

## MICROCAPITAL BRIEFS | TOP STORIES

### EBRD Syndicates \$12m for Araratbank of Armenia for MSMEs

The UK-based European Bank for Reconstruction and Development (EBRD) announced that it will lend USD 3 million to Araratbank, an Armenian bank that provides services primarily to micro-, small and medium-sized enterprises, as part of a USD 12 million syndication. The following banks will provide the remaining funds: Promsvyazbank of Russia, VDK Spaarbank of Belgium and Byblos Bank of Lebanon. Araratbank reports total assets equivalent to USD 115 million and a gross loan portfolio of USD 42.8 million as of 2009. EBRD owns a one-quarter stake in the bank. October 18, 2011

### RBI Requires MFIs to Hold Loans for 9 Months Before Securitizing

The Reserve Bank of India has announced that, before securitizing their loans for sale to investors, lenders must now follow a new set of regulatory standards including that loans with terms of up to two years must be held by the originating firm for at least nine months, and the originating institution must retain at least 5 percent of the loan value on its books. Additionally, retail lenders will be required to carry out ongoing periodic stress tests. October 11, 2011

### \$25m African Agricultural Capital Fund Established

The African Agricultural Capital Fund, which is intended to boost small and medium-sized agricultural enterprises in sub-Saharan Africa, has been launched with a loan of USD 8 million from US-based financial services firm JP Morgan and a total of USD 17 million in equity from the UK's Gatsby Charitable Foundation and two US-based foundations, the Bill & Melinda Gates Foundation and the Rockefeller Foundation. The Development Credit Authority of the US government's Agency for International Development is guaranteeing 50 percent of the loan from JP Morgan. Pearl Capital Partners, a Ugandan agricultural investment fund manager, will manage the fund and reportedly plans to invest in 20 businesses in East Africa, with the aim of increasing the capacity of the local management teams to generate both strong financial returns and significant social impact. October 10, 2011

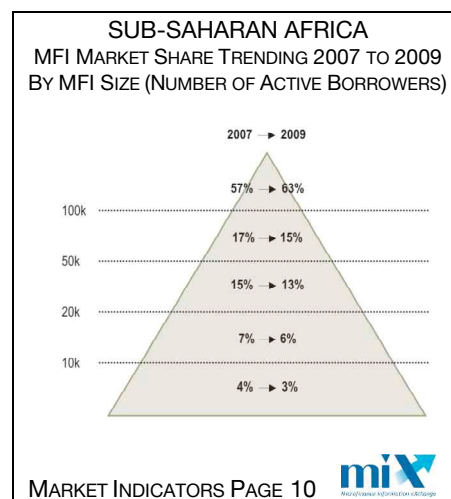
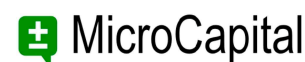
### Mexico's Banco Compartamos Issues \$147m in Long-term Debt

Mexican microfinance institution Banco Compartamos has issued certificados bursatiles bancarios (local bank bonds) amounting to the equivalent of USD 147 million in the local debt capital market. The bonds have a five-year tenor and an interest rate 85 basis points above the 28-day tasa de interés interbancaria de equilibrio (interbank equilibrium interest rate). The issuance was oversubscribed 1.78 times. Publicly traded Compartamos reports total assets of USD 1 billion, a gross loan portfolio of USD 992 million, return on assets of 18.3 percent and return on equity of 37.8 percent. October 3, 2011

### IDB Approves \$30m Loan to Support Small Business in El Salvador

The Inter-American Development Bank, a US-based development finance institution, recently approved a loan of USD 30 million to the "Program to Support Production Development for International Integration," which will be carried out by El Salvador's Ministry of Economy, Ministry of Foreign Affairs and export promotion agency, the National Investment Promotion Agency. The program aims to co-finance 1,000 small businesses to enable them to "access markets, develop cleaner production, create franchises and improve labor standards and production quality" over four years. The program will also engage unspecified advisors to help the firms identify new markets, promote trade and attract investment. October 2, 2011

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## MICROCAPITAL BRIEFS

### MIF to Invest \$14m, Rolls Out Psychometric Test for Borrowers

At the recent FOROMIC conference in Costa Rica, the Multilateral Investment Fund (MIF), a member of the US-based Inter-American Development Bank Group, announced it will make an equity investment of USD 7 million in CoreCo Central America I Fund, an investor in small and medium-sized enterprises. Financial information on CoreCo is not available. MIF also announced it will lend USD 4.9 million to Root Capital, a US-based nonprofit investment fund that invests in rural regions of developing countries with total assets of USD 63 million, and USD 1 million each to two microlenders: Fundación Integral para el Desarrollo del Pacífico Central of Costa Rica, which reports total assets of USD 4.2 million, and the Association for Rural Integrated Development in Guatemala, which reports total assets of USD 6.1 million. In a move that is sure to raise eyebrows, MIF also is rolling out to four unnamed lenders a psychometric testing tool intended to predict creditworthiness by measuring borrowers' honesty, intelligence and other traits. October 20, 2011

### Aavishkaar India II Raises \$62m in 9 Months

Aavishkaar Venture Management, an Indian investor that seeks to encourage rural development, has reportedly orchestrated the first close of its fund, Aavishkaar India II Company Limited, which was launched in January. It has so far raised USD 62 million from investors such as the World Bank's International Finance Corporation, German development bank KfW, Dutch development bank FMO, British development finance institution CDC Group and networking equipment firm Cisco Systems. The fund target is USD 120 million. Aavishkaar also advises three other funds including Aavishkaar Goodwill India Microfinance Development. October 20, 2011

### responsAbility Invests \$5m in Central Asia, ACCION's AIM

Switzerland's responsAbility Social Investments has reported to MicroCapital that it made an equity investment of USD 2 million in ACCION Investments in Microfinance, a fund with USD 13 million in assets that was established by US-based nonprofit ACCION International. responsAbility also loaned the local-currency equivalent of USD 2.4 million to Kazmicrofinance, which is located in Kazakhstan and reports assets of USD 44.3 million, and USD 1 million to TBC Kredit, which is located in Azerbaijan and reports assets of USD 21.4 million. October 20, 2011

### Global Partnerships Lends \$1.2m in Mexico, El Salvador

Global Partnerships, a US-based nonprofit organization that supports microfinance institutions in Latin America, recently announced that it has disbursed the following loans from its Social Investment Fund 2010: USD 500,000 to Fundación Campo of El Salvador, which reports total assets of USD 10.5 million; the local-currency equivalent of USD 457,000 to the Mexican arm of Pro Mujer; and USD 265,000 to for-profit Café y Desarrollo of Mexico, which reports a gross loan portfolio of USD 568,800. Pro Mujer, which reports USD 70 million in total assets, operates in eight Latin American countries. October 20, 2011

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### BlueOrchard Releases 2011 Social Performance Data

BlueOrchard, a Swiss commercial microfinance investment company, has released its annual social performance report, which presents the following data on 75 microfinance institutions in which it has invested: 96 percent have fair collection policies, 82 percent implement a "rigorous" system to determine a client's level of indebtedness and 82 percent promote diversity among loan officers. October 20, 2011

### Global Partnerships Lends \$3.7m in South America

US-based nonprofit Global Partnerships (GP) recently told MicroCapital that it has lent USD 2 million to FINCA Ecuador, which reports total assets of USD 31.7 million and is a unit of the 21-member Foundation for International Community Assistance (FINCA) International. GP also lent USD 1 million to Credito con Educacion Rural of Bolivia, which reports total assets of USD 63.7 million, and USD 750,000 to Crediflorida of Peru, which serves 1,300 coffee producers with a gross loan portfolio of USD 5.9 million. October 19, 2011

### CFKS of Bosnia Offers Debt Mediation, Financial Education

Established in 2010 as a nonprofit in Tuzla, Bosnia and Herzegovina, the Center for Financial and Credit Counseling (CFKS in Bosnian) reportedly has so far assisted 388 individuals to address aggregate debt of USD 4.7 million through financial education, counseling, mediation and debt resolution. In 16 percent of cases, a debt restructuring plan was accepted by both client and creditor, and CFKS provided training that reportedly enabled the clients to resolve their credit situation directly in an additional 21 percent of cases. CFKS receives funding from the UK's Department for International Development, the World Bank's International Finance Corporation, Dutch cooperative Oikocredit, Luxembourg-based European Fund for Southeast Europe and Swiss investors responsAbility and Blue Orchard. October 18, 2011

