



Mecene Investment's Newsletter  
July 2009

## Editorial

### Making Social Return work for the PE investor

By Jay Kloppenberg, Associate

As a management company committed to delivering both social and financial returns to investors, Mecene Investment evaluates each investment along each of these dimensions. Mecene recognizes that, for many of its shareholders, the social returns on investment are at least as important as the financial returns. While Mecene is committed to achieving both goals, assessing the social impact of its investments often proves difficult, due to a lack of accepted criteria for evaluating one investment against another.

The measurements used to analyze financial returns are well known internal rate of return, value creation, NPV of investment, etc.—making it easy to compare potential investments and evaluate success. Measuring social impact is more difficult. There are a host of different methodologies currently in use, including some developed by AfriCap shareholders, such as the FMO Environmental and Social Risk Audit and the ACCION SOCIAL framework. While frameworks developed by global NGOs and aid organizations can prove useful for certain ends, they generally face two common shortcomings from the investor perspective. Firstly, they each measure social impact on their own scale, often based on the stated goals of the organization, so comparing the returns of two different investments can be challenging. Secondly, they often require extensive surveys that are too costly for a for-profit MFI or investment fund with limited resources to undertake.

To answer these challenges while fulfilling its multiple-bottom-line mission, Mecene is in the process of developing its own social impact assessment tool.

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Mecene is building this tool in conjunction with Edge Consulting, a consulting firm and break-even social investment fund based in South Africa, Grameen Foundation, and several AfriCap shareholders and portfolio companies. The framework will assess social impact using the same measurements as those used during financial analysis—social valuation of an investment and social IRR. These results derive from a logical process using information readily available to MFI managers (and investors) via loan applications, financial and operating statements, and local economic statistics. The framework will allow Mecene to use projected rates of social returns as a criterion for investment decisions, and to track these returns throughout the course of the investment.

Mecene has based its framework on the methodology provided by the Small Enterprise Assistance Funds (SEAF), which divides social impact into several major categories, including: Benefit to clients, Benefit to employees, Benefit to governments, Benefit to suppliers, Benefit to communities.

The Mecene tool will measure impact in each of these areas, noting that the benefit to clients is both the most important impact of microfinance and the most difficult to measure. "Benefit to clients" is therefore broken down into three major categories: benefit to savers, benefit to borrowers, and benefit of other major services (e.g. money transfer). While there is not space in this article to delve into each category and sub-category of social impact, we will use "benefit of savings" as an example to help explain the thought process behind the framework:

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EXAMPLE:

Savings Methodology:

*Savings = Interest Earned + Insurance value – Time value of branch visit*

Where:

*Interest Earned = MFI deposit book x Avg. deposit term x Avg. Interest rate*

*Insurance value = Short term insurance premiums x Avg. deposit x Avg. deposit term*

*Time value = [(Travel expenses x trips/borrower/period) + (Deposit time spent/client x Average client earnings/hour)] x avg. number of clients during period.*

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This methodology is based on the logic that a savings client derives two major sources of benefit from their deposits: the financial interest earned and the security of keeping their money in the bank rather than at home. The value of the interest is self-explanatory, and the value of the security is taken by determining the short-term interest premiums that clients would pay to insure their assets against accident or theft. The methodology also recognizes the cost of opening a savings account. This consists of travel costs to reach a branch, plus the opportunity cost of physical deposit of funds, as a measure of the output lost during the time that a client spends depositing and collecting funds. While other indirect benefits of savings may exist, Mecene has chosen wherever possible to limit its scope to clear, logical benefits of MFI activities in each of the five areas mentioned above.

While Mecene understands that its methodology is imperfect, it believes that it offers a good starting point to begin rigorously evaluating investments from a social perspective. It is working with AfriCap portfolio companies to assure that its methodology is simple, practical, and relevant to the way MFI managers understand their clients. Once the methodology is established, Mecene intends to hire consultants to perform surveys to determine how the methodology must be tweaked to reflect the real benefit MFIs bring to their employees, clients, and overall communities.

As stated above, Mecene intends to use this tool both for making investment decisions and for tracking the social progress of existing investments. In addition, Mecene believes the process involved in developing social impact valuations using this tool can help MFI managers make strategic decisions. It is imperative for managers to understand their value proposition to clients, from both a financial and a social perspective. By understanding the social value that their clients enjoy, MFIs can create more targeted products and develop more successful businesses. By evaluating the social impact of each investment in a clear, comprehensible way, Mecene can improve its ability to give informed investment recommendations to multiple-bottom-line investors, and increase its impact on African economies.



