

## MICROCAPITAL BRIEFS | TOP STORIES

### Road Map for the Microfinance Industry

Please see page 9 for the complete text of this joint letter from eight microfinance CEOs regarding their commitment to “responsible” microfinance.

### India's Ujjivan Raises \$25m in Equity from FMO, Wolfensohn, Existing Shareholders

Please see page 3 for coverage of this “MicroCapital Deal of the Month”

### IFC Loans \$25m to Compartamos' Financiera Crear of Peru

The World Bank Group's International Finance Corporation is lending USD 25 million to Financiera Creditos Arequipa (Crear), a Peruvian microlender that is controlled by Mexican microfinance institution Compartamos, to expand its lending to micro- and small enterprises in Lima and southern Peru. Financiera Crear reports total assets of USD 151 million, a gross loan portfolio of USD 103 million, 87,000 borrowers, return on assets of 4.71 percent and return on equity of 33.6 percent. February 16, 2012

### Credit Bureau Cambodia Launched as Non-performing Microloans Drop to 0.4%

Twenty-eight members of the Cambodian Microfinance Association (CMA) reportedly grew their outstanding microloan portfolios by 41 percent during 2011 to USD 916 million. Their borrower numbers rose from 1.22 million to 1.3 million, and the rate of non-performing loans decreased from 1.3 percent to 0.4 percent. The share of agricultural loans grew to account for over 50 percent of microfinance loans. During the same period, deposits increased 32 percent to USD 1.26 billion, and the number of depositors rose by 36,000 to 1.1 million. Meanwhile CMA, the Association of Banks in Cambodia and New Zealand-based credit bureau developer Veda Advantage have launched the Credit Bureau (Cambodia) Company Limited. A code of conduct relating to the effort includes the right of consumers to ensure that their credit data is accurate. February 2 and February 12, 2012

### Malaysian Chinese Association Launches \$16m Microloan Fund

The Malaysian Chinese Association (MCA), a political party in Malaysia, has launched the “1MCA Micro Credit for Youth Fund” with the equivalent of USD 16.4 million. Two cooperatives affiliated with MCA, Koperasi Jayadiri Malaysia Berhad and Koperasi Serbaguna Malaysia, will service the microloans. 1MCA will give priority to MCA members, NGO members and single parents. Loan sizes will range from USD 1,640 to USD 6,560 with terms of three to five years. The loans, which will bear an annual interest rate of 7 percent, will be accompanied by no-cost business development training. February 3, 2012

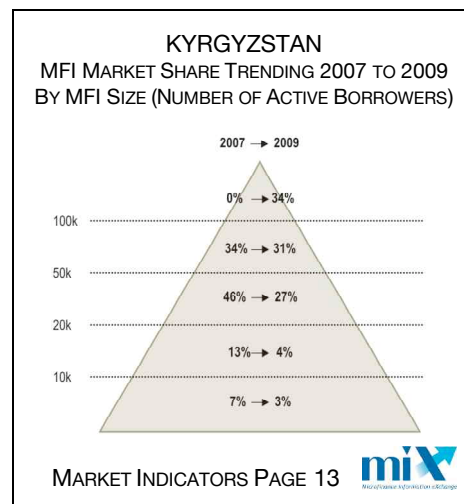
### Nigerian MFIs Estimate Losses of \$15m Due to Fuel Strike

A six-day strike in Nigeria over the removal of fuel subsidies has reportedly cost microfinance banks the equivalent of USD 14.9 million. Despite the setback, the Lagos State Chapter of Nigeria's National Association of Microfinance Banks is maintaining its goal for the year of more than tripling the number of borrowers that the chapter's 180 members serve to 4.2 million and reaching an aggregate loan portfolio of USD 620 million. January 24, 2012

### UIG to Purchase Pakistan's Network Microfinance Bank

For an undisclosed price, Pakistan's United International Group (UIG) reportedly has purchased Network Microfinance Bank Limited (NMB), which will be renamed Apna Microfinance Bank and focus on serving farms, microenterprises and individuals. NMB reports total assets of USD 2.9 million, a gross loan portfolio of USD 719,000, return on assets of -6.10 percent and 5,700 borrowers. UIG's other holdings include Tawasul Insurance Abu Dhabi and SaudiPak Insurance Company. January 20, 2012

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## MICROCAPITAL BRIEFS

### ACCION, IFC to Advise India's Swadhaar on Serving Urban Women

US-based nonprofit ACCION International and the World Bank Group's International Finance Corporation are partnering with Indian microlender Swadhaar FinServe on a USD 1.1 million project to help Swadhaar design new products and improve risk management as it expands to serve women in cities in the states of Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. For-profit Swadhaar reports total assets of USD 14.5 million, a gross loan portfolio of USD 11.4 million, 56,727 borrowers, return on assets of -5.89 percent and return on equity of -11.5 percent. February 16, 2012

### Nigerian Banks Refuse Cheques Issued by MFI Customers

Banks in Nigeria reportedly have been rejecting cheques issued by microfinance banks (MFBs) in the names of their individual and corporate customers due to concerns over cloning and other fraudulent practices. Zenith Bank, Access Bank, Stanbic IBTC and Intercontinental Bank are among those that have been rejecting the cheques. While Sterling Bank and Unity Bank are working with MFBs, banks that are clearing the cheques are requiring MFBs to post substantial deposits as guarantees. February 15, 2012

### Microinsurance Network Solicits Members

The member-based Microinsurance Network, which works to advance insurance in poor countries, has opened membership registration for 2012. Fees begin at the equivalent of USD 260. For more information, you may visit <http://microinsurancenet.org/>. February 14, 2012

