

"In ten years, microfinance has gained credibility in the eyes of investors"

>Microcredit

Symbiotics, which is celebrating its 10th anniversary, has invested 2.2 billion francs for its clients

>True to its social charter, the Geneva-based company plans to expand into other sectors

Interview by Sébastien Dubas

Roland Dominicé and Vincent Dufresne founded Symbiotics in late 2004 in Geneva. Alumni of the Graduate Institute and the University of St. Gallen, respectively, they were immersed in the world of development and, among others, helped UNCTAD to launch the "virtual microfinance market," a kind of Bloomberg for the sector. Ten years later, they are at the head of the second largest player in institutional microfinance, with one billion Swiss francs under management, or 10% of the world market, and 85 employees in six offices around the world, compared to 9 at the end of 2005.

Le Temps: What was your idea when you started in microfinance?

Roland Dominicé: We wanted to offer services to institutional or banking clients who wished to invest in microfinance. I think the bet was successful. Today, the majority of banks, not just UBS and Credit Suisse, have one or two dedicated employees in this sector. The topic is also well covered in pension funds in Switzerland.

- Was it easy to convince institutional clients?

R.D.: During our very first presentations, we explained that it was necessary to invest in frontier, unregulated, illiquid markets, without the help of rating agencies or Bloomberg. As if that were not enough, we added that in these countries we had to bet on the poor. Our first challenge was therefore to create sector recognition. Fortunately, we were able to count on the support of development banks. After 150 transactions, institutional investors could see that money returned, that the yields were present. Ten years later, we have realized more than 2,000 transactions for 2.2 billion in investments.

- Vincent Dufresne: Including 450 million in 2014, 405 million in 2013 and 350 million in 2012, and only 11 million in investments in 2005. What is interesting is that there was renewed interest from institutional investors just after the financial crisis.

- How do you explain this?

V.D.: Following the financial scandals, some investors wanted to give more meaning to their investments.

R.D.: We are the first to have proposed a "social rating" of companies to our customers. It was important for us to show that we do not only choose good credit risks, but also companies that maximize social impact, that are not there to over-burden their customers with debt, etc.

- Has the microfinance sector also experienced a number of crises over the past decade?

R.D.: The countries that experienced crises are those where microfinance was not regulated, such as India and Nicaragua. So it was no surprise to us. Few actors, no credit facility, no laws, little or no supervision of the sector by the central bank, these are all indicators. However, it is impossible to foresee everything, especially the political risk. The only way to be protected is to diversify as much as possible and choose countries where the sector appears to be adequately supervised.

V.D.: Risks will always exist. We work in countries that have defaulted, such as Ecuador. We were, for example, in Bolivia when Morales decided to nationalize part of the energy sector or in Georgia when the war with Russia broke out. Nevertheless, our performance has remained very linear over the last decade.

R.D.: With the crisis, microfinance has grown from being a philanthropic endeavor to that of a stable and credible investment. Today, pension funds open orders for 100 or 200 million in the sector because they can no longer generate returns of 4% by investing in Switzerland or Europe. At the same time, they know that the sovereign debt of developing countries is extremely volatile. What is interesting in microfinance is that it is anchored in the real economy, that we benefit from the growth and, above all, that we invest directly. This is what has allowed the industry to generate 4% on average over the last ten years with a volatility of only 60 basis points. Performances that are obviously very attractive to pension funds.

- So how has the world of microfinance evolved over the past decade?

R.D.: The change has been enormous. Ten years ago, the term microfinance was unknown, only three or four companies like Symbiotics existed worldwide for private foreign investment and amounting to 200 or 300 million dollars. Today, this market totals 10 billion.

V.D.: When we started, there were fewer than 50 microbanks in which we could invest worldwide. Today, that figure has increased tenfold. Symbiotics has invested in more than 250 banks in more than 50 countries.

R.D.: And then there is the changing geography. Microfinance as an investment was first developed in the Andean countries, in Ecuador, Colombia, Bolivia and Peru; then in Eastern Europe, with the post-Soviet transition, and in South Asia. And finally, only in about the last five years, it has appeared in Africa.

- Is Africa the future of microfinance?

V.D.: We have been leaders in the sector on the African continent since we were awarded a 200 million dollar mandate with 12 development banks in 2010. In four years, we have funded more than 40 institutions in 20 African countries, including Angola, Zimbabwe, Chad and Cameroon.

R.D.: China is also a very interesting market for us. Like India, which we had deliberately put aside until 2014. Now, the Indian market is sounder, controlled, and it is the one that brings the most growth.

- Where will Symbiotics be in ten years?

R.D.: Our portfolio has grown more than 30% annually. While keeping that pace is not an objective in itself, we expect to double our assets under management, approximately one billion today, in three years. However, this growth will not come from microfinance alone. We will seek to expand into other areas, such as into funding for agriculture, into access to real estate and into energy solutions. But we will always remain true to our social charter: targeting emerging markets, using sustainable and social standards, and benefiting low-income populations.

Roland Dominicé: "Ten years ago, the term microfinance was unknown."

Vincent Dufresne: "We are leaders in the sector in Africa."