

MICROCAPITAL BRIEFS | TOP STORIES

Indian Wholesale Lenders Agree to Restructure \$1b in MFI Debt

After months of negotiations, wholesale lenders have agreed to restructure total debt equivalent to USD 1 billion for the following Indian microfinance institutions (MFIs): Spandana Sphoorty Financial Limited, Asmitha Microfin Limited, Future Financial Services Limited, Share Microfin Limited and Trident Microfin Private Limited. The new loans will carry terms of seven years with a one-year moratorium on repayments. The banks reportedly expect to convert some of the debt into convertible preferential shares and equity, potentially giving them seats on the MFIs' boards. With the exception of Future Financial, the agreements were reached without the MFIs' promoters making personal guarantees, as had been sought by banks. June 6 and June 15. 2011

Storebrand, PROPARCO Invest \$15m in Incofin's Rural Impulse II

Belgium's Incofin Investment Management has raised the euro-equivalent of USD 15.8 million for its Rural Impulse Fund II. Storebrand, a Norwegian financial services provider, has invested USD 8.5 million in the fund, and French development finance institution Société de Promotion et de Participation pour La Coopération Economique (PROPARCO) has invested USD 7.2 million. Incofin's Rural Impulse Fund II was launched in June 2010 with USD 105 million in commitments, of which USD 35 million so far has been disbursed to 16 microfinance institutions in 10 countries. June 2. 2011

Advans Units in Ghana, Cameroon Refinance \$7m

Advans SA, a microfinance investment vehicle (MIV) registered in Luxembourg, recently reported to MicroCapital that two of its holdings have received local-currency refinancing loans. Advans Cameroun has received the equivalent of USD 1.4 million from the Access Africa Fund, an MIV operated by US-based MicroVest, and USD 1.05 million from the Regional MSME Investment Fund for Sub-Saharan Africa, an investment fund managed by Symbiotics of Switzerland. Advans Ghana has refinanced USD 2.17 million with Société Générale - Social Security Bank, the Ghanaian arm of the French Société Générale Group; USD 1.04 million from the World Bank Group's International Finance Corporation; and USD 1.32 million from Triodos Investment Management of the Netherlands. Advans SA reports assets in five countries worth a total of USD 23.4 million. May 31. 2011

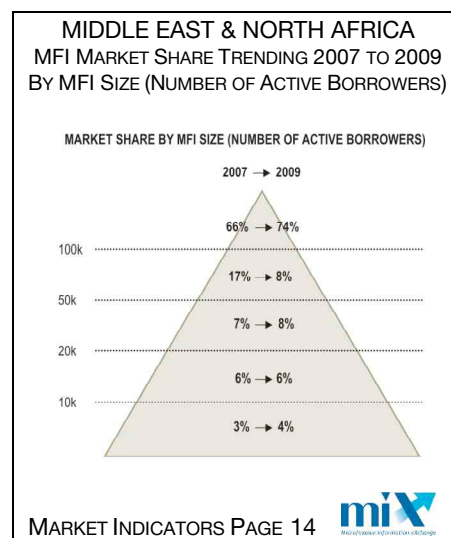
Mexico's Independencia Places Notes Worth \$128m

Financiera Independencia, a Mexican microfinance institution, has announced the placement of unsecured, local-currency certificados bursatiles (notes) with an aggregate principal value equivalent to USD 128 million. The notes have three-year terms and will pay an interest rate of 265 basis points above the TIIE 28, Mexico's 28-day interbank equilibrium interest rate. The identity of the buyers was not disclosed. Independencia reports a loan portfolio of USD 467 million, 1.4 million borrowers, return on assets of 5.3 percent and return on equity of 16.1 percent. May 23. 2011

Yunus Resigns

Dr Muhammad Yunus, the founder of Grameen Bank, a nonprofit microcredit organization in Bangladesh, has officially resigned from his post as managing director of the bank after a legal battle of nearly three months, during which time Dr Yunus appealed verdicts of the High Court and Supreme Court in an attempt to retain his position. Judges ruled that Grameen Bank is a government institution, not a private bank as Dr Yunus, aged 70, and his legal team have maintained, meaning that he must abide by a mandatory retirement age of 60 years. Grameen Deputy Managing Director Nurjahan Begum will serve as interim managing director. May 16 and May 17. 2011

| INSIDE | Page |
|------------------------------------|-----------|
| MicroCapital Briefs | 2 |
| Microfinance news | |
| Field Notes | 12 |
| Getting Past the Low-hanging Fruit | |
| Market Indicators | 14 |
| Courtesy of MIX | |
| Upcoming Events | 15 |
| Industry conferences | |
| Paper Wrap-ups | 16 |
| Latest research and reports | |
| Subscribe to the Monitor | 17 |



MICROCAPITAL BRIEFS

responsAbility Loans \$3.9m in Tajikistan, Kyrgyzstan, Georgia

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages have made loans totaling the following amounts: USD 1.4 million to Mol Bulak of Kyrgyzstan, which reports total assets of USD 36.5 million; USD 1.25 million to Georgia's Bank Constanta, a microfinance institution (MFI) that reports total assets of USD 48 million; USD 750,000 to Arvand of Tajikistan, a deposit-taking MFI reporting total assets of USD 5.3 million; and USD 500,000 to Lazika Capital, a Georgian MFI that reports a gross loan portfolio of USD 7.7 million. June 16, 2011

EFSE Receives \$7m, Disbursing \$57m for Microfinance, Housing

At the recent annual meeting of the European Fund for Southeast Europe (EFSE), a microfinance investment vehicle, the European Commission announced that it will invest the euro-equivalent of USD 7.1 million in EFSE to expand into Croatia and Turkey. EFSE announced that it will loan the euro-equivalent of USD 35 million to Raiffeisen banka Serbia, a division of Austria's RZB Group, for home improvement lending. Armenia's Araratbank, which reports the equivalent of USD 183 million in assets, will borrow USD 10 million from EFSE to support enterprise and home improvement loans. ProCredit Bank Macedonia, which is affiliated with the 21-member ProCredit Holding, will borrow the equivalent of USD 7.1 million, half in local-currency and half in euros. Mikrofin, which is located in Bosnia and Herzegovina and reports total assets of USD 174 million, will borrow the euro-equivalent of USD 5.7 million. June 16, 2011

responsAbility Loans \$6.3m in Moldova, Russia, Jordan

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages have loaned USD 5 million to ProCredit Bank of Moldova, which has USD 47 million in assets and is one of 21 member banks of Germany's ProCredit Holding. responsAbility also loaned the ruble-equivalent of USD 840,000 to FINCA Russia and USD 500,000 to FINCA Jordan, both of which are subsidiaries of the Foundation for International Community Assistance (FINCA) International, a nonprofit microfinance organization with operations in 21 countries. June 16, 2011

Triodos Invests in MFIs in Honduras, Ecuador, Bolivia

Triodos Investment Management, a Netherlands-based manager of four microfinance investment funds, recently reported to MicroCapital that funds it manages have added the following microfinance institutions to their portfolios: Cooperativa Mixta Mujeres Unidas Limitada (COMIXMUL) of Honduras, which reports assets equivalent to USD 19 million; Cooperativa de Ahorro y Crédito Mujeres Unidas of Ecuador, which reports assets of USD 3.6 million; and IFD Sembrar Sartawi of Bolivia, which reports assets of USD 12.5 million. The sizes of the investments were not disclosed. June 15, 2011

This publication is available to the public by subscription and is free of charge to microfinance institutions in developing countries courtesy of:



Afghan Islamic Cooperatives Loan \$7.4m in 4 Months

The US-based World Council of Credit Unions reports that between September and December 2010, 30 Islamic investment and financial cooperatives (IIFCs) distributed loans worth USD 7.4 million to approximately 8,000 small and medium-scale farmers and other business owners in Afghanistan. Mahir Momand, CEO of the IIFC Group, an apex association of Afghan IIFCs, stated, "No one dares to visit provinces like Helmand and Uruzgan, but the IIFCs are out there in those rural and highly volatile areas serving the needs of the unbanked.... IIFCs have not only helped in the economic development of rural communities at large, but they have also created jobs for those who might otherwise be recruited by the insurgency." June 15, 2011

Triodos Invests in MFIs Angola, Ghana, Belarus, Central Asia

Triodos Investment Management, which manages the Hivos-Triodos Fund, Triodos-Doen Foundation, Triodos Fair Share Fund and Triodos Microfinance Fund, recently reported to MicroCapital that its funds have added five microfinance institutions to their portfolios, making investments of undisclosed amounts in: KixiCrédito of Angola, which reports USD 13 million in assets; Advans Ghana Savings and Loans Limited, which reports a gross loan portfolio of USD 1.1 million; Arnur Credit of Kazakhstan, which reports USD 7.5 million in assets; Belarusian Bank for Small Business, which reports a loan portfolio of USD 19.8 million; and Kompanion Financial Group of Kyrgyzstan, which reports USD 50 million in assets. June 15, 2011

responsAbility Loans \$8.5m in Latin America

Microfinance investment vehicles managed by responsAbility Social Investments, Global Microfinance Fund, Microfinance Leaders Fund and Mikrofinanz-Fonds, together disbursed the following loans: USD 3.5 million to EcoFuturo of Bolivia, which reports total assets of USD 132 million; USD 2 million to FINCA El Salvador, one of the 21 country-affiliates of FINCA International; USD 2 million to Paraguay's Interfisa Financiera, which reports assets of USD 114 million; and USD 1 million to Argentina's FIE Grand Poder, which reports assets of USD 12.2 million. June 15, 2011

World Vision's VisionFund Reports \$418m in Assets

In an annual report available on CD, online and as an iPhone app, VisionFund, the microfinance subsidiary of US-based Christian relief organization World Vision, has reported total assets of USD 418 million, a gross loan portfolio of USD 341 million and 638,000 active borrowers served by its 40 affiliated microfinance institutions. June 14, 2011

MicroPlanet Nets First Customer for Cloud Banking Software

MicroPlanet Technologies, a US-based nonprofit that serves the technology needs of microfinance institutions (MFIs), has announced that Friendship Bridge, an MFI serving 13,000 women in Guatemala, is the first customer of its software-as-a-service banking software platform. The platform provides access, via the internet, to core banking software hosted and managed by MicroPlanet, thus reducing the cost of hardware and certain maintenance tasks for the MFI. June 14, 2011

MicroCapital Monitor - © 2011 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
Editor Bob Summers

Writers Rick Altieri, Hajar Elaalej, Jacqueline Foelster, Carol Kim, Alexandra Pattee, and Rohan Trivedi; special thanks to Susannah Tesoriero, John Howard-Smith and Diego Guerra Tavera
For questions, comments or suggestions, please write to
info@microcapital.org or call +1 617 648 0043, Boston, USA

MicroCapital would like to recognize the individuals at CGAP, the Microfinance Information Exchange and the Microfinance Gateway for their outstanding work disseminating information on microfinance. Thank you!

