

MICROCAPITAL BRIEFS | TOP STORIES

RBI Adopts Most of Malegam Committee Proposals

The Reserve Bank of India (RBI), India's central banking authority, recently announced that it has accepted - with some modifications - the recommendations proposed by the Malegam Committee to prevent abuses in the microfinance industry. RBI will allow banks to count lending to microfinance institutions (MFIs) toward government-mandated "priority sector" quotas under the following conditions: annual interest rates for end-borrowers are capped at 26 percent; margins for MFIs and non-banking financial companies are capped at 12 percent; and borrowers are limited to rural households with annual incomes up to the equivalent of USD 1,350 and urban households earning up to USD 2,700. May 5. 2011

Central Bank of Nigeria Plans to Cut Number of MFIs "Drastically"

The Central Bank of Nigeria (CBN), the nation's central banking authority, recently announced that it has commenced inspections to assess the level of compliance at the 103 microfinance institutions (MFIs) that were granted approval-in-principle after being among the 224 MFIs that had their licenses revoked in September 2010. CBN also reportedly plans to announce policy reforms later this year that are intended to "drastically" reduce the number of MFIs operating in the country. Explaining the delay of a microfinance regulatory framework that was scheduled for implementation in 2010, CBN Governor Mallam Sanusi Lamido Sanusi reportedly said, "We keep licensing institutions and regulating operators without asking if we have built the capacity to supervise them." April 23 and May 5. 2011

BRAC of Bangladesh Admits to Pushing Over-indebtedness

BRAC, a Bangladeshi development organization established in 1972 as the Bangladesh Rehabilitation Assistance Committee, reportedly has admitted to pushing loans on borrowers that could not afford them. Shameran Abed, program head of microfinance at BRAC, was cited by the Irin Asia news service as saying that an overabundance of funds, the absence of a strong regulatory body and a lack of data on borrowers were to blame for the tactics of his and other microfinance institutions. Lamia Karim, an associate professor at the United States' University of Oregon, was quoted as saying, "Grameen, BRAC, ASA and Proshika all strong-armed women into paying back. In extreme cases homesteads are taken apart and the timber and tin sold off." The organizations have denied the allegations. April 26. 2011

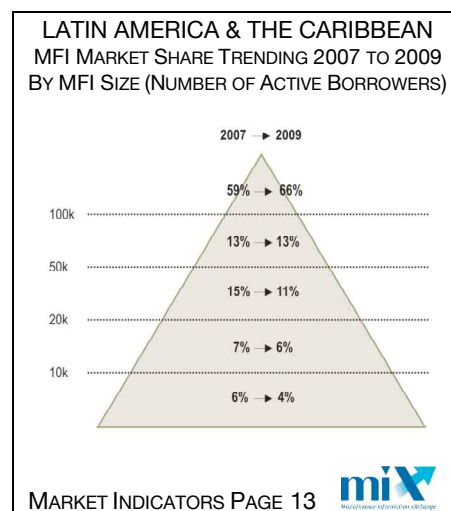
Mexico's Vinte Viviendas Issues \$8m in Bonds for Housing, Guaranteed by IFC

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, recently announced a 50-percent credit guarantee of a local-currency bond issuance worth USD 8.4 million offered by Vinte Viviendas Integrales, a housing developer in Mexico. Vinte CEO Sergio Leal was quoted as saying, "IFC's structured financing will help Vinte access a new type of institutional investor to help expand our portfolio of affordable-housing projects." The funds are intended to create 3,000 affordable housing units. Financial details on Vinte are not available. April 18. 2011

LeapFrog Invests \$13m in Apollo for Microinsurance in Africa

LeapFrog Investments, a private equity microinsurance fund, recently placed a USD 13.5 million equity investment in Apollo Investments Limited, an insurance company that operates in Kenya, Uganda and Tanzania, in an effort to increase access to microinsurance for people with low incomes. Apollo Chief Executive Ashok Shah was quoted as saying, "Investments in microinsurance have diverse returns that evolve over time: reputational gains in the short term, knowledge and innovation in the medium term, and strong growth and profitability in the long term." Apollo Investments reports gross written premiums equivalent to USD 45 million and total assets of USD 91.6 billion. April 15. 2011

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MICROCAPITAL BRIEFS

Absolute's Dual Return Fund Loans \$6m Despite Default in Mexico

Absolute Portfolio Management GmbH, an Austrian investment company specializing in microfinance, has reported that its Dual Return Fund has loaned USD 6 million to unnamed microfinance institutions in Armenia, Ecuador, Georgia, Mexico and Peru. The fund also wrote off a loan of an unspecified amount to an unnamed Mexican investee. A sub-fund of Vision Microfinance, Dual Return Fund reports a total fund volume equivalent to USD 122 million. May 12, 2011

Planet Rating Recognized by Bangko Sentral ng Pilipinas

Planet Rating, a member of the French PlaNet Finance Group, has been recognized by Bangko Sentral ng Pilipinas, the central bank of the Philippines, as a microfinance institution (MFI) rating agency. A representative of Planet Rating has told MicroCapital that the firm is working with Bangko Sentral on the possibility of using ratings from recognized firms to streamline its supervision of MFIs. May 12, 2011

Applications Open for Microcredit Masters at Madrid Autonomus

Madrid Autonomus University, in collaboration with two other Spanish institutions, think tank Foro Nantik Lum de MicroFinanzas and the Universidad Pontificia Comillas de Madrid, recently announced the launch of a degree program titled "Masters in Microcredit for Development." Applications are being accepted through July 1 for classes beginning in October. May 11, 2011

Afghan Microfinance Disbursements Total \$1b

The Microfinance Investment Support Facility for Afghanistan, an instrument of the Afghan government, recently announced that the country's microfinance sector has disbursed a total of USD 1 billion to low-income Afghan households since 2003. The facility's partner microlenders have disbursed a total of 1.7 million loans and currently report serving 420,000 clients. May 10, 2011

Bangko Sentral ng Pilipinas Microfinance Stakeholders Summit

Bangko Sentral ng Pilipinas, the central bank of the Philippines, has convened a "National Microfinance Stakeholders Summit" bringing together 300 microfinance players with the purpose of encouraging a greater commitment to financial inclusion. The event also celebrated the ranking of the Philippines as having the best overall regulatory environment for microfinance, according to the "Global Microscope on the Microfinance Business Environment" survey released in October 2010 through British magazine *The Economist*. May 10, 2011

Enterprise Development and Microfinance Calls for Articles

Through July 1, *Enterprise Development and Microfinance*, a journal published by British NGO Practical Action, is reviewing articles for its upcoming issue "Investing in Microfinance Institutions." Details may be had via Clare Tawney at publishinginfo@practicalaction.org.uk. May 10, 2011

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



Cambodia Aims to Launch Credit Bureau by December

The National Bank of Cambodia, the country's central bank, has partnered with the International Finance Corporation, the private-investment arm of the World Bank Group, to launch an oft-discussed national credit bureau before the end of 2011. A 49-percent stake in the bureau will be taken by Veda Advantage, a credit bureau developer based in New Zealand that has been awarded the contract to create the Cambodian bureau. The remaining 51 percent will be held by Cambodian banks and microfinance institutions through two trade associations. May 10, 2011

Indian Banks Warned to Increase Due Diligence on MFIs

The Reserve Bank of India, India's central banking authority, has indicated that banks must perform additional due diligence when lending to microfinance institutions (MFIs). India's Livemint website quoted unnamed bankers as saying, "MFIs, who extend micro-loans to the poor, are likely to find borrowing tougher. Banks will now have to make compliance certificates mandatory, track MFIs' business performance and may even demand higher collateral by way of personal guarantees." The Central Bank of India, a government-owned retail bank, reportedly has sanctioned a loan equivalent to USD 22.5 million to Indian microlender Bhartiya Samruddhi Finance Limited against personal guarantees of its directors. April 19 and May 10, 2011

responsAbility Releases Social Performance Report

Switzerland's responsAbility Social Investments AG recently released its annual "Social Performance Report," covering the impact on poor people of its work in the following areas: microfinance, fair trade, small and medium-sized enterprise (SME) financing and independent media. The company's investments in 38 SMEs totaling USD 13 million during the year reportedly enabled the creation of 31,200 jobs. May 10, 2011

Call for Technology Proposals for Latin America Now Open

Inter-American Development Bank (IDB), a US-based multilateral finance institution; Multilateral Investment Fund, an autonomous fund administered by IDB; Andean Development Corporation (CAF, in Spanish), a multilateral financial institution based in Venezuela; and the Global System for Mobile Communications Association are accepting proposals through July 15 for funds of up to USD 300,000 per project to implement technology to further financial inclusion. May 10, 2011

