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MICROCAPITAL BRIEFS I TOP STORIES

AccessBank of Azerbaijan Raises $10m via MSME Bonds Platform
Please see page 3 for coverage of this "MicroCapital Deal of the Month."

Amit Patni, Arihant Patni Acquire 43% of Grameen Capital India
Grameen Capital India (GCI), an investor in microfinance institutions and other social enterprises, recently announced the acquisition of a 43-percent stake in the company by Indian technology entrepreneurs Amit and Arihant Patni. The shareholding was acquired for an undisclosed sum from IFMR Trust, an Indian nonprofit that promotes access to finance and co-founded GCI. It is the policy of GCI that its investors may recoup their investment, but not more than that. Since launching in 2008, GCI reports having facilitated investments of USD 127 million in enterprises serving 1 million poor people. December 10. 2012

ACLEDA Bank of Cambodia to Expand to Myanmar
ACLEDA Bank, a Cambodia-based commercial bank specializing in microfinance, plans to launch microfinance operations by January 2013 in Myanmar, which recently lifted restrictions barring wholly foreign-owned direct investments. ACLEDA, which was founded as the Association of Cambodian Local Economic Development Agencies, will lend to individuals and groups in Myanmar, and it expects to accept savings soon. Myanmar law sets a ceiling on lending rates at 30 percent per year. ACLEDA, which also operates in Laos, reports total assets of USD 1.5 billion. December 7. 2012

BanBif of Peru to Sell $400m in Bonds to Fund Microfinance
BanBif, a bank in Peru, reportedly is planning to sell up to USD 400 million in bonds in an effort to expand its domestic microfinance lending. BanBif CEO Juan Ignacio de la Vega reportedly said that the lending will focus on companies with 10 or fewer employees. BanBif reports total assets equivalent to USD 2.1 billion. December 4. 2012

Microfinanzas BBVA Takes 31% Stake in ADOPEM of the DR
Fundacion Microfinanzas Banco Bilbao Vizcaya Argentaria (BBVA), a nonprofit affiliate of Spanish banking firm BBVA Group, recently took a 31-percent stake in microfinance institution (MFI) Asociacion Dominicana para el Desarrollo de la Mujer (ADOPEM) of the Dominican Republic for an undisclosed sum. Established in 1982, ADOPEM offers financial microenterprise loans, voluntary savings and insurance as well as business and financial education. ADOPEM reports total assets of USD 85 million, a gross loan portfolio of USD 66 million outstanding to 146,000 borrowers, USD 23 million in deposits collected from 199,000 depositors, return on assets of 5.5 percent and return on equity of 21 percent. Fundacion BBVA was created in 2007 and works with a network of nine MFIs in the Americas serving 1.26 million customers. November 28. 2012

Bamboo Finance Acquires Accion Investment Fund for $105m
Bamboo Finance, a commercial investment firm in Luxembourg, recently acquired Accion Investment Fund, a for-profit equity fund affiliated with US-based nonprofit Accion, for USD 105 million. Enrique Ferraro, who served as managing director of the fund, mentioned that 90 percent of the fund's capital was from public entities when it was established in 2003, whereas that share has since fallen to 10 percent as private investors have entered the fund, which was established to offer long-term investors equity exposure to microfinance institutions in emerging markets. Accion reports that its network has an aggregate loan portfolio of USD 5.5 billion serving 5.1 million borrowers in 31 countries. Bamboo Finance manages 36 funds with USD 250 million invested in organizations that offer services such as housing, healthcare, education, finance, energy, water and sanitation to low-income communities. November 26. 2012

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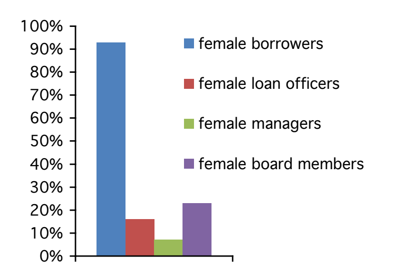
SOUTH ASIA

PERCENTAGE OF FEMALE STAKEHOLDERS 2011



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MICROCAPITAL BRIEFS

Diamond-in-Motion Banking Truck Launched Nigeria

Diamond Bank, a commercial bank in Nigeria, reportedly has launched "Diamond-in-Motion," a banking service truck that allows customers to open new accounts, make deposits, withdraw cash, pay bills and use an automated teller machine. The bank intends to purchase 250 additional trucks to expand the project nationwide. Diamond serves retail, corporate and public-sector customers with total assets equivalent to USD 5 billion. December 13. 2012

Central Bank Asks West African Banks to Lower Interest Rates

At a recent conference, Tiemoko Meyliet Kone, the governor of the Central Bank of West African States (also known by its French acronym BCEAO), reportedly said banks in the region should "strengthen transparency rules when it comes to accessing customer information and apply a fair price on banking services." Members of the Association Professionnelle des Banques et Etablissement Financiers (APBEF), a trade association of 21 financial institutions in the region, were advised to reevaluate their risk management practices and expand their product lines and customer bases. In return, APBEF urged BCEAO to introduce instruments to profile borrowers and establish clearer rights for creditors. December 12. 2012

Most New Bangladeshi Bank Branches Must Be Rural

The Bank of Bangladesh, the country's central bank, has introduced guidelines requiring that commercial banks secure permission before setting up new locations and that the majority of new branches approved each calendar year be located in rural areas. December 11. 2012

Azerbaijan Microfinance Association Proposes Ag Guarantee Fund

The Azerbaijan Microfinance Association (AMFA), a trade group of 28 microfinance institutions, recently announced that it will explore the possibility of creating a guarantee fund to insure up to 80 percent of the principal of entrepreneurs' agricultural loans. AMFA Executive Director Jhale Hajiyeva reportedly remarked, "In the first stage, the AMFA management offers to focus on provision of Fund's guarantees for loans for up to [the equivalent of USD 25,490] i.e. to support small-scale producers not able to obtain without it the access to credit." Past attempts to create such a fund have been stymied by a lack of technical expertise regarding the development of actuation mechanisms. December 11. 2012

Nigerian Microfinance Assets Hit $1.3b, but Reserves Go Negative

The Central Bank of Nigeria recently reported that the assets held by microfinance banks (MFBs) in the country increased by 3 percent to the equivalent of USD 1.3 billion during the six months ending June 2012. While loans increased by 28 percent to USD 552 million, aggregate reserves decreased from USD 12 million to negative USD 10 million. The rise in loans stands in contrast to the 2011 annual report of the Nigeria Deposit Insurance Corporation, which describes a reduction in credit disbursed by MFBs as a result of heavy investment in fixed assets. December 10. 2012

GCash to Add Point-of-sale Services in the Philippines

Globe Telecom of the Philippines reportedly is planning to expand its GCash mobile offerings to include point-of-sale services in retail stores. In October, Globe launched a pilot project allowing customers to "tap and pay" using iPhones and some BlackBerry mobile phones. A wider rollout of the program is planned for early 2013. GCash offers mobile fund transfer, bill payment and remittance services in partnership with government, utilities, insurers and others. Globe reports revenue equivalent to USD 1.6 billion, 30 million mobile subscribers and about 2 million broadband and landline subscribers. December 10. 2012

MFIs in Mexico to Issue MasterCards

MasterCard Incorporated, a US-based payments and technology company, recently established a business model intended to reach small and medium-sized enterprises by enabling regulated microfinance institutions (MFIs) in Mexico to issue its cards. Te Creemos CEO Jorge Kleinberg, representing the first MFI to participate, stated that, "Customers making up the microfinance segment have traditionally carried out their transactions in cash, basically because they did not have access to other payment tools. This joint venture with MasterCard presents itself as a golden opportunity to modify this behavior, under affordable conditions." Over the next three years, Te Creemos, which reports total assets of USD 45 million, aims to reach 250,000 new customers. MasterCard operates in 210 countries. December 10. 2012