Withdrawal Limit in Nigeria Intended to Push Electronic Payments

Effective in June 2012, the Central Bank of Nigeria will limit daily cash withdrawals by individuals and corporate customers to the equivalent of USD 962 and USD 6,417, respectively, in an effort to encourage the use of electronic payments to reduce financial institutions' cash management costs. Godwin Ehigiamusoe, CEO of Nigerian microbank Lift Above Poverty Organisation, reportedly stated, "the informal sector which microfinance banks [MFBs] serve is still largely cash dominated and it will take sometime to get the small business people to embrace cash-less transactions. This is where the challenge lies for MFBs. A solution is to fast track the current efforts at mobile payment." June 14, 2011

India's SKS Plans New Business Lines as Director Resigns

SKS Microfinance, an Indian microfinance institution that reported 6.6 million borrowers in 2010, has been experiencing a range of transitions. After being removed from his position as CEO in October 2010, Suresh Gurumani has now resigned from his post as director of the company's board. After going public in July 2010, SKS's share price peaked at INR 1,490 in September 2010 but has since fallen as low as INR 262. Now, along with collateral-free loans, SKS is considering offering four new products: loans using gold as collateral, housing loans, loans to buy mobile phones and loans to grocery stores. Indian newspaper *Business Today* reports that of SKS's gross loan portfolio, which is worth the equivalent of USD 917 million, over one quarter is attributable to borrowers in the state of Andhra Pradesh, where the repayment rate now stands at 10.3 percent. June 2, June 7 and June 14, 2011

Applications Open in India for Citi Micro Entrepreneur Awards

Through July, Citi Foundation, the charitable arm of global financial services provider Citi, is accepting applications for its eighth annual Citi Micro Entrepreneur Awards, which bestow cash prizes to "exemplary micro entrepreneurs who have overcome economic and social challenges to successfully build self-sustaining micro enterprises" in India. More details are available at <http://www.microentawards.in/>. June 14, 2011

Pakistan Allows MFIs to Accept Gold as Collateral

The State Bank of Pakistan has begun permitting microlenders to accept gold as collateral to secure microfinance loans. It has been suggested that this development is an attempt to restore loan volume, which has lagged since floods pounded Pakistan in 2010. June 13, 2011

responsAbility Loans \$2.8m in Cambodia, Indonesia

The Global Microfinance Fund, a microfinance investment vehicle managed by responsAbility Social Investments, recently reported to MicroCapital that it has loaned USD 1 million each to Hattha Kaksekar Limited and Thaneakea Phum (Cambodia) Limited, Cambodian microfinance institutions (MFIs) that report total assets of USD 47.6 million and USD 28.3 million, respectively. In addition, the fund loaned the local-currency equivalent of USD 500,000 to Tanaoba Lais Manekat Foundation, a nonprofit MFI in Indonesia that reports assets of USD 5.4 million, and USD 300,000 to Koperasi Mitra Dhuafa (Komida), an Indonesian MFI with assets of USD 3.8 million. June 13, 2011

Swiss Re Partners with IFC on Global Index Insurance Facility

Swiss Re Corporate Solutions, a financial services group based in Zurich, has partnered with the Global Index Insurance Facility (GIIF), which is led by the World Bank Group's International Finance Corporation (IFC), to provide technical services to develop insurance products based on easily measurable factors such as whether rainfall is below a given threshold. IFC CEO Lars Thunell stated, "Innovative insurance products offer small farmers the tools they need to manage risks from unforeseeable events, giving them the certainty they need to grow their operations." In 2009, the European Union committed the equivalent of USD 35 million to GIIF. June 13, 2011

Triple Jump to Open Office in Mexico, Surpasses \$300m Managed

Triple Jump, a Dutch advisory service and manager of Oxfam Novib Fund, ASN-Novib Fund and SNS Institutional Microfinance Fund, recently announced plans to open an office in Mexico City to serve Central America and the Caribbean. Triple Jump also has a regional office in Lima, Peru. Triple Jump recently celebrated its fifth anniversary with a conference on microfinance and reported that its investments under management have reached the equivalent of USD 300 million invested in 152 microfinance institutions. June 13, 2011

Jordan Updates Policy Framework for Microfinance

Jordan's Ministry of Planning and International Cooperation, with assistance from German development bank KfW, recently developed a new policy framework for the microfinance industry. Although details have not yet been released, a review of the sector indicates an increase in microborrowers from 76,800 in 2006 to 203,000 in 2010, with aggregated gross loan portfolios reaching the equivalent of USD 157 million. June 13, 2011

Rwandan Group Warns Against "One-Size-Fits-All" Strategy

The Association of Microfinance Institutions in Rwanda (AMIR), an 84-member organization, has cautioned microfinance institutions (MFIs) against offering the same financial products to all clients. AMIR Executive Secretary Rita Ngarambe was quoted by Rwanda's daily *The New Times* as saying, "MFIs must know that products that work here in town cannot work well in rural areas, they need to craft new products that will help these poor people access financial services.... Because of this problem of MFIs using the same products, it is affecting them greatly especially with increasing Non Performing Loans, poor governance and operational risks." June 12, 2011

RBI May Take Over NABARD's Supervisory Role, Trump State Regs

The Indian Ministry of Finance is reportedly drafting a new microfinance bill that would transfer all regulatory power over microfinance to the Reserve Bank of India, the country's central bank, in an effort to create a uniform framework for all microfinance institutions. Under the proposal, the National Bank for Agriculture and Rural Development would no longer monitor nonprofit microlenders. Legislation passed by the state Andhra Pradesh late in 2010, which has been criticized as conflicting with federal regulations, would be mooted. State governments would, however, be responsible for monitoring microfinance client protection. May 19 and June 11, 2011

Habitat, MFC to Address Housing Needs in Europe, Central Asia

Habitat for Humanity, a nonprofit housing organization based in the US, and the Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States, a network of 110 microfinance institutions (MFIs), recently agreed to partner on the establishment of a regional "Center for Innovation for Shelter and Finance" as part of a Habitat initiative to introduce housing finance products to microfinance providers worldwide. The Habitat-MFC project aspires to train 800 MFI employees and fund the repair of 20,000 homes during its first five years. June 10, 2011

India to Allow Urban Cooperative Banks to Lend to SHGs

The Reserve Bank of India, the country's central banking authority, has recently begun permitting urban cooperative banks, commonly known as credit unions, to lend directly to self-help groups (SHGs) and joint-liability groups (JLGs) in an effort to facilitate financial inclusion. Under the new regulation, SHGs, which comprise roughly 15 individuals, can apply for loans worth up to four times the value of their pooled savings. JLGs, which are groups of approximately five individuals who borrow under combined individual and joint liability, will not have a deposit requirement. June 10, 2011

ACCION Launches MFI in Brazil

ACCION International, a US-based nonprofit that works with microfinance institutions in 22 countries, recently announced the official launch of ACCION Microfinanças in the Brazilian state of Amazonas. ACCION Microfinanças will provide loans, financial education, mobile banking and prepaid bank cards, with plans to offer microinsurance and credit cards in the future. Other investors in the MFI, which is majority-held by ACCION International, include the Multilateral Investment Fund, a member of the Inter-American Development Bank Group; the International Finance Corporation, the private-investment arm of the World Bank Group; and unspecified private investors. As was reported in the March issue of this newspaper, ACCION Microfinanças unofficially began operations in February. June 10, 2011

Peru Exempts Cooperatives from Tax

The government of Peru recently passed legislation that exempts the transactions of credit unions and other cooperatives from sales tax. According to trade group La Federación Nacional de Cooperativas de Ahorro y Crédito del Perú, many cooperatives would have faced bankruptcy without relief from the new tax. June 10, 2011

Amanah Ikhtiar Malaysia to Disburse \$164m in Rural Sarawak

Datuk Amihanzah Ahma, the chairman of operations in the southern Sarawak region for Amanah Ikhtiar Malaysia (AIM), a Malaysian microfinance institution, has announced that AIM plans to disburse the equivalent of USD 164 million in government-funded loans to poor people in rural areas over the next five years. Mr Ahma asserts that AIM's Sarawak division "enjoys a loan repayment rate of 99.8 percent" while reaching "the hardcore poor and low-income households, including those in the interiors." AIM reports total assets of USD 269 million, a gross loan portfolio of USD 185 million, 206,379 borrowers, return on assets of 4.93 percent and return on equity of 29.2 percent. June 10, 2011

responsAbility Loans \$7.5m to Peru's Confianza, Raiz, Prisma

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages have made debt investments in several Peruvian microfinance institutions (MFIs). responsAbility Global Microfinance Fund (GMF) and responsAbility Mikrofinanz-Fonds loaned the local-currency equivalent of USD 2.98 million and USD 993,000, respectively, to Edpyme Raiz, which reports USD 166 million in assets, a gross loan portfolio of USD 146 million, 78,600 active borrowers, return on assets (ROA) of 1.18 percent and return on equity (ROE) of 4.95 percent. GMF loaned USD 3.05 million to Financiera Confianza, which reports assets of USD 178 million, a gross loan portfolio of USD 140 million, 80,000 active borrowers, ROA of 2.84 percent and ROE of 19.94 percent. Lastly, GMF loaned USD 555,000 to Asociacion Benefica Prisma, which reports total assets of USD 13.1 million, a gross loan portfolio of USD 11.6 million, ROA of -11.5 percent and ROE of -64 percent. June 10, 2011



Investing in local currency debt, sub-debt, and equity

of MFIs and SME financial institutions

Affordable Housing • SMEs • Agribusiness

www.treetopscapital.com / info@treetopscapital.com

IFC to Loan \$4m to AccessBank Tajikistan

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has agreed to loan USD 4 million to microfinance institution AccessBank Tajikistan to "support competition in the microfinance sector." Tomasz Telma, a co-founder of AccessBank and IFC's Associate Director for Central Asia and Azerbaijan, says that the investment will help AccessBank Tajikistan reach its goal of becoming a deposit-taking institution. AccessBank Tajikistan is a subsidiary of Access Microfinance Holding of Germany, which has committed capital equivalent to USD 37 million including holdings in Azerbaijan, Liberia, Madagascar, Nigeria and Tanzania. June 9, 2011