### Philippine Rural Bankers Foundation Supports Microinsurance

Since January, the Rural Bankers Research and Development Foundation Incorporated, an arm of the nonprofit Rural Bankers Association of the Philippines, has reportedly trained 270 bank staff from 130 rural banks under its "Basic Microinsurance" course, which covers sales, marketing and servicing. Seven of the banks have so far been licensed to offer microinsurance services, with another 40 having submitted applications that remain pending. The Philippine government also is attempting to expand microinsurance coverage by linking mutual benefit associations with beneficiaries of the government's cash transfer program, which serves 2.3 million households. October 18, 2011

### EBRD Funds \$2m in On-lending by Frontiers to Central Asian MFIs

The European Bank for Reconstruction and Development, a financial institution headquartered in London, announced recently that it has committed to loan the equivalent of USD 2 million in local currency to Frontiers Microlending Company, a Kyrgyzstan-based institution, to finance 10 to 12 unnamed small and medium-sized microfinance institutions in Kyrgyzstan, Tajikistan and Kazakhstan. Frontiers reports total assets of USD 26.4 million. October 18, 2011

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**StanChart Indonesia Loans \$3m to Andara for Tech, Loans to MFIs**

Standard Chartered Indonesia, a unit of the London-based bank Standard Chartered PLC, has announced that it will loan the local-currency equivalent of USD 3.3 million to Bank Andara, an Indonesian wholesale lender to microfinance institutions (MFIs). Bank Andara provides loans and other services to 420 MFIs including the Andara Link “mobile online technology.” The shareholders of Bank Andara, which holds a loan portfolio of USD 1.4 million, include MercyCorps, International Finance Corporation, the Hivos-Triodos Fund, Cordaid, KfW and Mr I Wayan Gatha. October 17, 2011

**responsAbility Loans \$4m in Ghana, Nigeria, Uganda**

Swiss firm responsAbility Social Investments recently reported to MicroCapital that it has made the following local-currency loans: the equivalent of USD 2.8 million to Sinapi Aba Trust of Ghana, which reports total assets of USD 30.7 million, a gross loan portfolio of USD 19.7 million, return on assets of 3.79 percent, return on equity of 11.4 percent and 102,500 active borrowers; USD 977,000 to Lift Above Poverty Organisation of Nigeria, which reports total assets of USD 65.4 million; and USD 250,000 to Pearl Microfinance of Uganda, which reports lending activity totaling USD 7.6 million. October 17, 2011

**responsAbility Lends \$2m in Costa Rica, Colombia, Ecuador**

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it has made loans to three Latin American lending institutions: USD 1.5 million to Coopronaranjo of Costa Rica, a coffee cooperative on which financial information is not available; USD 500,000 to Cooperativa de Ahorro y Credito Esperanza y Progreso del Valle of Ecuador, which has not reported data since reporting USD 389,000 in total assets in 2007; and the local-currency equivalent of USD 374,000 to Fundación Amanecer of Colombia, which reports total assets of USD 10.1 million. October 17, 2011

**Mambu Cloud-based Software Free to Small Lenders**

The Mambu web-based management information system for microfinance institutions (MFIs) has recently been upgraded to version 1.9, which adds the “current account” deposit type and overdraft functions to its portfolio management, client tracking, mobile data access and transaction reporting functions. The monthly subscription fee for the service is waived for MFIs with up to 1,500 clients. October 16, 2011

**Triodos Invests in Ghana, Angola, Vietnam, Belarus**

Triodos Investment Management, a Dutch manager of four microfinance investment funds, has reported to MicroCapital that it invested undisclosed amounts in four microfinance institutions including, for the first time, the TYM (Tao Yeu May) Fund of Vietnam, which reports total assets of USD 15.3 million. Also receiving funds was Advans Ghana Savings and Loans, which is one of five affiliates of Luxembourg-registered Advans Group. KixiCrédito of Angola and the Belarusian Bank for Small Business were also funded. October 15, 2011



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**India's BSFL Looks to Convert \$40m in Debt to Preference Shares**

Indian microfinance institution Bhartiya Samruddhi Finance Limited reportedly has requested that its creditors agree to convert loans totaling the equivalent of USD 40.6 million over the course of several years into preference shares, a form of quasi-debt that holds precedence over common equity holders in the event of liquidations. Half of the total is owed to Small Industries Development Bank of India, with the remainder held by unnamed lenders. October 14, 2011

**MIX Launches Fee-Based “MIX Silver”**

The Microfinance Information Exchange (MIX), a US-based nonprofit organization that publishes data on microfinance stakeholders, recently announced the launch of a fee-based service that offers the ability to: create a personalized dashboard to track changes in microfinance markets; build and analyze virtual microfinance institution portfolios; access benchmarking and aggregation tools; and access interim and annual data for approximately 2,000 microfinance institutions. Up to five users per institution may access the service for USD 3,500 per year. MIX also plans to launch “MIX Gold” later in the year, which will offer custom variable tracking, interaction with MIX experts and an unlimited number of users per institution. October 14, 2011

**Triodos Invests in Mexico, Honduras, Ecuador, Bolivia**

Triodos Investment Management of the Netherlands recently reported that it has invested an undisclosed amount of funds in five Latin American microlenders. First-time investees are Semilla Solidaria of Mexico, which reports total assets equivalent to USD 5.3 million, and Instituto para el Desarrollo de la Pequeña Unidad Productiva of Bolivia, which reports assets of USD 26 million. Also receiving investment are Cooperativa Mixta Mujeres Unidas Limitada of Honduras, Cooperativa de Ahorro y Crédito Mujeres Unidas de Ecuador and Institución Financiera de Desarrollo Sembrar Sartawi of Bolivia. October 13, 2011

**Investors Back Impact and Reporting Investment Standards**

The US-based Global Impact Investing Network has lined up support for its Impact Reporting and Investment Standards (IRIS) initiative from 29 impact investors, including Calvert Foundation, Leapfrog Investments, Sarona Asset Management and SNS Asset Management. Data submitted to IRIS have recently been compiled in a report called “Data Driven: A Performance Analysis for the Impact Investing Industry.” US-based asset manager and investment bank Developing World Markets has also announced that it has redesigned its social scorecard to align with IRIS. October 13, 2011

**Incofin Lends \$3.3m in Azerbaijan, Kyrgyzstan**

Belgium's Incofin Investment Management recently disbursed the following loans through microfinance investment funds it manages: USD 2.5 million to Kompanion, which is located in Kyrgyzstan and reports total assets of USD 50 million, and USD 800,000 to Azerbaijani Finance for Development, which holds assets of USD 11.7 million. October 12, 2011



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### EFSE Loans \$8m in Bosnia and Herzegovina, Macedonia

The European Fund for Southeast Europe, a microfinance investment vehicle incorporated in Luxembourg, recently reported to MicroCapital that it has made loans to two banks to support micro-, small and medium-sized enterprises. Mikrofin Banja Luka of Bosnia and Herzegovina, which reports total assets of USD 139 million, a gross loan portfolio of USD 123 million, return on assets (ROA) of 0.3 percent, return on equity (ROE) of 1.33 percent and 40,000 active borrowers, will receive the euro-equivalent of USD 5.36 million. ProCredit Bank Macedonia, a unit of Germany's 21-member ProCredit Holding, borrowed USD 3.35 million. ProCredit Bank Macedonia reports total assets of USD 266 million, a gross loan portfolio of USD 197 million, ROA of 12.3 percent, ROE of 4.32 percent and 25,800 active borrowers. October 12, 2011

### Indian MFIs Propose Microloan Restructuring Quid Pro Quo

India's 39-member Microfinance Institutions Network (MFIN) has reportedly proposed that the government of the Indian state of Andhra Pradesh ease requirements - such as that involving government approval of each loan disbursement - in return for reducing distressed microborrowers' interest rates to 15 percent per year and extending repayment periods to up to five years. Separately, MFIN President Vijay Mahajan was quoted as having said, "We have started negotiations with bodies of self-help groups (SHGs) like Mandala Mahila Samakhya (MMS) to convince them about the need to repay the old dues." Borrowers that repay the old debts would be offered an unspecified incentive package. September 26 and October 12, 2011

### Brazil's SUSEP to Release Microinsurance Regulatory Framework

Superintendencia de Seguros Privados, Brazil's insurance regulator, recently announced that it will release a framework for the regulation of microinsurance by the end of October. October 11, 2011

### Indian Supreme Court Sends SKS Back to Andhra Pradesh

SKS Microfinance, an Indian microfinance institution (MFI), recently was directed by the Supreme Court of India to plead its case against the enforcement of the Regulation of Microlending Act of the Indian state of Andhra Pradesh (AP) in front of the AP High Court. The Microlending Act was passed in December 2010 in response to complaints of high interest rates and coercive loan recovery practices by MFIs and their agents. SKS Microfinance has objected to the Microlending Act, stating that by requiring approval of every microloan application by state government authorities, it causes an undue burden on business. As of 2010, SKS Microfinance reports total assets of USD 1.2 billion, 6.6 million borrowers, return on assets of 6.3 percent and return on equity of 22.4 percent. October 11, 2011