## Africap Microfinance Fund Portfolio Companies

### Woman World's Banking (WWBG), Ghana

WWBG arguably the most innovative microfinance institution in Ghana has won an award at the recent Women's World Banking Global Network and Capital Markets meeting held in New York from April 27 to May 5. This year's meeting marked the 30<sup>th</sup> anniversary of the network, which consists of 29 members from Asia, Africa and America. WWBG's presentations, which involved a scenario analysis of the company's 3 year financial projections, was assessed in terms of relevance of content, scope and depth of analysis, clarity of presentation and reasonability of responses to follow up questions from the judges and other participants. At the end, WWBG was declared the 2009 winner of the competition by a panel of judges, drawn from the Wall Street Journal, Morgan Stanley and JP Morgan.

### Ferlo, Senegal

Following the developments of the past six months, a new investor AFRINVEST, was introduced for 20% of the capital. FERLO will benefit from the network of this new investor.

FERLO is a new member of GIM-UEMOA, the West African technical platform for electronic payments, managed by the Central Bank. FERLO is expanding in Cameroon, Central Africa and is waiting for its license to start activities.

FINTECH is working with FERLO on capacity building efforts.

### ASUSU, Niger

AfriCap has just invested an additional \$2 million in ASUSU. The growth potentialities are predicted to be massive for the next 3 years. Conscious of the key role that ASUSU plays in the fight against poverty in Niger, Fintech has just approved the financing of a new IT system and the appointment of 2 technical assistants to coach the management team of ASUSU.

### La Regionale, Cameroon

La Regionale has just launched its famous summer internship program for young Cameroonians.

## Funds Updates

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## AfriCap Microfinance Fund

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This program has been in place for last five years and gives the opportunity to 1,500 youngsters to be trained for a month each year. The beneficiaries of this program are usually children of customers, who have a minimal savings account of \$US 2,000 and who have been clients for a minimum of six months. The program has been highly successful and has allowed La Regionale to reinforce its savings mobilization. Throughout this initiative, about \$1.5 million have been mobilized in savings on a yearly basis.

### AE&I

To develop its activities, AE & I has just signed an agreement with AMSCO, West Africa to strengthen the management team of the firm. AMSCO has granted a subvention to AE&I to accompany FINTECH in hiring a technical assistant that will support the management team.

AE & I has just opened two branches in Abidjan, which undoubtedly brings energy to the institution. Its Sassandra branch in rural areas, renewed its partnership with the city Ancecy in France, which will offer the branch symbolic credit lines.

## Fintech Projects

### Bankers Realm Review by Cilion Consulting Group

Bankers Realm MFO is a banking-software tailored to the specific needs of MFIs, developed for Microfinance organizations working with Group based and Individual based lending methodologies. Due to the software's multiple functionalities, seven AfriCap portfolio companies are using the software. Cilion Consulting Group has been hired by Fintech to review and assess the Bankers Realm implementation in the five MFIs, and subsequently develop an IT strategy for each portfolio company. The assignment purpose is to conduct an audit review of the completed and on-going installations of Bankers Realm software supplied by Craft Silicon in five of AfriCap's MFIs: to review the existing IT plans of six AfriCap portfolio companies; and for AfriCap as a group. To date, 3 of the MFIs have already implemented the solution and an additional four are in the process of deploying the Banker's Realm Software; it is therefore critical for Fintech to ensure that the application meets the original objectives.

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## Fintech

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### The AfriCap Academy by AYANI Inclusive Financial Sector Consultants

AfriCap aims to create a pan African training organization, funded by Fintech, dedicated to providing training to Senior Management, Middle Management and line staff of the AfriCap Network. The Academy will provide on-site and distance learning courses, delivered by the best educators in the industry. AYANI has been chosen to analyze the feasibility of the Academy and will therefore focus on Vision building, Market feasibility, Educational and technical design of AfriCap Academy, Financial feasibility.

## Mecene Debt Fund

Due to market conditions, we have decided to postpone the launch of the Mecene Debt Fund. Our investors, while supportive, were simply struggling to get debt capital allocated in the current volatile environment in debt and currency markets.