VisionFund Loan Portfolio Reaches $400m

VisionFund International, a US-based nonprofit subsidiary of the UK-based Christian humanitarian organization World Vision, recently announced that its fund size has surpassed USD 400 million. VisionFund provides loans, business training and other support to 800,000 small businesses in 36 countries. December 9. 2012

ResponsAbility Disburses $14m to LOLC Micro Credit of Sri Lanka

ResponsAbility Social Investments of Switzerland recently informed MicroCapital that in November it disbursed USD 14 million in lieu of a promissory note from LOLC Micro Credit Limited (LOMC), a Sri Lankan microfinance institution (MFI) providing individual and group loans to microentrepreneurs in agricultural districts. LOMC serves as the microfinance arm of Sri Lankan financial services provider Lanka Orix Leasing Company (LOLC), a member of the Japanese financial services group Orix Corporation. The transaction brings responsAbility's total direct and indirect exposure to LOMC to USD 20 million. While financials for LOMC are unavailable, LOLC reports total assets equivalent to USD 1.1 trillion and deposits of USD 194 billion. December 8. 2012

Namibia's PostFin Borrows $3m for Rural SMEs

The Development Bank of Namibia, which holds assets equivalent to USD 183 million, recently disbursed USD 3.4 million to PostFin, a subsidiary of Namibia Post Limited, to fund loans to small and medium-sized rural enterprises as well as to individuals for housing and education. The loans are to be disbursed nationwide in amounts ranging from USD 110 to USD 4,600. December 7. 2012

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Please refer to http://MicroCapital.org for information sources for all briefs. MicroCapital recognizes the individuals at CGAP, the Microfinance Gateway and the Microfinance Information Exchange for their outstanding work disseminating information on microfinance. Thank you!

TransferTo Partners to Boost Airtime Transfers in Americas, Asia

TransferTo International of Singapore recently partnered with AT&T, a US-based telecommunications provider, to allow AT&T mobile phone subscribers in the US to execute phone credit top-up via short message service (SMS), also known as text messaging, to cell phones on participating networks in El Salvador, Guatemala, Honduras, Mexico, Nicaragua and the Philippines with no prior registration or credit card required. TransferTo also partnered with China-based Taiwan Mobile to allow its customers to send mobile credit to phones in Indonesia and the Philippines via SMS. Thirdly, TransferTo partnered with Korvac Holdings of Singapore to allow people in that country to send mobile airtime for a fee of USD 5 to devices on participating networks in Bangladesh, Indonesia, Nepal, the Philippines and Sri Lanka from branches of 7-Eleven, a US-based chain with 500 convenience stores in Singapore. Pricing for the Taiwan Mobile and AT&T Services has not been released. As of 2012, TransferTo reports 230 partner operators serving 3.6 billion customers in 80 countries. December 7. 2012

Absolute Loans $22m to Microfinance Institutions Worldwide

Dual Return-Vision Microfinance and Dual Return-Vision Microfinance Local Currency, two funds managed by Austrian asset management company Absolute Portfolio Management, issued the equivalent of USD 22 million in loans during November to microfinance institutions (MFIs) around the world. While not all of the investees were named, the local-currency equivalent of USD 2 million was loaned to National Cooperative of Educators (Coopenae), which reports total assets of USD 696 million, 50,000 clients, return on assets (ROA) of 1.9 percent and return on equity (ROE) of 10 percent. Absolute also renewed a two-year term loan of USD 1 million to Foundation for International Community Assistance (FINCA) Ecuador, which is a subsidiary of US-based nonprofit FINCA International and reports total assets of USD 44 million, a gross loan portfolio of USD 39 million outstanding from 59,200 borrowers, USD 8.5 million in deposits from 44,000 depositors, ROA of 0.66 percent and ROE of 2.3 percent. December 7. 2012

Sudan Plans 500 New Microfinance Service Centers

Governor Mohamed Khair Alzubeir of the Central Bank of Sudan recently announced plans to expand the number of automated teller machines in the country and to introduce cell-phone banking. He added that, "Come December, microfinance services will be provided… through 500 centers around the country in which 1,000 fresh graduates will be employed…." December 7. 2012

Russia's Renaissance Launches Bank in Nigeria

Renaissance Credit (RenCredit), a new institution offering deposit services and consumer loans in Nigeria, recently began operations using T24, a "cloud-hosted core banking system" offered by Temenos, a Geneva-based banking software provider. One feature of the system enables point-of-sale agreements whereby customers purchase goods directly from retailers with the items paid for by instant RenCredit loans. Russia's Renaissance Group, on which financial information is unavailable, is the parent of RenCredit. December 6. 2012

Access Bank Plc of Nigeria Promotes Savings Among Kids

Access Bank Plc, a Nigerian bank with branches in nine African countries and the UK, reportedly has launched an "Access Early Savers Back to School Campaign" aimed at encouraging savings among children in Nigeria. Access Bank Plc partnered with Nickelodeon, a US-based entertainment firm, to provide Nickelodeon-branded gifts to Access Early Savers account holders who reach a minimum savings balance equivalent to USD 318 by December 31. Access Bank Plc, which is not affiliated with Access Microfinance Holding of Germany, reports total assets of USD 10 billion. December 6. 2012

MicroCapital Deal of the Month

AccessBank of Azerbaijan Raises $10m via Symbitoics' MSME Bonds Platform

Symbiotics Investment Group, a Swiss for-profit microfinance intermediary, recently raised USD 10 million for AccessBank, a microfinance bank in Azerbaijan, through Micro, Small & Medium Enterprise (MSME) Bonds SA, an investing platform founded by Symbiotics and based in Luxembourg. MSME Bonds is dedicated to offering fixed-income impact investing options for institutional investors in the form of standardized, electronically traded syndications. The bond sale supplies AccessBank with three-year financing intended to sustain the growth of its micro- and small enterprise credit portfolio. AccessBank, which is one of six microbanks partially held by Germany's Access Microfinance Holding, reports USD 577 million in total assets, a gross loan portfolio of USD 376 million outstanding to 120,000 borrowers, deposits of USD 178 million from 110,000 depositors, return on assets of 4.7 percent and return on equity of 21 percent. Symbiotics reports having intermediated investments totaling USD 1 billion since its founding in 2004.

Nigeria to Launch Financial Literacy Framework by March 2013

The Central Bank of Nigeria (CBN) recently announced plans to implement a financial literacy framework by the first quarter of 2013. CBN Consumer Protection Office Director Umma Dutse reportedly said that the effort was necessitated by complaints from consumers of financial products. Since the creation of her office, 3,000 complaints have been received and treated, giving rise to bank refunds equivalent to USD 38 billion. Meanwhile, the National Assembly is considering the Nigerian Financial Ombudsman Bill, which would establish an Office of the Financial Services Ombudsman to resolve disputes in the financial sector. December 6. 2012

EFSE Loans $10m to AccessBank Azerbaijan

AccessBank, a microfinance institution in Azerbaijan, recently borrowed USD 10 million from the European Fund for Southeast Europe, a Luxembourg-based entity that funds financial services for low-income households and micro- and small enterprises via loans to financial institutions in Europe and Central Asia. Founded in 2002, AccessBank reports total assets of USD 488 million, a gross loan portfolio of USD 378 million, USD 178 million in deposits, return on assets of 4.7 percent and return on equity of 21 percent. Among AccessBank's investors is Access Microfinance Holding of Germany, which also holds shares in five other microbanks in Africa and Tajikistan. December 5. 2012

