

ACCION Gateway

Microfinance Innovation Fund: Extending the Frontier

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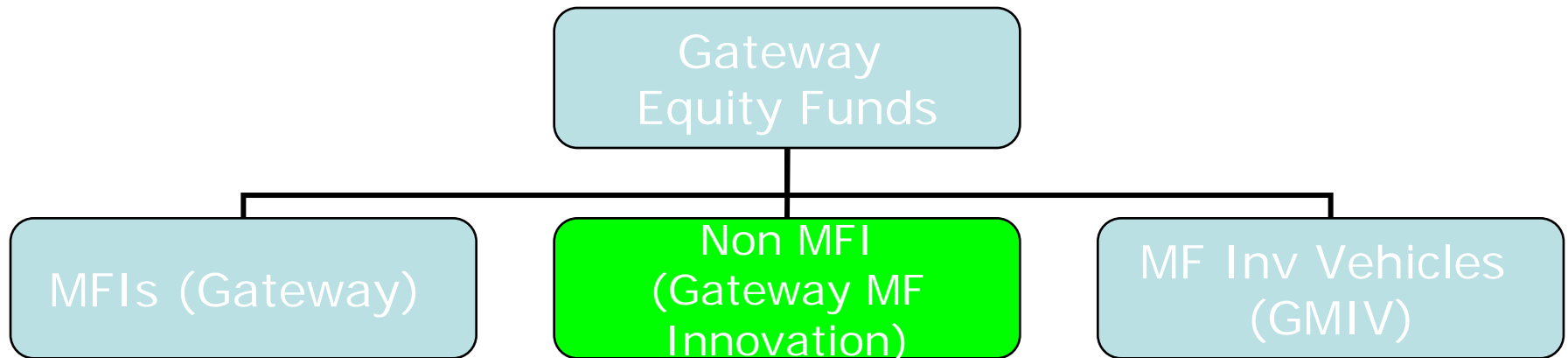
ACCION

The ACCION logo consists of the word "ACCION" in a bold, blue, sans-serif font. The letter "O" is stylized with a white dot in the center, and the letter "I" has a white dot above it. The logo is positioned on the right side of the slide.

ACCION Global Investments

Gateway Family of Funds

- **Social investment:** Develop, demonstrate, and disseminate best practices in double bottom line investing
- **Demonstration effect:** Bridge the gap between social development capital and true private capital
- **Innovation:** Catalyze innovation, build infrastructure and push frontier of microfinance through its investment vehicles



Gateway Microfinance Innovation (GMI) Fund - Recap

Global investment fund created in mid-2006 to build infrastructure for the MF industry and catalyze innovation that promotes financial inclusion.

Target companies

- Focus on Innovation that address industry bottlenecks
- Early stage ventures with demonstrated track record/proof of concept

Investment Size

- Deals: \$US250 K - \$US10 MM; average investment targeted to \$1 MM
- Can be majority or minority, with board seat

Geography

- Global (for diversification)
- Priority where ACCION has strategic interest (Lat Am, Africa, India, SE Asia)

Stake / Position

- Proactive search for deals, informed by sector analysis
- Will take lead if helps bring in co-investors (a must) and/or close deal
- Add value in governance & execution: BOP operational know how

Financing

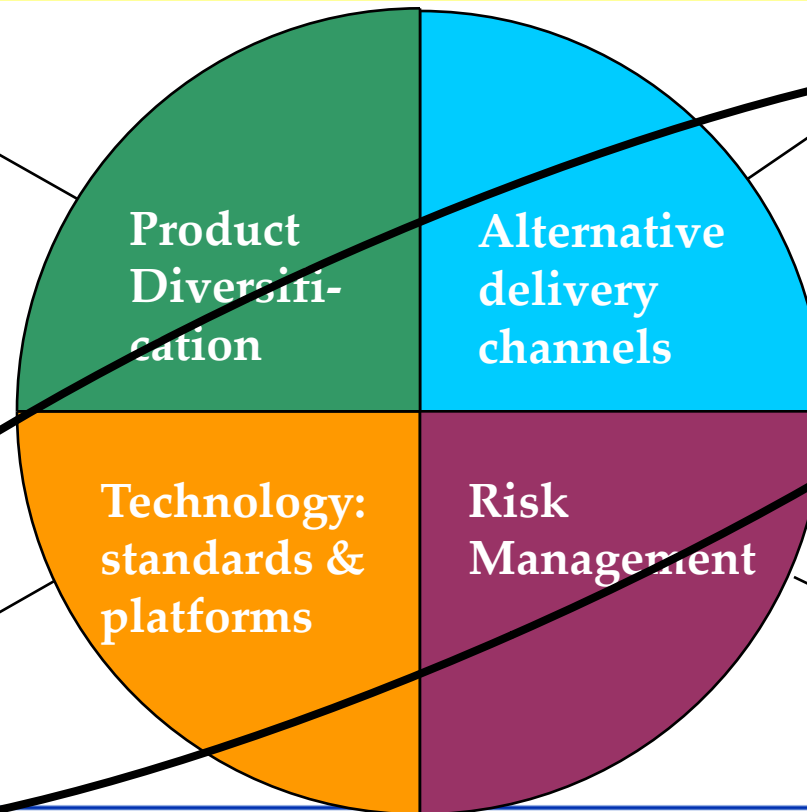
- Equity & quasi equity (including preferred, convertible & sub debt)
- Patient capital / Open ended fund