Global Partnerships Loans \$700k in Bolivia, El Salvador

Global Partnerships, a microfinance investor based in the United States, recently reported to MicroCapital that it made the following loans from its Social Investment Fund 2010 to two microfinance institutions: USD 500,000 to Bolivia's Fondo de Desarrollo Comunal, which reports total assets of USD 12.5 million, a gross loan portfolio of USD 10 million, 11,500 borrowers, return on assets (ROA) of 2.31 percent and return on equity (ROE) of 8.31 percent; and USD 200,000 to El Salvador's Enlace, which reports total assets of USD 7.1 million, a gross loan portfolio of USD 6.6 million, 23,700 borrowers, ROA of 2.33 percent and ROE of 4.58 percent. May 10, 2011

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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!

responsAbility Loans \$2m to Jordan's MEMCC, Rwanda's Urwego

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages made local-currency loans totaling USD 1 million to Middle East Micro Credit Company of Jordan, which reports a gross loan portfolio of USD 17 million and 8,800 borrowers. The responsAbility Microfinance Leaders Fund loaned the same amount to Urwego Opportunity Bank of Rwanda, which reports total assets of USD 10.8 million and 33,900 borrowers. May 9. 2011

EFSE Loans \$7.4m to NLB Razvojna Banka of BiH

The European Fund for Southeast Europe, a microfinance investment vehicle, recently loaned USD 7.4 million to NLB Razvojna banka, a financial institution in Bosnia and Herzegovina that serves retail clients, corporate clients and small and medium-sized enterprises. With the equivalent of USD 889 million in assets, NLB Razvojna banka is a member of NLB Group, a Slovenian financial group with assets totaling USD 27.9 billion. May 9. 2011

responsAbility Loans \$8m to Peru's Crear, Confianza

Switzerland's responsAbility Social Investments has reported to MicroCapital that it has disbursed local-currency loans totaling the equivalent of USD 5.5 million to microfinance institution (MFI) Financiera Creditos Arequipa SA, which reports total assets of USD 151 million, a gross loan portfolio of USD 130 million, return on assets (ROA) of 4.37 percent, return on equity (ROE) of 32.1 percent and 87,300 borrowers. Funds managed by responsAbility also loaned USD 2.9 million to Financiera Confianza, an MFI reporting assets of USD 147 million, a loan portfolio of USD 114 million, ROA of 0.38 percent, ROE of 2.26 percent and 73,000 active borrowers. May 9. 2011

Goodwell Invests in Nigerian Mobile Money Service Paga

Goodwell West Africa, a unit of Goodwell Investments of the Netherlands, has invested an undisclosed amount in Nigeria's recently launched Paga mobile money service. Paga offers cash transfers, airtime credit purchases and bill payment via mobile phones and the internet in partnership with the local DSTv satellite television service. May 9. 2011

responsAbility Loans \$8.7m in Armenia, Georgia

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it has disbursed loans from funds it manages totaling USD 1.2 million to Armenian microfinance institution Microenterprise Development Fund Kamurj and USD 7.5 million to ProCredit Bank Georgia. Kamurj reports total assets of USD 12.3 million, a gross loan portfolio of USD 8.6 million, return on equity (ROE) of 12.56 percent, return on assets (ROA) of 9.5 percent and 12,000 active borrowers. A subsidiary of ProCredit Holding, a German banking group with operations in 19 countries, ProCredit Georgia reports total assets of USD 427 million, a gross loan portfolio of USD 316 million, deposits of USD 227 million, ROA of 2.83 percent, ROE of 20.5 percent and 64,000 active borrowers. May 9. 2011



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India's SKS Blames Loss on "Aggressive" Loan Loss Provisioning

SKS Microfinance, a for-profit Indian microfinance institution, has reported a net loss equivalent to USD 15.4 million for the first three months of 2011, as compared with a net profit of USD 14 million in the same quarter last year. Net profit for the year ending in March decreased 35 percent to USD 24.6 million. According to SKS, credit costs rose from USD 11.3 million in the year ending March 2010 to USD 70 million during the year ending March 2011 because of "aggressive provisioning," exceeding required levels. May 8. 2011

responsAbility Loans \$3m to FINCA Kyrgyzstan, Tajikistan's HUMO

Switzerland's responsAbility Social Investments recently reported to MicroCapital that its Microfinance Leaders Fund (MLF) has loaned USD 2.5 million to FINCA Kyrgyzstan, which reports total assets of USD 61.7 million and 108,000 active borrowers. FINCA Kyrgyzstan is a unit of FINCA International, which operates in 21 countries and reports USD 467 million in total assets. MLF also loaned USD 500,000 to HUMO and Partners of Tajikistan, which reports total assets of USD 6.2 million, a gross loan portfolio of USD 3.3 million, approximately 7,700 borrowers, return on assets of 6.8 percent and return on equity of 24.8 percent. May 7. 2011

EBRD, Georgia to Promote Local-Currency Financing

The European Bank for Reconstruction and Development, a development finance institution headquartered in London; the National Bank of Georgia, the Georgian central bank; and the Georgian Ministry of Finance recently agreed to launch EBRD's "Local Currency Lending Programme" in Georgia. The effort involves the promoting the provision of financing in Georgian lari to eligible banks, microfinance institutions and local enterprises. May 7. 2011

SFLAC, IFC Assist Salvadoran Ahorro y Credito AMC with Savings

The International Finance Corporation, the private-investment arm of the World Bank Group, with support from the Spanish Fund for Latin America and the Caribbean, a trust fund of the Spanish government, recently announced a partnership with Salvadoran microfinance institution Ahorro y Credito AMC to build a sustainability plan for AMC and to develop a savings product to be marketed to rural, low-income households. AMC reports total assets of USD 20.1 million and 13,700 active borrowers. May 6. 2011

Afghanistan Issues Electronic Money License to M-Paisa

The Central Bank of Afghanistan has issued an "electronic money institution" license to M-Paisa, a mobile financial services platform that was launched in association with Vodafone, the British multinational mobile network operator that is also involved with Kenya's M-Pesa cellphone-to-cellphone cash-transfer service. The new license allows Roshan, the Afghani telecommunications operator with 4 million subscribers that introduced M-Paisa in 2008, to offer unspecified additional financial services via mobile phones. May 6. 2011



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UN Gives Opportunity International \$2.5m to Open in DR Congo

As part of its “Banking on Africa” campaign, Opportunity International, a network of microbanks in 24 countries, has announced plans to expand to the Democratic Republic of Congo (DRC) with a USD 2.5 million grant from the UN Capital Development Fund’s MicroLead program. Over three years, Opportunity DRC plans to establish various training programs, open four branches, disburse 47,000 business loans and mobilize USD 4.7 million from 24,000 depositors. May 6. 2011

SIDBI Working to Finance SMEs, not MFIs (for Now)

Chairman Sushil Munhot of the government-owned Small Industries Development Bank of India (SIDBI) recently stated that SIDBI is working with India’s National Stock Exchange to create small- and medium-sized enterprise (SME) exchanges wherein venture capitalists can buy and sell equity in SMEs. In addition, SIDBI has set up seven branches to offer retail loans in amounts equivalent to USD 1,120 to USD 2,250 to increase the availability of loans one step larger than what is commonly considered the “micro” range. Regarding microlenders, Mr Munhot added that SIDBI has placed all new loans on hold, but that it is offering options to restructure outstanding debt. May 6. 2011

19 Websites Accept as Little as \$20 to Fund Microloans

At least 19 websites now offer individuals the ability to direct as little as USD 20 to microborrowers including: Acceder, Babyloan, Good Return, Inuka, Kiva, OptInNow, Rang De, Veecus, Vittana, Wokai, Xetic, Zafen and 51Give. While these websites post details on individual microborrowers, most channel funds to microlenders that may use the money to lend to any of their clients. While several sites do not yield any returns to investors and others never allow the “lender” to withdraw funds, MicroPlace, MYC4, MyElen.com, p2p Microfinance, DhanaX and Zidisha offer interest. Zafen, which funds businesses and scholarships in Haiti, recently announced that it raised USD 350,000 during its first year of operations. Zidisha recently reported that it has facilitated loans totaling USD 50,000 to 80 low-income entrepreneurs in Kenya and Senegal. April 13, April 25 and May 5. 2011

Guarantees from Wealthy to Help MFIs Through Rough Patch?