Namibia Launches Financial Literacy Initiative

The Financial Literacy Initiative, a public-private partnership aimed at increasing financial literacy and consumer protection for individuals and micro-, small and medium-sized enterprises, recently was launched in Namibia. The governor of the state of Caprivi, Lawrence Sampofu, reportedly stated that, "The cost of [financial] products cannot be allowed to continue serving as a deterrent to broad-based participation in the financial system." December 4. 2012

New Money Transfer Service Connects France, Mali

Centre d'Appui a la Microfinance et au Developpement (CAMIDE), a Malian nonprofit that supports microfinance and other development initiatives, recently partnered with Appui au Développement Autonome, a Luxembourg-based nonprofit that supports capacity building in microfinance, and Banque d'Escompte (BdE), an arm of Wormser Frères Bank in France, to launch a service offering money transfers from France to Mali. Users of the product can transfer money from BdE branches in France to the 90 villages in the Kayes area of Mali that are served by CAMIDE. In response to observations that remittances are often used for consumption, the project connects recipients to savings and other services. While financial data on CAMIDE are not available, one of its programs is the Programme d'Appui a la mise en place d'un Système d'Epargne et de Crédit Autogere-Kayes, which reports assets of USD 5.5 million. December 5. 2012

Triodos Loans $4m in Latin America, Africa

Triodos Investment Management, a subsidiary of Dutch Triodos Bank, recently disbursed loans to the following microfinance institutions: Caja Rural de Ahorra y Credito Quillabamba (Credinka) of Peru, Ugafode Microfinance Limited of Uganda, Fundacion de Apoyo Comunitario y Social del Ecuador (FACES) of Ecuador, Agora Microfinance Zambia and Asociación de Desarrollo Integral Rural (ASDIR) of Guatemala. Credinka, which borrowed USD 1.2 million, reports total assets of USD 107 million. Ugafode, which borrowed the euro-equivalent of USD 1.2 million, reports total assets of USD 3 million. FACES, which borrowed USD 1 million, reports total assets of USD 10 million. Agora Microfinance Zambia, which borrowed the euro-equivalent of USD 520,000, reports total assets of USD 1.3 million. Lastly, ASDIR, which borrowed USD 400,000, reports total assets of USD 9.1 million. December 4. 2012

Nigerian Association to Launch Money Market in 2013

The National Association of Microfinance Banks (NAMB), a trade group of 820 microfinance banks in Nigeria, has announced that it will launch its Microfinance Money Market Operation (MMMO) by March 2013 in partnership with Kakawa Discount House, a Nigerian firm that serves as mediator between the Central Bank of Nigeria and domestic banks in the trading of government bonds and treasury bills. MMMO will allow microfinance institutions (MFIs) to access surplus funds from other MFIs. MMMO is separate from the NAMB Lagos Trust Fund, which was launched in late 2012 in an effort to shield MFIs from liquidity shocks. December 4. 2012

Smart to Launch Mobile Microfinance Provider mBank Philippines

Smart Communications, a wireless service subsidiary of the publicly traded Philippine Long Distance Telephone Company (PLDT), is launching mBank Philippines, which will offer savings and credit services only via mobile platforms such as phones. mBank Philippines will be launched by the PLDT-Smart Foundation and has the support of two development finance institutions, FinnFund of Finland and the Netherlands Development Finance Company. PLDT serves 68 million subscribers including 52 million Smart customers. December 4. 2012

Waseela, Mobilink Partner on Branchless Banking in Pakistan

Waseela Microfinance Bank Limited, subsidiary of Egypt-based telecommunications company Orascom Telecom Holding (OTH), and Mobilink, an Islamabad-based cellular service provider managed by OTH, recently received approval from the State Bank of Pakistan to offer branchless banking services including deposits, withdrawals, fund transfers and utility bill payments. Islamabad-based Waseela, which started operations in May, reports total assets equivalent to USD 10 million. Mobilink serves 36 million Pakistanis. December 3. 2012

Do 90% of Nigerian Microfinance Clients Commit Fraud?

The National Association of Microfinance Banks (NAMB) South West Zone, a chapter of Nigerian trade group NAMB, recently hosted a program on combating fraud committed by microfinance bank (MFB) staff. George Adetokunbo, managing director of Ipman Satellite Microfinance Bank, reportedly claimed that over 90 percent of MFB borrowers are in collaboration with staff to use false addresses and other fictitious data to obtain loans. David Adelana, a senior examiner at the Central Bank of Nigeria, identified weak internal controls as responsible for allowing significant fraud and advised managing directors to conduct proper monitoring activities over their employees. December 4. 2012

Inklas of Nigeria Automates 136 Smaller Ghanaian Banks

ARB Apex Bank, a government-backed institution that inspects and funds rural and community banks (RCBs) under the supervision of the Bank of Ghana, recently completed the automation of 136 RCBs in the country through a contract with Inklas Computers Limited, a Nigerian company that specializes in information technology and financial systems. The purpose was to centralize and automate operations to allow for real-time transaction processing. In addition to boosting profitability and streamlining supervision, the project is meant to serve as groundwork for mobile banking, automated teller machines and point-of-sale systems. The project was sponsored by the US-based Millennium Challenge Corporation. December 3. 2012

M-Shwari Offers Kenyans Mobile Access to Savings, Loans

Safaricom, a Kenyan mobile network provider; Vodafone, a British telecommunications company; and the Kenya-based Commercial Bank of Africa (CBA) reportedly have partnered to launch M-Shwari, which allows Safaricom customers to use mobile phones to access CBA services, including interest-bearing savings accounts and micro-loan applications. Customers can sign up using the same phone menu that is used for the mobile money service M-Pesa. The customer's M-Pesa history will be used to determine eligibility for CBA services, with CBA loans being disbursed via M-Pesa. A representative of Vodafone, which designed M-Shwari, describes the savings account as accepting "the smallest amounts." M-Shwari loans range up to the equivalent of USD 230 with 30-day terms and fees of 7.5 percent. CBA reports assets of USD 878 million. December 3. 2012

CGAP Lands $11m for Branchless Banking, Client Research

Canada's MasterCard Foundation has agreed to provide USD 11.4 million over four years to CGAP (Consultative Group to Assist the Poor), a US-based nonprofit research center, in an effort to improve approaches to offering branchless banking services in West Africa including payment cards and mobile payment systems. CGAP will also perform research on the preferences and needs of youth and "extremely" poor people. The MasterCard Foundation reports USD 3.7 billion in assets, and CGAP reports 2011 revenue of USD 29 million. November 30. 2012

SKS of India Announces $36m Securitization

SKS Microfinance, an Indian microlender, reportedly has announced that it has securitized 260,000 microloans worth the equivalent of USD 36.4 million, its first securitization since the Reserve Bank of India in August revised guidelines for such transactions issued by non-banking finance companies (NBFCs). The new regulations require that NBFCs hold loans for a minimum of three months before securitizing them and that the institution retain 5 percent of the set of loans being securitized. The receivables were purchased via pass-through certificates by an unnamed public-sector bank in India. SKS reports a gross loan portfolio of USD 249 million disbursed to 3.9 million borrowers. November 30. 2012

IFC Loans $5m to Lift Above Poverty Organization of Nigeria

The World Bank Group's International Finance Corporation recently extended a local-currency loan equivalent to USD 5 million to Nigerian microfinance institution Lift Above Poverty Organization (LAPO). The loan, which will be disbursed over four to five years, is expected to help LAPO offer longer loan terms, on-demand savings accounts, green energy loans, health insurance, health education and women's empowerment programs. LAPO reports total assets of USD 86 million, a gross loan portfolio of USD 70 million outstanding to 421,000 borrowers, USD 43 million in deposits from 518,000 depositors, return on assets of 5.2 percent and return on equity of 31 percent. November 29. 2012