### In Tanzania, Default Rates of 10% Push Commercial Rates to 24%

With default rates reportedly ranging from 7 percent to 10 percent in Tanzania, commercial banks in the country are charging annual lending rates between 14 percent and 24 percent. Write-offs are said to have risen about six-fold from 2007 to 2010, reaching the equivalent of USD 61 million. Meanwhile the Bank of Tanzania, the country's central bank, plans to open a Credit Reference Bureau by 2012, which could rein in interest rates for customers that reliably pay for services such as electricity and water. October 11, 2011

### Larry Reed to Lead Microcredit Summit Campaign

The Microcredit Summit Campaign, an affiliate of US-based advocacy group Results, has announced that Larry Reed will become the director of the campaign in January 2012 after the current director and founder, Sam Daley-Harris, steps down. Mr Reed has served as the Africa Regional Director of Opportunity International and as chairperson of the Small Enterprise Education and Promotion Network, both US-based nonprofits. October 11, 2011



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### Microfinance Rating Agency Code of Conduct Inked

Three providers of institutional, performance and social ratings of microfinance institutions (MFIs), MicroFinanza Rating of Italy, US-based MicroRate and French Planet Rating, recently signed the “Microfinance Rating Agency Code of Conduct.” The highest level of compliance with the code requires practices including providing no technical assistance to MFIs, having no ownership ties to companies providing consulting services to the microfinance sector and generating substantial rating income from organizations other than MFIs, such as investors. In a related story, it was reported that Indian rating agency Micro-Credit Ratings International Limited (M-CRIL) Managing Director Sanjay Sinha argues that rating agencies in India that do not specialize in microfinance have been “too liberal in the assignment of grades to MFIs,” giving commercial banks an overly optimistic picture of the MFIs’ creditworthiness. October 11, 2011

### EBRD Lends \$6m to Sparkasse Bank to Prep BiH to Join EU

The UK-based European Bank for Reconstruction and Development (EBRD) has agreed to lend the euro-equivalent of USD 6.7 million to Sparkasse Bank BiH to support Bosnia and Herzegovina’s preparation for possible membership in the EU. In addition to the loan, Sparkasse Bank will receive technical assistance from EBRD and the European Commission, the executive body of the EU. Sparkasse Bank CEO Sanel Kusturica said, “All the funds will be used to support small and medium enterprises in the projects that comply with the EU directives that will help to improve the quality of business and will be one of the steps towards European integration.” Owned by the Austrian Steiermärkische Sparkasse group, Sparkasse Bank reports total assets equivalent to USD 540 million, net income of USD 1.27 million and 170,000 clients. October 11, 2011

### LuxFLAG Grants 4 First-time MIV Labels

The Luxembourg Fund Labeling Agency (LuxFLAG), a microfinance institution vehicle (MIV) certification organization, recently granted the LuxFLAG Microfinance Label, which reassures investors that MIVs actually invest in the sector, to four MIVs for the first time: Microfinance Enhancement Facility, Selectum, Etimos Fund and Dual Return Fund - Vision Microfinance Local Currency. Since January, LuxFLAG granted seven new microfinance labels and renewed 13, bringing the total number of MIVs labelled by LuxFLAG to 20, which together manage approximately USD 2.9 billion. In order to obtain the LuxFLAG Microfinance Label, an MIV must meet criteria that includes microfinance investments corresponding to at least 50 percent of the MIV’s total assets, having at least 25 percent of the portfolio invested in microfinance institutions rated by a certified microfinance rating agency and regular reporting of various data to investors. October 10, 2011

### Triodos Invests in Azerbaijan, Tajikistan, Kazakhstan, Kyrgyzstan

The Netherlands’ Triodos Investment Management recently reported that it has invested an undisclosed amount of funds in the following five microfinance institutions: DemirBank of Azerbaijan, First Microfinance Bank - Tajikistan (FMFB-TJK), Arvand of Tajikistan, Arnur Credit of Kazakhstan and Kompanion Financial Group Microfinance Closed Joint Stock Company of Kyrgyzstan. Newly added to Triodos’ portfolio are DemirBank, which reports total assets of USD 418 million; FMFB-TJK, which reports total assets of USD 44 million and is affiliated with the Swiss Aga Khan Development Network; and Arvand, which reports total assets of USD 11.5 million. October 10, 2011

### Yunus to Address Rotary International Convention in 2012

The Rotarian Action Group for Microcredit, a subset of US-based service organization Rotary International, recently announced that Dr Muhammad Yunus, the founder of Bangladeshi microfinance institution Grameen Bank, will be addressing the Rotary International Convention to be held in Thailand beginning on May 6, 2012. October 10, 2011

### United Bank of India Launches Mobile Banking

As part of its financial inclusion efforts, the government-owned United Bank of India (UBI) has launched “United Mobile Banking,” which allows customers to use mobile phones to access mini-statements, enter stop-payment orders and transfer funds. UBI Managing Director Shri Bhaskar Sen said, “The rapid growth in users and wider coverage of mobile phone networks have made this channel an important platform for extending banking services to customers.” October 9, 2011

### Global Partnerships Lends \$2.5m to Colombian MFIs

Nonprofit social investor Global Partnerships, which has offices in the US and Nicaragua, has made its first two loans in Colombia: USD 1 million to Fundación Amanecer and USD 1.5 million to Corporación Nariño Empresa y Futuro (Contactar). Amanecer reports total assets of USD 10.1 million, a gross loan portfolio of USD 9 million, return on assets (ROA) of 10 percent and (ROE) return on equity of 19.12 percent. Contactar reports total assets of USD 24.5 million, a gross loan portfolio of USD 23 million, ROA of 9.24 percent, ROE of 24.7 percent and 31,800 active borrowers. October 8, 2011

### Botswana to Stop Handling Civil Servants’ Microloan Repayments

The government of Botswana has announced that at the end of November it will cease collecting microloan repayments from the paychecks of civil servants for remittance to microfinance institutions. Locally based consumer lender Letshego Holdings Limited, which operates in six African countries, reportedly announced that it will switch to alternative collection methods such as electronic debit orders, a move that will likely increase operating expenses. Letshego currently offers loans of up to the equivalent of USD 26,500 and collects repayments of USD 8.7 million from civil servants on a monthly basis. Letshego reports total assets of USD 353 million. October 7, 2011

### DEG, OeEB to Invest \$10m in Inecobank for SMEs in Armenia

Armenian microfinance bank Inecobank is set to receive a loan of USD 10 million from German development finance institution Deutsche Investitions-und Entwicklungsgesellschaft GmbH (DEG) and Austrian development bank Oesterreichische Entwicklungsbank. Commenting on targeting the funds to small and medium-sized enterprises (SMEs), Holger Rothenbusch, head of DEG’s Asia/Europe Division, stated that “SMEs are often too small for commercial banks and too big for microfinance institutions. This financing gap needs to be closed.” Inecobank reports a gross loan portfolio of USD 112 million, return on assets of 2.97 percent and return on equity of 13.76 percent. October 7, 2011

### Rozas: Multiple Borrowing Is to be Managed, Not Quashed

In an article recently published on the website of the US-based Financial Access Initiative, Brussels-based microfinance consultant Daniel Rozas argues that multiple borrowing is an intrinsic part of microfinance rather than a result of market saturation or a reflection of client ignorance or greed. As such, it should be understood and managed through the use of credit bureaux, regulatory pressure and client-protection efforts such as the Smart Campaign, a program of the US-based nonprofit ACCION International. October 6, 2011

### Kredits Offers Regulatory Compliance Software for MFIs

Kredits, a US-based technology provider to microfinance institutions, recently announced that it is offering a “multi-jurisdictional regulatory compliance software solution” to unnamed clients in Kazakhstan, Brazil, India and Madagascar. The product is soon to be localized to additional countries in Southeast Asia and Africa. The software facilitates the creation of electronic financial reports to meet the monitoring requirements of local regulators. Kredits, established in 1998, provides technology and business process solutions to microbanks in approximately 30 countries. October 6, 2011



### Chase Bank Creates Rafiki Deposit-taking MFI in Kenya

US-based bank Chase has reportedly created a subsidiary, Rafiki Deposit Taking Microfinance Kenya Limited, in an effort to attract Kenyan customers who have “outgrown” traditional microfinance institutions. The six deposit-taking microbanks that the Central Bank of Kenya has licensed have built a deposit base equivalent to USD 89 million, an amount from which they sometimes lend on a wholesale basis to other microlenders. October 5. 2011