An article in US-based *Good Magazine* suggests that guarantees offered by wealthy individuals to microfinance institutions (MFIs) can assist MFIs in accessing funding, particularly during the Indian credit crunch. As an example of the concept, US-based MicroCredit Enterprises (MCE) is cited as convening dozens of wealthy individuals to commit USD 1 million or more to back loans to MFIs. MCE Senior Vice President Ayesha Wagle said, “This type of capital is more patient than the for-profit capital, so we are able to go into areas that other MFIs aren’t.” MCE manages USD 20 million in assets. May 5. 2011

Matrix Partners India Raises \$300m

Matrix Partners India, a subsidiary of US-based private equity firm Matrix Partners, recently announced that it has raised USD 300 million for its second fund. The firm invests in sectors such as financial services, online services, education, healthcare and infrastructure. Its portfolio includes Muthoot Finance Limited, a non-banking finance company specializing in loans secured by gold jewelry, and microfinance institution Bhartiya Samruddhi Finance Limited. May 5. 2011

Wholesale Lenders to Restructure Spandana Sphoorty Debt

A group of lenders, led by Indian commercial bank ICICI Bank, has approved a plan for Indian microlender Spandana Sphoorty Financial Limited to refinance the equivalent of USD 447 million of its USD 743 million in debt. The new loans will carry annual interest of 12 percent and will be payable over six years instead of the original three-year term. Spandana’s promoters reportedly will inject new funds into the organization, while the banks will provide additional credit to allow for the resumption of retail lending operations. May 4. 2011

Microinsurance Network Launches Impact Assessment Website

The nonprofit Microinsurance Network has launched a “Stocktaking Initiative” website which is tracking 24 impact assessments to date and can be accessed via <http://microinsurancenet.org/>. May 4. 2011

Moneylenders Rise in India as MFIs Stagger

According to a recent article in US-based newspaper *The Washington Post*, the pinch in wholesale funding to Indian microlenders has resulted in a six-month hiatus in loan disbursements, leading women to return to borrowing from moneylenders, who offer loans at annualized interest rates as high as 120 percent. May 3. 2011

Munich Re Calls for Microinsurance Papers for Rio in November

In preparation for its seventh annual microinsurance conference, which will begin on November 8 in Rio de Janeiro, Brazil, the Munich Re Foundation of Germany is accepting proposals through the end of May that relate to the following topics: market analysis, case studies, technology, distribution methods and disaster mitigation. May 3. 2011

Fitch Ratings Advocates Single Regulator for Indian Microfinance

Consistent with the opinion of Indian bankers covered in the April issue of this newspaper, global ratings agency Fitch has reportedly released a document arguing that a single regulatory body is crucial to ensuring a stable Indian microfinance sector. The document also stated that future legislation affecting microfinance should be developed through cooperative efforts between state and federal authorities, rather than on a state-by-state basis. Currently, the Indian microfinance sector has a “BBB (ind)” rating from Fitch, “premised on expectations of strong ongoing collection levels,” despite the repayment dropoff in the state of Andhra Pradesh that began in late 2010. May 3. 2011

Aseguradora Rural of Guatemala to Launch Health Insurance

Banco de Desarrollo Rural Sociedad Anonima (Banrural), which operates mostly in rural areas of Guatemala, and its insurance affiliate Aseguradora Rural recently hired US-based EA Consultants to assist with the development of a health insurance product targeted at low-income women. Banrural, which is partly owned by the Guatemalan government, reports assets equivalent to USD 3.76 billion, a gross loan portfolio of USD 2.32 billion and 4 million borrowers. May 2. 2011

Wall Street Journal Publishes “Linking Health and Microfinance”

Somen Saha of the Indian Institute of Public Health and Marcia Metcalfe of US-based nonprofit Freedom from Hunger, recently co-authored an article published by US-based newspaper *The Wall Street Journal* wherein they argue for the integration of health care with microfinance in India by: (1) establishing a planning platform for microlenders, health practitioners, researchers and policy makers; (2) implementing projects that could be taken to scale; and (3) instituting advocacy centers for advancing the practice. May 2. 2011

Is There Greater Need for SME Investment than for Microfinance?

Citing the US State Department’s Global Entrepreneurship Program, Managing Director Alan Patricof of US-based venture capital company Greycroft Partners argues in a recent issue of US-based *Fortune* magazine that while microfinance institutions “do play an important role in development, there is an even greater need to support small and medium-sized enterprises, which have the greatest potential for job growth in most places around the world...through equity capital - not just debt assistance...”. May 2. 2011

Yunus Cleared (Again) of Charges of Misappropriating Funds

A probe by the government of Bangladesh has cleared Grameen Bank founder Dr Muhammad Yunus of misusing USD 96 million in Norwegian aid money many years ago. The Norwegian government had previously cleared Dr Yunus of wrongdoing. May 2. 2011



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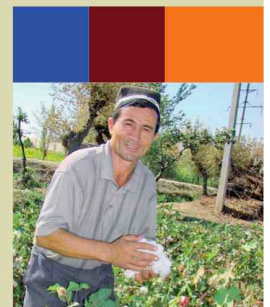
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To Profit or “Profiteer”

Executive Vice President Ganesh Sankaran of India’s HDFC Bank argues in a recent article on the Hindu Business Line website that the microfinance industry has reached a bifurcation point wherein its stakeholders must navigate it toward achieving either commercial sustainability or poverty alleviation. Mr Sankaran suggests that industry players should explicitly distinguish between seeking a modest profit and “profiteering.” May 2, 2011

Equity, MasterCard Celebrate Graduation in Kenya

Canada’s MasterCard Foundation and Equity Group Foundation, an arm of Kenya’s Equity Bank, report that 56,000 participants have completed a program promoting entrepreneurship and financial inclusion among youth and adult women. After completion of the 12-week program, 7,500 of the expected 620,000 total participants will be selected for further training and mentoring in an effort to enable expansion of their businesses. Equity Bank reportedly plans to loan a total of USD 400 million to graduates of the program. May 2, 2011

CGAP Seeks Comments on Updates to Supervision Guide

Through May 15, CGAP (Consultative Group to Assist the Poor) is seeking comments on draft updates to “A Guide to Regulation and Supervision of Microfinance,” which incorporate a broader range of financial services, new strategies for funding and investment, client protection practices and the use of technology. April 30, 2011

Mercy Corps, Philippine BPI Globe to Expand Mobile Banking

Mercy Corps, a US-based nonprofit, has announced a USD 1 million partnership with BPI Globe Bank of the Philippines, whereby Mercy Corps will assist in the application of mobile technology in an effort to enable BPI Globe to increase by 1 million the number of its clients accessing financial services through mobile phones. The work is funded by a grant from the US-based Bill and Melinda Gates Foundation that also targets Indonesia. BPI Globe is owned by three Philippine companies: Bank of the Philippine Islands (BPI), Ayala Corporation and Globe Telecom. BPI Globe will also work with smaller institutions to help integrate mobile banking into their operations. April 30, 2011

MFTransparency Updates Cambodian Pricing Data

MFTransparency, a US-based nonprofit that provides information on credit products and pricing, has published updated data for Cambodia. Vice President Alexandra Fiorillo of MFTransparency stated, “This is...the first time ever that we have the opportunity to analyze trends in product pricing over time. We can finally begin to observe the early results of transparency.” Results of the trend analysis have not yet been released. April 29, 2011

IFC Loans \$3m to FATEN for MSMEs in West Bank, Gaza

The International Finance Corporation, the private-investment arm of the World Bank Group, recently loaned USD 3 million to Palestine for Credit and Development (FATEN, in Arabic), a microfinance institution based in the West Bank in Palestine, to provide financial services to micro-, small and medium-sized enterprises in the West Bank and Gaza. FATEN reports total assets of USD 18.2 million, a gross loan portfolio of USD 17.2 million and 7,000 active borrowers. April 29, 2011

MicroInsurance Centre Receives \$2m from Gates for MILK

The MicroInsurance Centre, a for-profit initiative of India’s MicroSave, recently announced the launch of the Microinsurance Learning and Knowledge Project, supported by a USD 2 million grant from the US-based Bill and Melinda Gates Foundation. The three-year project involves collaborating with the Microinsurance Innovation Facility, an initiative of the International Labour Organization, to address the business case for microinsurance and to communicate the value of microinsurance to low-income clients. April 29, 2011

Ignacio Mas, John Staley Propose Ideas to Boost Inclusion

Ignacio Mas, Senior Advisor at the Bill & Melinda Gates Foundation, and John Staley, Director of Finance and Shared Services at Equity Bank of Kenya, recently posted an entry on the website of the US-based *Stanford Social Innovation Review* outlining suggestions for the advancement of financial inclusion: easing documentation requirements for small transactions, increasing competition, boosting the banking correspondent model such as via retail stores and increasing the customization of services for various market segments. April 29, 2011

Kiva Intermediates “Green Loans” to Promote Clean Energy

In honor of Earth Day, online microfinance intermediary Kiva began offering “green loans” to provide opportunities for individuals to lend as little as USD 25 via microlenders to fund clean energy efforts such as solar panels and drip irrigation systems. April 28, 2011

Philippines Expects 20% of Population to be Insured by December

The Philippine government’s Insurance Commission recently predicted that 20 percent of the population of the country will be insured by the end of 2011 as a result of more insurance companies offering microinsurance. An estimated 13 percent of the nation’s population was covered by insurance in 2009. April 28, 2011

With Q1 Profits Up 14%, Compartamos Sets Sights on Guatemala

Banco Compartamos, a Mexican microbank, reported net income equivalent to USD 39.5 million for the first quarter of 2011, an increase of 14.8 percent over the same period in 2010, with the gain coming primarily from delinquency fees and voluntary life insurance premiums. Compartamos CFO Patricio Diez has been cited as saying the bank will commence operations in Guatemala by December. April 27, 2011

Iraqi Islamic Microfinance Providers Want More Regs?