MoreMagic, Splash Expand Mobile Money in Sierra Leone

Splash Mobile Money, a financial service provider in Sierra Leone, and MoreMagic Solutions, a US-based technology provider, have extended the Splash network in Sierra Leone with the addition of satellite television network DStv and 52 banks. DStv customers can now pay for their subscriptions via mobile phones instead of going to DStv agent locations. The bank partnerships will allow Splash to increase its outreach in dozens of localities. Founded in 2007, Splash allows individuals without a bank account to transfer funds, pay bills and receive money via mobile phones. Customers can upload and download cash at 150 Splash agents. Splash has 90,000 registered users conducting monthly transactions worth USD 2 million. MoreMagic, a subsidiary of Oberthur Technologies of France, partners with mobile operators in 60 countries. November 28. 2012

MicroVest, GMG Take Reins of Minlam Microfinance Fund

US-based firms MicroVest Capital Management and GMG Investment Advisors recently partnered to manage the Minlam Microfinance Fund, a local-currency debt fund, which had been managed by US-based Minlam Asset Management. The Minlam Microfinance Fund reports assets of USD 47 million disbursed to 53 microfinance institutions in 31 countries. MicroVest and GMG manage a combined total of USD 240 million in assets. November 27. 2012

BIO to Loan $1.5m to CIDRE of Bolivia

The Belgian Investment Company for Developing Countries, a state-owned development finance institution also known by the Dutch acronym BIO, recently loaned USD 1.5 million to Centro de Investigacion y Desarrollo Regional (CIDRE), a Bolivian nonprofit microlender, in an effort to create jobs by expanding outreach to micro- and small enterprises. The loan is part of an agreement involving Belgian microfinance player Incofin Investment Management whereby BIO has committed USD 12 million to microfinance institutions in Africa, Latin America and Asia. Founded in 1981, CIDRE has 15 branches in central and southern Bolivia and intends to extend its reach nationwide by 2014. CIDRE reports total assets of USD 31 million, a gross loan portfolio of USD 25 million outstanding to 5,100 borrowers, return on assets of 2.5 percent and return on equity of 11 percent. November 28. 2012

US Agency for International Development Releases Youth Policy

The US Agency for International Development (AID) recently released a policy focused on youth in developing nations that recognizes young people "as a driving force in global development." According to USAID Administrator Rajiv Shah, "These efforts will not only advance youth development and empowerment but can also help nations accelerate economic growth and capture a demographic dividend. Harnessing this demographic opportunity is not inevitable. It will require strategic, results-oriented investments in youth today." For 2011, USAID reported USD 23 billion in budgetary resources. November 27. 2012

Virtual Terminal Network Launches Mobile Payments in Nigeria

Virtual Terminal Network, a mobile payment company in Nigeria, recently received approval from the Central Bank of Nigeria to launch VCASH, which is based on an e-commerce payment platform the firm launched in 2007. The service holds money as stored value rather than extending credit. Data such as the number of customers of the firm are not available. November 27. 2012

Grameen Credit Agricole Loans $1.5m in Togo, Asia

The Luxembourg-based Grameen Credit Agricole Microfinance Foundation (GCAMF) recently informed MicroCapital that it has issued a three-year, local-currency loan worth USD 445,000 to Azeri Star, an Azerbaijani microlender reporting total assets of USD 3.3 million and a gross loan portfolio of USD 2.7 million disbursed to 4,820 active borrowers. GCAMF also issued a local-currency guarantee to microlender Berendina Microfinance of Sri Lanka worth USD 153,000 in support of a three-year, local-currency loan of similar amount from an unspecified local bank. Berendina reports total assets of USD 7.5 million and a gross loan portfolio of USD 7.1 million disbursed to 45,000 borrowers. Lastly, GCAMF issued its first loan in Africa to Togo's Women and Associations for Gain both Economic and Social (WAGES). The 2.5-year loan is in local-currency equivalent to USD 989,000. WAGES reports total assets of USD 31 million, a gross loan portfolio of USD 26 million disbursed to 27,000 borrowers and USD 14.9 million in deposits from 135,000 depositors. November 27. 2012

Munich Climate, EC Global Launch Microinsurance in St. Lucia

The Munich Climate Insurance Initiative, a project of German re-insurance company Munich Re, and EC Global Insurance, a subsidiary of St. Lucia's East Caribbean Financial Holding Group, recently unveiled a microinsurance product called Livelihood Protection Policy. The product will be run in conjunction with the German government, Munich Re and the Insurance Council of St. Lucia. Pricing, coverage levels and other details have not been released. EC Global expects to roll out similar initiatives in Jamaica and Grenada. As of June 2012, EC Global's total assets stood at the equivalent of USD 5.9 million. November 26. 2012

Fonkoze, MiCRO Payout to Haitian Women After Hurricane Sandy

Microinsurance Catastrophe Risk Organisation (MiCRO), a reinsurance company based in Barbados that provides storm and earthquake reinsurance for microinsurers, is due to pay out an undetermined amount to Fonkoze, a Haitian microbank, to help its borrowers recover from Hurricane Sandy, which struck Haiti in November. Fonkoze is to pay the local-currency equivalent of USD 125 to as many as 12,000 microentrepreneurs who experienced losses during the hurricane. These borrowers, most of whom are women, may also qualify for loan cancellation through the insurance product, which they are required to purchase as a condition of each loan. MiCRO was formed in 2011 by Fonkoze and Mercy Corps, a US-based NGO, with support from the UK's Department for International Development and Swiss Re, a financial services group based in Switzerland. November 26. 2012

Incofin Receives $1.3m Equity Investment from Gimv of Belgium

Incofin Investment Management (IM), a Belgian company that manages six microfinance funds, recently received an equity investment equivalent to USD 1.3 million from Gimv, a Belgium-based investment company. The funds are intended to help Incofin comply with the European Alternative Investment Fund Managers Directive that will regulate private equity and hedge funds in the EU. (*Please see page 9 for more on this directive.*) The percentage stake that Gimv will hold in Incofin has not been released. Incofin CVSO, a fund managed by Incofin IM, also recently made an investment of the same amount in Incofin IM. Incofin IM manages eight facilities with outstanding investments in 40 countries valued at a total of USD 454 million. Gimv manages USD 2.3 billion in assets. November 24. 2012

Opportunity International Adds Savings Services in Colombia

Opportunity International, a US-based nonprofit that operates in 24 developing countries, recently announced the establishment of a regulated microfinance bank that will offer deposit services and take over the credit offerings its affiliate provides in Colombia. The upgrades to technology and other systems required for this expansion were made possible by a grant of an unspecified amount from Citi Foundation, the charitable arm of US-based financial services provider Citigroup. Oportunidad Latinoamerica Colombia CEO Enrique Ordonez noted that, "We have provided loans and training to the Colombian people for more than 40 years. [Now] our clients will also have a safe place to save their money, a critical tool for those working their way out of poverty." Oportunidad Latinoamerica Colombia reports 1,500 borrowers and assets of USD 768,000. November 23. 2012

Bank for Int'l Settlements: Cut Regs on Small Transactions

The Financial Stability Institute of Switzerland's Bank for International Settlements recently hosted a Global Partnership for Financial Inclusion Conference with the theme "Promoting financial inclusion through proportionate standards and guidance." Representatives of five standard-setting bodies heard arguments in favor of simplifying regulatory requirements for small transactions in order to reduce transaction costs and increase convenience. November 22. 2012

Part of $38b from EIB, World Bank, EBRD to Support SMEs

The European Investment Bank (EIB), the long-term lending bank of the European Union; the World Bank Group, a provider of loans and grants to developing countries; and the UK-based European Bank for Reconstruction and Development recently committed the equivalent of USD 38 billion to a one-year action plan intended to rekindle growth in central and southeastern Europe by supporting initiatives including infrastructure, corporate investment and local financial sectors. EIB has committed USD 25 billion to the project, which will consist mainly of long-term loans to the private and public sectors, addressing areas including small and medium-sized enterprises. November 21. 2012