### Azure Global Microfinance Fund Launches, Earns LuxFLAG Label

The Azure Global Microfinance Fund has been launched by Azure Partners, a Swiss company co-founded by Jack Lowe and Vincent Oswald, both of whom were formerly with microfinance investor BlueOrchard. Targeting annual returns of 5 to 6 percent, the new fund will invest 65 percent in debt funds, 25 percent in private equity and 10 percent in cash. The size of the fund has not been disclosed. The Luxembourg Fund Labeling Agency, which aims to boost the transparency of investments in microfinance and the environment, has granted its Microfinance Label to the Azure fund as well as to the responsAbility Financial Inclusion Fund. Founded in 2011, the Financial Inclusion Fund is not seeking further investment beyond the USD 140 million it has received from an undisclosed Swiss pension fund. January 30 and February 14, 2012

### MiGroF Reaches \$85m Loaned to Latin American MFIs

The Microfinance Growth Fund, which is managed by Switzerland's BlueOrchard Finance in support of Latin American microfinance institutions, closed 2011 with USD 85 million in outstanding loans and USD 23 million in uninvested capital. Targeted to raise at least USD 140 million, the seven-year fund focuses on institutions in Bolivia, Ecuador, Colombia, Mexico and Peru. February 14, 2012

### India to Allow Correspondents to Work with Multiple Banks

The Reserve Bank of India has reportedly settled the broad principles of rules that will enable business correspondents (BCs) to work with more than one bank. BCs are third-party representatives, such as retailers, that provide services to banking customers outside of bank branches. As of March 2011, BCs serviced 76,000 villages and 3,000 urban locations in India. February 14, 2012

### Citibank Nigeria to Launch Microenterprise Program for Farmers

Two arms of US-based financial services provider Citigroup, Citibank Nigeria and Citi Foundation, will be launching the "Citi Microenterprise Development for Rural Farmers Initiative," which aims to build the capacity of small-scale farmers in Nigeria and provide them with microloans. The program will be piloted in the state of Kano, with plans to expand the program throughout the country. The scale of the project has not been released. Local partners include: the nonprofit Growing Business Foundation, Kano State Agricultural Development Agency, the nonprofit International Institute for Tropical Agriculture and the Central Bank of Nigeria. February 14, 2012

### Haiti's Fonkoze Attributes 20% Growth to Post-quake Success

Haitian microlender Fonkoze has increased its client base and remittance volume by 20 percent since a major earthquake struck the country in 2010. After the earthquake, Fonkoze quickly got its remittance business functioning even as banks remained closed for weeks. The feat reportedly earned the institution "a lot of new clients." Fonkoze is also gaining clients for its Grameen-based Ti Kredi (little credit) program through which groups of women receive initial loans of USD 25 each, a savings account, insurance coverage and training ranging from business management to reading. Fonkoze, which has both nonprofit and for-profit arms, reports total assets equivalent to USD 33.9 million, a gross loan portfolio of USD 11.6 million, 50,500 borrowers and 234,000 depositors. February 14, 2012

### UK Commits \$15m to Rural Microfinance in Myanmar

Rural microfinance specialist Dr Hans Dieter Seibel recently argued in the *Myanmar Times* newspaper that Myanmar's (Burma's) financial sector is functioning "way below its potential" because it is being "held back by the government...." This comes as the UK's Department for International Development has committed the equivalent of USD 15 million over four years to support rural microfinance in the country. The funds will be channeled through Livelihoods and Food Security Trust, a Yangon-based fund that supports poor people. February 14, 2012

### Unitus Seed Fund to Invest Against Poverty in India

Unitus Labs, a US-based nonprofit that aims to reduce poverty via economic empowerment, has launched the Unitus Seed Fund, to invest in start-up enterprises in India. So far, it has invested undisclosed sums in Bodhicrew Services, which offers skills development and job placement; Hippocampus Learning Centres, a children's educational center; and online lender Milaap Social Venture. February 14, 2012

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**MicroCapital Monitor** - © 2012 MicroCapital - ISSN 1935-505X  
The MicroCapital Monitor is published monthly by MicroCapital

Editor Bob Summers; editorial assistant Jacqueline Foelster; writers Kristha Abores, Natalie Baer, Ashim Kar, Nisha Koul, Ariana Malushi, Charlotte Newman and Courtney Snelling; special thanks to Emilia Akonom, Diego Guerra Tavera and Susannah Tesoriero

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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!

### Envia Centro America Shines Light on Remittance Prices

The Center for Latin American Monetary Studies, a Mexico-based association of Latin American central banks; the Multilateral Investment Fund of the US-based Inter-American Development Bank Group; and the World Bank recently launched Envia Centro America, a website that allows comparisons among firms that deliver remittances from the US to seven Latin American countries as well as from Costa Rica to Nicaragua. During the last quarter of 2011, the average price of sending remittances dropped from 5.9 percent of the amount sent to 5.7 percent. An estimated USD 200 million was spent during the quarter on fees to send remittances from the US to the seven countries. February 13, 2012

### Airtel, Warid Launch Mobile Money Platforms in Uganda

The Ugandan arm of India's Airtel, which has 4 million subscribers in Uganda, has launched a mobile money platform that allows its customers to use e-money to pay bills, buy mobile credit and receive money. US-based Obopay has partnered with Warid Telecom, a Pakistan-based mobile service provider, to launch a service called Warid Pesa that allows Ugandans to transfer money to other people and merchants, obtain account balances and top-up prepaid phones. Obopay currently offers services in North America, Kenya, Senegal and India. Warid Telecom has branches in Pakistan, Bangladesh, Uganda and the Congo. January 25 and February 13, 2012