Executive Director T Keyzom Ngodup of Iraqi consultancy Ideas sYnergy reports that the six microfinance institutions providing Islamic microfinance services in Iraq are constrained by inconsistent Shariah compliance resulting from the absence of central bank regulations pertaining to Islamic finance. The lenders reportedly serve 7,000 microenterprises, 14 percent of which are owned by women. The aggregate Islamic microfinance portfolio in the country reportedly grew at a rate of 68 percent in 2010, compared with general microfinance industry growth rate of 36 percent. April 27, 2011

Indonesia’s BTPN Expanding Microfinance Services

A recent article in the UK-based magazine *The Economist* covers the microfinance activities of Bank Tabungan Pensiunan Nasional (BTPN), an Indonesian commercial bank that equips staff with portable devices to scan fingerprints to serve illiterate customers. BTPN also offers free financial skills training courses to microborrowers and is working on a strategy to serve the “productive poor,” who have lower incomes than the household producers often served by BTPN. In 2010, BTPN reported a 4 percent return on assets and a microloan portfolio equivalent to USD 500 million, representing approximately 20 percent of the bank’s total loan portfolio. April 27, 2011

India’s Swadhaar Recognized for Collections Practices

Swadhaar Finserve Private Limited, an Indian microlender that recently grew its client base beyond 50,000, has received honors for “Appropriate Collections Practices” from the Smart Campaign, a US-based initiative that focuses on microfinance client protection. April 27, 2011

People’s Bank of China Reports \$30b in Microloans Outstanding

The People’s Bank of China recently published statistics indicating that 2,600 microfinance institutions in China issued the equivalent of USD 18 billion in loans during 2010, resulting in an aggregate outstanding loan balance of USD 30.4 billion. April 26, 2011

SEED, FINO Seek Private Equity to Grow Agent Banking

Several Indian firms are seeking private equity funding to scale their business correspondent operations, whereby third parties such as retailers can conduct financial transactions on behalf of banks. Technology provider Financial Information Network and Operations Limited has reportedly raised the equivalent of USD 33 million. Consultancy SEED Financial Services, which already acts as a business correspondent for 19 banks, reportedly plans to raise USD 5.5 million. April 26, 2011

Cresa, SWAWS of India Face Possible Bankruptcy

The Microfinance Institutions Network, an association of Indian microfinance lenders, recently reported that several small and medium-sized microfinance institutions in the country may soon file for bankruptcy as a result of decreasing liquidity in the sector. Among these are Cresa Financial Services and Sharada's Women's Association for Weaker Section (SWAWS) Microfinance, which had approximately 70 percent of their portfolios invested in Andhra Pradesh, a state that has experienced a dramatic slowdown in debt repayments since late 2010. Cresa reports total assets of USD 7 million and a gross loan portfolio of USD 5.5 million. SWAWS reports total assets of USD 20.2 million and a gross loan portfolio of USD 19.8 million. April 26, 2011

MicroSave Launches Social Performance Management Toolkit

Indian for-profit technical assistance provider MicroSave recently launched a social performance management toolkit to assist microfinance institutions (MFIs) and their stakeholders in determining how closely an MFI's operations are aligned with its social objectives. The toolkit, which includes questionnaires, focus group guides and quality of service appraisal tools, can be accessed without charge at <http://www.microsave.org/toolkit/social-performance-management>. April 26, 2011

Depositors to Receive \$63m from Nigeria Deposit Insurance Corp

The Nigeria Deposit Insurance Corporation (NDIC), a federal government agency, recently announced that it will pay the equivalent of USD 63 million to 731,000 depositors of 91 microfinance institutions (MFIs) whose licenses have been revoked. Half of this sum will reimburse insured deposits, while the other half will reimburse uninsured deposits using proceeds from the remaining assets of the MFIs. Of the 103 Nigerian MFIs that had their licenses revoked in late 2010 and have not had them reinstated, 12 have not made their deposit records available to NDIC, a prerequisite for reimbursing depositors. Preliminary investigations of the financial records of the 103 MFIs indicate that many of their directors and officers misappropriated funds for personal gain. April 26, 2011

Applications Open for Giordano Dell'Amore Best Practices Award

Fondazione Giordano Dell'Amore, an Italian foundation, is accepting applications through June 15 for its Microfinance Best Practices International Award 2011, which this year is focused on "transparency, client protection and social impact." Preference for the award, which is worth the euro-equivalent of USD 72,700, will be given to candidates that focus on serving rural areas. April 26, 2011

EMPF Guarantee Allows Poland's FM Bank to Serve Start-ups

FM Bank, a Polish financial institution specializing in micro- and small enterprises, has agreed to borrow the local-currency equivalent of USD 24.6 million from the European Investment Fund, a public-private partnership whose shareholding structure includes the EU's European Investment Bank and 29 European financial institutions. A 75-percent guarantee from the European Progress Microfinance Facility, a fund that seeks to expand the reach of microfinance institutions in the EU, will allow FM Bank to provide loans of up to USD 35,600 to enterprises that have been operating for less than one year. April 26, 2011



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IFC to Assist IMON of Tajikistan with Farm Equipment Leasing

As part of a nationwide project in Tajikistan, the International Finance Corporation, the private-investment arm of the World Bank Group, will support microfinance institution IMON International in developing its agricultural equipment leasing services through farmer surveys and staff training. IMON reports total assets of USD 41.1 million, a gross loan portfolio of USD 34.1 million, return on assets of 6.5 percent, return on equity of 28.5 percent and 28,900 borrowers. April 26, 2011

BancABC to Roll Out Microfinance Services in Zimbabwe

Botswana-based ABC Holdings Limited, recently reported that it expects to expand its retail banking offerings in Zimbabwe to include microfinance services during 2011. Its subsidiary BancABC reported an operating profit equivalent to USD 17 million in 2010 largely from its microfinance operations in Zambia. Frances Dzanya, ABC Holdings' chief executive, was quoted as saying, "Zimbabwe has come out well and should compete with Zambia. There are huge opportunities for the Group in those markets." ABC Holdings has yet to determine whether it will establish specialized microfinance branches or offer the new services through its existing branch network. ABC Holdings reports total assets equivalent to USD 787 million and also has operations in Botswana, Mozambique and Tanzania. April 26, 2011

responsAbility Loans \$6.9m in South America

Switzerland's responsAbility Social Investments recently reported to MicroCapital that microfinance investment vehicles it manages disbursed the following aggregate loan amounts: USD 4 million to Ecuador's Banco Solidario, which has total assets of USD 298 million, a gross loan portfolio of USD 216 million and return on assets of 0.7 percent; USD 1 million to FIE Grand Poder, an Argentine microfinance institution (MFI) reporting total assets of USD 12.2 million and a gross loan portfolio of USD 9.7 million; USD 1 million to Arasy Organica, a Paraguayan farm product producer that supports its producers with technical support and capacity building loans; and the local-currency equivalent of USD 990,000 to Corporacion Narino Empresa y Futuro, a Colombian MFI with total assets of USD 14.7 million and a gross loan portfolio of USD 14.5 million. April 26, 2011

India's Sahayata Raises \$4m from DWM Through NCDs

Sahayata Microfinance, an Indian microfinance institution, has raised the rupee-equivalent of USD 4.4 million through the issuance of secured, redeemable non-convertible debentures listed on the Bombay Stock Exchange. The entire offering was purchased by DWM (Cyprus) Limited, a subsidiary of US-based asset manager and investment bank Developing World Markets. Sahayata reports total assets of USD 26.4 million, a gross loan portfolio of USD 20.2 million, return on assets of 6.34 percent and 139,000 active borrowers. April 26, 2011