First National Bank Namibia Launches Mobile Money Service

After awaiting regulatory approval for one year, First National Bank (FNB) Namibia, a unit of FNB South Africa, has released its "e-Wallet" service, which allows customers to transfer funds via mobile phone, including to people who do not have bank accounts. Recipients of fund transfers can withdraw the cash at no charge from FNB Namibia's 200 automatic teller machines using a cell phone and temporary password. E-Wallet was first introduced by FNB South Africa in 2009, and it reportedly handles transactions equivalent to USD 221 million daily in that country. FNB South Africa's e-Wallet is also offered in the other five countries it serves, all of which are in sub-Saharan Africa. FNB South Africa is a division of First Rand Limited, a South African financial service provider reporting assets of USD 87 billion. November 21. 2012

Juntos Finanzas Wins $100k Competition on Inclusion in Mexico

Juntos Finanzas, a US-based company offering mobile financial services, recently won the 2012 Financial Inclusion Competition, which was created by US-based nonprofit Ashoka. Juntos won a USD 100,000 prize sponsored by Mexico's Banco Nacional de Mexico (Banamex) and Banco Bilbao Vizcaya Argentaria (BBVA) Bancomer, subsidiary of Spanish bank BBVA. Founded in 2010, Juntos Finanzas offers "SMS-based [text message-based] personal finance tools that help cash-based households track their spending and save towards goals" including a service that sends "SMS check-ins to remind [users] of specific savings goals, and to set aside small amounts of money." Juntos Finanzas reports a user base of 1,000 households. November 20. 2012

First Bank of Nigeria Launches Firstmonie Mobile Service

First Bank of Nigeria, a commercial bank based in Lagos, recently launched Firstmonie Mobile Service in collaboration with Computer Warehouse Group, a Nigerian information technology provider. Firstmonie allows customers to access their First Bank accounts and to transfer funds via mobile phones. First Bank Group reports assets equivalent to USD 19 billion. November 19. 2012

Indian Banks "Advised" to Open Branches in Unbanked Areas

The Reserve Bank of India (RBI) recently "advised" regional rural banks to ensure that at least one quarter of their new branches each year are located in unbanked areas. RBI permission is already required to open branches in cities with populations over 100,000. November 17. 2012

China Records 48% More Microcredit Institutions, 2% More Loans

The People's Bank of China, the nation's central bank, recently reported that the number of microcredit companies in the country reached 5,630, a 48-percent increase during the 12 months ending in September. In contrast, the total loans issued by microcredit companies during the first three quarters of 2012 was USD 22 billion, up 2.5 percent year-on-year. In a statement attributed to Han Jianli, deputy general manager at Beijing Guoxu Small Loan Company, "The new loans grew more slowly in the first three quarters this year partly because of reduction in demand from small and medium-sized enterprises (SMEs) hit by the economic slowdown. Some SMEs turned to the commercial banks, who have more money available for lending as the central bank has loosened liquidities." November 16. 2012

Central Bank of Nigeria Loans $3.9b to Small-scale Farmers

The Central Bank of Nigeria recently announced plans to loan a sum equivalent to USD 3.9 billion to small-scale farmers via microfinance banks. To participate, microfinance banks must meet conditions including minimum capitalization requirements and registration with the National Association of Microfinance Banks. November 15. 2012

Bank of Ghana Finalizes 90 MFI Licenses

Of 249 financial institutions holding provisional licenses from the Bank of Ghana (BOG), the country's central bank, 90 recently received their final operating licenses. Of these, 77 are classified as microfinance institutions (MFIs), 11 are money lending institutions and two are financial NGOs. The conditions of licensure include that the firms must submit prudential returns, receive approval before introducing new products and comply with various limits on deposits and loans. Institutions that do not comply may have their licenses withdrawn or be fined the equivalent of USD 6,390. BOG plans to offer training to address the institutions' capacity needs as well as to help the institutions enhance their recordkeeping systems and improve corporate governance. November 15. 2012

EBRD Lends $70m in Turkey, Montenegro, Kyrgyz Republic

The UK-based European Bank for Reconstruction and Development (EBRD) recently extended a credit line of USD 60 million to Garanti Bank of Turkey to on-lend to small and medium-sized enterprises (SMEs) through Garanti Bank's Women Entrepreneurs Support Package, which focuses on customers in smaller cities and rural areas. The maximum loan size is set at USD 2 million with repayment periods an unspecified period of time longer than usual. Training on "financial, legal and managerial literacy" will also be offered. Garanti Bank reports total assets of USD 96 billion. EBRD also extended a credit line of the euro-equivalent of USD 6.3 million to Hipotekarna Banka of Montenegro to benefit SMEs, along with donated technical cooperation funds intended to improve the bank's "credit assessment and risk management procedures." Hipotekarna Banka reports total assets of USD 198 million. Bai Tushum, a microfinance institution based in the Kyrgyz Republic, also entered into a loan agreement with EBRD to access the local-currency equivalent of USD 4 million to support lending to microentrepreneurs and SMEs. Bai Tushum reports total assets of USD 86 million. November 14. 2012

Private Equity Entering Indian MFIs Hits $138m vs $46m in 2011

It is reported that private equity firms have invested the equivalent of USD 138 million in Indian microfinance institutions (MFIs) so far this year, compared with USD 46 million during all of 2011. These investors are also beginning to diversify from microlenders to institutions that offer other services to people with low incomes, such as insurance, pension plans and rotating savings schemes. According to a statement attributed to Abhijit Ray, co-founder of India's Unitus Capital, "Almost all prominent MFIs outside [the Indian state of] Andhra Pradesh are expecting some equity infusion in the near future." Mr Ray reportedly added that five or six deals worth a total of USD 36 million are expected to emerge in the next few months. November 13. 2012

IFC, Daiwa to Issue Microfinance Bonds in South Africa, Turkey

The International Finance Corporation (IFC), a member of the US-based World Bank Group, had planned to issue a microfinance bond to Japanese retail and institutional investors in an effort to expand financial access for poor people in South Africa and Turkey. The four-year bonds were to be offered until November 16, 2012, and are to mature on November 21, 2016. The bonds carry an annual interest rate of 4.68 percent in South Africa and 5.23 percent in Turkey. Daiwa Securities Group, a Japan-based financial services firm that manages USD 111 billion in assets, was set to arrange and distribute the bond issue. IFC will invest an additional amount equal to the bond proceeds to support microfinance activities in the same countries. Further details on the bond issue have not been released. November 10. 2012

EUROPEAN MICROFINANCE WEEK 2012

SPECIAL REPORT

This content is sponsored by the European Microfinance Platform (e-MFP), a network in Luxembourg that presents the annual European Microfinance Week conference.

ADA on Supporting MFIs, Networks in Developing New Products

On November 14 at European Microfinance Week in Luxembourg, representatives of Luxembourg-based nonprofit Appui au Développement Autonome (ADA) and the Red Centroamericana y del Caribe de Microfinanzas (REDCAMIF), a association of seven national microfinance networks, presented their progress to date on an effort to promote product innovation and capacity building among microfinance institutions (MFIs) in Central America and the Dominican Republic. The partnership, which was launched this year, has a budget equivalent to USD 7 million to be disbursed over 4.5 years. The organizations have completed a survey of client needs in the region and have dedicated approximately 15 percent of the project budget to support networks in becoming self-sufficient, such as through a fund to support national networks in developing products they can sell to their member MFIs. The client survey identified the following needs: (1) loans for housing and community infrastructure; (2) rural finance; (3) leasing; (4) voluntary microinsurance; (5) micropensions; and (6) savings. Other goals of the partnership between ADA and REDCAMIF include: (1) improving governance, management and financial performance; (2) improving risk management among smaller MFIs; (3) improving transparency, analysis, benchmarking and dissemination of social and financial information; and (4) supporting MFIs in implementing tools to manage social performance such as social audits.