Compartamos Banco Launches Operations in Guatemala

Consistent with plans reported in the May issue of this newspaper, Mexico's Compartamos Banco has announced the initiation of microfinance operations at three branch locations in Guatemala. The microbank reports total assets equivalent to USD 1 billion. June 9, 2011

RBAP Expects Consolidations to Continue in the Philippines

The Rural Bankers Association of the Philippines (RBAP), an association of 700 banks, predicts consolidations will continue in the rural banking sector in the country. RBAP spokesman Tomas S Gomez IV was quoted as saying, "Mergers and consolidations that are happening will result in fewer rural banks that are stronger in terms of resources." The trend has been encouraged by the central bank and the Philippines Deposit Insurance Corporation, with the number of rural banks shrinking from 631 to 607 during 2010. June 8, 2011

Nigeria's GTBank Partners with MTN on Mobile Banking

Nigeria-based Guaranty Trust Bank has partnered with Mobile Telecommunications Network (MTN) of South Africa to offer mobile banking services in Nigeria including phone-to-phone transfers and cash uploads via scratch cards. Recipients without bank accounts or mobile phones will be able to receive cash through accredited MTN retailers. With reported assets of USD 10.4 billion, Guaranty Trust has about 150 branches in Nigeria and four other African countries. June 7, 2011

Indonesian Banks Disburse \$30b in Microloans in 5 Years

Despite reports in 2010 that major banks were having difficulty offering microloans in Indonesia, US-based newspaper *The Wall Street Journal* recently reported that Indonesian banks are quickly expanding into the country's microfinance market, having disbursed microloans worth USD 30 billion in the past five years. To enter the microfinance niche, mainstream banks such as Mandiri Bank and Danamon Bank are serving rural town markets, simplifying loan application processes and collecting payments on a daily basis. Net interest margins from microloans reportedly hover around the 10 percent mark, which amounts to approximately three times the amount earned on many corporate loans in the country. June 7, 2011



PERFECT POINT PARTNERS
Consultants for Microfinance and Microenterprise



www.perfectpointpartners.com

G20 Gathering Input on SME Finance Policy

During June, the Group of Twenty (G20) finance ministers and central bank governors of “systematically important” economies is collecting input to shape the policy of its SME (Small and Medium-Sized Enterprise) Finance Sub-Group, which was launched as part of the G20 Global Partnership for Financial Inclusion. A range of stakeholders is being tapped for input on a draft policy document that will be presented at the G20 summit in Cannes in November. June 7, 2011

Nigeria's Capital Express Purchases Most of Kenya's Capex Life

Capital Express Assurance, a Nigerian life insurance company, has purchased a 65-percent stake in Capex Life Assurance of Kenya for USD 975,000, with the remainder purchased by a group of individuals led by Capex general manager James Macharia. Capital Express reportedly plans to launch a new business plan for Capex that will focus on life microinsurance. Mr Macharia was quoted as saying, “We shall have products for watchmen, for example, where they pay only [USD 1.13] every month for life insurance benefit of [USD 1,130] in case of death or permanent disability and 50 per cent cash back in case there is no claim in five years.” June 7, 2011

IFAD to Launch “Diaspora Investment in Agriculture”

The Financing Facility for Remittances, a fund initiated by the UN's International Fund for Agricultural Development that aims to channel remittances to finance rural development in developing countries, has launched its Diaspora Investment in Agriculture initiative. In collaboration with the US Department of State and other partners, the initiative is identifying agricultural investment opportunities for diaspora groups, individual investors and other potential stakeholders. Countries that are eligible for the program, of which most are in Africa, represent a collective diaspora of 16 million people. June 7, 2011

Equifax India to Launch Microfinance Credit Bureau

The Indian unit of US-based Equifax Credit Information Services has partnered with the following Indian banks to launch a credit bureau devoted to microfinance transactions: Bank of Baroda, Bank of India, Kotak Mahindra Prime, ReligareFinvest, Sundaram Finance and Union Bank of India. Samir Bhatia, CEO of Equifax India, said “consumers who may have otherwise been unable to obtain assistance can now establish their credit history and obtain funding to continue their ventures.” Several of the participating banks are significant players in the financial sector, but none specializes in microlending. June 6, 2011

Philippines Sets Eligibility Criteria for Microfinance

The central bank of the Philippines, Bangko Sentral ng Pilipinas, recently issued an order applicable to thrift, rural and cooperative banks specifying eligibility requirements for microcredit that include clients with annual family incomes below the national average, which was equivalent to USD 4,800 in 2009. Banks were also cautioned against the unlawful offering of microinsurance products that cost more than 5 percent of the Manila-area, non-farm minimum wage. June 6, 2011

Union Bank of India Launching Microfinance Schemes

Government-owned Union Bank of India (UBI) recently announced the launch of “unioninclusions,” which includes the following schemes: 1) the opening of 11 specialized financial-inclusion branches; 2) a biometric card-to-card remittance facility for migrants; 3) mobile van banking to serve unbanked villages in the state of Odisha; 4) publication of a comic-book series offering financial literacy information to illiterate people in rural areas; and 5) funding solar power for Union Adarsh Gram, a program whereby UBI is providing development assistance to 101 rural villages. The unioninclusions effort is part of Swabhimaan, a nationwide program launched in February by the Indian government to bring banking services to rural areas. June 3, 2011



Vision Microfinance is an appeal to combat poverty in a meaningful and sustainable way. During the last five years 206 m USD have been handed out in the form of 229 promissory notes to 101 different MFIs in 32 countries. Thanks to our investors the lives of over 250.000 people in developing countries have been transformed.

Vision Microfinance allows private and institutional investors to participate in the fast growing microfinance industry. Investors benefit from the extensive asset management expertise of Absolute Portfolio Management who work in close partnership with microfinance specialist Symbiotics and the Bank in the diocese of Essen, a cooperative bank specialized in sustainable investments. This unique cooperation of fund manager, research team and ethical guide yields innovative microfinance solutions: the first private microfinance fund in worldwide local currencies has just been launched.

Make a difference. Join Vision Microfinance:
www.visionmicrofinance.com

absolute⁷
 portfolio management

LUXFLAG
 microfinance

Absolute Portfolio Management GmbH, Wallnerstraße 3/17, A - 1010 Wien, Tel.: +43 (1) 533 59 76, www.absolutepm.at

LeapFrog Looking to Invest \$40m in Microinsurance in India

LeapFrog Investments, a US-based private equity fund with assets of USD 135 million that focuses on microinsurance, has reportedly engaged Unitus Capital, an India-based advisory firm, to seek opportunities to deploy up to USD 40 million in Indian microinsurance companies and larger insurers looking to develop microinsurance products. June 3, 2011

Indian MFIs Paying Over 12% to Securitize Loans

Indian microfinance institutions (MFIs), which have struggled to borrow from commercial banks since turmoil struck the microfinance industry in the state of Andhra Pradesh in 2010, have found that raising money by securitizing even their higher-quality loan portfolios has become more expensive. Securitization is a process that involves packaging loans into marketable securities for sale to investors. MFIs are now reportedly paying yields of 12 to 12.5 percent, up from 10 percent one year ago. Sa-Dhan, an association of Indian MFIs, reports that securitization deals worth the equivalent of USD 242 million have been completed in the last year. June 3, 2011

MFTransparency Expands to Guinea Bissau, Tanzania, Zambia,

MFTransparency, a US-based nonprofit that provides information on credit products and pricing, recently announced plans to expand its Transparent Pricing Initiative to Guinea Bissau, Tanzania and Zambia with the objective of collecting and publishing pricing data for microfinance products offered in each country and providing training on financial literacy for microfinance clients. As part of the effort, MFTransparency will collaborate with local microfinance institution networks Association Professionnelle des Systèmes Financiers Décentralisés - Guinée Bissau, the Tanzania Association of Microfinance Institutions and the Association of MicroFinance Institutions of Zambia. To date, MFTransparency has released pricing data from 22 countries. May 29 and June 2, 2011

Thailand "Encouraging" Microfinance With Rate Ceiling

The Bank of Thailand (BOT), the country's central bank, recently began allowing commercial banks to engage in microfinance so long as the loans do not exceed the equivalent of USD 6,000, the annualized interest rate does not exceed 28 percent and no collateral is required. While BOT Assistant Governor Pimpa Thawarayut has reportedly said three banks have expressed interest, the *Bangkok Post* newspaper indicates that the interest rate cap has dissuaded commercial banks from participating. June 1, 2011

GIZ Commits \$28m to Boost SMEs in Nigeria

The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, a development organization backed by the German government, reportedly has allocated the equivalent of USD 28.6 million to support small and medium-sized enterprises in Nigeria through its Sustainable Economic Development in Nigeria program, which aims to increase employment opportunities and support capacity building. May 31, 2011

Opportunity International Opens in Democratic Republic of Congo

Opportunity International, a microfinance network operating in 24 countries, has begun operations in the Democratic Republic of Congo, the funding for which was announced in the May issue of this newspaper. Within three years, the local operation aims to establish four branches, disburse 47,000 small-business loans and mobilize USD 4.7 million in savings from 24,000 depositors. May 31, 2011

Grassroots Business Fund Reaches \$8.4m Disbursed to SMEs

The Grassroots Business Fund (GBF), a nonprofit investment fund founded in 2008, has reportedly made 32 investments worth a total of USD 8.4 million in small and medium-sized enterprises in Africa, Asia and Latin America. GBF is currently seeking USD 60 million in an effort to scale its "hybrid" business model, which employs a combination of grants and for-profit investments in an effort to offer "low double-digit returns." May 31, 2011



DEVELOPING
WORLD
MARKETS

Celebrating 10 years of financing microfinance

www.dwmarkets.com

DWM Asset Management LLC

800 Post Road
Darien, CT, 06820, USA
Tel: + 1-203-655-5453
Fax: +1-203-656-9528
info@dwmarkets.com

Developing World Markets is a leading investment management firm linking socially motivated organizations in the developing world to the international capital markets.

