia

- For the limited status of stock markets and investment vehicles for SMEs, SMEs shall rely on loans from banks.
- The percentage of loans to SMEs are limited to around 20-30% for the conservative approach being taken by banks.

* The diagram shown on the left is based on the ADB’s Asia Small and Medium-sized Enterprise Finance Monitor 2013.

*Data for Cambodia, Indonesia and Thailand are as of third quarter, end-August, and second quarter respectively.
CAM = Cambodia, PRC = People’s Republic of China, INO = Indonesia, KAZ = Kazakhstan, KOR = Republic of Korea, MAL = Malaysia, SME = small and medium-sized enterprise, SOL = Solomon Islands, THA = Thailand.
Source: Compilation from country review papers in the Asia SME Finance Monitor 2013.
Measures taken by Asian countries

- Regulatory rules
- Credit Guarantees
- Credit information registration
- Broader range of collateral and its registry reforms
- Supply Chain Finance
- Equity finance and capital market debt instruments
- Non banking industry
Credit Guarantees in Japan and Asia

• Outstanding amount of the total guarantee in Japan is in the range of 35 trillion yen.
• Percentage of the guarantee against GDP is 6-7% range in Japan
• In comparison with other region, credit guarantee is outstanding in Asia
• The coverage of credit guarantee in Asia is between 50 to 100% of entire credit risk

* Above information is based on the information provided by Mr. Jongsoon Shin at JFSA-ADBI-IMF Joint Conference on Jan.27th, 2014 with the reference to each sources of data
Supply Chain Finance and other measures

• Supply based approach may rely on inventory, purchase order, factoring, etc.
• Collateral registry will be a key for financial institutions
• Support on the relationship building, distribution channel, financial management, officers training are the area to be further developed
Bangladesh

• Bangladesh Bank sets an indicative annual credit volume target for SMEs.
• Non-performing loan amount stays low compared with total loan amount but the non–performing enterprises are more than 6% of total SME borrowers.
• Refinancing scheme involving ADB and JICA is implemented to assure the sustainable SME lending.
• Non bank has been enacted but their role is rather small for SME finance for the high transaction costs.
• Micro financing plays a key role in financing not only for micro but also for small and medium size enterprise sector.

* The above information as well as information in the following three pages are based on the ADB’s Asia Small and Medium-sized Enterprise Finance Monitor 2013.
Cambodia

- 99.8% of enterprises in Cambodia are micro, small and medium-sized ones.
- They are not registered with the relevant authority.
- Micro Financing plays an important role in SME financing but lack in legal system makes it difficult to monitor the conditions.
- Informal sectors’ financing with higher interest charged are popular.
- Credit Bureau was launched in 2013 to standardize the access to credit information.
Sri Lanka

- SME bank centers of individual banks are playing certain role to provide advisory services to SMEs.
- Alternative financing measures like credit line and credit guarantee exist.
- Pawning based on gold or jewelry is popular and has bigger share than normal SME loans.
- Orix Leasing is one of the leading non bank serving SMEs for working capital requirement as well.
Indonesia

- 99.9% of enterprises in Indonesia are SMEs and 97.2% of employment is covered by SMEs.
- Trade is the most active sector in SME lending.
- Credit guarantee plays an important role and the credit data system established plays a key role there.
- Non bank activities are growing in leasing, factoring, consumer financing, etc.
- Concessional listing rules are applied to SMEs.
Experience and System in Japan

- Quasi Micro Finance and Credit Association, etc.
- Organization for Small & Medium Enterprises and Regional Innovation, Tokyo Metropolitan Small and Medium Enterprise Support Center
- Subcontract System
- Personal Guarantee
- Money Lending Business Act
- Financial Statements
Roles to be played by each relevant entity

- Government
- Financial Institutions
- SMEs
- Legal Frame Work
- Accounting System
- Social and Industrial System
Issues to be considered in Global financing system

• Role of Finance
• Bank Centric System
• BIS regulation
• Public Interest Capitalism