Responsible Microfinance Group Promotes Existing Tools

The European Microfinance Platform Action Group on the Implementation of Responsible Microfinance recently presented a compilation of existing social performance tools, which is available at: http://www.unpri.org/files/Responsible%20investment%20initiatives%20in%20microfinance%20mapping.pdf. Panelists at the event suggested steps for microbanks embarking on the process of evaluating their social performance such as making a public commitment through an effort such as the Smart Campaign, which is backed by US-based nonprofit Accion, or the Global Appeal for Responsible Microfinance, which is promoted by a set of institutions led by Oxus Group, an initiative of French NGO Agency for Technical Cooperation and Development. However, Laura Foose, the coordinator of the 1,000-member Social Performance Task Force, pointed out that simply endorsing an effort such as the Smart Campaign is just a first step: "Commitment to these efforts includes a commitment to implementation." Loic de Canniere, the CEO of Belgian microfinance investor Incofin, described a template of covenants that investors can incorporate into loan agreements with microfinance institutions. The covenants include guidelines for both financial indicators - such as return on assets ranging from zero to 10 percent - and social aspects - such as implementing the principles of the Smart Campaign over time.

Investing in Microfinance

On November 16 at European Microfinance Week, Sebastian von Stauffenberg, the CEO of US-based microfinance rating agency MicroRate, made the following comment regarding the larger investment community: "People outside of our microfinance bubble speak another language - if we don't speak their language, the whole trickle-down effect [of increased investment in microfinance] does not occur." Mr von Stauffenberg was speaking as part of a panel on microfinance investment that also included Sebastien Juhen of Swiss microfinance investor BlueOrchard Finance, who said that microfinance investment vehicles should work to improve their communication to investors regarding the risks of investing in microfinance - including how investment managers address these risks. Axelle Ferey, who works in private equity at the Luxembourg arm of UK-based accounting and advisory firm Ernst & Young, discussed the recent EU Alternative Investment Fund Managers directive, which will require "alternative" funds that manage the equivalent of USD 650 million or more in unleveraged assets (or USD 130 million or more in leveraged assets) to meet a range of standards intended to protect investors, increase transparency and reduce systemic risk. The standards, which apply throughout the EU and in three other countries, cover compensation, conduct, disclosure, organizational and other guidelines. The "carrot" is that fund managers can acquire a "marketing passport" that is valid in all participating countries through a single process beginning in July 2013. Ms Ferey also told MicroCapital that, "For small [fund] managers below the thresholds, the European Commission is currently designing a new EuSEF [European Social Entrepreneurship Fund] label, the purpose of which is to establish a passporting regime for EU-based funds and their managers, on a voluntary basis, provided a number of criteria are met by the managers in relation to the funds' organization and investment policy."

ASKI of the Philippines Wins European Microfinance Award

Alalay Sa Kaunlaran Incorporated (ASKI) of the Philippines has won the euro-equivalent of USD 127,000 as part of the fourth European Microfinance Award, which is offered every two years and was focused this year on food security. ASKI was recognized for its work providing both financial services and community development efforts in rural areas. ASKI Executive Director Rolando Victoria stated that, "The motivation at the time [of our founding] was credit…. Now we were able to install a hanging bridge…linking farmers to markets." Another way that ASKI has assisted its clients is by linking groups of customers with major buyers including fast-food restaurant chain Jollibee Foods Corporation, which reported sales equivalent to USD 1 billion during the year ending in June. Before the winner was announced, Mr Victoria said that if his organization were to win, it would use the cash prize to fund financial education. ASKI reports total assets of USD 32 million, a gross loan portfolio of USD 25 million and deposits of USD 4 million. The EU's European Investment Bank hosted the award ceremony and participates on the selection committee. Funding for the award is provided by the Luxembourg Agency for Development Cooperation.

FIELD NOTES

Springing Up Patiently: Innovation in Microfinance in Africa and Beyond

For those of you still willing to take some time out of your busy year-end schedules to do some light reading, the US-based nonprofit CGAP (Consultative Group to Assist the Poor) just published a new report: "Current Trends in Cross-Border Funding," which includes data on commercial and grant funding for microfinance. Having just returned from Tanzania, I was especially interested in understanding what's happening in Africa. So with a cup of coffee from the KNCU Coffee Cooperative in Moshi, I set off on a new journey into the data.

While data from the 2011 study aren't terribly recent, the trends are enlightening nonetheless. Cross-border funding in 2011 was estimated to have totaled USD 25 billion. The data shows modest growth of 6 percent total since 2009. A look at trends by region shows that the drivers of growth in both commercial and grant funding are in Africa, which, as the poet David Diop recited over six decades ago, has been "springing up patiently." Growth in East Asia and the Pacific is high, but totals there are small. South Asia and Latin America still receive large amounts of funds, but growth there slowed between 2009 and 2011. The heavily weighted combination of the Middle East, North Africa and sub-Saharan Africa are up 32 percent to USD 3.7 billion. And it's not only grant funding; debt funding - and especially equity funding - are showing big growth (though both categories are still small in relative terms).

It seems that Africa is the place to be! But how will Africa handle this growth in interest and investment? Lessons from Latin America may prove useful. Capacity building was critical to building strong, sustainable markets in Latin America. However, innovation has been slow there. And innovation is arguably more urgent in Africa where only 34 percent of rural Africans live within two kilometers of an all-season road (versus 65 percent in other developing regions). Perhaps less consideration to "best practices" is due; what we thought "best" in the 2000s is feeling a bit stale and distortional today. For example, the concept of cash-flow lending for consumption seemed like a brilliant idea back then, but it now seems a bit risky and - in some circles - even immoral. In general, the speed with which information, technological change and competition move suggests that the concept of best practice will become less relevant over time. Success will be more about the capacity of management to adapt to changing market contexts, analyze information and make decisions based on that information. Adapting to challenges and country-specific realities will be key in Africa with its diverse territories, infrastructure, cultures and cost structures. In this context, copycat start-ups based on concepts of best practice may have little impact. Innovation will be key.

Necessary and important challenges for Africa lie ahead. In the meantime, I would like to make a year-end "pitch" for us not to forget Latin America. After all, there is room for greater access to more effective financial products there too. In our recent work on the Microinsurance Learning and Knowledge (MILK) Project, we have been interviewing microinsurance clients worldwide. One group in Ghana (clients of Opportunity International) had an average monthly household income of USD 599 versus USD 506 for a group in Mexico (clients of Compartamos Banco), even though Mexico has five times the per-capita gross domestic product. Microfinance in Mexico is still a costly and inefficient business, and commercial capital is not offering solutions. Innovation is still needed for microfinance throughout the world. We should be mindful to favor approaches that seek solutions rather than target regions as we push into the New Year.

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[at]eac-global.com, or you may follow her on Twitter at BarbaraatEA.