Target sectors focused on ACCION's New Business Model

- Radically enhance efficiency → automation
- Increase client value & versatility → product & channel diversification

New product development: especially insurance & housing

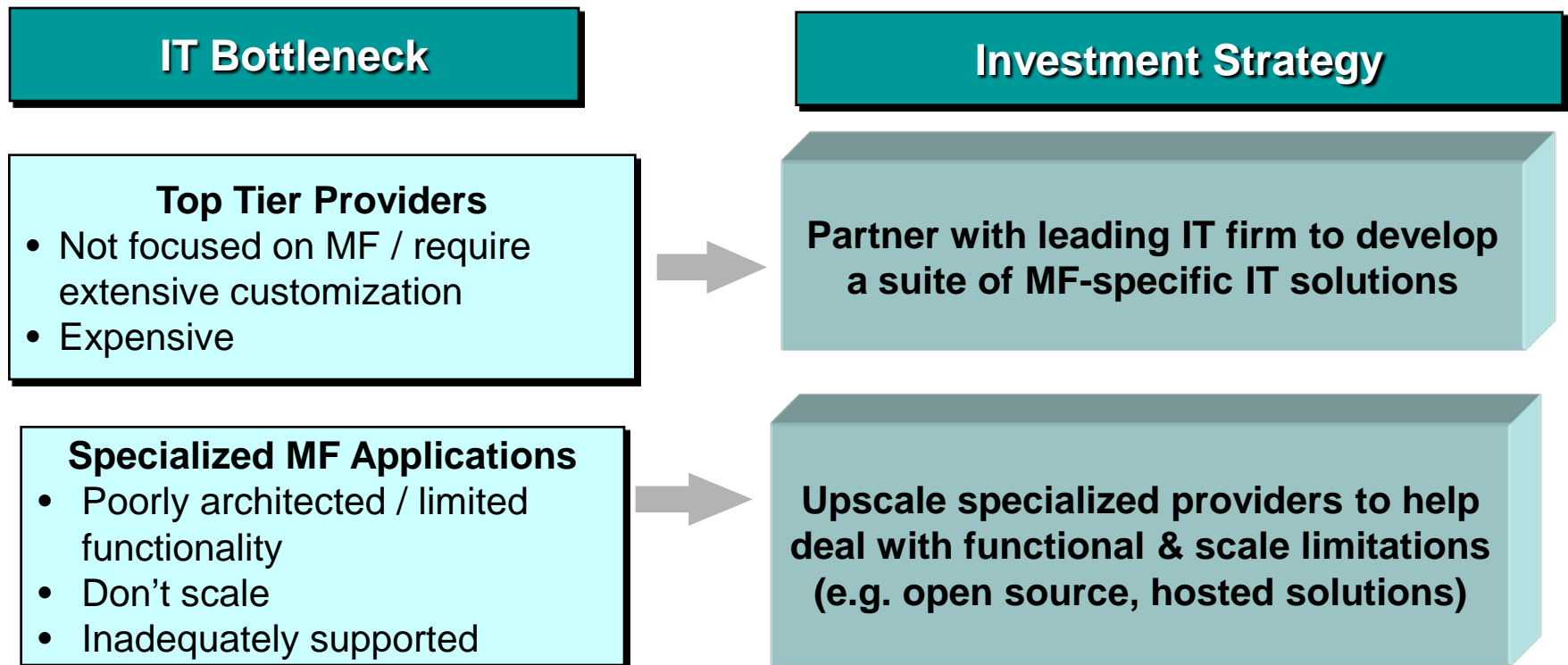
e.g. Payment systems, POS & cards, mobile banking, biometric ATMs



Core banking selection, centralized back office, work flow automation

Automate & rationalize credit process: scoring, credit bureaus, risk based pricing etc

ICT Investment Strategy – back end



Strategic Ventures & Alliances – combine capital and consulting to catalyze breakthrough innovation in financial services to the poor

ICT Investment Activity – front end

- Deep dive sector analysis to sort through & size up new technologies
- Some types of front-end technologies:

Technology	Examples
ATMs	Most ACCION's regulated partners in LA are currently using ATMs
POS systems	RTS Uganda, OI Malawi, Jamii Bora Kenya, FINO India, Correspondent Banks in Brazil, Colombia and Peru. SourceTrace, Global Kas, Zipp, MobiBank...
Cell phone banking	Wizzit South Africa, M-Pesa Kenya, G-Cash and Smart Phillipines

Game changing technologies will successfully overcome challenges

Back End

- Legacy systems / sunk costs
- Build vs. buy mentality
- Low, fragmented market penetration of existing solutions
- Diverse needs among MFI Tiers
- Most needed (core banking & payment system infrastructure) may have longest return horizon

Front End

- Business model – distribution & revenue share
- Infrastructure: communications, electricity
- Regulation: undefined
- Interface
- Client adoption

Building and expanding
sustainable, commercial
microfinance worldwide.

[Insert partner logo here]

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