### Bangladesh Bank Issues Guidelines on Mobile Microfinance

Bangladesh Bank (BB), the central bank of the country, has released guidelines on mobile financial services in an effort “to include a vast segment of the population, especially the underprivileged ones and rural people, within the fold of basic banking services,” according to a quote attributed to BB Executive Director Dasgupta Asim Kumar. Authorised services include inbound foreign remittances, domestic money transfers, and cash deposits and withdrawals via agents and automated teller machines. BB has so far issued permission to 12 unnamed commercial banks to run mobile money services. October 5. 2011

### CBN Approves New Capital Base Minima, MFBs Await Evaluations

The Central Bank of Nigeria has approved new capital base requirements for microfinance banks (MFBs) as per the expectations reported in the July issue of this newspaper. Under the new policy, three categories of MFBs will be allowed: single-location “unit” MFBs, state-level MFBs and national MFBs. It has been reported that MFBs are generally satisfied with the new capital base requirements but are concerned about the delay of results of a “capital verification” exercise that was conducted last year. As MFBs failing the exercise are to lose their operating licenses, the uncertainty prevents MFBs from making “any serious plans for the future,” according to an unidentified MFB manager. October 4. 2011

### Morocco: Microfinance “Champion” or Bubble?

A document circulated at the recently concluded Fifth African Microcredit Conference in Ethiopia reportedly commended the Moroccan microcredit sector, remarking that from 2003 to 2007 the aggregate loan portfolio of the country’s microfinance institutions (MFIs) “multiplied 11 times and client outreach by four,” accounting for 40 percent of all microfinance outreach in the Arab world. The unknown author of the document observed that Moroccan MFIs scored well on metrics including asset quality. However, MicroCapital has previously cited papers such as “Morocco MFIs Confront Crisis and Strive for a Brighter 2010,” published by US-based nonprofit CGAP (Consultative Group to Assist the Poor), which report that the rapid growth of Moroccan microcredit has led some MFIs to experience portfolio-at-risk ratios above 30 percent. October 4. 2011

### State Bank of Pakistan Reduces Provisioning Requirements

The State Bank of Pakistan has withdrawn general provision requirements for loans extended by microlenders that are secured by collateral and cut the provision requirements for collateral-free loans to 1 percent of net outstanding loans from 1.5 percent. October 3. 2011

### India’s Utkarsh Raises \$5m in Equity from NMI, Aavishkaar, IFC

India’s Utkarsh Micro Finance Private Limited has raised equity commitments equivalent to USD 3.2 million from Norwegian Microfinance Initiative Frontier Fund, a public-private partnership that provides technical and financial support to “emerging” microfinance institutions; USD 1.2 million from Aavishkaar Goodwill India Microfinance Development Company, an Indo-Dutch for-profit investor; and USD 650,000 from the International Finance Corporation, the private-sector investment arm of the World Bank Group. Utkarsh reports a loan portfolio of USD 8.3 million and 55,500 active borrowers. October 3. 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

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### **New PPAF Equity Fund Backs Pakistan's Jinnah Welfare Society**

The nonprofit Pakistan Poverty Alleviation Fund reportedly has established an equity fund to invest in microbanks in an effort to facilitate their access to commercial financing, with the ultimate goal of increasing growth and facilitating expansion into rural areas. First to benefit from the funding is the Jinnah Welfare Society, which will raise 40 percent of an undisclosed amount of equity from unspecified sources, with 60 percent supplied by the new fund. Jinnah Welfare Society reports a gross loan portfolio of USD 2.2 million and 13,700 borrowers. October 3. 2011

### **Sudanese Insurers to Guarantee Microfinance Loans**

Hassan al Sayed, the head of Sudanese trade group Insurance Companies Union (ICU), reportedly has said that an agreement has been reached to guarantee an unspecified volume of microfinance loans in the country. Details are scarce, including whether ICU or its members will provide the guarantees. A delegation from ICU is to meet the governor of the Central Bank of Sudan to discuss the project, which is to be scaled up through January 2012. October 3. 2011

### **Orascom's Mobilink Approved to Offer Mobile Banking in Pakistan**

The State Bank of Pakistan, Pakistan's central banking authority, has reportedly granted approval to Orascom, an international telecommunications company headquartered in Egypt, to initiate a mobile banking service in Pakistan. Mobilink, a subsidiary of Orascom that serves 31 million Pakistanis, will offer money transfer services to its mobile phone customers. CEO Nadeem Hussain of Telenor's mobile banking service Easypaisa has publicly welcomed the competition saying that, "the unbanked population in Pakistan is so large, that any one entity cannot cater to it. More players in the market means that the onus of educating people will be divided, and growth in the market will be good for everyone providing mobile financial services." October 3. 2011

### **Indian Microfinance May Decline 40% for Year Ending March 2012**

Data from India's 39-member Microfinance Institutions Network (MFIN) for April through August indicate a decline in the industry's total loan portfolio. "For the first time in the history of Indian microfinance, the industry is likely to witness negative growth this year. At an aggregate level, the decline may be in the range of 20 to 40 percent by March 31, 2012," MFIN CEO Alok Prasad reportedly said. Through the five years ending October 2010, the industry reportedly experienced a compounded annual growth rate of 70 percent. Since the downturn took hold in the state of Andhra Pradesh in 2010, several microlenders have been facing cash flow problems and shrinking balance sheets. It is estimated that 150,000 field staff work for the affected MFIs. October 2. 2011

### **Banks Bring Solar Lighting to India's Villages via Microfinance**

Rural bank Prathama Bank has reportedly helped provide 29,000 solar home lighting systems via its "Prathama Solar Jyoti" program, resulting in 75-percent saturation in 21 villages in the state of Uttar Pradesh. The systems, which cost roughly the equivalent of USD 280, are paid for in installments of USD 6 per month, an amount that is reportedly much lower than the monthly cost of kerosene lighting. Details on interest rates and loan periods are not available. Tata BP Solar, a joint venture between Indian Tata Power Company and British Petroleum's BP Solar, has sold nearly 80,000 solar lighting systems through tie-ups with rural banks such as Aryavart Gramin Bank and Gomti-Kashi Bank in addition to Prathama. Solar Electric Lighting Company, another provider, reportedly partnered with 13 commercial and rural banks to make solar lighting systems available to 120,000 households, mostly in the state of Karnataka. October 1. 2011

### **Peruvian Microinsurer Protecta Predicts First Profit in 2012**

Protecta, the microinsurance provider of Peru-based microfinance holding company Grupo ACP, reportedly predicts that it will turn its first annual profit in 2012. Protecta, which has 850,000 life insurance and pension annuity clients, started operations in 2008. Protecta currently uses Banco de la Microempresa (Mibanco), a microfinance banking member of Grupo ACP, as its primary distribution channel. Recently, it also has started working with pharmacies, municipalities and universities to distribute its products. Although details remain few, Protecta also has been partnering with the state-run Banco de la Nación as it looks to offer microinsurance. In 2009, Grupo ACP reported total assets equivalent to USD 1.1 billion. October 1. 2011

### **"Simple MFI" App Lets Loan Officers Work via Mobile Phone**

Kevin Gibbs, a software engineer and manager at US-based technology firm Google, has developed a free application called "Simple MFI" that allows microloan officers to view and enter client data on mobile phones. Client information can be accessed off-line with data synchronized automatically with the head office database when internet access is available. September 30. 2011

### **Yunus: Regs Leave Arab Microfinance "Misinterpreted" as Charity**

According to a local news report, Dr Muhammad Yunus, the founder of Bangladeshi microfinance institution Grameen Bank, recently argued that the Arab world has "misinterpreted the system's true principles" by operating it as a "charity affair." Dr Yunus proposes that Arab countries pass laws allowing microfinance organizations to function as financial institutions, so they do not need to use traditional banks as intermediaries to disburse loans. Conceding that microfinance is not a "silver bullet," Dr Yunus proposed the analogy that microfinance is a powerful tool for reducing poverty and unemployment just as information technology has been a driving force in the recent political uprisings in Arab countries. September 30. 2011

### **At CGI, Swiss Re Commits to Microinsurance in Haiti, Senegal**

Global reinsurer Swiss Re announced during the recent 2011 Clinton Global Initiative (CGI) Annual Meeting its commitment to provide natural disaster insurance to Haitian women entrepreneurs and an "insurance for work" program intended to help farmers in Senegal maintain food and income security amidst climate change. CGI is an effort established by former US President Bill Clinton in 2005 to bring together global leaders to alleviate poverty, improve the environment and increase access to health care and education. In Haiti, according to Swiss Re's chairman of global partnerships, Michel Liès, "Some 4,000 women who lost their homes or business assets in the floods earlier this year have already received USD 1 million in payment." In Senegal, Swiss Re is working with Oxfam America, the World Food Programme and the US Agency for International Development on a five-year, USD 1.25 million effort to extend a pilot program from Ethiopia to cover 18,000 people in Senegal by 2016. September 29. 2011