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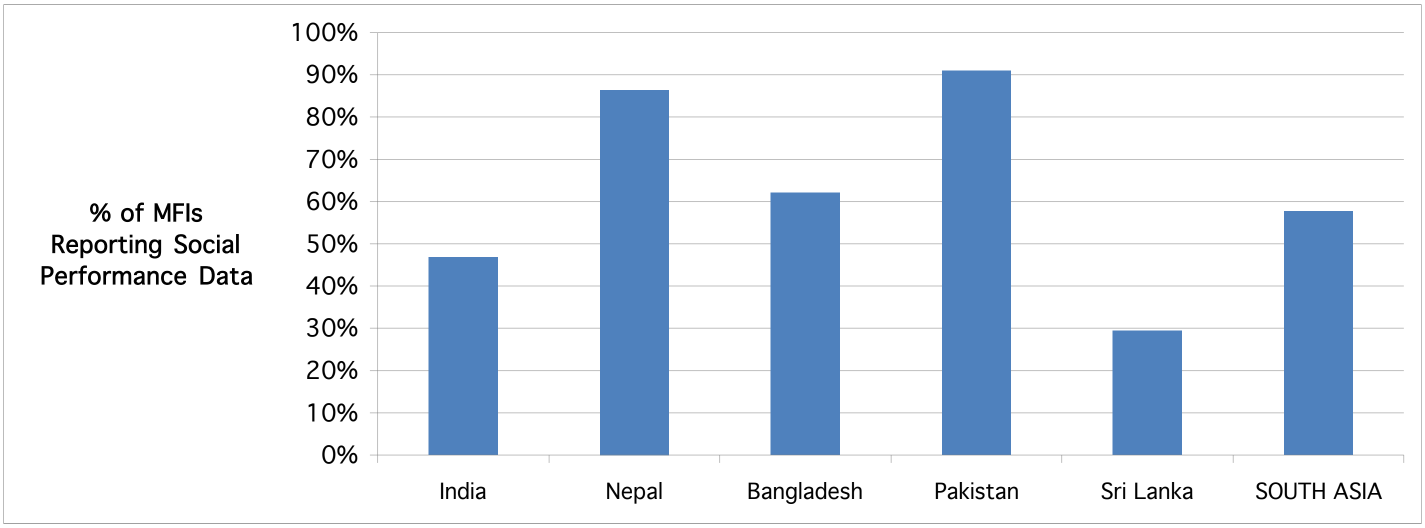
MICROCAPITAL SOCIAL PERFORMANCE INDICATORS

SOUTH ASIA

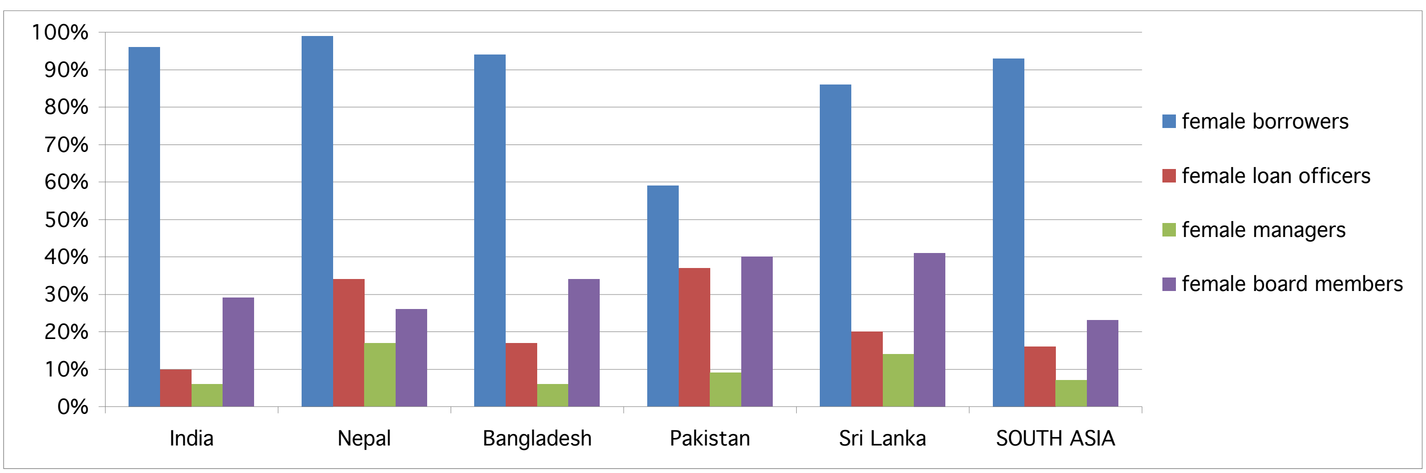
127 MICROFINANCE INSTITUTIONS (MFIs) FROM 7 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA

TOP FIVE COUNTRIES BY MFI REPORTING OF SOCIAL PERFORMANCE DATA



The countries appearing in the above chart are those from the region from which the greatest number of MFIs reported 2011 social performance data to the Microfinance Information Exchange (MIX). The percentages are calculated by dividing the number of MFIs that reported social performance data by the number that reported financial data to MIX.

PERCENTAGE OF FEMALE STAKEHOLDERS



Percentages for the countries shown above include data from 5 to 52 MFIs per country.

Source: Microfinance Information Exchange, December 2012

UPCOMING EVENTS

Third Annual Microinsurance Conference

January 21 - January 24, 2013, Johannesburg, South Africa

This event will cover microinsurance in southern Africa including marketing, pricing, distribution, social complexities, regulation and recruiting shareholders. The fee to attend is ZAR 9,999. More details may be sought from Sphelele Vilakazi at +27 11 771 7000 or svilakazi[at]iir.co.za, or you may visit http://www.iir.co.za/index.php/3rd-annual-microinsurance-conference-conference.

Hanson Wade Hosts Islamic Microfinance Summit

January 29 - January 30, 2013, Istanbul, Turkey

This conference will bring together representatives of microfinance institutions, investors, policy makers and Shariah specialists to discuss how to "Unlock Islamic microfinance through regulation, product development and effective funding models." Registration packages vary in cost from USD 599 to USD 2,997 with discounts available for groups, representatives of NGOs and all microfinance institution representatives. More details are available via http://islamicmicrofinance-summit.com/, +44 (0) 203 141 8700 or info[at]hansonwade.com.

Third Microfinance Summit Nepal

February 14 - February 16, 2013, Katmandu, Nepal

This event aims to bring together microfinance stakeholders in Nepal to build a socially responsible and sustainable microfinance sector in the country. The cost for Nepalese participants is NPR 10,000 with a discount of up to 50 percent for registrations received by December 15. International participants may register for USD 500 with a discount of 40 percent available for registrations received by December 31. For additional information, you may email mfsummit2013[at]cmfnepal.org, call +977 1 443 4041 or visit http://microfinancesummitnepal.org/.

HBS-Accion Program on Strategic Leadership for Microfinance

April 1 - April 6, 2013, Boston, Massachusetts, USA

Hosted by US-based nonprofits Accion and the Harvard Business School, this program provides management and leadership training to microfinance industry executives, policymakers, regulators and investors. The fee to attend, which includes housing, is USD 7,700. For more information, you may visit http://www.accion.org/page.aspx?pid=49, call +1 617 625 7080 or email info[at]accion.org.

Cracking the Nut: Sustainable Sourcing for Agricultural Supply Chains

June 25 - June 26, 2013, Dresden, Germany

This annual conference aims to bring together international development practitioners, donors, bankers, investors, policy makers and other rural and agricultural finance professionals to share best practices within the following themes: food safety and sustainability, traceability and certification, and financing supply chains. The fee to attend the event is USD 795, with a rate of USD 595 available to participants who register by March 29, 2013. A package price of USD 1,490 is available to participants who also register for the Agricultural Value Chain Finance Training on June 27 and June 28, 2013. For additional information, you may call Anita Campion at +1 703 914-5533, email info[at]azmj.org or visit http://www.crackingthenutconference.com/.

MORE DETAILS COMING SOON ON…

European Family Office Winter Symposium and Institutional Investors' Conference

February 11 - February 12, 2013, London, UK

Mobile Payments and NFC World Summit

April 18 - April 19, 2013, Hong Kong, China

PAPER WRAP-UPS

Are Pakistan's Women Entrepreneurs Being Served by the Microfinance Sector?