India's Gujarat State Connects Industrials with Self-help Groups

The government of the Indian state of Gujarat has reportedly secured commitments from 32 major companies including Tata Motors, Fab India and Reliance Industries to create a market for the products and services generated by members of self-help groups (SHGs), small groups of individuals who collaborate to avail themselves of financial services. Reportedly, several banks have subsequently offered microloans to SHGs at annual interest rates of 11 percent. April 25, 2011

University of Quebec Calls for Microfinance Book Chapters

Microfinance researchers are invited to contribute chapters to a book scheduled for publication in 2012 titled *Microfinance in Developing and Developed Countries: Issues, Policies and Performance Evaluation*. Abstracts will be accepted for consideration through July 15 by Jean-Pierre Gueyie of the School of Business Administration at Canada's University of Quebec via gueyie.jean-pierre@uqam.ca. April 25, 2011

3.7m Want Dr Yunus Back at Grameen

In Bangladesh, 3.7 million people have reportedly signed a petition urging the prime minister to allow Dr Muhammad Yunus to resume his duties as the head of Grameen Bank. His firing has been described as politically motivated. April 25, 2011

EFSE Wins Tageblatt Award for Social Business Model

The European Fund for Southeast Europe, a microfinance investment fund incorporated in Luxembourg, was recently awarded the Tageblatt Award for its contribution to socioeconomic development in Southeast Europe and the Caucasus region. April 25, 2011

Swiss Capacity Building Facility Launched for Microfinance

The Swiss Capacity Building Facility for Income and Employment Generation (SCBF) was recently established to support financial institutions serving poor people in developing countries. By providing capacity-building services to and facilitating financing for 50 financial service providers, SCBF aims to reach 360,000 poor households by 2016. The founding members of SCBF are the governmental Swiss Agency for Development and Cooperation; nonprofit Swisscontact; and for-profit companies Credit Suisse, Financial Systems Development Services and Zurich Financial Services Group. Additional interested parties are encouraged to participate. April 25, 2011

Three Funds Receive LuxFLAG Microfinance Label

The Luxembourg Fund Labeling Agency (LuxFLAG), an organization that investigates whether microfinance investment vehicles (MIVs) actually support the microfinance sector, recently awarded its label to the following MIVs for the first time: the Luxembourg Microfinance and Development Fund, an MIV that supports economic development in Africa, Asia and Latin America; the Regional Micro-, Small and Medium-Sized Enterprise Fund for Sub-Saharan Africa, which was launched in 2010 by the German government; and the Incofin Rural Impulse Fund II, which is managed by Belgium's Incofin. As of April, 16 MIVs hold the LuxFLAG microfinance label, with aggregate assets under management of approximately USD 2.65 billion. April 25, 2011

responsAbility Loans \$11m in Asia, Montenegro

responsAbility Social Investments of Switzerland recently reported to MicroCapital that microfinance investment vehicles (MIVs) it manages loaned USD 7.5 million to ProCredit Bank Georgia, which is part of the 21-bank ProCredit Holding Group; USD 1.13 million to Frontiers, an MIV in the Kyrgyz Republic reporting assets of USD 12.6 million; USD 1.41 million to AgroInvest-Montenegro, an affiliate of VisionFund International reporting total assets of USD 74.6 million; and USD 1 million to Cambodia's Sathapana, which reports total assets of USD 43.5 million. April 22, 2011

Applications Open for Africa, Caribbean, Pacific Scholarships

Through May 20, the European Union/Africa, the Caribbean and Pacific (ACP) Microfinance Program is accepting applications for scholarships worth USD 4,200 for ACP policymakers to participate in the Boulder Microfinance Training Program that will take place in Turin, Italy, from July 18 to August 5. Topics will include rural finance, branchless banking, microinsurance, business planning, risk management and social performance. April 22, 2011

One Third of Indian Banks' Loans to MFIs Need Restructuring

One third of the loans made by Indian banks to microfinance institutions are reportedly in the process of being restructured including the equivalent of USD 1.42 billion of the USD 1.64 billion in loans outstanding to Asmitha Microfin Limited, Future Financial Services Limited, SHARE Microfin Limited, Spandana Sphoorty Financial Limited and Trident Microfin Private Limited. April 21, 2011

Dia Vikas Invests \$6m in Debt and Equity in India

Indian social venture firm Dia Vikas Capital, a subsidiary of nonprofit Opportunity International Australia, recently made the following local-currency investments in Indian microfinance institutions: the equivalent of USD 2.8 million - half in equity - in Bullock-cart Workers' Development Association Finance Limited, which reports total assets of USD 35.4 million, return on assets (ROA) of 0.97 percent and return on equity (ROE) of 7.2 percent; USD 1.3 million - half in equity - in Rashtriya Gramin Vikas Nidhi North East, which reports assets of USD 14.4 million, ROA of 3.25 percent and ROE of 101 percent; USD 855,000 in equity in Evangelical Social Action Forum Microfinance and Investment Private Limited, which reports assets of USD 40.8 million, ROA of 0.25 percent and ROE of 1.44 percent; and USD 1.1 million as a loan to Cashpor Microcredit, which reports assets of USD 62.1 million, ROA of 3.99 percent and ROE of 147 percent. April 20, 2011

Central Bank of Sri Lanka to Regulate MFIs

The Central Bank of Sri Lanka recently proposed the creation of a central authority to supervise and regulate the microfinance sector. This follows reports of high transaction costs, high interest rates, poor repayment rates and unethical recovery practices leading to significant losses by microfinance institutions. The authority's role would include issuing licenses and setting capital requirements. April 20, 2011

responsAbility Loans \$15m to FINCA in Central Asia

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it disbursed several loans to subsidiaries of FINCA International, a microfinance network reporting total assets of USD 467 million and operations in 21 countries. Funds managed by responsAbility invested a total of USD 9.5 million in FINCA Azerbaijan and USD 3 million each in FINCA Georgia and FINCA Kyrgyzstan. Separately, Mexican microlender Centro de Apoyo al Microempresario, which reports total assets of USD 49.4 million, received loans from responsAbility totaling the peso-equivalent of USD 2.1 million. April 20, 2011

Georgia State's CEAR, Munich Re Collaborate on Microinsurance

The Center for the Economic Analysis of Risk (CEAR), based in the US city of Atlanta, and Munich Re Foundation, a nonprofit founded by German reinsurer Munich Re, recently entered into an agreement to collaborate on microinsurance research. CEAR, which is housed at Georgia State University's J Mack Robinson College of Business, is leading a research effort focusing on the creation of a sustainable market for insurance for poor people. Detailed goals of the partnership have not yet been announced. April 20, 2011

BIO Loans \$5m to Banco Improsa for Leasing in Central America

The Belgian Investment Company for Developing Countries, a public-private partnership, recently issued a senior loan of USD 5 million to Banco Improsa, a Costa Rican bank focusing on small and medium-sized enterprises, in an effort to support the growth of the bank's leasing business in Nicaragua, Honduras, El Salvador and Guatemala. Financial details on Banco Improsa are unavailable. April 20, 2011

PlaNet, GILF to Launch West Africa Index Insurance Platform

PlaNet Guarantee, a member of the Paris-based PlaNet Finance Group, and the Global Index Insurance Facility, a program of the World Bank's International Finance Corporation, have launched a platform "to develop agricultural insurance systems in West African countries including Senegal, Mali and Burkina Faso" which aims to create indices, model insurance products, farmer training programs, underwriting services and links between distributors and insurers. The goal of the effort is to reach 165,000 farmers by 2015. April 19, 2011

Urwego Opportunity Bank of Rwanda Introduces Mobile Banks

Urwego Opportunity Bank, a microfinance institution based in Rwanda, recently introduced mobile banks to reach rural areas. The vans deliver cash to cooperatives in the morning and collect deposits in the evenings. Urwego also plans to deploy mobile banks to markets and trading centers to facilitate individual banking. Owned by a group of nonprofits, Urwego reports total assets of USD 10.8 million and 33,900 borrowers. April 19, 2011

Moody's Bangladesh Rating Boosted by Microfinance

US-based Moody's Investors Services, which has recently assigned Bangladesh's investment environment a "Ba3" rating indicating a stable outlook for the country's future economic performance, stated that "[M]icrofinance has established a critical social safety net that offsets the vagaries of a subsistence level per capita income." April 19, 2011