### "Pickle Bank" Serves Groups of Chinese Producers

A branch of China's Leshan City Commercial Bank has reportedly lent the equivalent of USD 9.5 million to 28 groups of pickle producers in recent months. Known as the "pickle bank," the branch works with the Meishan Food Association to acquire credit histories and ensure borrowers meet production standards. Leshan reports having loaned a total of USD 79.3 billion since its founding in 1997. February 13, 2012

### Insurance, Credit Grow as Philippines Bans "Flat" Interest

The Insurance Commission of the Philippines reportedly has announced that 3.1 million microinsurance policies were sold domestically in 2011, an unspecified increase from 2010. Bangko Sentral ng Pilipinas (BSP) reports that the number of microborrowers rose from 932,000 in September 2010 to 963,000 in June 2011 and that the total of outstanding loans increased from USD 148 million to USD 164 million during the same period. BSP has since mandated that lenders use the "declining balance" method of calculating interest rates rather than "flat" rates, which may appear cheaper but levy interest on the original loan amount even after much of it has been repaid. February 13, 2012

### Bangladeshi Government Seeking Control of Grameen "Empire"

After forcing Grameen Bank Founder Dr Muhammad Yunus from his position as managing director of the bank in 2011, the government of Bangladesh reportedly is taking steps to exert control over some of the 48 firms affiliated with Grameen. While the bank is 95-percent borrower-owned, the government maintains that its small stake entitles it to a share of Grameen's affiliates - firms that Dr Yunus maintains are independent entities. Among these are Grameen-Veolia, a water company majority-held by France's Veolia Water, and Grameenphone, a telecoms provider majority-held by Norway's Telenor. Grameen Bank reports assets of USD 1.7 billion. February 11, 2012

### Nigeria (Still) to Create Microfinance Fund

Consistent with news reported in the February 2011 issue of this newspaper, Nigeria's federal government and the Central Bank of Nigeria (CBN) still plan to create a Microfinance Development Fund (MDF) during 2012. MDF will include unspecified commercial and social components in an effort to enhance its operations and outreach. Though updated information is not available, MDF was anticipated to have a budget of equivalent to USD 338 million at the time of the 2011 announcement. February 10, 2012

## MicroCapital Deal of the Month

### India's Ujjivan Raises \$25m in Equity from FMO, Wolfensohn, Lok, IFIF, Sequoia, Unitus, Elevar

Indian microlender Ujjivan Financial Services has raised the equivalent of USD 25 million in its fifth round of equity financing. The new liquidity is expected to allow Ujjivan to increase its loan book to USD 300 million. While existing investors Lok Capital, India Financial Inclusion Fund, Sequoia Capital, Mauritius Unitus Corporation and Elevar Equity have participated in the funding round, two groups investing in Ujjivan for the first time provided most of the new funds: USD 6.37 million from the Netherlands Development Finance Company (FMO in Dutch) and USD 7.82 million from a vehicle of US-based Wolfensohn Capital Partners. Keesjan de Kruijf, senior investment officer at FMO, said, "We are very happy to work with Ujjivan, which is constantly searching for ways to better serve the urban poor. Their firm focus on their mission to alleviate poverty and strong business credentials make Ujjivan a very interesting partner for FMO." Ujjivan reports total assets of USD 129 million, a gross loan portfolio of USD 121 million, return on assets of -1.86 percent and 744,000 active borrowers.

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Deal of the Month

### Tiered Account Requirements Ease Financial Inclusion

In a recent article, consultant Ignacio Mas and Claire Alexandre of the Bill and Melinda Gates Foundation point out that several countries are responding to the challenge of balancing financial access with security by creating tiered requirements for savings accounts. Mexico has proposed a system in which accounts limited to monthly deposits of USD 280 would be "anonymous," although implementation specifics have not yet been determined. In Indonesia, customer identity is not recorded for non-bank e-money accounts of up to USD 110. In Haiti, the central bank allows mobile money services T-Cash by Voila and TchoTcho Mobile by Digicel to offer accounts holding up to USD 62 without requiring face-to-face registration. For several years, South Africa has allowed remote registration for mobile banking accounts, which require the submission of the user's national identification number and have transaction caps of USD 146 per day. February 10, 2012

### Lok Capital Closes Lok II at \$65m

Lok Capital LLC, an Indian investor in companies serving poor people, has closed its second venture capital fund, Lok II, with USD 65 million in funding. Lok II is to make investments of roughly USD 3 million for roughly five years in the areas of financial services, healthcare and education. While the size of each commitment has not been released, Lok II has raised funds from Switzerland's responsAbility Social Investments, Dutch microfinance investment vehicle ASN Novib and the following development finance institutions: US-based International Finance Corporation, UK-based Commonwealth Development Corporation, Germany's KfW Entwicklungsbank, the Netherlands Development Finance Company (FMO in Dutch) and France's Proparco. February 10, 2012



### **MiDAS Credit Bureau Launched in the Philippines**

Philippine microfinance institutions Taytay Sa Kauswagan Incorporated, Opportunity Kauswagan Bank, CARD Bank, CARD NGO, Negros Women for Tomorrow Foundation Incorporated, Ahon Sa Hirap and ASA Philippines recently launched the Microfinance Data Sharing System (MiDAS) after a successful pilot phase in 2011. The Banking Association of the Philippines Credit Bureau is assisting with the implementation of the service, in which other microlenders are invited to participate. Unlike traditional credit bureaux, MiDAS allows the evaluation of credit histories both for individuals and for entire municipalities known as barangays. February 9. 2012