### **Arunachalam Urges Care When Selecting BCs, Standards for MIS**

Indian rural finance practitioner Ramesh S Arunachalam recently argued that banks consider the following criteria when selecting business correspondents such as nonprofit microfinance institutions, post offices and for-profit retailers to expand their networks: (1) the ability to cater to the needs of financially excluded people; (2) the capacity to perform these activities ethically; and (3) contingency plans in case the agent becomes unable to carry out the services. In a separate piece, Mr Arunachalam calls for the establishment of standards for management information systems that must be met as a prerequisite for the accreditation of microfinance institutions in India. September 27 and September 28. 2011

### MicroEnsure Leverages Tech to Offer Microinsurance in Kenya

The Kenyan office of MicroEnsure, a subsidiary of US-based nonprofit Opportunity International, is engaging M-Pesa, a Kenyan mobile money service, and FrontlineSMS:Credit, a UK-based nonprofit software provider, to offer microinsurance in Kenya. While microinsurance is often embedded in other microfinance distribution channels to reduce costs, Kate Waiganjo, country manager for MicroEnsure Kenya, explains that the use of mobile technology is expected to make this standalone microinsurance feasible. Among other features, the product will allow policyholders to adjust coverage levels as needed. MicroEnsure provides insurance services to approximately 3.5 million poor clients in Africa and Asia. September 27, 2011

### Indian MFI Arohan Secures "A2(SO)" Rating for \$1.4m in PTCs

Indian rating agency ICRA Limited has assigned a conditional rating of A2(SO) to a series of pass-through certificates backed by the equivalent of USD 1.45 million in microloan receivables originated by Arohan Financial Services Private Limited, a Kolkata-based non-banking financial company. The A2 rating indicates "above-average-credit-quality," while "SO" refers to the status of the securitization as a structured obligation. Arohan reports total assets of USD 20 million, a gross loan portfolio of USD 13.6 million and 165,000 borrowers. September 27, 2011

### EBRD Expanding to Support Emerging Arab Democracies

The UK-based European Bank for Reconstruction and Development (EBRD) has signed agreements with the African Development Bank, which is based in Tunisia, and the Islamic Development Bank, which is based in Saudi Arabia, to outline how the institutions can cooperate in the Southern and Eastern Mediterranean region. EBRD is working to expand its geographic range to include Egypt, Jordan, Morocco and Tunisia as an outgrowth of the Deauville Partnership that was launched in May by the association of major economies known as the Group of Eight. September 27, 2011

### NABARD Offers "India-Africa Agrifinance Confluence" Site Visit

NABARD Consultancy Services, an arm of India's National Bank for Agriculture and Rural Development (NABARD), recently announced that it is offering a training visit to India for African delegates to promote agricultural finance as a method for increasing food security in Africa. The trip, which is scheduled to conclude October 21, will cover India's agriculture and rural financing approach, which reportedly results in the distribution of USD 100 billion in agricultural loans each year. September 26, 2011

### Philippine MICRA Joins Grameen's Bankers without Borders

The Bankers without Borders (BwB) Alliance, a volunteer initiative of the US-based nonprofit Grameen Foundation, recently announced that the Microfinance Innovation Center for Resources and Alternatives (MICRA), a microfinance consulting firm in the Philippines, will become the fifth member of the alliance, joining Promuc of Peru, Contactar of Colombia, Access Development Services of India and Grameen-Jameel, which operates in the Middle East and North Africa. BwB engages volunteers to provide onsite and remote technical assistance, training and consulting to help microfinance institutions improve their reach, impact and sustainability. MICRA will receive funds, technical assistance and operational support to arrange "skill-based" volunteer engagements with local microfinance institutions. September 26, 2011

### responsAbility Loans \$9.2m in Mexico, Bolivia, Peru, Ecuador

Swiss asset manager responsAbility Social Investments, which manages four microfinance investment vehicles (MIVs), recently reported to MicroCapital that it made the following loans to microfinance institutions through MIVs it manages: the local-currency equivalent of USD 4.92 million to FINCA Mexico, which reports total assets of USD 45 million and is a member of US-based nonprofit FINCA International; the local-currency equivalent of USD 850,000 to Instituto para el Desarrollo de la Pequeña Unidad Productiva of Bolivia, which reports total assets of USD 26.08 million; USD 1.41 million to Entidad de Desarrollo a la Pequeña y Micro Empresa Alternativa in Peru, which reports total assets of USD 30 million; and USD 2 million to Ecuador's Fundación para el Desarrollo Microempresarial (D-Miro), which reports total assets of USD 34.8 million. September 26, 2011

### IFMR Securitizes \$15m in Microloans Originated by Indian MFIs

IFMR Capital, a private Indian company that funds financial institutions that serve poor people, recently securitized a "multi-originator" portfolio of 49,000 loans worth the equivalent of USD 10.5 million. The securitization involved seven Indian non-banking financial institutions: Asirvad Microfinance Private Limited, Dishu Microfin Private Limited, MIMOZA Enterprises Finance Private Limited, Satin Creditcare Network Limited, Suryoday Micro Finance Private Limited, SV Creditline Private Limited and Utkarsh Micro Finance Private Limited. Separately, IFMR Capital securitized USD 4.9 million in microloans disbursed by Indian microfinance institution Grameen Financial Services Private Limited, popularly known as Grameen Koota. Unspecified investors acquired the senior tranches of both securitizations with IFMR purchasing subordinated portions. IFMR Capital is controlled by the Indian nonprofit Institute for Financial Management and Research (IFMR). September 25, 2011



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**Peru's Abaco to Loan MFIs \$3m, Half Guaranteed by Grameen, AID**

Grameen Foundation, a US-based nonprofit organization that supports microfinance institutions (MFIs), and the US Agency for International Development (AID), a government agency that provides international assistance, will provide credit guarantees worth USD 300,000 and USD 1.2 million, respectively, to Cooperativa de Ahorro y Credito Abaco, a Peruvian credit union, in support of local-currency loans to two nonprofit MFIs that operate in Peru. Pro Mujer, which has a presence in five Latin American countries, will borrow the equivalent of USD 2 million, and Asociación Arariwa will borrow USD 1 million. Pro Mujer's Peruvian arm reports total assets of USD 18.9 million, a gross loan portfolio of USD 16.6 million, return on assets (ROA) of 4.58 percent, return on equity (ROE) of 7.93 percent and 50,600 borrowers. Asociación Arariwa reports total assets of USD 10.4 million, a gross loan portfolio of USD 8 million, ROA of 2.43 percent, ROE of 6.86 percent and 14,500 borrowers. September 23. 2011

**EBRD, FMO, BiB Loan \$8m to Eskhata for MSMEs in Tajikistan**

Bank Eskhata, a commercial bank in Tajikistan, is set to benefit from a syndicated loan funded by three institutions: the Netherlands Development Finance Company (FMO in Dutch), a public-private partnership that will provide USD 5 million; the UK-based European Bank for Reconstruction and Development, which will loan USD 2 million; and Bank im Bistum Essen eG, a German cooperative bank that has committed USD 1 million. Bank Eskhata will use the funding to expand its lending to micro-, small and medium-sized enterprises by supporting both "maturing" customers and new clients. Bank Eskhata reports total assets of USD 78.3 million, a gross loan portfolio of USD 47.4 million, return on assets of 2.62 percent, return on equity of 22.5 percent and 9,500 active borrowers. September 23. 2011

**Andhra Pradesh Launches Cooperative Microbank for SHGs**

A cooperative microfinance bank named Stree Nidhi has been formed by the government of the Indian state of Andhra Pradesh and Mandal Mahila Samkhyas, a representative federation of self-help groups of 10 to 20 individuals that work together to save and borrow. The average loan is expected to be for the equivalent of USD 335 with a one-year term, an annual interest rate of 13 percent and a monthly repayment schedule. Stree Nidhi reportedly aims to disburse all approved loans via mobile phones within 48 hours of application. Stree Nidhi has been established with USD 65 million in share capital and aims to mobilize deposits to disburse USD 200 million through 2012 and a total of USD 900 million by 2014. September 22. 2011