By employing its extensive emerging markets, investment banking and fund management experience, DWM offers tailor-made financial solutions to MFIs around the world to contribute to poverty alleviation including:

Senior Debt • Subordinated Debt • Convertibles • Equity • Syndications • Bond Issues
USD • EUR • Local Currencies

*To date, **DWM** has provided financing to over 140 MFIs in more than 40 countries, led or advised on more than \$850m in capital raises, with more than \$650m in microfinance assets under management.*

IFC to Advise Saudi Hollandi Bank on SME Market

Saudi Hollandi Bank (SHB), which is owned by the government of Saudi Arabia, recently contracted with the World Bank Group's International Finance Corporation to receive advisory services regarding expanding lending to small and medium-sized enterprises, whose contribution to the country's gross domestic product "is low compared to other countries, at only thirty-three percent total share of private sector gross product" according to SHB Chairman Abdullah Khafrah. May 31. 2011

Rwanda's Bank of Kigali Launching Rural Microfinance Products

The Bank of Kigali (BK), a commercial bank in Rwanda, has announced the development of three microfinance products that will include collateral-free loan products for people in rural areas: a women's entrepreneurship account, a youth entrepreneurship savings account and a senior citizens' account. To support the development of the products, BK has reportedly mobilized USD 20 million from the French Development Agency (AFD in French), USD 5 million from the European Investment Bank and an anticipated USD 12 million from an unnamed international development bank. Details regarding the terms of these deals are not available. May 31. 2011

Myanmar's NLD to Disburse Microloans

The National League for Democracy, a banned political party in Myanmar, is reported to be planning a microcredit program to provide interest-free loans in the South Okkalapa Township of Rangoon with an emphasis on women who earn their living on a daily basis. Loans equivalent to USD 24 would be made to 50 individuals with repayments of USD 0.85 required each day. May 31. 2011

Haiti Mobile Money Initiative Still Offering \$12m in Grants

The Haiti Mobile Money Initiative (HMMI), a competition developed by the Haiti Integrated Finance for Value Chains and Enterprises (HIFIVE) program, continues to accept proposals from private sector organizations to develop mobile money services in Haiti. The US-based Bill and Melinda Gates Foundation has provided a grant of USD 10 million to be awarded to institutions that develop such systems and the US Agency for International Development has committed USD 5 million to provide technical assistance to winners. Digicel of Bermuda received the first award of USD 2.5 million from HMMI, as was reported in the February issue of this newspaper. May 30. 2011

LuxFLAG Renews Label for 13 MIVs

LuxFLAG, an organization established in 2006 to certify that microfinance investment vehicles (MIVs) actually invest in the sector, has renewed its annual label for 13 MIVs. *(For the complete listing, please refer to <http://microcapital.org>.)* To be labeled by LuxFLAG, a fund must invest the majority of its total assets in microfinance, at least 25 percent of its microfinance portfolio must be invested in microfinance institutions rated by an agency recognised by LuxFLAG and the MIV must seek a return on investment. May 30. 2011

BASIX of India to Service Retail Loans for Commercial Banks

BASIX Group, an Indian company whose holdings include two microfinance institutions (MFIs), reportedly intends to diversify away from direct microlending by allowing commercial banks access to its 3.5 million customers. Under the new model, BASIX customers could apply to mainstream financial institutions for loans, with BASIX conducting risk assessments and collecting repayments. Through the effort, BASIX expects to increase fee-based income from 15 percent to 40 percent of total income over an unspecified time period. BASIX Group's microfinance activities are carried out by Bhartiya Samruddhi Finance Limited and Krishna Bhima Samruddhi Local Area Bank Limited, which report combined assets of USD 432 million. May 30. 2011

The "Smart Money" Is with MF Council of the Philippines

Smart Communications, a mobile service subsidiary of the Philippine Long Distance Telephone Company, has partnered with the Microfinance Council of the Philippines, a network of 45 microfinance institutions, to market its Smart Money platform, which offers access to banking and remittance services via mobile phones. Smart reports serving 45 million subscribers. May 30. 2011

African Microfinance Transparency Looking for Host Organization

Applications recently closed for organizations in Africa looking to host and manage the African Microfinance Transparency Forum, a nonprofit currently based in Luxembourg that seeks to relocate to Africa as it continues its mission to promote transparency and efficiency among African microfinance institutions. May 30. 2011

Ericsson Mobile Money Service Seeking Its Share of \$27b

Ericsson, a Swedish telecommunications company, is ramping up its international money transfer and payment service, which is available via the internet and mobile phones, after launching a pilot program in September 2010 involving 50 service delivery partners in the Philippines and six European countries. The program now serves thousands of users with several currencies. Head of Ericsson Mobile Money Services Semir Mahjoub was quoted as saying, "The whole telecom community is very focused on mobile financial services, and the market for mobile 'light banking' services is expected to be worth around [USD 27 billion] annually by 2015." May 30. 2011

Banks, MFIs Fail to Provide Adequate Services in Zambia?

Zambian journalist Lewis Mwanangombe, in an article published recently by Italy's Inter Press Service, argues that, "Commercial banks have little interest in lending - or even banking - small entrepreneurs' money," and many microfinance institutions (MFIs) decline to lend small-business entrepreneurs "anything more than a million Zambian kwacha - the equivalent of 75 dollars.... At the other end of MFIs' potential market, the half of the population...who will have neither a formal income nor furniture against which to secure a microloan, have little option but to turn to loan sharks...". May 30. 2011

Microfinance in Cambodia Grows 10%, Described as "Trap"

Simon Marks of China's Asia Sentinel website recently cited data collected by the Cambodian Microfinance Association (CMA) indicating that as of March, total loans outstanding from CMA members amounted to USD 712 million, an increase of approximately 10 percent over three months. While nonperforming loans among licensed institutions were reported at 0.99 percent for the first quarter of 2011, Mr Marks offers anecdotal evidence of clients who have simultaneously taken loans from multiple lenders and subsequently have failed to make timely repayments. May 27. 2011

Manulife Introduces Life Microinsurance in Philippines

Consistent with plans reported by MicroCapital in March, Manulife Philippines, a subsidiary of Canada's Manulife Financial, has launched a microinsurance product that provides life and accident protection to low-income Filipinos. Monthly premiums for the FirstProtect product start at the equivalent of USD 10.50 with a term of 10 years. FirstProtect policyholders receive a maturity benefit equal to 25 percent of premiums paid if they survive the policy period. A related insurance product, FirstProtect Plus, offers a periodic dividend that can be claimed in cash. FirstProtect Plus holders that survive the policy period receive a benefit equal to half of premiums paid. The Vietnamese subsidiary of Manulife reports selling 80,000 similar policies since 2009 and is considering rolling out mutual funds. May 27. 2011

UNICEF Offers 2% Interest Rate in Rural Bolivia

The UN's Children's Fund has developed a network of 70 bancos comunales (communal banks) in rural Bolivia to deliver microfinance services to poor women and families that live 70 kilometers from the nearest paved road or 175 kilometers from the nearest city. In addition to loans, bancos comunales will provide borrowers with educational services relating to women's and children's rights. The banks will offer loans equivalent to up to USD 425 at a subsidized interest rate of 2 percent per year. Upon full repayment, one quarter of the interest collected will be returned to borrowers' savings accounts. May 27, 2011

Turkmenistan Adopts Microfinance Law

Mejilis, the legislature of Turkmenistan, has passed a microfinance law reportedly intended to attract financial resources to the country, facilitate the creation of business infrastructure and enhance the competitiveness of the country's private sector. May 26, 2011

Nicaragua's "No Pago" Members May in Fact Pay - Over 10 Years

Members of the "No Pago" (No Payment) Movement, in which thousands of Nicaraguan borrowers refused to pay back microloans beginning in 2009, have proposed a deal wherein the government would immediately repay debts to microfinance institutions worth USD 25 million and the debtors would in turn repay the government over 10 years. May 25, 2011

Microfinance Opportunities Bringing Financial Lessons to Malawi

Microfinance Opportunities, a US-based microenterprise resource center, has announced a partnership with Opportunity International Bank of Malawi, an affiliate of US-based microfinance network Opportunity International, to bring its "Consumer Education for Branchless Banking" program to 30,000 clients and merchant agents. The effort is part of a USD 2.9 million, three-year initiative funded by Canada's MasterCard Foundation to test the effectiveness of financial education in supporting the uptake of branchless banking among low-income populations in Asia and Africa. May 24, 2011

Indian Liquidity Crunch Leads Ujjivan, Others to Securitize Loans

IFMR Capital, an affiliate of the Indian nonprofit Institute for Financial Management and Research (IFMR), recently facilitated a securitization of 21,000 microloans valued at the equivalent of USD 3.8 million for Ujjivan Financial Services, an Indian microlender. The securities were issued as a 91-percent senior tranche that was subscribed to by an unnamed bank and a 9-percent subordinated tranche that was purchased by IFMR Capital. Both tranches have expected maturities of nine months. Ujjivan reports total assets of USD 157 million and a gross loan portfolio of USD 138 million. As of 2009, Ujjivan reported return on equity of 9.4 percent and return on assets of 3.2 percent. Other microlenders that have been involved in more than a dozen reported securitizations since March include Grameen Koota, Bandhan Microfinance and SKS Microfinance. May 23 and May 24, 2011

Dia Vikas Capital to Distribute Indian Micro-Pension Scheme

In association with its 15 partner microfinance institutions, which serve 1.5 million Indians, social venture firm Dia Vikas Capital, a subsidiary of nonprofit Opportunity International Australia, will distribute a micro-pension scheme that was initiated by the India's Pension Fund Regulatory and Development Authority (PFRDA). The program, NPS-Lite, encourages poor people to save money for use after they reach age 60 by offering a government-funded match of contributions up to the equivalent of USD 22 per client per year. Dia Vikas Managing Director KC Ranjani stated, "This initiative of PFRDA further enhances the commitment of the [microfinance] sector and the government to implement measures that relate to economic independence of people entrenched in poverty." May 24, 2011

Otero: Mobile Money, Policy Reform are Keys to Inclusion

Speaking at a panel held by the US-based nonprofit Brookings Institution, Maria Otero, US Under Secretary of State for Democracy and Global Affairs, argued that "The government must take a proactive role in the promotion of financial inclusion.... As banking evolves, so should regulation...a government can start by moving its own systems on to electronic and mobile platforms." May 24, 2011

Norwegian Microfinance Initiative Invests \$2.8m in Triodos

The Norwegian Microfinance Initiative (NMI), a public-private partnership that provides technical and financial support to microfinance institutions (MFIs), has agreed to invest the equivalent of USD 2.8 million in the Triodos Microfinance Fund, a Dutch-managed microfinance investment vehicle. NMI's Global Fund reports outstanding investments of USD 38.9 million in seven funds whose total capitalization amounts to USD 664 million. Triodos Microfinance Fund reports a microfinance portfolio of USD 78 million invested in 24 MFIs in 17 countries. May 24, 2011