### **India OK's Microfinance Bill, Post Offices May Start Lending**

India's finance ministry reportedly has sent a draft microfinance bill to be considered by Parliament in March. As described in the August 2011 issue of this newspaper, the legislation would identify the Reserve Bank of India as the sole regulator of the microfinance sector, mooting state legislation such as has been in effect in Andhra Pradesh since 2010. Separately, the Indian government reportedly has drafted a plan to allow India's 155,000 post offices to begin issuing loans this year. India Post holds savings equivalent to USD 117 billion. February 8. 2012

### **MFTransparency Releases Pricing Data for Mozambique**

US-based NGO MFTransparency has released pricing data from 10 microlenders in Mozambique as part of the larger enabling Africa to Price Responsibly & Educate on Interest Rates project funded by Canada's MasterCard Foundation. Since 2010, the project has attempted to improve microloan markets in Malawi, Uganda, Rwanda, South Africa, Ghana, Tanzania, Zambia and Mozambique by publishing comparable data on the interest and fees charged on microloans. As of February 2012, MFTransparency has released data from 17 countries, with nine more in the data collection phase. February 7. 2012

### **DemirBank of Azerbaijan to Borrow \$8m from MEF**

DemirBank, a commercial bank in Azerbaijan, has agreed to borrow USD 8 million over a three-year period from the Microfinance Enhancement Facility (MEF), an investment vehicle created by the World Bank Group's International Finance Corporation and German development bank KfW Entwicklungsbank. The loan, which will fund microenterprises, will be drawn from a pool of MEF funds managed by Switzerland's responsibility Social Investments. DemirBank has a gross loan portfolio of USD 324 million and 34,500 active borrowers. MEF reports total assets of USD 163 million. February 7. 2012

### **FMO, Triodos Launch Online "Responsible Finance" Magazine**

Two Dutch organizations, the Netherlands Development Finance Company (FMO in Dutch) and Triodos Bank have launched an online version of the magazine *Upsides*, focusing on responsible finance and sustainable development in emerging markets. February 7. 2012



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### **84% of New Kenyan Cellphone Users Sign Up for Mobile Money**

Mobile payments in Kenya reportedly are out-pacing debit and credit cards, as 84 percent of customers signing up for mobile phone services between July and September 2011 also signed up for money transfers. As of September, 70 percent of all mobile users in the country also use mobile money. February 7. 2012

### **Microfinance Banks Exempt from Nigeria's Cash Transaction Tax**

Although the Central Bank of Nigeria recently began taxing cash withdrawals and deposits that exceed the equivalent of USD 930 per day for individuals and USD 6,205 per day for corporations, microfinance banks are exempt from the "Cash-Lite" system. This is in recognition of the challenges of training and persuading microfinance customers to use electronic and cashless banking services, such as automated teller machines and checks. Aimed at encouraging electronic transactions and reducing crime, the program is also expected to drive financial inclusion via mobile phones, which many unbanked Nigerians own. Implementation of the program began in Lagos in January, and a nationwide rollout is planned. January 22 and February 6. 2012

### **Australia Funds Financial Education in Fiji's Grade Schools**

The Financial Education in the Curriculum Development Project in Fiji (FinED Fiji) will be piloted at 12 local primary schools in Fiji this year. Launched in January 2011, FinED Fiji is to be mainstreamed into the primary and secondary school curricula by 2013. The program, which also includes a teacher-training component, is operating in partnership with the nonprofit Pacific Financial Inclusion Program and is financed by a donation equivalent to USD 1.2 million from the Australian government. February 6. 2012

### **EUROSIF's SRI Transparency Code Attracts 350 Signatories**

The European SRI Transparency Code, a document outlining guidelines for the transparency of socially responsible investing (SRI), has attracted approximately 350 signatories. The code was established in 2004 by the European Sustainable Investment Forum, a France-based network that attempts to increase the accountability of retail SRI funds with the aim of boosting the sustainability of financial markets. Signatories to the code commit to publishing clear and detailed information on their websites. The code also lays out guidelines for reporting efforts related to environmental, social and governance issues; evaluation; implementation; and voting policy. February 6. 2012

### **Hong Kong Mortgage to Launch Pilot Microfinance Program**

The government-owned Hong Kong Mortgage Corporation reportedly plans to launch a three-year pilot program in mid-2012 offering three types of microloans: microbusiness start-up loans with a maximum principal equivalent to USD 38,700; self-employment loans of up to USD 25,800; and "self-enhancement" education loans of up to USD 12,900. The maximum loan tenor will be five years. February 6. 2012



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**Paris Appeal for Responsible Microfinance Reaches 600 Signers**

Convergences 2015, a French anti-poverty nonprofit, is promoting the "Paris Appeal for Responsible Microfinance" in an effort to slow the commercialization of microfinance, arguing that the trend is inconsistent with development and inclusive finance. Since May 2011, the appeal has attracted 600 supporters, which have agreed to abide by a code of conduct including adapting services to the needs of poor people, encouraging "moderate" interest rates and maintaining "the highest standards" of transparency and client protection. February 6. 2012

**Advans Leads \$6m Equity Raise to Launch Nigeria's La Fayette**

Advans SA, a Luxembourg-based microfinance investment vehicle, has partnered with three development banks to create a microfinance bank in the Nigerian state of Oyo. Slated to open late in 2012, La Fayette Microfinance Bank seeks to launch 11 branches in five years to serve micro- through medium-sized enterprises. Equity investments in the bank include USD 3.1 million from Advans, USD 1.1 million from the US-based International Finance Corporation, USD 1.1 million from Germany's KfW Bankengruppe and USD 940,000 from the Netherlands Development Finance Company (FMO in Dutch). Advans' microbank holdings in Cambodia and elsewhere in Africa serve 245,000 clients with an outstanding loan portfolio equivalent to USD 75.7 million. February 4. 2012