Consortium Pilots "mi-Life" Mobile Money Insurance in Ghana

Mobile Telecommunications Network (MTN) Ghana, a division of the MTN telecommunications group of South Africa, recently partnered with South Africa's Hollard Insurance, South Africa's Mobile Financial Services Africa and MicroEnsure, a unit of US-based nonprofit Opportunity International, to pilot mi-Life, a life insurance product for which policyholders can submit claims, queries and premium payments using mobile phones. Hollard's Head of Microinsurance Jeremy Leach said that the partnership will "transform insurance in the emerging markets - making it relevant for the majority of people whom insurers have ignored." April 19, 2011

MFIN Pans State Backing of NBFC in Andhra Pradesh

India's *Economic Times* newspaper reports that an unnamed public-sector bank in India is looking to start a non-banking financial company (NBFC) that will disburse microloans to poor people, with the federal government, the government of the state of Andhra Pradesh and the National Bank for Agriculture and Rural Development acting as equity investors. While a feasibility study is still underway, the proposed NBFC is targeted for launch on August 15 with the equivalent of USD 33 million in paid-up capital. The Microfinance Institutions Network, an Indian trade association, reportedly has criticized the proposal as an obstacle to the ability of registered microlenders to provide financing to poor people. In other news, the federal government proposed changes to the Micro Financial Sector (Development and Regulation) bill that would expand its reach to all types of microfinance institutions, including NBFCs operating in the microfinance sector. April 19, 2011

PPAF, PMN to Publish Info on Microfinance Providers Online

The Pakistan Poverty Alleviation Fund, a government agency that supports microfinance institutions (MFIs), and the Pakistan Microfinance Network, an association of 20 MFIs, recently announced the launch of an online platform to share nationwide MFI data. The platform will allow MFIs to input information such as branch locations and client density, with the intent of facilitating policy dialogue and linking MFIs with commercial sources of capital. April 19, 2011

FMO Invests \$4m in Global Partnerships for Latin America

Global Partnerships, a microfinance organization with offices in the United States and Nicaragua, recently reported to MicroCapital that the Netherlands Development Finance Company (FMO) has invested USD 4.4 million in its Social Investment Fund (SIF) 2010, bringing the fund's capital to USD 25 million. As of March 2011, SIF 2010 has loaned USD 9 million to 11 organizations in seven Latin American countries. FMO's chief investment officer, Jurgen Rigterink, was quoted as saying, "SIF 2010 helps fill the financing gap for smaller Latin American microfinance institutions, for which funding remains scarce despite large inflows in the microfinance sector at large." April 18, 2011

IFC, Arab Monetary Fund Aim to Widen SME Collateral Options

The International Finance Corporation, the private-investment arm of the World Bank Group, and the Arab Monetary Fund, an organization that supports economic development in the Arab world, recently launched the Arab Secured Transactions Initiative to encourage lending to small and medium-sized enterprises (SMEs). The initiative will include efforts to reform laws that prevent SMEs from using movable assets such as equipment or inventory as collateral.

April 18, 2011

Rotary Clubs to Support Oikocredit-funded MFIs

Rotary Foundation, a nonprofit that promotes health, education and poverty alleviation, and Oikocredit, a Dutch investment fund, recently launched a partnership through which Rotary Foundation will offer grants to its Rotary Clubs to assist Oikocredit-funded microfinance institutions in Latin America and Asia by identifying community needs and developing training programs for entrepreneurs.

April 18, 2011

On Remittance-backed Loans in Guatemala

Khalid Al-Naif and Raul Reynoso of the William Davidson Institute, a think tank based at the United States' University of Michigan, recently reported on a pilot project whereby Guatemalan migrants in the US served as guarantors for microloans to family members residing in Guatemala. Benefits cited included: (1) quicker repayment than with informal loans made directly by migrants to borrowers; (2) the establishment of borrower credit histories; and (3) the loans were offered at a 19 percent annual interest rate as compared with a typical microloan rate of 22 percent.

April 18, 2011

EBRD Loans \$21m to Poland's BZ WBK for Energy Efficiency

The European Bank for Reconstruction and Development, a development finance institution headquartered in London, recently loaned the euro-equivalent of USD 21.6 million to BZ WBK Finance and Leasing, a subsidiary of Poland's Bank Zachodni WBK that provides leasing services to small and medium-sized enterprises for energy efficiency improvements. BZ WBK Finance and Leasing reports paid-up capital of USD 15.5 million.

April 15, 2011

IFC Loans \$30m to Banco Regional of Paraguay for SMEs

The International Finance Corporation, the private-investment arm of the World Bank Group, recently loaned USD 30 million to Paraguay's Banco Regional to improve access to financial services for rural small and medium-sized enterprises. As of 2009, Banco Regional reported total assets equivalent to USD 1.3 billion.

April 15, 2011

XDS of Ghana Invites Customer Credit Histories from MFIs

XDS Data of Ghana is reaching out to microfinance institutions and other organizations to acquire customer information for its credit reference database, which is already in use by commercial banks. XDS Data is owned by XDS South Africa, Databank Financial Services of Ghana and Debenture Trust Company of Ghana.

April 14, 2011

Holcim, Zurich Offer Homeowners Microinsurance in Indonesia

Swiss building-materials supplier Holcim Limited and Zurich Financial Services recently partnered to offer home microinsurance in Indonesia. Underwritten by Zurich, the microinsurance covers building materials purchased from Holcim at no charge for the first year. Renewals can be purchased from Holcim for up to USD 10 per year. The insurance covers earthquakes, tsunamis, fire, wind and riots.

April 14, 2011

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FIELD NOTES

Run Scared or Move Forward?

The Microfinance Challenge in Guatemala

On a quick trip to Guatemala, I found many things that may discourage those interested in supporting microfinance there. Violence, for example is at an all-time high; extortion and murder have touched all levels of society (think Colombia in the 1980s). Political uncertainty is affecting business and consumer confidence, thus clouding the scene until elections in the fall. The microfinance sector itself continues to be fragmented, and few microfinance institutions (MFIs) have managed to reach “interesting” scale.

While the environment is challenging at best, this is exactly the reason we cannot afford to overlook Guatemala’s microfinance sector. There are huge pockets of people that are disenfranchised from the financial sector, in particular, from access to sufficient capital to jumpstart or sustain an economic activity. My estimation is that the number of microcredit clients in the country is still pretty low at about 400,000 out of 14 million people. The expectation that Banco Compartamos is moving into Guatemala from the north suggests that unmet demand for microcredit services has been recognized.

Guatemala’s Banrural has a head start. When I visited with staff there last week, I was impressed by their outreach. With 478 branches and other points of service nationwide, this bank gives the word “access” a new meaning. The bank hires women and men from indigenous communities that look, talk and dress like their clients. Barriers to savings have also been reduced by introducing accounts with no minimum balance. According to a 2009 study from rural-development nonprofit Procasur, Banrural held 1.8 million savings accounts, the majority with balances under USD 1,000. In contrast, the bank’s microcredit portfolio serves just 200,000 clients, with one product serving both consumer and enterprise needs.

Despite the efforts of Banrural and others, the nature of banks’ size and risk aversion suggests that they may not be well positioned to expand credit to a wider population, including the poorer women, small-scale rural farmers and young people that make up a large part of the country’s poor. Compartamos has limited expertise in lending to the young and to farmers, to say nothing of its interest rates! Predatory lenders are popping up in small towns, looking to sweep up some of the excess demand. Smaller MFIs and cooperatives that are closer to the ground may have an advantage.

Last week, I met with representatives from one of the microfinance networks, Red de Instituciones de Microfinanzas de Guatemala, who noted that most of the country’s MFIs, the majority with fewer than 10,000 clients, are focused on offering savings (with varying levels of regulatory permission). But I wonder whether they aren’t breaching unconquered territory in vain. While there may be demand for savings, it seems that the country’s bank network has wide enough outreach to handle this. In contrast, the fragmented credit market suggests that local MFIs could become an important motor in expanding credit access. But they are at a stalemate; like banks, they take few risks and have limited access to funds. Capacity building, capital and hard work are needed.

If investors, donors, nonprofit MFIs and other stakeholders aren’t willing to step in, private groups will likely dominate the sector at the risk of leaving many people out. So the question is: Will stakeholders run scared - turning to easier challenges - or will they move forward, taking calculated risks to reach those groups that are hardest to serve?

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.