Microinsurers in the Philippines Request Tax Exemption

Microinsurance companies in the Philippines are reportedly lobbying the national government to exempt microinsurance from taxes. According to Jhun Benedicto, chairman of the Philippine Insurers and Reinsurers Association, "As of now, the taxes on non-life insurance policies include the 12.5 percent documentary stamp, 12 percent [Expanded Value Added Tax], 0.5 percent local government tax, [and] 2 percent fire service tax (for fire policies)." Mr Benedicto argues that the tax exemption would significantly reduce the cost of microinsurance thus encouraging its uptake by poor people. May 24, 2011

Scholarships Available for Microfinance Research

PlaNet Finance, a French nonprofit, has issued a call for students to submit applications for its third University Meets Microfinance Scholarship Programme, which was launched in collaboration with Germany's Freie Universitat Berlin with the aim of fostering cooperation among microfinance practitioners and European students. Through October 15, bachelors and masters degree candidates enrolled in European universities may apply for research scholarships of up to EUR 1,500. May 24, 2011

MIF Loans \$3m to Colombia's Fondo de Capital Privado Inversor

The Multilateral Investment Fund, a member of the Inter-American Development Bank Group, recently loaned USD 3 million to the Fondo de Capital Privado Inversor (FCPI), a Colombia-based venture capital fund. The investment is one tranche of USD 20 million that FCPI is looking to raise to support approximately 15 small and medium-sized enterprises that address the needs of low-income households in Colombia. Financial details on FCPI are not available. May 24, 2011

IFC May Invest in Nigerian Mobile Money Industry

The World Bank Group's International Finance Corporation is reported to be conducting due diligence on the Nigerian mobile money industry as it is "keen to play a major role in...technology acquisition, e-float management and agency networks." The report follows the licensing of 16 mobile money companies in the country. May 23, 2011

Pakistan's Khushhali Bank to Accept Western Union Remittances

Khushhali Bank, a Pakistani microfinance bank, and Western Union, a US-based financial services and communications company, have agreed to introduce international inbound remittance services at Khushhali Bank's 109 branches. Once operated by the State Bank of Pakistan, Khushhali Bank converted to a public limited company on April 1, 2008. Khushhali Bank reports serving 329,000 borrowers. May 23, 2011

\$70m Program in Niger to be Delivered via MFIs, Mobile Phones

The International Development Association, the arm of the World Bank that delivers aid to the poorest countries, has allocated USD 70 million to support a “social safety net” in Niger, wherein cash transfers and employment guarantees will provide income to one million poor people over the course of five years. Cash worth the equivalent of USD 20 will be disbursed monthly to each of 80,000 poor households through channels such as microfinance institutions and mobile phone operators. A cash-for-work program will also be offered. May 23, 2011

IFC Gives “Business Edge” to Staff of Advans Cameroun

The World Bank Group’s International Finance Corporation (IFC) has agreed to train staff of microfinance institution Advans Cameroun through IFC’s Business Edge program, which is intended to help staff better provide guidance to micro-, small and medium-sized enterprises. Business Edge covers human resources, marketing, finance, operations and personal productivity skills. Advans Cameroun, which reports 5,500 active borrowers, is an affiliate of Advans SA, which also holds stakes in microbanks in Cambodia, Democratic Republic of Congo, Ghana and Tanzania. May 23, 2011

Supreme Court Considering SKS Petition to Block State Law

SKS Microfinance, an Indian microfinance institution, has filed a petition with the Supreme Court of India to block the Regulation of Microlending Act, which was issued by the government of the state of Andhra Pradesh in December 2010. SKS argues that by requiring state-government approval of every microloan application, it creates an undue burden on business. The Supreme Court has reportedly scheduled a hearing on the case for July. May 23, 2011

UN Convenes Discussion on Microfinance Regs in Uzbekistan

The UN Development Program recently organized a session to discuss possible amendments to microfinance regulations in Uzbekistan including new accounting and auditing standards intended to reduce the operational expenses of microfinance institutions. Unspecified credit policy amendments are also proposed to assist microbanks in remaining solvent. Session participants included Uzbekistan’s Central Bank, Ministry of Justice and National Association of Microcredit Organizations. May 23, 2011

On the Potential of Islamic Microfinance

Ajaz Khan, microfinance adviser for nonprofit Care International UK, argues in an entry on a blog of the British newspaper *Guardian* that Islamic microfinance may be attractive also to non-Muslims because there is evidence of higher rates of economic growth from Islamic microfinance, it can encourage microentrepreneurs to take greater risks than users of standard microfinance products and investment is permitted only in activities deemed socially beneficial. May 23, 2011

Plans Evolve for Andhra Pradesh-backed Lender to SHGs

The non-banking finance company proposed by an unnamed bank with equity participation from the government of India and the government of the state of Andhra Pradesh has acquired four more bank partners, raising its initial equity to the equivalent of USD 110 million. The institution proposes to offer loans at rates near 13 percent per annum through existing networks of self-help groups (SHGs), which are bodies of roughly 15 individuals who pool their savings, can apply for loans as a group and may on-lend to their members. The lender would disburse loans to regional federations of SHGs in Andhra Pradesh, which in turn would lend to SHGs via village-level associations. May 20, 2011

10 years: a passionate story of innovation

- Creating value through strong and long-term partnerships
- Double-bottom line investing policy
- Diversified investment portfolio strategy

Assets under Management

- USD 1.1 billion
- Invested in 140 MFIs
- In more than 40 countries

BlueOrchard is a leading commercial microfinance investment manager providing loans to microfinance institutions through **BlueOrchard Finance S.A.** since 2001 and investing in the equity of microfinance institutions and microfinance network funds through **BlueOrchard Investments Sàrl** since 2007.



The BlueOrchard Group • 32 rue de Malatrex
1201 Geneva, Switzerland • Tel. +41 22 596 47 77
info@blueorchard.com • www.blueorchard.com
Offices in Geneva • Lima • New York • Phnom Penh • Bishkek • Bogota



On the Effects of New Indian Regulations

Even as additional changes are proposed, a slew of commentators are predicting what the effects will be of recent microfinance regulations approved by the Reserve Bank of India. The US-based, nonprofit Microfinance Information Exchange concludes that microlender margins have generally exceeded the new 12-percent limit by 1 to 2 percentage points, which would disqualify them from funding under banks' government-mandated "priority sector" quotas. Mary Ellen Iskenderian, CEO of US-based Women's World Banking, reportedly expressed concern that the new rules are inflexible to models other than the "outmoded joint-liability group model" and that "micro-management by regulators" may stifle small institutions with high ethical standards. Indian rating agency Credit Rating and Information Services of India Limited predicts that "regulatory restrictions...will provide an impetus for consolidation...." May 16, May 18 and May 20, 2011

WaterCredit.org to Highlight Crossover of Sanitation, Microfinance

Water.org, a nonprofit organization promoting access to clean water in Africa, South Asia and Central America, has launched WaterCredit.org, a website exploring the intersection between microfinance and the need for clean water and sanitation. Through microlending, Water.org seeks to reach people living in poverty with safe water and sanitation at a faster pace than could occur via charitable methods. May 20, 2011

Pakistan Spending \$16m on Innovation Contests, G2P Payments

The State Bank of Pakistan recently launched the Financial Innovation Challenge Fund (FICF) with the equivalent of USD 16.3 million in an effort to spur innovation and broaden accessibility to financial services as part of the UK-funded Financial Inclusion Programme. FICF will support government-to-person payments, which are intended to cut costs, improve transparency and encourage the adoption of financial services by poor people in Pakistan. The fund will also hold contests encouraging organizations to create financial innovations. May 19, 2011

Oxfam, UN Offer Microinsurance in Return for Labor in Ethiopia

Oxfam America, a subsidiary of UK-based relief agency Oxfam International, and the UN World Food Program have developed a crop insurance initiative that offers microinsurance to Ethiopian farmers in return for either cash or labor. The microinsurance provides cover against drought using a rainfall index, wherein a farmer is paid if rainfall occurs at or below a level that is likely to result in poor agricultural output. Instead of paying cash, farmers have the option of working on local forestry, soil and irrigation projects that are meant to mitigate the effects of climate change. In 2009, 200 families took out policies insuring their crops for a total value of USD 2,500, with two thirds providing labor in lieu of cash. During 2011, organizers aim to reach 13,000 families. May 19, 2011

World Vision Tanzania, MicroEnsure Mesh Microloans, Insurance

World Vision Tanzania, a branch of US-based relief organization World Vision, in partnership with MicroEnsure, a subsidiary of US-based microfinance network Opportunity International, has launched a pilot scheme to provide small-scale farmers in Tanzania with agricultural loans bundled with weather-index insurance. Through the program, farmers can borrow money for farm inputs from local World Vision affiliate Small Enterprise Development Agency. The loans will include drought insurance provided by MicroEnsure. The size of the pilot program has not been disclosed. May 19, 2011

ADB Proposes Increased Private Investment in Microinsurance

At a recent meeting of the Board of Governors of the Asian Development Bank, a panel of microfinance experts and insurance executives argued that companies offering microinsurance are experiencing solid growth. Private insurers cited an enabling regulatory environment as a critical step in facilitating large-scale policy sales and claims payment. May 19, 2011

Corporation Bank of India Opens Microfinance Branch

The government-owned Corporation Bank of India (CorpBank), recently opened a microfinance branch in Hyderabad, Andhra Pradesh, increasing the bank's microfinance network to four branches. CorpBank's microfinance offerings include microinsurance and micropension schemes as well as lending to self-help groups, nonprofit organizations and for-profit microfinance institutions. CorpBank has 3,500 outlets offering traditional banking services. May 18, 2011

MicroEnsure, PharmAccess Launch Health Insurance in Tanzania

MicroEnsure, an insurance subsidiary of US-based microfinance network Opportunity International, and PharmAccess Foundation, a Dutch nonprofit that seeks to strengthen health systems in Africa, have partnered to launch a health plan for members of the Kilimanjaro Native Cooperative Union, a group of 67 coffee cooperatives in Tanzania. The members of each cooperative that agrees to participate will be required to pay an annual premium equivalent to USD 8 from coffee sales while a further payment of USD 19 will be funded by PharmAccess. The program is expected to reach 250,000 people by the end of 2013. May 17, 2011