**ICRA Raises Rating for Arohan Pass-through Certificates**

ICRA, an Indian credit rating agency, has conditionally raised the rating of a pool of pass-through certificates for loans provided by Arohan Financial Services Private Limited, an Indian microfinance institution, to A1(SO), which is reserved for standard obligation instruments with the lowest credit risk. Of the initial USD 1.4 million in loans, USD 357,000 remains outstanding as of December 2011. Arohan has total assets of USD 23.4 million, a gross loan portfolio of USD 20.2 million and 214,000 borrowers. February 3. 2012

**USAID Backs \$2.7m Ag Loan to Cambodia's Thaneakea Phum**

The US Agency for International Development (AID) has agreed to provide a 50-percent guarantee on a four-year loan of up to USD 2.71 million for Cambodian microfinance institution Thaneakea Phum (Cambodia) Limited (TPC). TPC Chief Operations Officer Sok Voeun reportedly said that USAID "will support us in providing more loans to the agriculture sectors in the four provinces," referring to Kampong Thom, Pursat, Battambang and Siem Reap. Launched in 1994 as part of the Small Enterprise Development program of US-based NGO Catholic Relief Services, TPC reports a gross loan portfolio of USD 29.2 million, 91,000 active borrowers, return on assets of 2.78 percent and return on equity of 14.7 percent. February 1. 2012

**Lending Association for Young People Launches in Mauritania**

The Lending Association for Young People (LAYP) has been launched in Mauritania with the aim of financing small business projects led by youth. Economist Ba Hamadi has been quoted as saying LAYP will be beneficial because "thus far, the limited and fairly unprofessional activity of the micro-finance sector has not enabled it to achieve either profitability or the critical mass necessary.... There used to be loans for graduates, but these days you have to have connections in order to find anything." Details on the loans to be offered by LAYP have not been released. January 31. 2012

**IFC Lends \$30m to Armenia's ACBA-Credit Agricole Bank**

The World Bank Group's International Finance Corporation has made a loan of USD 30 million to the Agricultural Cooperative Bank of Armenia-Credit Agricole Bank (ACBA-CA) to increase lending to micro-, small and medium-sized enterprises in Armenia. ACBA-CA reports total assets of USD 462 million, a gross loan portfolio of USD 261 million, return on assets of 2.34 percent and return on equity of 10.8 percent. January 31. 2012

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**Development Seed, Key2Flex Offer Geospatial Analyses**

For about USD 100,000, a country's "financial landscape" can now be analyzed, including the mapping of various population groups in relation to the distribution of banks, automated teller machines and banking agents. The US-based NGO Microfinance Information Exchange, US-based data visualization company Development Seed and Canada-based MasterCard Foundation have partnered to map microfinance data in Nigeria. In the Philippines, the government's People's Credit and Finance Corporation has partnered with local firm Key2Flex to create a similar analysis. January 31, 2012

**On "Metafinancing" Communal Projects Such as Water Supplies**

Melanie Walker of the US-based Bill and Melinda Gates Foundation recently argued that "metafinance" can play an important development role by enabling "families to pool their discrete capacity to save or to borrow into a single loan for a communal purpose - hence...bridging existing microfinance or municipal finance paradigms." K-Rep Bank, a microfinance institution in Kenya, is financing such loans for water projects. Such infrastructure efforts often cost from USD 30,000 to USD 150,000, too small an amount for municipal lending programs, which often have a minimum size of USD 1 million. January 30, 2012

**Oxfam, Symbiotics Launch Small Enterprise Impact Fund**

UK-based relief agency Oxfam International and Swiss for-profit microfinance investment intermediary Symbiotics have launched the Small Enterprise Impact Investment Fund (SEIIF) to increase access to credit for small and medium-sized enterprises in Asia and Africa and offer investors both "measurable social impacts and financial returns." Symbiotics will act as the fund manager for SEIIF while Oxfam will be offer "intelligence on the impact of investee activities." SEIIF aims to raise USD 100 million in three years to build women's empowerment, increase food security and create 100,000 jobs in five years. January 30, 2012

**MSC, Freedom from Hunger to Bring Health Services to 3.7m**

The Microcredit Summit Campaign, a US-based advocacy organization, has partnered with Freedom from Hunger, a US-based development NGO, in an effort to provide health insurance to 3.7 million people worldwide. While the program budget has not been released, a portion of the project is to be funded by a donation from Johnson & Johnson, a US-based healthcare products company. The effort aims to reach 700,000 microfinance clients plus their family members with both health education and health insurance over a five-year period. The program is to be piloted in India before scaling up globally. Freedom from Hunger has 26 partner microfinance organizations serving 2 million families worldwide. January 28, 2012

**Bankers Without Borders Partners with Ethiopian MFIs**

The nonprofit Association of Ethiopian Microfinance Institutions (AEMFI) has become the sixth partner in the Bankers Without Borders Alliance, a volunteer program started by the US-based Grameen Foundation that supports microfinance and technology initiatives related to finance in poor countries. The organizations will help AEMFI's 30 members implement management information systems and financial forecasting tools. January 27, 2012