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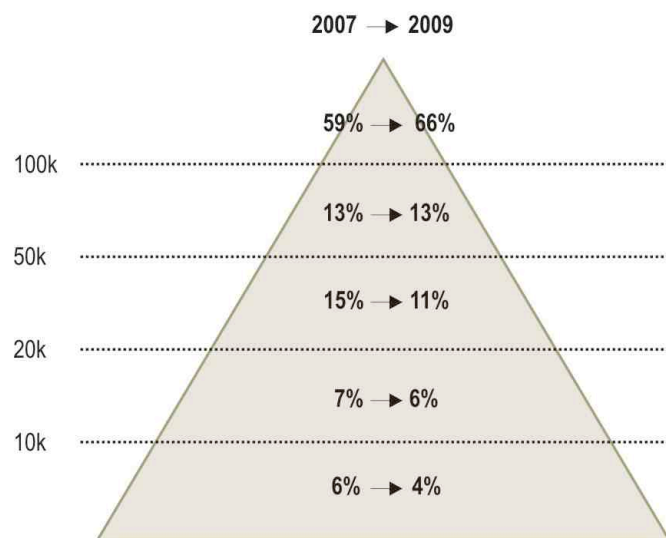
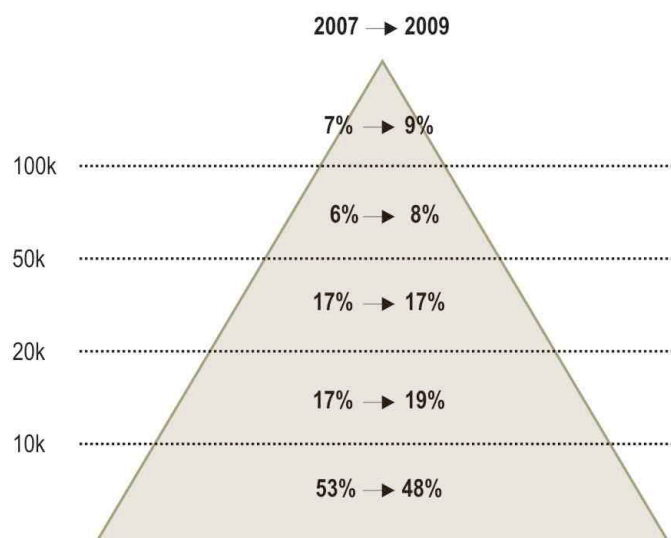
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306 MFIs REPORTING¹

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
Mibanco	Peru	269,997,170	44	500,566,560	1,040,560,900
BancoEstado	Chile	225,189,583	25	820,008,064	1,270,387,230
Crediscotia Financiera	Peru	138,296,563	34	344,900,992	621,494,118
Caja Popular Mexicana	Mexico	100,937,635	8	1,156,543,744	1,358,419,014
Banco Compartamos SA Institución de Banca Múltiple	Mexico	99,880,833	24	377,726,848	577,488,515
Caja Municipal de Ahorro y Crédito - Arequipa	Peru	85,093,653	30	250,286,288	420,473,593
Banco do Nordeste	Brasil	82,597,206	48	137,658,688	302,853,100
CMAC Piura	Peru	80,953,604	33	212,715,392	374,622,599
Fondo Financiero Privado para el Fomento a Iniciativas Economicas	Bolivia	76,143,252	39	161,253,136	313,539,640
BancoSol	Bolivia	71,432,609	30	208,959,088	351,824,305

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., May 2011, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Fourth Annual Global Microfinance Investment Congress

May 16 - May 17, 2011, New York, USA

This event will cover investment risks and opportunities, measuring social performance and strategies for microlenders seeking to source funds. The fee to attend is USD 1,795 with an add-on workshop available. For more information, you may contact Miles Levit at +1 480 927 8200 or m.levit@americanconference.com, or you may visit <http://www.microfinancecongress.com/>.

Transformational Microfinance LATAM

May 17 - May 19, 2011, Mexico City, Mexico

This event will cover achieving scale through technology, delivering mobile microfinance and educating the financially excluded. The standard registration fee is USD 2,149, with discounts available including a 10 percent discount for MicroCapital readers indicating the priority code "MicroCapital." More details may be had via Miles Harley at +44 (0) 20 3141 8700, info@hansonwade.com or <http://microfinance-latam.com/>.

14th Annual Microfinance Centre Conference

May 18 - May 20, 2011, Prague, Czech Republic

Subtitled "Reorienting Microfinance Towards Balanced Growth," this event will feature lessons learned from the financial downturn, asset building, responsible microfinance investing, microfinance models emerging in the EU, financing microenterprise startups and over-indebtedness. The registration fee is EUR 520, with discounts available for members of Microfinance Centre for Central and Eastern Europe and the New Independent States. More information is available via <http://mfc2011.com/>, +420 284 001 444 or mfc2011@guarant.cz.

Investment and Innovation in MicroFinance Europe 2011

May 23 - May 25, 2011, London, United Kingdom

This event includes the MicroFinance Recognition Awards as well as strategies for investing, tackling over-indebtedness, examining social impact, strengthening regulation, handling unfavorable media coverage and addressing foreign exchange risk. The cost to attend, excluding VAT, is GBP 1,599 for representatives of for-profit organizations and GBP 1,099 for those from nonprofits, with a 10 percent discount available to MicroCapital readers indicating the priority code "MicroCapital." Add-on workshops may be had for an extra fee. More details are available from Miles Harley at +44 (0) 20 3141 8700, info@hansonwade.com or <http://microfinance-europe.com/>.

SOCAP Europe

May 30 - June 1, 2011, Amsterdam, Netherlands

The conference will showcase the latest developments in impact investing including funding models and case studies pertaining to collaborative partnership. The registration fee is EUR 1,400, and more details may be had via SOCAPeurope@socialcapitalmarkets.net, +31 (0)20 530 4141 or <http://europe.socialcapitalmarkets.net/>.

Sanabel's Eighth Annual Conference:

Microfinance in the Arab Region

June 7 - June 9, 2011, Amman, Jordan

Themed "Challenges of the Past and Opportunities of the Future," this conference will include an awards presentation in partnership with Grameen-Jameel. The conference will be preceded by the Third Arab Policy Forum in association with CGAP (Consultative Group to Assist the Poor). Through May 20, the cost to attend is USD 500 for Sanabel members and all participants from Jordan and USD 700 for others. For information on group discounts or for other details, you may refer to <http://www.sanabelconf.org/>, conference@sanabelnetwork.org or +20 237 48 86 24.

FT/IFC Sustainable Finance Conference and Awards 2011

June 16, 2011, London, UK

This event will address private equity in emerging markets, models for low-income housing and the role of financial institutions in addressing the water resources gap. The registration fee for the conference is GBP 300, and tickets to the awards dinner are GBP 375. Discounts are available when both are purchased together and for groups of 10. For additional information you may contact Michael Lundby at +44 (0)20 7873 3837 or mike.lundby@ft.com, or you may visit <http://www.ftconferences.com/sustainablefinance>.

Overcoming Obstacles to Rural and Agricultural Finance

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

This conference, also titled "Cracking the Nut," will cover food security, post-harvest systems, integrating technology and value chains, minimizing risk, strengthening management, mobilizing savings and reducing outreach costs. A two-day workshop on value chain finance will follow the conference. Registration - which is due May 15 - costs 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.

Canadian Responsible Investment Conference 2011

June 20 - June 22, 2011, Victoria, Canada

This event includes discussions on renewable energy, technical sessions for practitioners and the founding meeting of a group advocating for responsible investment by universities. The full rate is CAN 1,540 with discounts available including for those who register before May 17. More details are available via <http://sioconference.com/> or from Sarah Thomson at +1 416 461 6042 or thomson@socialinvestment.ca.

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 including for registrations completed by May 20. Add-on workshops are also available. Details may be had via +1 212 537 5898, <http://www.housingfinance-latam.com> or info@hansonwade.com.

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International Microinsurance Conference - Learning Sessions

June 30, 2011, London, UK

Sixth Annual Microfinance Investment Summit

July 5 - July 8, 2011, Geneva, Switzerland

Central Asian Microfinance Fair 2011

July 7 - July 8, 2011, Bishkek, Kyrgyzstan

Mobile Payments & NFC (Near Field Communications) Asia 2011

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

Third Pacific Microfinance Week 2011

July 25 - July 29, 2011, Vanuatu

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

Near Field Communications-Mobile Payments Forum 2011

October 11 - October 13, 2011, Beijing, China

Microcredit Summit Campaign 2011

November 14 - November 17, 2011, Valladolid, Spain

PAPER WRAP-UPS

Reaching the Poorest: Lessons from the Graduation Model

By Syed M Hashemi and Aude de Montesquiou, published by CGAP (Consultative Group to Assist the Poor), March 2011, 16 pages, available at: http://www.microfinancegateway.org/gm/document-1.9.50806/Reaching_the_Poorest.pdf

This document presents findings from the CGAP-Ford Foundation Graduation Program, an initiative launched in 2006 to test and adapt the “Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor” (CFPR/TUP) approach of BRAC, a Bangladeshi development organization that was established in 1972 as the Bangladesh Rehabilitation Assistance Committee. The BRAC approach is premised on the idea that with the right mix of interventions the poorest can “graduate” out of extreme poverty. The Graduation Program consists of a series of 10 pilot projects engaging partners on four continents to test the transferability of the BRAC approach to other regions.