The work done on the Debt Fund is not lost, however. With the launch of Mecene's Financial Advisory arm we are helping several of the Debt Fund investee companies to raise private debt investments, and the credit analysis done during the structuring of the Debt Fund has greatly facilitated these discussions.

Additionally, the work done in developing the legal structure in the Botswana International Financial Services Center (IFSC) will likely be used in follow-on funds structured by Mecene.

## Mecene Islamic Fund

Mecene continues to develop its plans to launch its Islamic Fund in late 2009 or early 2010.

Initial feasibility studies have been conducted by Mecene and our consultants, and the results of these indicate that there is significant scope and opportunity for Islamic microfinance in Africa. There is significantly large Muslim population in the region and a large proportion of these are completely unbanked. Our research shows that there is a strong preference for Shariah compliant products among these customers, but currently there is no Islamic microfinance activity or presence in Africa. Meanwhile, Islamic development institutions have dedicated significant resources to developing this area, and these resources are currently untapped.

Mecene can play an important role in filling this void, given its strong track record, expertise, presence and reputation in the region. Expect further



Kwabena Ranghi Smith, Chairman of SUSU Nigeria and Natasha Kofoworola Quist, Director WWF Central Africa – Mecene Investment Advisory Board Members

# Mecene Investment Updates

Mecene's Management and Board are advised by a group of outstanding professional committed to the promotion of Entrepreneurship and the Development of the African private sector.

## Advisory Board Meeting, Fairlawns Hotel July 23, 24

On June 23 and 24th, the Advisory Board of Mecene Investment met in at the Fairlawns Hotel in Johannesburg in order to map out the long term strategy of the Company.

The meeting was attended by all but one advisory member. The list of attendees included: Blessing Rugara - Co-Founder Circle Capital Ventures, Charles Rowlinson - Chairman of WIZZIT Bank, Dawn Hines Partner at Aventura Investment Partners, Kwabena Ranghi Smith – Chairman of SUSU Microfinance Nigeria, Malik Fal - Managing Director of Endeavour South Africa, Natasha Kofoworola Quist – Director WWF Central Africa, and Ibrahim Sagna, co-founder of Blackthorn Capital.

During the meeting, the Board reviewed the current economic situation, its impact on social investments in Africa and analyzed the company's competitive position and expansion plans. The meeting concluded with a clear roadmap and action plan for the company.

Members agreed to meet again in 2010 in Johannesburg to follow up on the item discussed and advise on the strategy of the company.

## Mecene Investment Video

We have just released our corporate video, which highlights the mission and the vision of Mecene investment. The video is available on the "World of Mecene" section of the website ([www.meceneinvestment.com](http://www.meceneinvestment.com)).



Dawn Hines, Partner - Aventura Investment Partners – MI Advisory Board Member



## Mecene Advisory Services

### Mecene-Dealflow.com

June 2009 saw the launch of the Financial Advisory division of Mecene Investment. This division was created to offer investment banking and financial advisory services to Social Enterprises in Sub-Saharan Africa, including microfinance institutions and related businesses. The initiative leverages the skills and relationships of Mecene and expands their use outside of asset management.

Mecene aims to provide services to African Companies that are too small for mainstream investment banking firms, but nonetheless have tremendous potential in servicing bottom of the pyramid markets.

Mecene Investment is strongly positioned to provide on the ground investment banking services across the African continent, given our current asset management footprint across the region.

The companies we target range from small start up companies to middle market, well established organizations. We intend to offer our clients access to the private capital markets on a best efforts basis, and general advisory service such as business plan review, financial modeling and capital structure advice.

The distribution platform for the advisory services will be Mecene-Dealflow a web based tool designed to display the current offering in terms of equity or debt.

Mecene-Dealflow will provide advise to the entrepreneurs on the basics for a successful deal presentation and will allow our investors to look at our current offering.

We are proudly announcing the launch of our advisory services with mecene-dealflow.