**Credit Suisse Backs Opportunity on E-banking, Staff Training**

Opportunity International, a US-based nonprofit, has received a three-year grant of unspecified size from Credit Suisse's Microfinance Capacity Building Initiative. Opportunity plans to use the grant primarily in Colombia and Africa to: (1) expand its mobile phone banking services; (2) increase the number of point-of-sale devices that clients can use at non-bank locations; (3) fund its Next Generation Microfinance Bankers training program; and (4) grow its mobile bank services, in which vehicles travel periodically to communities that do not have access to traditional banks. Opportunity has 44 partner microbanks and total assets of USD 150 million. January 27, 2012

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## Sustainable Microenterprise & Development PROGRAM



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- ◆ **Accra, Ghana, March 12 – 23, 2012 Microfinance and Value Chain Development**
- ◆ **Lomé, Togo, Mars 26 – Avril 6 Groupes d'épargne – Un cours pratique (en Français)**
- ◆ **Durham, New Hampshire, United States, June 18 – 29 Certificate Program**
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**LuxFLAG Names von Stauffenberg to Label Eligibility Committee**

The Luxembourg Fund Labelling Agency, which certifies the commitment of investment vehicles to microfinance and environmental efforts, has announced that Damian von Stauffenberg, founder of US-based microfinance rating agency MicroRate, has been named to the eligibility committee of the firm's Microfinance Label. The remaining committee members are to be announced shortly. January 27. 2012

**MFTransparency Offers Pricing Data for Ghana, Zambia, Tanzania**

US-based NGO MFTransparency has released microloan pricing data collected from Ghana, Zambia and Tanzania. As part of the launch, webinars are available on local pricing dynamics and the transparent communication of prices to clients. MFTransparency offers data from 17 countries, with nine more in process. January 27. 2012

**AFD Gives \$2.4m to Incofin Rural Impulse Fund II TA Facility**

Agence Française de Développement, the French development agency, has donated the equivalent of USD 2.4 million to improve operational, financial, strategic and organizational aspects of microfinance institutions funded by Rural Impulse Fund II, which has assets of USD 173 million and is one of six funds managed by Belgium's Incofin Investment Management. January 27. 2012

**ASN-Novib, Rural Impulse Fund II Acquire Stakes in AzerCredit**

Rural Impulse Fund II, which is managed by Belgium's Incofin Investment Management, and Triple Jump's ASN-Novib Mikrokredietfonds, have acquired equity stakes in AzerCredit, an Azerbaijani microfinance institution with a rural focus. While the sizes of the investments have not been made public, Incofin and Triple Jump will take seats on AzerCredit's board of directors. AzerCredit, which was created in 1996 as part of US-based World Vision, reports total assets of USD 24.7 million, a gross loan portfolio of USD 22.6 million and 32,000 active borrowers. January 26. 2012

**Kiva Piloting Peer-to-Peer Platform in Kenya, US**

US-based nonprofit Kiva is now piloting "Kiva Zip," a platform that enables users to lend directly to microentrepreneurs in Kenya and the US city of San Francisco, California. To be eligible to receive a Kiva Zip loan, borrowers must be nominated by a Kiva-approved "trustee" who advises the borrower on his or her business and personal finances. So far only lenders invited by Kiva may participate. Kiva generally disburses loans in bulk to microlenders that then service the retail loans. Kiva disbursed USD 90 million in loans during 2011 to 146 partner institutions in 60 countries. January 26. 2012

**198 Microlenders Active in the Philippines**

According to Bangko Sentral ng Pilipinas (BSP), 198 banks in the Philippines lent the equivalent of USD 165 million to 963,000 micro-borrowers during the 12 months ending June 2011. Among these lenders are 148 rural banks, 21 cooperative banks and 20 thrift banks engaged in microfinance. In contrast, the US-based nonprofit Microfinance Information Exchange lists 93 microlenders in the Philippines with an aggregate gross loan portfolio of USD 632 million. January 25. 2012

**Indian Health Insurer SSP Offers Discounts, Cashless Delivery**

Swayam Shikshan Prayog (SSP), an education and development organization based in India, has found that offering discounted outpatient services to health insurance clients is correlated with customer retention. SSP offers inpatient discounts of 50 percent on consultation fees from certain physicians and discounts on medicines of up to 70 percent. Patients who used the discount outpatient services renewed their insurance policies at a rate of 45 percent, whereas those who did not utilize them renewed at a rate of 15 percent. In other news, SSP and Swasth India Services Private Limited, a social business working to improve the health of poor Indians, have partnered to launch a three-year Community Health Fund pilot that combines health insurance and cashless delivery. January 25. 2012



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

### **Merar Offers \$3m Investment in Microfinance in Swaziland**

Merar, an emerging markets investment network, has listed the opportunity to invest up to USD 3 million in an unspecified start-up microfinance project in Swaziland. The minimum investment is USD 100,000, and the payback period is 36 months. January 24. 2012

### **MFIs in Andhra Pradesh Request Extension to Meet New CARs**

Microfinance institutions in the Indian state of Andhra Pradesh (AP) reportedly have requested that the Reserve Bank of India further extend the deadline to meet new capital adequacy ratio (CAR) requirements. The rules require a CAR of 15 percent be met by March 31, although microfinance companies with more than 25 percent of their loans in AP are already permitted to maintain a minimum CAR of 12 percent through April. January 24. 2012

### **MFIs in China Report \$58b in Outstanding Loans**

As of November 2011, China's microfinance industry reportedly included 4,144 microfinance institutions with the equivalent of USD 3.6 billion in profits and aggregated gross loans outstanding of USD 58 billion. Loan levels reportedly increased by 11.2 percent from the previous year while profits rose 17 percent. January 24. 2012