**"Intercontinental Ballistic Microfinance" Shows Kiva Fund Flows**

Kiva, a US-based online portal allowing individuals to make loans as small as USD 25 to microfinance institutions, recently posted a video simulation of the flow of the USD 244 million it has facilitated since its incorporation in 2005. The simulation can be accessed at <http://vimeo.com/28413747>. September 22. 2011

**MasterCard Commits \$23m to UNCDF MicroLead Savings Program**

Canada's MasterCard Foundation has agreed to grant USD 23.5 million to the MicroLead program, a savings-oriented initiative that was designed by the UN Capital Development Fund, an investment facility intended to encourage private sector development. Via a competitive bidding process, the effort will support approximately eight "experienced" financial institutions in piloting new programs or providing technical assistance that enhances financial inclusion for poor people, with an emphasis on the development of savings services. Since 2009, MicroLead has funded 13 projects worth USD 20.1 million. September 22. 2011



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## FIELD NOTES

### Funding Microfinance Investments: Can “Patient” Capital Replace Grants?

I am almost embarrassed to say that I am writing this in the middle of one of my busiest work seasons from a fancy beach resort in Ixtapa, Mexico. Have I lost my senses? Become hopelessly irresponsible? Possibly. But I am here on an intellectually restorative activity, one that is against my nature but that I hope will energize my work in the months to come. I am writing from the Opportunity Collaboration “un-conference,” an event that is only about three years old but which has gained a cult-like following of both young and old, experienced and novice professionals working to alleviate poverty in different ways.

This event couldn't be any more different than the Inter-American Development Bank's annual FOROMIC that I also attended eagerly last week in Costa Rica. The Opportunity Collaboration group wears loose shirts and comfortable sandals, while the FOROMIC crowd was dressed in suits. This group has “conversations” in small circles, while FOROMIC had panelists sitting on a stage using PowerPoint.

At both conferences, there was a noticeable tension between financing needs and opportunities. This was especially the case for microfinance in Latin America, where grant funding has dried up considerably, yet institutions still need to invest quite a bit to improve their value proposition. A publication titled “Opportunities and Obstacles to Financial Inclusion,” which was produced by the US-based Center for Financial Inclusion and presented at FOROMIC, offers a long list of opportunities in microfinance including financial education, expanding product lines, correspondent banking, mobile banking, credit bureaux and capacity building. None are cheap, and - with microfinance institutions' (MFIs') returns in the region (and elsewhere) squeezed - it is difficult to find many cases in which these can be funded through internal capital investment. Liquidity from microfinance investment

vehicles (MIVs) is still available, but with short terms and relatively high costs, it isn't always a fit. While MIV loans are well-suited to growing loan portfolios, much of the investment that MFIs need requires longer-term “patient” or grant capital. If we want to ensure that MFIs invest in providing clients with new, faster and more effective services, it will cost money. A new cadre of social impact investors, which invest in microfinance and other areas, offers some opportunities. These investors operate outside the traditional MIV sphere and tend to lend with longer terms or invest equity. While these sources might be an option, microfinance must compete for their attention against many other efforts.

My eight-year-old daughter is here in Ixtapa with me working on a newsletter with the bright 13-year-old daughter of another delegate. She explained to me that the pair could choose only one person who works in microfinance to interview because they want to cover a broad range of issues - from how dance can resolve conflicts to how water-carrying innovations can reduce burdens on African women and children. The kids aren't alone. Social impact investors are also trying to weigh microfinance against other alternatives to diversify their portfolios. Dance 4 Peace, a well-funded nonprofit, runs on a fee-for-service basis and aims to reach sustainability soon. Social impact investors are interested.

I think microfinance is far above the impact-investing curve in terms of proving a business case, but its stakeholders need to be smarter about showing investors there's significant social value if it is to vie for this type of funding.

*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](mailto:bmagnoni@eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).*

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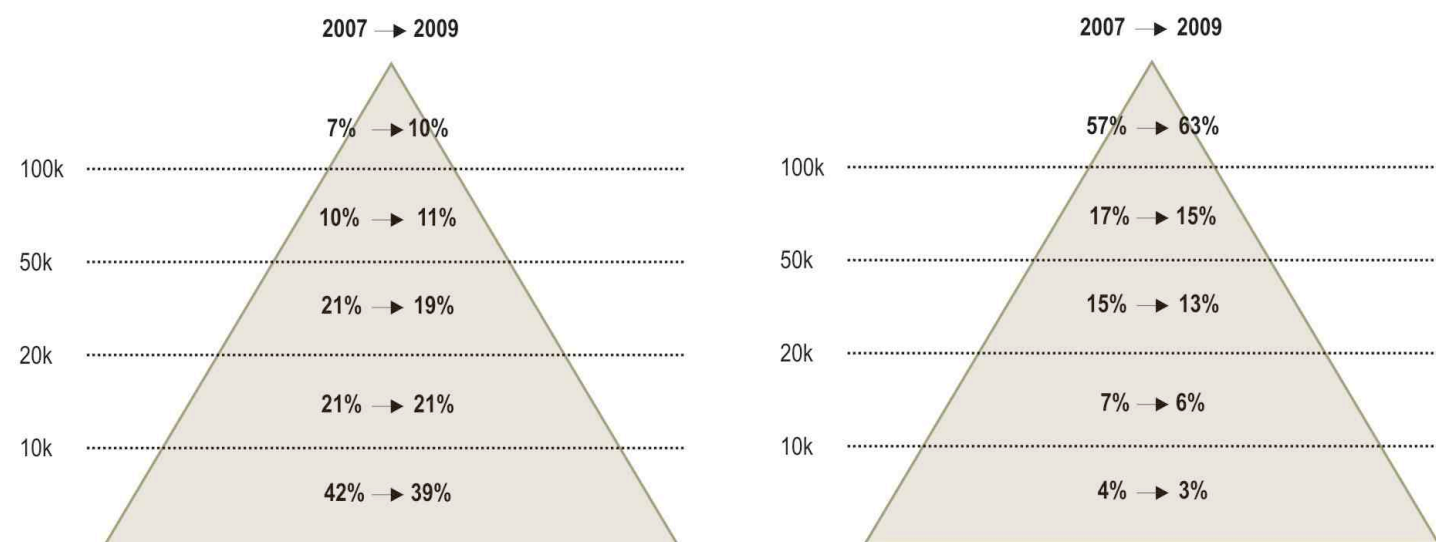
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## TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
Equity Bank	Kenya	234,576,662	53	348,948,192	818,101,516
Capitec Bank	South Africa	221,201,550	60	283,953,376	726,356,477
Kenya Women Finance Trust	Kenya	37,054,573	49	60,131,420	134,240,567
Centenary Rural Development Bank Limited	Uganda	36,396,877	28	113,855,032	186,648,786
CamCCUL	Cameroon	23,806,356	27	77,569,480	125,182,192
Réseau des caisses populaires du Burkina Faso	Burkina Faso	23,368,231	24	87,164,976	133,901,439
Crédit Mutuel du Sénégal	Senegal	20,297,855	17	110,228,760	150,824,471
Uganda Microfinance Limited	Uganda	11,145,616	39	24,262,672	46,553,904
Faithière des Unités Coopératives d'Epargne et de Crédit du Togo	Togo	10,877,116	19	52,712,272	74,466,504
Amhara Credit and Savings Institution	Ethiopia	10,296,566	9	110,591,632	131,184,763

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

## UPCOMING EVENTS

### Present and Future of Microfinance: Transparency, Client Protection and Social Impact for a Sustainable Growth

October 24, 2011, Milan, Italy

This free event aims to gather international experts in microfinance to discuss themes relevant to the development of microfinance through plenary sessions and parallel workshops. The second Giordano Dell'Amore Microfinance Best Practices International Award will also be presented. For additional information, you may visit <http://www.fgda.org/events/index.php> or contact the organizers at [info@fgda.org](mailto:info@fgda.org) or +39 0232168401.

### 2011 SEEP Annual Conference

October 31 - November 2, 2011, Arlington, Virginia, USA

This conference will focus on savings as well as enterprise and market development. The fee for members of the Small Enterprise Education and Promotion Network to attend the member day and conference is USD 675. The conference fee for nonmembers is USD 880. Global network and practitioner trainings are available as well. For additional information, you may email [annualconference@seepnetwork.org](mailto:annualconference@seepnetwork.org), call +1 202 534 1400 or visit <http://www.seepannualconference.com/>.

### Mobile Money Global Summit and Expo

October 31 - November 3, 2011, Dubai, United Arab Emirates

This event will cover topics in mobile money such as investing, reducing poverty, regulations and branchless banking. The second annual Mobile Money Global Awards will also be presented. The fee to attend is GBP 1,599, with add-on fees for available pre- and post-conference workshops. More details may be requested from Manoj Nardani at [manoj.nardani@clarionevents.com](mailto:manoj.nardani@clarionevents.com) or +44 (0) 20 7067 1828, or you may visit <http://www.mobile-money-transfer.com/global>.