Please visit us at:

[www.mecene-dealflow.com](http://www.mecene-dealflow.com)



Malik Fal, Director Endeavour South Africa –  
Mecene Investment Advisory Board  
Member, co-author of “In the river they  
swim” by Michael Fairbanks

Malik Fal was the former Business Operations Director of Microsoft SA before he took up the reigns at Endeavor in April 2009. Malik is deeply committed to High Impact Entrepreneurship and sees it as a key ingredient to the development of a vibrant middle class in South Africa and beyond. Malik is passionate about the need to reduce the wealth gap between rich and poor nations and has been involved in a variety of competitiveness initiatives in emerging markets around the world, has led a number of successful consulting engagements with the World Bank, the tourism industry in Bermuda and even the Rwandan Presidency.

Malik's role at Microsoft was Business Marketing & Operations (BMO) Group lead for West-East-Central Africa. Malik was responsible for the formulation and execution of Microsoft's strategy in Africa's vast geography. Before Microsoft Malik was with the OTF Group consultancy as Vice President, Africa region (previously part of the Monitor Group). He also spent six years at PepsiCo. Malik developed a passion for understanding the “essence of development” through exposure to a number of different models. He is particularly experienced in business strategy for firms in developing countries, and the practical roles government, private sector institutions, and individuals must play to find focused and sustainable solutions in the development process.

Prior to PepsiCo, Malik studied at Harvard's Kennedy School of Government where he received a Master's degree in Public Administration (MPA-2).

## Leadership Profile

[IN THE RIVER THEY SWIM, Essays from around the World on Enterprise Solutions to Poverty](#)

In the area of total global competition for scarce resources, where ethnic groups are at war and the rich are getting richer, where values are being tested and transformed faster than we reflect upon them, enterprise and technology solutions to poverty represent, perhaps, the best hope for poor nations.

*In the River They Swim* gathers a unique mix of participants who reflect on their experiences in the struggle to close the global development gap. From the fresh perspective of advisors on the frontlines of development to the insight of leaders like president Paul Kagame of Rwanda and Pastor Rick Warren, *In the River They Swim* tells the story of change in the microcosms of emerging businesses, industries, and governments. These authors demonstrate that eradicating poverty will not be achieved by sentimentality or a generic list of policy measures. The answers, we learn, are to be found in a heretical mix of history, economic theory, business strategy and practice, culture, leadership, and the most precious of human activities, integrative thinking. There is a personal nature to the author's efforts that rigorous analysis alone cannot convey. Essays allow the authors to become the crucibles in which their own experiences are tested, and provide the freedom to explore a learning process that is iterative, messy, and sometimes deeply introspective.



## Ayani, inclusive financial sector consultants

Ayani is management consulting company, specializing in the deepening of financial sectors – including savings, credit, health and other insurance, transfers and leasing in emerging markets and developing countries.

Ayani' services include technical and strategic support as well as management services in Investment and Apex Funds, Policy, Legislation and Regulation, Banking and Bank Downscaling, Microfinance and Small and Medium Enterprise (SME) Support and in Research, Knowledge Building & Evaluation.

Ayani consultants are specialized in the design, management and evaluation of financial sector deepening projects, including tested financing and capacity building facilities. Ayani experts have carried out over 100 assessments of financial institutions serving lower income market segments. Ayani offers short-term training as well as Resident Technical Advisors (RTAs) service, which places experts with MFIs for medium and long term on-site support.

At the financial institution level, Ayani enhances the capacity of financial service providers to include micro-, small- and

to include micro-, small- and medium-sized enterprise (SME) finance in their product offering, develop saving and housing finance products to the underserved to build assets and insurance products to protect assets, develop responsive consumer finance, trade finance and leasing products, and tap the remittance market.

AYANI has been chosen to analyze the feasibility of the Academy and will therefore focus on Vision building, Market and Financial feasibility, Educational and technical design of the AfriCap Academy.



## Cillion Consulting

Cillion consulting's expertise is based on years of direct involvement in the electronic and mobile payments, cash disbursement, point of sale (POS) and automated teller machine (ATM) industries across Africa. Cillion's objective focuses on supporting our clients with the development and implementation of innovative delivery channel solutions for payments and cash management, through sourcing, solution design and execution, and on-going operational support.

## New Partnerships

Cillion has a solid project management discipline and extensive experience in managing complex technology projects with multiple suppliers. The team includes operational and technical experts with the ability to act as integration facilitators, by bringing together the different components of a solution design (hardware, system interface and integration and third party services), which are integrally dependant on each other.

Cillion is neither a hardware or software reseller, nor are they aligned or associated with any particular hardware, software or integration vendor.