IFMR Trust's Ananth Advocates Matching Account Types, Needs

The CGAP Microfinance Blog, which is operated by US-based think tank CGAP (Consultative Group to Assist the Poor), recently posted an article by President Bindu Ananth of IFMR Trust, an affiliate of India's nonprofit Institute for Financial Management and Research (IFMR), that argues for "matching types of accounts to types of needs" such as short-term consumption smoothing, medium-term building of lump sums and long-term retirement savings. May 17, 2011

www.mobilepaymentchina.com



Shanghai, China | July 12-13
Mobile Payment
CHINA 2011

We are in Shanghai
We know about China market
We deliver exclusive information, intelligence and contacts




6th Annual
Microfinance Investment Summit

Global initiatives to capitalise on partnerships
and maximise both business and social returns

5-8 July, 2011 • Hotel Warwick Geneva, Switzerland

+44 (0) 20 7878 6888 • www.microfinancesummit.com

Indian MFIs Seek \$218m in Addition to Restructuring Funds

Five Indian microfinance institutions (MFIs) are reportedly looking to raise the equivalent of up to USD 218 million in new working capital loans even as they were awaiting word on proposed restructuring plans for existing debt. *(Please see Page 1 regarding restructuring efforts.)* Spandana Sphoorty Financial Limited, Asmitha Microfin Limited, Future Financial Services Limited, Share Microfin Limited and Trident Microfin Private Limited are seeking new loans at an annual interest rate of 12 percent with a repayment moratorium of one year and a term of up to six years. An unidentified MFI official reportedly stated that banks seem “reluctant.” May 17, 2011

BBC Radio Wins Award for “Microcredit Meltdown” Story

The annual One World Award for a Radio Program has been presented to the government-supported British Broadcasting Company’s World Service for its “Assignment: India’s Microcredit Meltdown,” which concludes that some microlenders in the Indian state of Andhra Pradesh have done more harm than good. May 17, 2011

Nigerian Association Forming MFB Trust Fund

The National Association of Microfinance Banks, a trade group of 820 Nigerian microfinance institutions, is forming a trust fund to protect members from liquidity shocks. Although the fund has obtained regulatory approval, details on its size and investors have not been disclosed. May 16, 2011

Will Tunisian Revolution Extend to Microfinance?

Mohammed Khaled, the Middle East-North Africa Region representative for US-based think tank CGAP (Consultative Group to Assist the Poor), has argued that the recent leadership change in Tunisia has the potential to greatly expand microfinance in the country by repealing the 5-percent ceiling on annual interest rates and allowing microlenders to offer services such as savings, insurance and money transfers. May 16, 2011

Acumen Fund, Grameen Invest \$1.7m in Kenya's Juhudi Kilimo

Juhudi Kilimo Company Limited, a Kenyan microfinance institution, has received quasi-equity investments from two US-based nonprofits. Acumen Fund invested USD 1.2 million, and Grameen Foundation invested USD 550,000 in the microbank, which reports total assets of USD 1.6 million, a gross loan portfolio of USD 983,000 and 3,570 borrowers. While a quasi-equity investment generally has both equity and debt characteristics, such a breakdown of this transaction has not been released. May 16, 2011



On Public-private Partnerships in Microinsurance

The Microinsurance Network, a member-based organization that works to advance insurance for poor people, recently published a summary of an online discussion on public-private partnerships (PPPs) addressing themes including the role of governments in enabling PPPs, the merits and drawbacks of subsidizing the private sector, how to define success in microinsurance PPPs and current gaps in consumer protection and institutional capacity. Commentators argued in favor of a systemic and strategic approach to develop the entire PPP value chain, document good practices and establish dedicated and efficient PPP management. May 16, 2011

Should China Help Foreigners Invest in Microfinance?

Vidhi Tambiah, CEO of the Swiss nonprofit World Microfinance Forum Geneva, has reportedly said that Chinese microfinance institutions (MFIs) could benefit from international funding if Chinese finance officials were to improve the supply of information available to foreign investors. This is despite significant government restrictions on the size and format of foreign investment. Tang Ning, CEO of CreditEase Business Consulting (Beijing), was quoted as stating that “the current supply can’t satisfy demand in China” for financial services for people with low incomes. May 16, 2011

BlueOrchard Invests \$1m in Svasti Microfinance of India

Grameen Capital India, a Mumbai-based, socially oriented advisory firm, recently announced that BlueOrchard, a Swiss microfinance investment company, made an equity investment equivalent to USD 1 million in Svasti Microfinance Private Limited, an Indian microfinance institution. Grameen Capital India acted as exclusive advisor to Svasti on this, its second round of equity funding. Svasti manages a loan portfolio of USD 1.13 million and has approximately 8,500 borrowers. May 11, 2011

PayMate, IFMR Rural Finance Launch Mobile Money in India

PayMate, an Indian mobile payments company, and IFMR Rural Finance, an arm of India’s Institute for Financial Management and Research (IFMR) Trust, recently agreed to launch a suite of financial inclusion projects through IFMR’s Kshetriya Gramin Financial Services (KGFS). The initiative involves enabling mobile money transfer along a corridor including Delhi and the state of Uttarakhand and piloting a microloan repayment project in the state of Orissa. PayMate operates in partnership with 15,000 merchants in the US, India, Sri Lanka, Nepal and the United Arab Emirates. KGFS reports a gross loan portfolio equivalent to USD 12.5 million. May 11, 2011



FIELD NOTES

Microfinance Version 2.0 - Getting Past the Low-hanging Fruit

There's been quite a buzz recently in the US about microfinance. Surprisingly, most of it has been positive. The negative stories from India and the controversy around Muhammad Yunus have made their way off the front pages. Meanwhile, microfinance in the US has gained momentum, attracting new stakeholders and supporters for the industry worldwide. The attendance of over 850 people at the upbeat Microfinance USA 2011 conference in New York City last month was a good barometer. It also shows that there is great interest in replicating some of the successes from international microfinance in the US. Institutional investors are still putting money into microfinance investments; CGAP (Consultative Group to Assist the Poor) notes that foreign investment in microfinance has quadrupled to USD 13 billion worldwide in the last four years. These investors are also asking more questions about social performance. Donors and private foundations are still in the game, though many have narrowed their focus to savings and reaching "new frontier" markets such as people in rural areas, youth, refugees and women seeking innovative products.

Why the good news? I suspect it is related to the fact that, in many places, microfinance is still one of few reliable ways to deliver financial and non-financial services to low-income sectors. So if you think it makes sense for the poor to have this access, microfinance institutions (MFIs) are still your best bet in most parts of the world.

One problem, however, is the cost of delivering financial services to people who are more vulnerable or who live in areas that are difficult to access. It isn't surprising that, along with a new emphasis on "harder" clients and products, there has also been enormous excitement around mobile money. Mobile transactions are offering cheaper and more convenient payment services than many alternatives (or lack of alternatives) in places like Kenya, Tanzania and the Philippines. In

addition to reducing the cost of financial transactions, mobile money can expand outreach by bridging transportation hurdles. However, in many countries, including the US, mobile money is still constrained by regulatory and/or market factors, and MFIs will need other technologies to help cut travel and staffing costs.

Another problem is that achieving social impact in these harder markets requires a lot more than bare-bones financial services. Women's businesses are challenged by low growth and family responsibilities. Youth-run businesses are typically new and suffer from inexperience. Farmers are enormously vulnerable to external risks. Those outside the banking system in the US may struggle with poor credit histories, criminal records or immigration issues. Conflict- or disaster-afflicted countries are complicated at best. Lending to the vulnerable should be accompanied by training, mentoring, the provision of health care and other services, which add even more costs to an already expensive transaction.

All this suggests to me that the noble goal of reaching harder markets ethically, cost effectively and with a broader product array will be much more difficult than we think. Yet getting past the low-hanging fruit will be essential for the survival of MFIs that are in business to serve the unbanked and not to compete for banked customers. MFIs will need to "upgrade to version 2.0" and leverage the renewed optimism in the industry to take advantage of grants, investments and learning opportunities. The task at hand is challenging, but there are still supporters willing to help...for now.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni@eac-global.com, or you may follow her on Twitter at [BarbaraatEA](#).

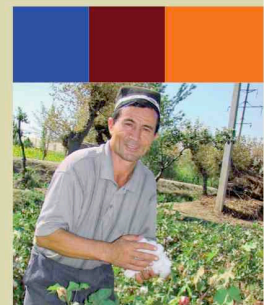
responsAbility
leading social investments



Your Professional Financing Partner

We are committed to being a client-focused investor, making the following benefits available to our partners:

- Attractive conditions
- Local currency funding
- Lean processes and fast execution
- Reliable source of funding
- Strong networks



www.responsAbility.com

responsAbility Social Investments AG
Phone +41 44 250 99 30, proposal@responsAbility.com

Fundeser is pleased to announce that, during 2010, it:



- Received €1.9m in new funding from AECID/ICO and a private investor
- Disbursed \$14.8m as 31,438 microloans averaging \$469 and
- Maintained a "new portfolio" PAR 30 of 1.67%

<http://www.fundeser.org.ni>

FONDATION
MICRO-CREDIT
GROUPE BANQUE POPULAIRE



Supporting Moroccan microentreprises for 10 years with proximity, financing, management, training and monitoring.
www.fbpmmc.ma

Mobile Payments & NFC Asia 2011

Date: 13 - 14 July
Venue: Smart Eaton Hong Kong

Organized by



Asomi, with 42,000 clients in India, is pleased to announce its goal of reaching



200,000
clients by
2012

www.asomi.co.in

 **MicroCapital Monitor**

SINCE 2006

Did you know **every MFI**
on the MIX Market receives
the complete subscriber edition
of the *Monitor* each month?