### European Microfinance Week

November 2 - November 4, 2011, Luxembourg

This event for European microfinance actors working in developing countries is themed "Inclusive Finance for Excluded People - Microfinance Refocusing on the Underserved, Unserved and Vulnerable." The fee to attend is EUR 400, with reduced or no fees payable by students and members of the European Microfinance Platform. For additional information, you may make contact via [contact@e-mfp.eu](mailto:contact@e-mfp.eu), +352 26 27 13 55 or <http://www.e-mfp.eu/>.

### Seventh International Microinsurance Conference 2011

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

This event will cover themes including economic analysis of microinsurance markets, client-centered solutions, regional strategies to develop microinsurance, distribution channels, protecting against natural disasters and using technology to achieve scale and efficiency. The registration fee is EUR 1,190 for representatives of private sector companies with discounts available for nonprofit staff members. For additional information, you may contact Dirk Reinhard at [info@munichre-foundation.org](mailto:info@munichre-foundation.org) or +49 (0) 89/38 91-59 09, or you may visit <http://www.munichre-foundation.org/StiftungsWebsite/Projects/Microinsurance/2011Microinsurance/>.

### TBLI Conference Europe 2011

November 10 - November 11, 2011, London, UK

This event offers workshops on a variety of topics in environmental, social and governance investing. The on-site registration fee is EUR 1,400, with discounts available for advance registration and for one-day passes. For additional information, you may email [info@tbli.org](mailto:info@tbli.org), telephone +31 (0)20 428 6752 or visit <http://tbliconference.com/tbli-europe-2011.html>

### Microcredit Summit Campaign 2011

November 14 - November 17, 2011, Valladolid, Spain

The summit will assess and encourage progress toward the campaign's goals, including that 100 million families will move out of poverty by 2015. The full registration fee is EUR 600 with a wide range of discounts available. For additional details, you may contact +1 202 637 9600, [info@microcreditsummit.org](mailto:info@microcreditsummit.org) or <http://www.globalmicrocreditsummit2011.org/>

### X Anniversary National Conference on Microfinance

November 16 - November 18, 2011, Moscow, Russia

This conference is dedicated to the "development of global priorities for creating an all-inclusive financial system in Russia." Conference themes include legislation and regulation, financial and technological innovations, transparency and client protection. The full registration fee is USD 740 with a range of discounts available. For additional details, you may contact [conference@rmcenter.ru](mailto:conference@rmcenter.ru), +7 495 258 6831 or +7 495 258 8705, or you may visit <http://conf.rmcenter.ru/2011/eng>.

### Indian Ocean / South Asia Mobile Payments & Banking Summit

November 21 - November 22, 2011, Colombo, Sri Lanka

This event will cover retail payments and cross-border remittances including business models for banks and network operators as well as various payment platforms that can enhance value-added services. The fee to attend is USD 1,199 for retail merchants, USD 1,999 for representatives of telecom operators and banks, and USD 1,499 for others, with a discount of USD 200 off each level for registrations completed by October 21. Additional information is available via [enquiry@magenta-global.com.sg](mailto:enquiry@magenta-global.com.sg), +65 6391 2533 or <http://www.magenta-global.com.sg/iosapayments2011/>

### Technology Innovation for Banks in Growth Economies

November 29 - November 30, 2011, London, UK

This event aims to cover infrastructure growth strategies, technology, regulation, the role of microfinance banks as a delivery channel and alliances between telecoms and banking providers. The registration fee for representatives of for-profit organizations is GBP 1,699 plus VAT with a rate of GBP 1,049 available to those from nonprofits. Additional fees apply to pre-conference workshops, and discounts are available for bookings made before October 21. Those who are unable to attend may purchase an electronic copy of the conference documentation for GBP 499. For additional information, you may contact Christina Leahy via [christina.leahy@hansonwade.com](mailto:christina.leahy@hansonwade.com) or +44 20 3141 8700, or you may visit <http://technologyinnovation-banking.com/>.

### Microfinance India Summit 2011

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

This conference will include the release of *Microfinance India State of the Sector Report 2011* by Indian nonprofit Access Development Services and the presentation of the Microfinance India Awards by Access and British bank HSBC. The registration fee is INR 8,800 for Indian nationals and USD 500 for international participants. Discounts are available for students and those also registering for the immediately following Livelihoods India Conference 2011. For additional information you may make contact via [microfinanceindia@accessdev.org](mailto:microfinanceindia@accessdev.org), +91 11 2685 0821 or <http://www.microfinanceindia.org/>.

### MORE DETAILS COMING SOON ON...

#### Institutional and Technological Environment for Microfinance

January 4 - January 7, 2012, New Delhi, India

#### Scalable Business Models for Islamic Microfinance

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## PAPER WRAP-UPS

### Microfinance and the Role of Policies and Procedures in Saturated Markets and During Periods of Fast Growth

*By Adrian Gonzalez and Emmanuelle Javoy, published by the Microfinance Information Exchange and Planet Rating, September 2011, 10 pages, available at: <http://www.themix.org/publications/microbanking-bulletin/2011/09/microfinance-policies-procedures>*

Internal procedures and policies as well as external factors are important determinants of the portfolio quality of microfinance institutions (MFIs). This paper aims to assess the effects of internal factors such as governance, management information systems (MIS), risk management procedures and lending methods in different scenarios. In particular, the authors consider how internal factors interact with external factors such as market saturation and MFI growth rates. Questions such as the following are addressed: “Is governance more important in periods of accelerated growth than in periods of contraction? Are MIS more critical in highly saturated markets?”

The authors employ data from approximately 200 ratings of 130 MFIs by Planet Rating of France. The ratings employ a methodology known as GIRAFE, an acronym of the following six assessment domains: governance, information, risk management, activities, funding and liquidity, and efficiency and profitability.

The authors use the following indicators of credit risk: portfolio at risk over 30 days (PAR30), write-off ratio (WOR) and total credit risk, which is defined as the sum of PAR30 and WOR. The analysis focuses on the levels of credit risk and their relationship with GIRAFE scores, in contrast to previous research that considered changes in the levels of credit risk over time.

The study indicates that the quality of the management of the financial services provided by the MFI is the key determinant of portfolio quality under all growth scenarios and saturation levels. Governance and risk management ranked second or third depending on the proxy used for credit risk and the scenario under consideration. Both of these variables are related to how managers understand risks and work to minimize them. Information systems and design are the next most important factors.

The authors suggest that good policies and procedures function like insurance policies:

they are more important in periods of trouble than in periods of stability. Weak MFIs may appear strong when no problems are on the horizon, but external shocks will quickly reveal their weaknesses. The authors argue that the challenge in the industry now is to take time to reevaluate targets in higher risk markets and to refocus attention on new and under-served markets.

The authors further argue that the study validates the utility of Planet Rating’s GIRAFE scores to forecast credit risk 12 months ahead, offering an early-warning indicator for credit risk and over-indebtedness.

The analysis also suggests that MFIs operating in regions where penetration rates are high should employ additional management strategies to efficiently mitigate the risks related to market saturation. In this respect, Planet Rating suggests attention to the following issues:

- **Market Evaluation:** Careful evaluation of the market potential including review of the strategies and growth targets of competitors in business plans;
- **Prevention of cross- and over-indebtedness:** Review of indebtedness of clients prior to disbursement; adaptation of loan officer incentive schemes for areas with high levels of penetration; analysis of portfolio quality by region, product, economic sector and month of disbursement; annual evaluation of the level of cross-indebtedness either via credit bureaux or through analysis by an independent third party; and
- **Sector Organization:** Collaboration and cooperation among MFIs in order to create tools that can help identify areas of saturation.

### Lessons for Strengthening Microfinance Institutions through Financial Crises, Fluctuations in Food and Fuel Prices, and Other Major Risks

*By Adrian Gonzales, published by Microfinance Information Exchange, August 2011, 14 pages, available at: <http://www.themix.org/sites/default/files/MBB-%20Lessons%20for%20strengthening%20microfinance%20institutions.pdf>*

This paper outlines issues that were triggered or intensified by the financial downturn that began in 2007, suggesting ways to better equip microfinance institutions to weather future major risks. Topics include funding availability, currency devaluations and reductions in borrower repayment capacity.