Published by the World Bank, October 2012, 53 pages, available at: http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1339624653091/8703882-1339624678024/Format_Pakistan_women_entrepreneurs_10-16-12.pdf

This document summarizes the findings of a study by the US-based World Bank Group on the microfinance industry in Pakistan. The results indicate that 59 percent of the country's microfinance clients are women, a lower percentage than is found in other countries in the region. There is also evidence to suggest that female clients are not the ultimate users of money they borrow, but that 50 to 70 percent of the loans received by women are passed on to male household members. A second finding is that a low percentage of female microfinance clients are entrepreneurs.

The study also found a high level of discontent among female entrepreneurs due to being denied individual loans as a result of their gender or being required to acquire multiple male guarantors to qualify for a single individual loan. Many women reported finding group-lending meetings to be of little use and the size of group loans too small. Of the sample studied, 19 percent of women reported borrowing from more than one microfinance institution in order to meet their business needs.

Despite these challenges, the authors state that Pakistan has a very progressive regulatory environment for microfinance with strong institutions that can push for change within the sector.

Microfinance Development Strategy 2000: Sector Performance and Client Welfare

Published by the Asian Development Bank; September 2012; 99 pages; available at: http://www.adb.org/documents/adbs-microfinance-development-strategy-2000

This document summarizes a study aimed at evaluating the performance of the Asian Development Bank's (ADB's) efforts toward "developing sustainable and inclusive microfinance systems in its developing member countries" as well as providing recommendations for ADB's future work in microfinance. The study considered ADB's portfolio from 2000 to 2010, which includes USD 2.5 billion invested in 78 projects. The authors examined the following three areas: the relevance, responsiveness and results of each project; interviews and surveys of microfinance institution staff and beneficiaries; and six case studies comprising 33 percent of ADB's microfinance portfolio. The study found that ADB's microfinance operations were relevant and responsive in project design and formulation but were not effective in achieving results. The authors attribute this to limited outreach to poor people.

The authors examine ADB's performance in creating a supportive policy environment for microfinance; building viable institutions; developing finance infrastructure; and promoting pro-poor innovations and financial technology. The authors find that, while the outreach of microfinance institutions grew over the 10-year period, there is no evidence that ADB's interventions reached the majority of poor households, which is a stated goal of ADB.

The authors make four recommendations to improve ADB's microfinance interventions in the future: to target poor and low-income clients through innovative approaches and monitoring of poverty levels; focus on client needs and demand; support market infrastructure development; and refine the microfinance development strategy to reflect sector developments.

Financial Inclusion and the Linkages to Stability, Integrity and Protection: Insights from the South African Experience

Published by CGAP (Consultative Group to Assist the Poor), November 2, 2012, 47 pages, available at: http://www.cgap.org/sites/default/files/I-SIP%20Report_1.pdf

The authors of this paper challenge financial regulators to consider how to improve the interaction among the following four factors: financial inclusion, financial stability, financial integrity and financial consumer protection, which are referred to collectively as I-SIP. Regulators are encouraged to view these four objectives as mutually interdependent when creating policies. The report introduces the idea that any financial inclusion implementation should seek to "maximize synergies" among I-SIP associations and "minimize tradeoffs." The main identified issue is that the risks involved with financial inclusion increase when officials "pursue one objective without an awareness of the linkages to the others; and when the objectives are difficult to define or measure."

Financial sector policies are explored through the following four examples from South Africa: (1) "the passage of the Cooperative Banks Act 2007 creating a new tier of regulated institutions to permit formalization of existing informal providers and the establishment of new financial cooperatives;" (2) "a 2004 amendment to the 'know your customer' regulations that enabled banks to offer simplified 'Mzansi' bank accounts for the unbanked;" (3) "the commitment by banks to provide affordable housing loans;" and (4) "the permitting of payroll deductions for repayment of small loans." These four examples are examined to determine whether the policies effectively maximized I-SIP linkages to increase inclusion in the financial sector. In the first and third cases, the authors determine that financial inclusion was increased without hindering financial integrity, financial stability or consumer protection. The authors conclude that the two other examples inadvertently brought negative consequences for the financial integrity of the industry and consumer protection.

The paper goes on to offer the following seven "Guidance Statements" to be used by policymakers to design financial inclusion interventions that will maximize synergies while minimizing tradeoffs: (1) having an "inter-agency collaboration to identify linkages;" (2) use of a framework that "enables linkages to be optimized, helping avoid false and unnecessary tradeoffs between objectives and to maximize synergies;" (3) "a clear definitional framework for financial inclusion that includes definitions at the national, policy and product level;" (4) "segmenting the market according to whether clients are currently served with formal financial services, within reach of but not using [it or] outside the current reach…;" (5) regularly collecting policy-relevant data to regulate and monitor linkages; (6) having structured consultation with financial service providers; and (7) establishing "a commitment by policymakers to adapt policy and regulation over time in light of the evidence collected and outcomes observed."

The authors conclude by stating that although tradeoffs are not entirely avoidable, synergies are achievable by focusing on optimizing the linkages between not only the I-SIP objectives but also to such broader objectives as economic development and increased welfare.

The Social Dilemma of Microinsurance: A Framed Field Experiment on Free-Riding and Coordination in Microcredit Groups

By Wendy Janssens and Berber Kramer; published by International Labour Office; August 2012; 24 pages; available at: http://www.ilo.org/public/english/employment/mifacility/download/repaper22.pdf

This paper summarizes the results of a field experiment involving 355 microcredit clients in Tanzania. Health risks were simulated within groups of microfinance borrowers, and borrowers were asked to decide whether they would purchase insurance to offset health expenditures. The study divided participants into two categories: those with high levels of risk aversion and those with low risk aversion. The results of the study showed a high level of free-riding, whereby group borrowers without individual health insurance rely more heavily on their fellow group members to help pay their loans when the free-riders have high health care costs to pay. The study finds that group insurance solves the problem of free-riding as even low-risk-aversion borrowers are likely to choose to take the insurance.

Current Trends in Cross-Border Funding for Microfinance

By Estelle Lahaye and Ralitsa Rizvanolli, published by CGAP (Consultative Group to Assist the Poor), December 2012, 4 pages, available at: http://www.cgap.org/sites/default/files/Brief-Current-Trends-in-Cross-Border-Funding-for-Microfinance-Nov-2012.pdf

This brief summarizes the findings from a survey of cross-border funding for microfinance between the years 2007 and 2012. The study indicates that cross-border funding commitments increased gradually over the entire period but at a much slower rate between 2009 and 2011. The authors explain this decrease in growth by stating that, while funders committed the same amount of money in the latter years, more investments closed than had in past years. Of the USD 17 billion committed to microfinance worldwide as of September 2011, two thirds was supplied by public funders. However, private funding grew at a faster rate than public funding over the five-year period, and one third of public funders decreased their commitments in 2011.

Approximately 60 percent of cross-border investments were made in South Asia, Europe and Central Asia, and Latin America and the Caribbean. However, the trend is shifting to sub-Saharan Africa, the Middle East and North Africa, and East Asia and the Pacific.

Development finance institutions (DFIs) provided 63 percent of direct funding while multilateral agencies tended to fund efforts via developing country governments. Development finance institutions, which provide the largest amount of cross-border funding, allocate approximately 20 percent of their total commitments to India, Turkey, Peru, Indonesia and Russia; and 30 percent of DFI money is channeled through microfinance investment intermediaries. The authors also state that debt funding consistently remains the main method used by cross-border funders in supporting microfinance, although equity investments and guarantees both increased between 2009 and 2011.