MCC Mikrofin is pleased to announce that for the third time in a row, it has been named best MFI in Bosnia and Herzegovina.
www.mikrofin.com

2007 | 2008 | 2009

Banco Solidario

Recognized for social responsibility by Microfinanzas Americas, The Smart Campaign, Planet Rating, Microfinance Information Exchange and Great Place to Work.

www.solidario.fin.ec

With 385 locations serving over 126,000 clients across Uzbekistan, Mikrokreditbank is proud to have been recognized as

**Country Winner
for Uzbekistan**

in *The Banker* magazine's
2010 "best bank" awards





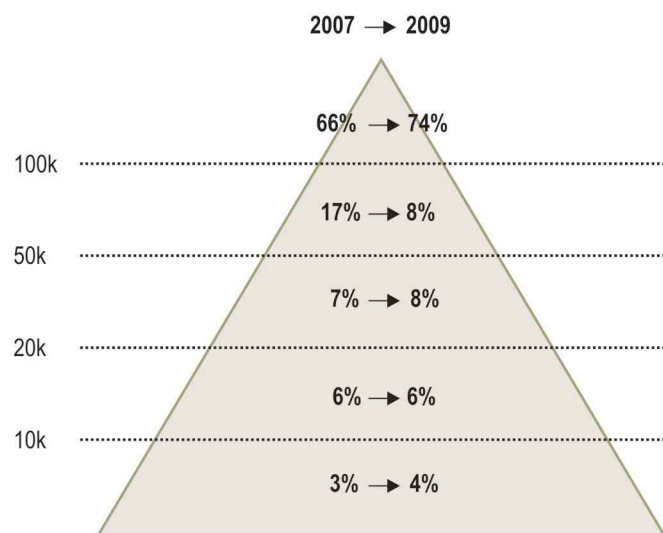
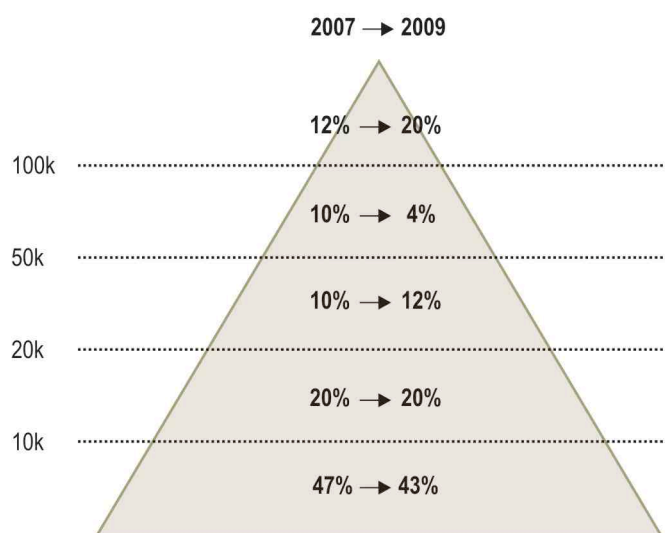
MICROCAPITAL MARKET INDICATORS | MIDDLE EAST AND NORTH AFRICA

49 MFIs REPORTING¹

TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

| MFI NAME | COUNTRY | AVERAGE ANNUAL USD INCREASE | AVERAGE ANNUAL % INCREASE | 2007 | 2009 |
|---|-----------|--------------------------------|------------------------------|-------------|-------------|
| Association Al Amana for the Promotion of Micro-Enterprises Morocco | Morocco | 21,390,212 | 7 | 304,829,792 | 347,610,216 |
| Assiut Businessmen Association | Egypt | 20,863,457 | 53 | 31,317,460 | 73,044,374 |
| Rafah Bank for Microfinance | Palestine | 9,845,014 | 47 | 16,791,174 | 36,481,202 |
| Enda Inter-Arabe | Tunisia | 9,517,778 | 36 | 22,320,440 | 41,355,997 |
| Alexandria Business Association | Egypt | 8,692,954 | 35 | 21,116,050 | 38,501,957 |
| Development and Employment Fund | Jordan | 7,570,065 | 16 | 44,611,548 | 59,751,679 |
| Lead Foundation | Egypt | 6,022,238 | 48 | 10,131,699 | 22,176,175 |
| Palestine for Credit & Development | Palestine | 5,381,558 | 64 | 6,406,353 | 17,169,469 |
| Dakahlya Businessmen's Association for Community Development | Egypt | 4,226,452 | 24 | 15,617,411 | 24,070,314 |
| Lebanese Association for Development - Al Majmoua | Lebanon | 3,331,941 | 36 | 7,782,535 | 14,446,416 |

PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS) MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



(1) Denotes only MFIs that report data for 2007 - 2009 to MicroBanking Bulletin (MBB) or MIX Market.
Source: Microfinance Information Exchange, Inc., June 2011, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Overcoming Obstacles to Rural and Agricultural Finance

June 20 - June 21, 2011, Washington, DC, USA

This conference, co-titled "Cracking the Nut," will cover food security, post-harvest systems, integrating technology and value chains, mobilizing savings and reducing outreach costs. A two-day workshop on value chain finance will follow the conference. Registration - which has officially closed - is priced at USD 695 for the conference and USD 1,100 for the workshop. More details are available via <http://crackingthenutconference.com/>, or you may contact Rashmi Ekka at +1 703 914 5533 or rekka@azmj.org.

Bottom of the Pyramid Housing Finance 2011

June 28 - June 29, 2011, Miami, Florida, USA

This conference will cover finance, legal and partnership issues relating to creating housing in low-income communities in Latin America. The standard price to attend is USD 2,148 with a range of discounts available. Add-on workshops are also available. Details may be had via +1 212 537 5898, <http://www.housingfinance-latam.com> or info@hansonwade.com.

International Microinsurance Conference - Learning Sessions

June 30, 2011, London, UK

This seminar will feature the role of actuaries in microinsurance, research on how to insure poor people, and a discussion on "Is there a profit serving the poor?". The fee to attend is GBP 445, with a rate of GBP 345 for members of "The Actuarial Profession" network. For more information, you may visit <http://www.actuaries.org.uk/events/one-day/international-microinsurance-conference-learning-sessions> or contact Emma O'Neill at eventmanagement@actuaries.org.uk or +44 (0)20 7632 1476.

Sixth Annual Microfinance Investment Summit

July 5 - July 8, 2011, Geneva, Switzerland

This conference will cover best practices for microfinance investing with day-long programs dedicated each to Africa and microinsurance. The Global Microfinance Achievement Awards 2011 will be presented on July 6. Depending on the days of attendance, prices range from GBP 999 to GBP 2,400, with discounts available including a reduction of GBP 150 for MicroCapital readers using the code "MC 150." More details are available via Miles Levit at enquiries@c5-online.com or +44 (0) 20 7878 6886 or via <http://www.microfinancesummit.com/>.

Central Asian Microfinance Fair 2011

July 7 - July 8, 2011, Bishkek, Kyrgyzstan

This event seeks to cover an overview of microfinance in the region, efficient foreign-exchange risk management, designing products that fit market needs, the sustainability of rural finance, credit bureaux and financial literacy. The fee to attend is EUR 600, and more details may be had via registration@uni-global.eu, +420 234 250 250 or <http://www.uni-global.eu/en/event/2011-100>.

5th Asian Conference on Microinsurance

July 11 - July 12, 2011, Jakarta, Indonesia

The theme for this event is "Micro-Reinsurance: Defining the Future Commercial Opportunity in Microinsurance." Sessions will explore enterprise risk management strategies and how to build capacity, expedite the maturation process of the microinsurance market and access efficient and effective secondary risk transfer mechanisms. The registration fee is USD 1,680, with a rate of USD 1,480 available to subscribers to the *Asia Insurance Review*. Details are available from Ms Loga at +65 6372 3184 or loga@asiainsurancereview.com or via http://www.asiainsurancereview.com/pages/conference_details.asp?id=174.

Mobile Payment China 2011

July 12 - July 13, 2011, Shanghai, China

This event will convene representatives from mobile network operators, financial institutions, payment service providers, mobile suppliers and policymakers to discuss developments in the industry. The fee to attend is EUR 1,275 with a 10-percent discount available when three or more register from the same organization. More information is available via <http://www.mobilepaymentchina.com>, +86 21 51615300 or marketing@igvision.com.

Mobile Payments & NFC (Near Field Communications) Asia 2011

July 13 - July 14, 2011, Hong Kong, China

The theme of the event is "Strategies for NFC Commercialization, Moving Ecosystem Development Forward." The conference program includes case studies, country updates and discussions with representatives of mobile operators, m-payment providers, regulators and manufacturers. More details are available at http://www.symphonysymphonyglobal.com/index.php/event/page/mobile_payments2011. Pricing may be requested by email from enquiry@symphonyglobal.com or by phone at +65 6221 8119.

Third Pacific Microfinance Week 2011

July 25 - July 29, 2011, Port Vila, Vanuatu

This series of gatherings engages microfinance institutions, learning institutions, government agencies, commercial banks and other private companies in promoting inclusive and sustainable financial services in the Pacific. There is no fee to attend, but space is limited, and registration closes June 21. More information is available via <http://www.microfinance-pasifika.org/3rd-pacific-microfinance-week-2011-dates-confirmed.html>, info@microfinance-pasifika.org or +679 310 0855.

MORE DETAILS COMING SOON ON...

Global Youth Enterprise & Livelihoods Development Conference

September 7 - September 9, 2011, Washington, DC, USA

TBLI Conference Asia 2011 (Revised Dates)

September 15 - September 16, 2011, Tokyo, Japan

5th African Micro Finance Conference:

The Future of Inclusive Finance in Africa

September 19 - September 22, 2011, Addis Ababa, Ethiopia

Arusha Savings Groups Summit

October 4 - October 6, 2011, Arusha, Tanzania

XIV FOROMIC 2011: Inter-American Forum on Microenterprise

October 10 - October 12, 2011, San Jose, Costa Rica

Near Field Communications - Mobile Payments Forum 2011

October 11 - October 13, 2011, Beijing, China

European Microfinance Week

November 2 - November 4, 2011, Luxembourg

Seventh International Microinsurance Conference 2011

November 8 - November 10, 2011, Rio de Janeiro, Brazil

TBLI Conference Europe 2011

November 10 - November 11, 2011, London, UK

Microcredit Summit Campaign 2011

November 14 - November 17, 2011, Valladolid, Spain

Microfinance India Summit 2011

December 12 - December 13, 2011, New Delhi, India

PAPER WRAP-UPS

Rural and Microfinance in the Lower Mekong Region: Policies, Institutions, and Market Outcomes

By Binh T. Nguyen and Robert Vogel, published by the Asian Development Bank, 2011, 126 pages, available at: <http://www.microfinancegateway.org/p/site/m/template.rc/1.9.51104/>

This document reviews the microfinance sectors in Cambodia, Lao People's Democratic Republic (Laos) and Vietnam over the last 10 years, focusing on policy environment, institutions and market outcomes in an effort to compare the microfinance sectors of these three countries against international best practices and to identify challenges and possible future development patterns for each. The authors intend the paper to provide "guidance for government officials and international development agencies on which types of interventions can be most supportive of an array of efficient and sustainable institutions providing financial products and services that are attractive to the poor, especially those in rural areas."