### Global Microscope on the Microfinance Business Environment 2011

*Published by the Economist Intelligence Unit, October 2011, 73 pages, available at: [http://issuu.com/idb\\_publications/docs/global\\_microscope\\_2011](http://issuu.com/idb_publications/docs/global_microscope_2011)*

This study places Peru at the top of 55 countries in terms of “overall microfinance business environment.” Pakistan, the Philippines and Uganda top the “Regulatory Framework and Practices” category. Bolivia and Peru scored the highest for “Supporting Institutional Framework.” Costa Rica is tops for country stability.

### Opportunities and Obstacles to Financial Inclusion

*by Anita Gardeva and Elisabeth Rhyne, published by The Center for Financial Inclusion at ACCION International, July 2011, 46 pages, available at: [http://centerforfinancialinclusionblog.files.wordpress.com/2011/07/opportunities-and-obstacles-to-financial-inclusion\\_110708\\_final.pdf](http://centerforfinancialinclusionblog.files.wordpress.com/2011/07/opportunities-and-obstacles-to-financial-inclusion_110708_final.pdf)*

Based on a survey of 301 microfinance stakeholders, this report identifies client financial education as the top opportunity in microfinance, with lack of financial literacy rated as the main obstacle to financial inclusion. However, different stakeholder groups prioritize other opportunities and obstacles as follows: (1) service providers see the cost of building branches as the top obstacle; (2) investor and support organizations showed the most concern for inadequate client protection, identifying credit bureaux as the top opportunity; and (3) mobile service providers were excited about emerging opportunities such as “technology-enhanced delivery channels.”

### Finance and Development: A Tale of Two Sectors

*By Francisco J Buera, Joseph P Kaboski and Yongseok Shin; published by American Economic Review; September 2011; 37 pages; available at: <http://www.artsci.wustl.edu/~yshin/public/taleoftwosectors.pdf>*

The authors of this document conclude that poor access to financing opportunities in developing countries makes it harder for entrepreneurs to start large-scale businesses like manufacturing. Because self-financed small-scale services, such as retail shops, are easier for an individual to launch, developing economies “end up with too many entrepreneurs and too many small establishments in the traditional service industries” resulting in slower economic growth.



## Symbiotics 2011 MIV Survey Report

*Published by Symbiotics Research and Advisory, August 2011, 34 pages, available at: <http://www.microfinancegateway.org/p/site/m//template.rc/1.9.53112>*

This survey of microfinance investment vehicles (MIVs), which was created on behalf of US-based nonprofit CGAP (Consultative Group to Assist the Poor), draws on survey responses from 70 MIVs with a total of USD 5.9 billion in assets under management, representing approximately 87 percent of the global MIV market. The microfinance institutions (MFIs) that are supported by these MIVs report an average loan size of USD 1,600 and average outreach to 137,000 borrowers, with 60 percent of borrowers being female and 44 percent living in rural areas.

The report identifies geographic concentration as a key trend over the last year with MIVs highly consolidated in terms of regional exposure as well as their five largest countries of investments. The top five MIVs account for 51 percent of all assets while the next five account for 14 percent. Growth rates also appear to be stabilizing, as MIVs reported 10 percent asset growth, which is the lowest yearly increase ever recorded by this survey, which has been conducted annually since 2007. In the last year, MIVs have decreased their cash balances from 17 percent to 13 percent.

In the paper, MIVs are separated into three categories: fixed-income funds, equity funds and mixed funds. Fixed-income funds are the most common type and represent the lion's share of MIVs, accounting for 64 percent of respondents and 83 percent of total assets. Mixed funds and equity funds account for a smaller share of MIVs (19 percent and 17 percent, respectively) and a lesser share of total assets as well (11 percent and 6 percent). Seventy-three percent of the assets of participating MIVs is invested in microfinance, 10 percent is in other interests such as small and medium-sized enterprise (SME) and fair trade investments, and the balance is in cash

and other assets. Equity funds tend to focus more narrowly, with 92 percent of assets committed to microfinance.

In 2010, MIV growth was driven by a 58-percent increase in assets managed by equity funds. This growth rate is expected to increase to 118 percent in 2011. While mixed funds are anticipated to grow at a stable rate of around 18 percent, fixed-income funds are expected to see a boost in growth rate from 6 percent to 17 percent. Overall MIV growth is expected to rise from 10 percent to 21 percent during the next year.

On a regional basis, growth is highest in those areas that have historically attracted the smallest share of investment - South Asia and Sub-Saharan Africa - while relatively saturated markets like Eastern Europe, Central Asia, Latin America and the Caribbean are growing more modestly.

Equity funds tend to concentrate their investment in just a few countries and a few currencies, while fixed-income funds and mixed funds are, on average, more diversified in their approach.

On the funding side, private institutional investors account for 45 percent of investments in MIVs. Retail investors and high-net-worth individuals represent 30 percent of investments, and public-sector funders make up the balance. Public-sector institutions invest more often in fixed-income funds, while mixed and equity funds are more heavily supported by private institutional investors.

Annual returns in 2010 continued to decline steadily as they have since the survey was first conducted in 2007. Reported US dollar returns were 2.4 percent, and euro returns were 3.1 percent for the year. While equity funds forecast an improvement in financial performance in 2011, most fund managers expect relative stability going forward.

The final portion of the MIV survey considers environmental, social and governance (ESG) standards. Eighty-eight percent of MIVs report

some form of ESG information to investors, and 71 percent of MIVs require anti-corruption policies. But most MIVs are not yet evaluating environmental performance. Less than half of respondents indicated that they monitor MFIs' environmental risks or offer compensation for carbon emissions. Performance has been strong in terms of the Smart Campaign's Client Protection Principles, with 83 percent of MIVs endorsing this industry standard. Equity funds had the lowest performance in terms of ESG practices, while mixed funds were consistently above average. On a final note, while MIVs are generally good at reporting basic information like average loan sizes and rural-urban distributions, they are not yet consistently divulging information relating to specific microfinance products.

## An Examination of Challenges and Prospects of Microfinance Sector of Pakistan

*By Seyed Ibn e Ali Jaffari et al; published by the European Journal of Economics, Finance and Administrative Sciences; April 2011; 14 pages; available at: [http://www.eurojournals.com/EJEFAS\\_31\\_13.pdf](http://www.eurojournals.com/EJEFAS_31_13.pdf)*

The authors of this paper interviewed executives of microfinance institutions (MFIs) in Lahore, Karachi and Islamabad.

Seventy-eight percent of respondents stated that the government is giving microfinance due importance. According to 70 percent of respondents, loans are used primarily for investment purposes as opposed to personal consumption. However, only 26 percent think that MFIs give enough attention to developing clients' business skills. Half of the respondents also believe that staff need further training. According to 80 percent of respondents, the potential MFI customer base largely perceives financial institutions as contrary to Islamic beliefs. The authors also point out other hurdles including finding cheaper sources of financing and increasing geographic reach.

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### List Randomization for Sensitive Behavior: An Application for Measuring Use of Loan Proceeds

By Dean Karlan, Jonathan Zinman, published by the National Bureau of Economic Research, October 2011, available for purchase at:  
<http://www.nber.org/papers/w17475.pdf>

This paper offers data indicating that enterprise microloan borrowers tend to underreport the percentage of the loan, if any, that they use for non-business purposes such as household expenses.

The study uses a survey technique called “list randomization” that allows researchers to calculate the average response to a question in a population without being able to connect individual answers with individual respondents. This is intended to allow respondents to answer more truthfully than if they are asked questions directly, which can result in respondents feeling pressure to “conceal” information to protect their loan eligibility or to provide socially desirable answers.

Using results from two surveys, the study shows that - when asked directly - less than 10 percent of respondents admitted to spending their loan proceeds on household expenses,

health or education. Under list randomization, this number increased to between 20 percent and 30 percent.

The researchers emphasize that this study can help microfinance practitioners examine whether microloans have more impact on smoothing out day-to-day spending rather than maintaining a “sharp focus” on enterprise development alone.

They do concede, however, that some of the difference between the two sets of survey results could be due to the order in which the surveys are administered - using the direct survey first might facilitate “recall,” leading to a different response for the later survey employing list randomization.


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### Understanding MFIs' Reporting Burden: A study of the reporting burden for micro-finance providers in sub-Saharan Africa

By Bryan Barnett, published by the Microfinance Information Exchange, September 2011, 13 pages, available at: [http://www.themix.org/sites/default/files/176\(11-12\)\\_MIX\\_Understanding%20MFIs\\_Report\(Eng\)\\_11-08-11.pdf](http://www.themix.org/sites/default/files/176(11-12)_MIX_Understanding%20MFIs_Report(Eng)_11-08-11.pdf)

This paper focuses on the collection and management of accounting, financial and loan portfolio data and the challenges faced by microfinance institutions in processing that information. The author notes that despite widespread use of computer systems, substantial effort is required to manually reconcile data and finalize reports. 

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