### **Mikrofond, Partners Offer Financial Education in Bulgaria**

Mikrofond Aktzionerno Druzhestvo, a Bulgarian microfinance institution (MFI); Microfinance Centre, a Poland-based network of MFIs; and Citi Foundation, a US-based organization supporting financial inclusion, have prepared 25 Bulgarian trainers to give financial education workshops and counseling sessions to poor people. Aspects of the sessions include making and using a repayment calendar, calculating savings capacity and creating an emergency fund. January 24. 2012

### **Uzbekistan Raises Capital Requirements for Microlenders**

The Central Bank of Uzbekistan has increased the minimum amount of charter capital required of microcredit organizations (MCOs) to the local currency equivalent of USD 129,000. The previous requirements were the equivalent of USD 25,800 for MCOs registered in the capital city of Tashkent and half that amount for organizations elsewhere in the country. MCOs have until the end of the year to comply with the new requirements. January 24. 2012

### **Yunus Centre for Social Business Launched at Turkey's Okan U**

Okan University in Istanbul, Turkey, has launched the Muhammad Yunus International Centre for Microfinance and Social Business, which aims to contribute to poverty reduction and sustainable development. The centre has been named for Dr Muhammad Yunus, the founder of Grameen Bank, a nonprofit microcredit organization in Bangladesh. Bekir Okan, the founder of Okan University, will be donating USD 2 million towards the initial costs of the centre, which will host an annual lecture by Dr Yunus. January 23. 2012

### **Cambodia: 50% Interest Rates Threaten Land Ownership?**

Cambodian government officials reportedly are looking to negotiate down the interest rates on microfinance loans, arguing that current rates are unsustainable for the country's rural farming population and that defaults are causing many farmers to lose their land. The government's Cambodia Rural Development Bank is negotiating with the 10 microfinance institutions it funds to lower their retail rates. Microlenders have countered that: (1) rural customers have the option to go to other lenders if rates are too high; (2) operating costs remain high, since farmers consult individually for loans rather than borrowing in groups; and (3) much of the wholesale funding for the sector is from overseas, and thus relatively expensive. January 23. 2012

### **"SPM in Microfinance 24\*7 Helpline" Offers Advice to Front Lines**

The SPM in Microfinance 24\*7 Helpline was recently founded in India with the goal of helping staff working with microfinance clients worldwide on issues related to collecting and compiling social performance management data. Queries can be posted online or submitted by email to spmgan[at]gmail.com. January 23. 2012

### **SKS Microfinance to Cut More Jobs, Cap ROA at 3%**

SKS Microfinance, a for-profit lender in India, reportedly will continue to downsize its workforce, as it has been doing since October 2010 when the state of Andhra Pradesh began requiring government approval of each microloan. SKS lost nearly one million borrowers during the following year, and its net worth eroded by 34 percent as it wrote off many loans. During that time, SKS reduced its manpower from 28,000 to 19,000. Its return on assets (ROA) fell from 5.5 percent in 2009 to 4 percent in 2010. SKS will cap ROA at 3 percent this year in an effort to focus on attracting social investments and reinvesting in business expansion. The company plans to establish a separate subsidiary for its gold loan business, which is currently piloting in 50 locations. SKS Chief Financial Officer Dilli Raj was quoted as predicting that the company will return to profitability by June. January 23. 2012

### **Rev, Banorte Launch Mobile, MasterCard Payments in Mexico**

Mexican bank Banorte, with total assets of USD 47 billion, has partnered with Rev Worldwide, a US-based payments company, to launch a mobile-phone service called MiFon, which links a deposit account at Banorte to a MasterCard debit card and a phone-based payment service that is compatible with multiple mobile-phone carriers. Clients do not need to visit a Banorte branch to open an account and can withdraw cash from approximately 6,200 Banorte automated teller machines. Cards issued by US-based MasterCard are accepted by 30 million merchants worldwide. January 21. 2012

### **Cambodian Microfinance Borrowers Better Off?**

The nonprofit Cambodia Institute of Development Study recently released a report indicating that microfinance institution (MFI) borrowers are better off in terms of income, assets and women's empowerment than are borrowers from other sources. According to the survey, 54 percent of MFI borrowers and 32 percent of non-MFI borrowers increased their income during 2010. The study involved 3,000 respondents of whom 80 percent were women. January 20. 2012

### **Dell Takes Equity Stake in India's BASIX Sub-K Mobile Payments**

The US-based Michael and Susan Dell Foundation has taken an equity stake in BASIX Sub-K iTransactions Limited, the mobile payments unit of BASIX Group, an Indian entity providing services to poor people including microfinance, health insurance and agricultural and business development services. While the size of the investment has not been disclosed, the funds are expected to be sufficient to allow Sub-K to enroll 2 million clients who will access services through a network of kiosks run by local agents. While details on Sub-K are not available, BASIX Group reports total assets of USD 207 million, a gross loan portfolio of USD 197 million, 1.32 million active borrowers and operations in seven countries. January 20. 2012

### **Acumen Fund Loans \$1m to India's GUARDIAN**

Acumen Fund, a US-based nonprofit that invests in entrepreneurial approaches to reduce poverty, has made a loan of USD 1 million to Gramalaya Urban and Rural Development Initiatives and Network (GUARDIAN), an Indian microlender focusing on increasing access to clean water and sanitation facilities. GUARDIAN, which is looking to use the new funding to build its portfolio and become self-sustaining, reports a gross loan portfolio equivalent to USD 966,000 and 24,400 borrowers. January 20. 2012