The authors review recent literature on the microfinance sectors in the three countries and on microfinance issues in other developing countries that are pertinent to understanding the situations in the countries of focus. The authors visited Cambodia, Laos and Vietnam and met with officials of relevant government agencies and entities providing rural finance and microfinance services. They also distributed a questionnaire to a set of microfinance service providers: 17 in Cambodia, 13 in Laos and 19 in Vietnam.

The paper concludes that, although Cambodia, Laos and Vietnam were in similar circumstances before the formal introduction of microfinance, they have diverged significantly in their approaches to microfinance and results achieved.

Mr Nguyen and Mr Vogel observe that Vietnam's government heavily regulates the sector including infrastructure and the delivery of products and services. The authors recommend fundamental changes to the government's approach to microfinance, beginning with an analytical survey to better understand how to meet the needs of the market and including technical assistance regarding best practices.

Mr Nguyen and Mr Vogel observe that Cambodia's rural and microfinance sectors comprise one government bank and several private microfinance institutions (MFIs) that provide support and technical assistance to the government bank. The authors recommend

technical assistance to help Cambodian MFIs mobilize deposits and external financial support for upgrading management information systems.

The authors find that Laos has a "huge unmet demand" for financial services in rural areas, with the state-owned agricultural promotion bank acting as the sole provider of agricultural microfinance. The authors recommend that Laos implement major reforms to the institutional structure of the sector, provide training and technical assistance for MFIs on best practices and strengthen and refocus central bank regulatory activities.

Microfinance and Social Investment

By Jonathan Conning and Jonathan Morduch; published by the Financial Access Initiative at New York University's Robert F. Wagner Graduate School of Public Service and Hunter College; April 8, 2011; 30 pages; available at: http://financialaccess.org/sites/default/files/Microfinance%20&%20Social%20Investment_Conning&Morduch.pdf

This paper analyzes the current state of social and commercial investment in microfinance. Exploring examples from India and elsewhere, Mr Conning and Mr Morduch examine issues that they believe necessitate corporate involvement in a historically philanthropic sector. The authors consider a number of factors including institutional capital structures, the availability of microborrower collateral and various target populations. Instead of focusing on clients, Mr Conning and Mr Morduch are more concerned with the "incentives and opportunities" of various financial institutions, from the funder to the practitioner.

The authors elaborate on economic models to explain market imperfections, financial exclusion of the poorest people and the economic characteristics of these populations. Mr Conning and Mr Morduch use such a model to analyze microlenders' level of risk, cost of funds and projected returns from lending to borrowers who are unable to provide collateral. The authors then manipulate the model to examine several ways of "expanding financial frontiers," including reducing collateral requirements. Mr Conning and Mr Morduch test the effects of proactive monitoring by microfinance institution (MFI) staff, business training programs, group lending mechanisms and the distinctions between individual and joint liability. These iterations of the model allow the authors to examine ways of selecting creditworthy clients and otherwise reducing MFIs' risks.

Mr Conning and Mr Morduch conclude that there is a "misalignment of capital, information, and enforcement capacity" that requires the involvement of diverse

stakeholders. The ability to administer and enforce retail loan contracts is critical to an MFI's operations and performance, but also involves a range of costs associated with the intensity of enforcement, quantity of available client information and risk of default. The authors find that MFIs that serve the poorest people face the highest costs and must place their own scarce "intermediary capital" at risk. Social investors, in contrast to their commercial counterparts, are able to provide funds to these organizations, absorbing numerous risks and accepting "sub-market financial returns" in exchange for MFIs' efforts to alleviate poverty. This multidimensional focus of social investors is exemplified by their taking on subordinated positions in capital structures in return for serving a greater number of previously under-served people.

Due to their mixture of objectives, social investors provide a unique form of support to nascent institutions. Initial financing can be difficult to raise for an institution that lacks a track record or serves a demographic perceived to carry greater risk. Unlike grants, which the authors argue can be used to hide costs and cover inefficiencies, subsidized funding from social investors can support institutional development including improved governance, technical assistance, interaction with private sector networks and the ability to attract further capital. Social investors are thus described as involved participants that can provide inexpensive capital, "active engagement" and additional monitoring.

Regarding commercialization, Mr Conning and Mr Morduch use examples from Mexico and Bolivia to illustrate different ownership structures and their effects on performance. The relationships among NGOs, social investors, commercial investors and other for-profit companies are explored through examples of various capital structures and transactions. Financing from global capital markets is valued by MFIs because it can help them achieve scale through leverage, but the authors warn that commercial investment can cause serious problems including corruption, mission drift and changes to business models that do not mesh with social objectives. More funding may help more people, but it can also hamper the institution's ability to serve its target demographic in a way that aligns with the original mission and vision of the organization.

Mr Conning and Mr Morduch conclude by reiterating the need for flexibility and for enabling regulation for investors, particularly in the Indian microfinance sector. Because microfinance customers are so diverse, their needs are best served by a diversified set of investors, institutions and methodologies.

Bank-Insured RoSCA for Microfinance: Experimental Evidence in Poor Egyptian Villages

By Mahmoud El-Gamal, Mohamed El-Komi, Dean Karlan, Adam Osman; published by Rice University Department of Economics; April 2011; 27 pages; available at: <http://www.uh.edu/~achin/workshop/EMF-04-11.pdf>

The authors of this paper argue that despite advances made in facilitating access to finance for poor people across the world, Muslims remain disproportionately unbanked. The authors suggest that the main reason is that the majority of Muslim populations find microfinance products and services incompatible with the Shariah prohibition against charging interest.

In Egypt, the authors compare rates of take-up and repayment of standard interest-based loans, as offered by conventional models of microfinance such as Bangladesh's Grameen Bank, with an alternative model that builds on credit unions such as rotating savings and credit associations (RoSCAs). RoSCAs, which are known as "gam'iyas" in Egypt, are a form of financial intermediation wherein approximately 15 to 30 people form a self-managed group to which each contributes an agreed amount at regular meetings. The entire fund is then distributed to each member on a rotating basis, until everyone in the group has contributed and received the same amount. The RoSCA model proposed by the authors is combined with bank insurance that is used in case a member defaults.

A series of randomized controlled trials indicates that the bank-insured RoSCA model experienced higher take-up and repayment rates than the Grameen model. The authors conclude by advocating for further investigation of the viability and desirability of village-level credit unions as a bridge to connect poor people with the mainstream financial sector in majority-Muslim countries.

Survey on the Access to Finance of SMEs in the Euro Area

Published by the European Central Bank, April 2011, 22 pages, available at: <http://www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201104en.pdf>

This fourth report of its kind indicates that the external financing needs of small and medium-sized enterprises (SMEs) in the euro area increased slightly between September 2010 and February 2011 as did the firms' rate of success when applying for a loan. The survey includes data from approximately 7,500 SMEs surveyed during February and March 2011.

SUBSCRIBE TO THE MICROCAPITAL MONITOR

Issues of the MicroCapital Monitor are available only by paid subscription. Please subscribe today to support a representative voice for microbankers and investors at MicroCapital.org or by calling +1 617 648 0043. Subscriptions include twelve monthly issues and access to all back issues.

Bronze: USD 149 per year - Sent to one email address
Silver: USD 299 per year - Emailed to three people at one organization
Gold: USD 699 per year - Customized, organization-wide access
Discount: USD 99 per year - Available only OUTSIDE rich countries

No Thrills: Dormancy in NFA Accounts

By Ann-Byrd Platt, Akhilesh Singh, Sachin Bansal, Anurodh Giri, Akhand J Tiwari; published by MicroSave; May 2011; 12 pages; available at: http://microsave.org/research_paper/dormancy-in-no-frill-accounts

This paper reviews "No Frill Accounts" (NFAs), a basic account option legally required of private banks in India. The research, conducted in the states of Uttar Pradesh, Rajasthan and Tamil Nadu, found that despite a large number of accounts opened, many clients use NFAs only to withdraw government benefits and wages and that most accounts are inactive. In many areas, 20 percent or fewer use their account for small savings, the original intention of NFAs. The research also indicates that most banks lose money on NFAs.

Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report 2010

Published by the Microfinance Information Exchange and CGAP (Consultative Group to Assist the Poor), March 2011, 40 pages, available at: http://www.cgap.org/gm/document-1.9.51111/2010_CGAP_MIX_ECA_Benchmarking_Report.pdf

This report, which is available in both Russian and English, examines data from 22 countries and 8,012 microfinance institutions to evaluate credit risk, currency risk, funding risk, market structure and trends with an emphasis on the impact of the global economic downturn.

2010 Sub-Saharan Microfinance Analysis and Benchmarking Report

By the Microfinance Information Exchange (MIX) and CGAP (Consultative Group to Assist the Poor), published by MIX, April 2011, 22 pages, available at: http://www.themix.org/sites/default/files/096_MIX_Africa%20Report_05-05-2011.pdf

This report examines growth trends, legal changes, regulatory changes, funding and social and performance data on 181 microfinance institutions that operate in 41 countries.

Measuring Changes in Client Lives Through Microfinance: Contributions of Different Approaches

By Mayada El-Zoghbi and Meritxell Martine, published by CGAP (Consultative Group to Assist the Poor), May 2011, 4 pages, available at: http://www.cgap.org/gm/document-1.9.50966/MeasuringBenefits_Brief.pdf

This brief examines approaches to measuring changes in client lives that may be attributed to microfinance. The authors review randomized controlled trials, in which an intervention is assigned to a treatment group and withheld from a control group, in addition to other social performance assessment tools that were used in India, the Philippines and Morocco. The authors conclude that more evidence is needed before conclusions can be drawn as to whether microfinance is beneficial to customers.

Monetary Theory and Electronic Money: Reflections on the Kenyan Experience

By Robert M Townsend, Tawneet Suri and William Jack; published in Economic Quarterly, First Quarter 2010, 40 pages, available at: http://www.richmondfed.org/publications/research/economic_quarterly/2010/q1/pdf/townsend.pdf

This paper considers data from M-Pesa, a Kenyan cellphone-to-cellphone money transfer service, and selected models of monetary theory to examine the effects that mobile banking services may have on financial systems. The authors propose that mobile banking services are well-positioned to supply insurance, savings and credit services in addition to the relatively common offerings of money transfers and electronic payments. The authors also argue that the shortages of cash and e-money that have occurred with the M-Pesa system may be remedied through improved mobile banking system design or through modifications of governmental monetary policies. ■