Cillion has a solid understanding of the players in the market, which allows them to act impartially and the best interest of clients, ensuring that the optimal of components are selected and effectively deployed to meet the clients' requirement.

Cillion will conduct an audit review of the existing and ongoing installations of the Bankers Realm software supplied by Craft Silicon, including EFT Switch (BREFT), POS software and devices at each of the 5 AfriCap MFIs having deployed the Application.

# Internship Program



Mecene has attracted significant interest from prospective interns, and is taking advantage of this interest by bringing talented individuals both to its offices in Johannesburg and to AfriCap portfolio companies. Profiles of several of these interns follow. Over time, Mecene will explore various ways to expand its intern program in productive and cost-effective ways.

## Spencer Cole

Spencer has been working at Mecene since April, 2009, and will remain with the company until November, 2009. He has assisted in building valuation models, creating presentations and reports, and analyzing fund strategic decisions. Prior to joining Mecene, he worked as an auditor at PricewaterhouseCoopers and as a junior analyst at UBS, Melbourne. Spencer is a graduate of the University of Melbourne, Australia.

## Michael Awari

Michael Awari began his internship with Mecene in July. He is currently pursuing his MBA at the University of Chicago Booth. Michael spent the past nine years at JPMorgan Chase, serving as a Credit Analyst, a Commercial Banking Officer, and most recently as a Vice President in the Credit Underwriting department.

He is focused on developing Mecene's Financial Advisory unit.

## Colin Sloand

Colin will spend one year as an intern with Mecene, beginning in Sept. 2009. He graduated from Lehigh University with a Finance and Business Economics degree, and previously worked as a summer analyst at Dresdner Kleinwort Investment Bank in New York. While in college, he co-founded the Lehigh Microfinance Club and served as the club's president. Before joining Mecene in Johannesburg, Colin has already proven valuable by conducting a market scan of the African micro-insurance space at Mecene's request.

## Eniola Mafe

Since June, Eniola has been working with Women's World Banking Ghana in the mobile banking unit. Eniola is currently studying for a Master's Degree at the Georgetown University School of Foreign Service. She has previous experience as a Global Markets Analyst for Merrill Lynch in London and New York.

"Talent being one of the key elements of any successful social enterprise, we are looking for skilled individuals capable of making an impact and creating innovative solutions. As we grow our current funds and expand our portfolio of funds, we recruit interns and assign them to our various projects."

Blaise Tiam

Partner, Mecene Investment

## Dan Rosenberg

Dan joined Mecene in July, working exclusively on issues pertaining to Socremo (Mozambique), and will spend the bulk of his internship in Maputo. His primary role is to analyze the company's asset and liability duration management. He holds a degree from the University of Melbourne, with a dual major in finance and French.



## Featured Photographer on our website: Elena Calvache Gratzner

Elena's first encounter with Africap was in 2001, when Africap opened its offices in Dakar, Senegal. At the time, Elena was living in Goree Island, and met with Wagane Diouf, Investment Officer for the Africap Fund. Through their common passion for photography, Wagane proposed that Elena takes pictures related to the social mission of the Fund. Progressively, Elena's photos were used in the Africap 2007 Report review and for the Africap website. The picture of the "doll woman" stood out and has since been the signature of Mecene Investment.

Since 1992, Elena has been completely dedicated to professional photography and has worked in different fields from publicity to reportage. The aspects that most interest her in photography are light and those instants in which, one feels that there is something beyond what we see, the hidden beauty of things. In her efforts to contribute by showing her work to the world, Elena's photos will be featured in the Mecene Investment's website from July to September 2009.

Elena's photojournalistic style is modern and distinctive with a timeless classical edge.

For more, please visit Elena at: <http://www.elenacgratzer.com>

"People are the focus of my job. When I photograph people living in unfavorable conditions, I avoid transmitting sorrow or compassion. Instead I try to show what is worthy to admire and learn from them: the smiles that you can see in the streets of a slum, these women singing while working for hours in the fields, the serene look of a child in a house made of tin and plastic, a fisherman showing his son how to do a good job... I want to generate sympathy based on the recognition and admiration of their daily struggle to overcome the unfair conditions in which they live, conditions just determined by pure chance, by the place where they're born".

Elena Calvache Gratzner.