The Graduation Program applies the BRAC approach using the following steps: targeting to ensure only the poorest households are selected for the program; provision of cash or food to stabilize food security; transfers of livestock or other assets to launch self-sustaining economic activity; and savings services and education to build assets and “financial discipline.”

The authors identify three barriers to successful implementation: (1) Some groups of people may simply be unable to embark on new economic activities and create their own pathways out of extreme poverty; (2) While the program takes market challenges and opportunities into account, it does not directly tackle the conditions of the marketplace in which entrepreneurs do business and thus cannot eliminate certain challenges entrepreneurs are likely to face; and (3) The absence of physical infrastructure (such as access to customers or clean water), the unavailability of basic health services and vulnerability to ecological and other macro-level shocks can prevent sustained progress out of poverty.

Despite these challenges, Mr Hashemi and Ms de Montesquiou argue that initial results of the Graduation Program demonstrate that a well-sequenced, intensively monitored program combining access to savings, livelihood training and an in-kind asset transfer can lead to asset and income diversification, increased

consumption, and some level of empowerment. The authors suggest that more research be conducted to determine: (1) whether the initial changes observed in participants’ lives are sustained over time; (2) what contributes to and what inhibits the success of households participating in this type of program; and (3) the role of access to finance in poverty reduction and how financial services can be better provided to those in extreme poverty. Finally, Mr Hashemi and Ms de Montesquiou argue that an understanding of how the pilots can be successfully and cost-effectively scaled up is needed, including an analysis of the relative efficiency of this approach versus other interventions targeted to the poorest people.

The distribution of the Graduation Program’s pilot projects is intended to encompass regional, economic, cultural and ecological diversity. Because the pilots are in various stages of completion, this paper includes only early results from Haiti and the Indian state of West Bengal.

Mobile Value-Added Services – A Vehicle to Usher in Inclusive Growth and Bridge the Digital Divide

By Sachin Sondhi, Sandip Biswas, Gaurav Gupta, Prakash Bharwani; published by Deloitte Touche Tohmatsu India Private Limited; January 2011; 68 pages; available at: https://www.deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Deloitte ASSOCHAM_MVAS_Study.pdf

This research, jointly undertaken by the Indian arm of US-based consultancy Deloitte and the Associated Chambers of Commerce and Industry of India, assesses the current state and future outlook of the mobile value-added services (MVAS) industry with the aim of encouraging socioeconomic growth in India. Given the current reach and penetration of mobile phones in India, the authors argue that MVAS have the potential to transcend an array of barriers such as time, place and socioeconomic class to enable the delivery of basic services across a wide range of the population.

The authors report that 670 million out of 1 billion Indians are mobile subscribers and that mobile penetration is expected to increase to nearly 100 percent of the adult population by 2015. This emerging subscriber base has led to increasing demand - by consumers and service providers - for access to MVAS. Also, the Indian government recently placed inclusive growth at the core of its poverty reduction strategy and regards the use of technology as a means to overcome the lack of infrastructure

that impedes access to basic services. On the supply side, there is a need for differentiation as falling handset prices are forcing telecommunication providers and device manufacturers to look for new revenue streams. Also, the increasing availability of large databases, including the anticipated issuance of unique ID cards to every Indian citizen, has encouraged suppliers that providing access to such data will be possible and profitable.

The authors distinguish between the following types of “utility MVAS,” which can empower citizens to bridge socioeconomic disparities: information-based services, application-based services and enablement-based services. Information-based services are those that disseminate information to the public, such as epidemic alerts and disaster management updates, wherein the consumer plays a passive role. Application-based services require some level of consumer engagement, such as retrieving the status of payments and accessing language training or other educational services. Enablement-based services allow the mobile phone to serve as a platform to deliver services approaching those provided through a physical infrastructure such as completing person-to-person payments.

The authors suggest that all three types of services are present in a range of categories, of which the following four are analyzed in the report: M-Commerce, M-Education, M-Health and M-Governance. The authors present the case for each category in India, lessons learned from current applications around the world and key considerations for their deployment in India.

Based on various case studies of MVAS and a consideration of their applicability to the Indian ecosystem, the authors have outlined the following steps to address the challenges associated with facilitating socioeconomic development through the use of MVAS: (1) recognition of MVAS players by the telecommunications industry; (2) creation of a trade association or similar entity to assist in the expansion of the industry; (3) government prioritization of utility MVAS initiatives; (4) increased consumer access to handsets; (5) acceleration of the installation of network infrastructure such as cellular towers, particularly in rural areas; (6) ratification of uniform guidelines around interoperability, including security and privacy; (7) the launch of national awareness campaigns; and (8) the incubation of application developers, content providers and other entrepreneurs in the space.

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Leveraging Migration for Africa: Remittances, Skills, and Investments

By Dilip Rath, Sanket Mohapatra, Çağlar Özden, Sonia Plaza, William Shaw and Abebe Shimeles; published by the African Development Bank and the World Bank Group; March 2011; 194 pages; available at: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Leveraging%20Migration-P4-rev-3.31.2011.pdf>

This report presents evidence suggesting migration helps to reduce poverty in migrants' home communities in Africa through the return of over USD 40 billion in remittances. Two-thirds of migrants from Sub-Saharan Africa reportedly go to other countries in the region, while more than 90 percent of migrants from North Africa have relocated outside the African continent. Co-author of the report Dilip Rath argues, "African governments need to strengthen ties between diaspora communities and home countries, protect migrants and expand competition in remittance markets [as] the potential of migration for Africa remains largely untapped." Mr Rath proposes that Sub-Saharan African countries might raise up to USD 10 billion annually in diaspora bonds, which are sold by governments or private companies to nationals living abroad to support investment in their home countries.

Cross-border Funding of Microfinance

By Mayada El-Zoghbi, Barbara Gähwiler and Kate Laue; published by CGAP (Consultative Group to Assist the Poor) as Focus Note Number 70; April 2011; 12 pages; available at: <http://www.microfinancegateway.org/p/site/m/template.rc/1.9.50805/>

This paper examines data from CGAP's annual surveys on cross-border microfinance funding to provide an overview of the microfinance funding landscape and trends in cross-border funding. For 2009, international funders report microfinance commitments of USD 21.3 billion, a 17 percent increase over 2008. The respondents include 61 funders and 90 microfinance investment intermediaries.

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

By Mayada El-Zoghbi and Meritxell Martinez, 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 that are used to gauge the effect of microcredit on poor people including: (1) qualitative evaluation methods such as interviews or focus groups and (2) quantitative evaluation methods such as non-randomized "quasi-experiments" or randomized controlled trials (RCTs) that seek evidence of causal relationships between interventions and client impact compared with a control group. The authors argue that RCTs, despite being costly to implement, are superior to qualitative methods and non-randomized experiments because they can overcome selection bias and evaluate causality more precisely.

Microfinance historically has focused on monitoring performance by tracking financial indicators rather than via experimental methods such as RCTs. Over time, other social performance tools such as poverty measurement tools, social audits and social ratings have also been used. The authors argue that while these tools are useful in assessing how certain practices such as staff training and disbursement mechanisms influence outcomes, they do not help


microfinance institutions directly attribute improvements in client welfare to their programs. This is because they do not use a control group to measure changes in client welfare in the absence of intervention.

The authors state that newer RCT studies on the provision of savings, money transfers and microinsurance are revealing the value of those services in increasing households' ability to smooth out consumption and better prepare for shocks.

Regarding when to use RCTs, "It is in the refinement of products and in the testing of the right mix of services that some researchers believe RCTs can be most valuable for microfinance."

2010 Sub-Saharan Africa Microfinance Analysis and Benchmarking Report

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

This report includes information on 181 microfinance institutions (MFIs) that operate in 41 countries, examining growth trends, legal and regulatory changes, funding for microfinance and the performance of MFIs in Sub-Saharan Africa. In addition, for the first time, it includes social performance indicators including the number of low-income households served and the quality and appropriateness of financial services. 



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