## RESPONSIBLE MICROFINANCE: A Letter from the Microfinance CEO Working Group

*This letter from the leaders of eight nonprofit microfinance organizations strikes a chord with us at MicroCapital. We are strongly in favor of the sentiments expressed herein, not least because we see ourselves as a contributor to transparency in the sector. We welcome all parties that wish to use this space to help figure out how we can all best work toward these ideals. In addition, we appreciate the argument that “microfinance plus” services such as education and health must be delivered alongside financial services to significantly alleviate poverty. We offer this space to those who hold this viewpoint as well.*

### Road Map for the Microfinance Industry: Focusing on Responsible and Client-Centered Microfinance

*From the Microfinance CEO Working Group  
January 2012*

In less than 40 years, microfinance has spread around the world, today providing access to credit and other financial services to more than 205 million poor clients, most of whom were previously ignored by mainstream financial institutions. From modest roots, microfinance has built a global network of institutions dedicated to serving low-income people. It has transformed our understanding about the power of opportunity.

In early 2011, a group of CEOs from microfinance organizations that work globally began to have regular, informal conversations about the future of the microfinance sector as it matures and faces new challenges. We found that we shared many of the same values and concerns, including a desire to work together to help improve our organizations and advance the industry. From these conversations emerged the Microfinance CEO Working Group.

Those values and concerns have led the Working Group to adopt a shared approach to the future of microfinance, which this paper outlines, and to urge others to endorse this approach.

### The Challenges: Client Focus and Responsible Finance

As leaders in the microfinance industry, we applaud the achievements of microfinance practitioners around the world. Every day, legions of committed, passionate individuals rededicate themselves to their work in support of helping millions (and ultimately billions) of people gain access to financial services. We believe deeply that microfinance is a powerful tool for improving the lives of the poor and that the field has not yet reached its full potential. The number of poor people who could benefit from financial services is staggering: by some estimates, as many as 2.7 billion people in developing countries are unbanked. The microfinance industry has much more work to do. However, in order for the industry to continue to serve as a vital and creative force in the world, it must recognize and actively address several issues that are crucial to its continued success.

**First, the microfinance industry must raise its standards of responsibility to clients.** For many years, microfinance organizations emphasized the twin objectives of achieving scale and financial sustainability. At times, in the focus on growth and institutional development, client interests were subordinated to the achievement of financial objectives. Furthermore, new forces were introduced as the industry grew, such as increased competition for clients in some saturated markets and the entry of players that lacked a genuine social-mission orientation. Problems of client over-indebtedness in a number of markets (India, Bosnia, Nicaragua, and Morocco, among others) have received substantial media, political, and in some cases regulatory attention, with repercussions for the larger microfinance community. To ensure greater focus on client benefit and prevent future problems, microfinance needs to develop robust practices to protect, effectively serve, and support clients. The industry needs high-quality and

standardized principles and procedures that ensure ethical, transparent business and client safety.

**Second, the sector must create real, measurable social and economic value for clients.** For too long, many microfinance organizations have relied on credit as their primary product offering. Recent research demonstrates that the poor live far more complex financial lives than previously assumed. While microcredit is a compelling tool that has helped millions grow their businesses and establish more stable lives, it is clear that clients need a range of services, such as savings and insurance. To effectively support people as they work to improve their lives, microfinance institutions (MFIs) should aspire to offer a broader array of products and services that are tailored to meet client needs. And they need to actively manage their social performance in order to hold themselves accountable for achieving the results they seek.

We envision a microfinance industry that protects its clients, is transparent, and measures and achieves social outcomes and impact.

### Advancing Industry Standards Inside and Out: The Three Key Initiatives

We believe that careful, systematic efforts to improve our performance are vital. These efforts must span numerous fronts, including developing strong consumer protection practices and meaningful measures of transparency, and establishing industry standards for social performance. In this vein, we have focused our initial efforts on promoting and supporting three existing initiatives working to raise standards across the microfinance industry: the Smart Campaign, MicroFinance Transparency, and the Social Performance Task Force’s universal standards for social performance management.

All three of these initiatives are working to put in place an architecture that will assist the industry to reach and maintain its highest goals and standards. Each has made important initial accomplishments, and each will need full industry support in order to achieve its potential.

- **The Smart Campaign** is an unprecedented effort to make client protection part of the DNA of microfinance. Declaring that “protecting clients is not only the right thing to do; it’s the smart thing to do,” the Campaign supports institutions as they ensure that they treat clients fairly and respectfully, and avoid the harm that improper use of financial products can sometimes cause. The Smart Campaign assists the industry to integrate the widely endorsed Client Protection Principles thoroughly into practices at all levels. This year, the Smart Campaign will be piloting its certification program, through which institutions can demonstrate their adherence to the Client Protection Principles via third-party verification. The Smart Campaign has been endorsed by more than 2,400 microfinance organizations, investors, and individuals in 130 countries - reaching organizations that serve more than 40 million people.
- **MicroFinance Transparency** focuses on moving microfinance to full pricing transparency. It has published detailed information on pricing by 317 microfinance institutions in 12 countries, representing more than 36 million client loans in all, with 14 additional countries

forthcoming. MFTransparency provides a public forum for MFIs to demonstrate their commitment to transparency and integrity, and serves as an important resource for comparative information for investors, regulators, and eventually clients. MFTransparency also provides training and advice to ensure that disclosure strengthens the microfinance industry overall. Since 2008, nearly 900 industry leaders have endorsed MFTransparency's work.

- The **Social Performance Task Force** (SPTF) is a collective effort by more than 1,000 industry stakeholders to develop common tools for measuring social performance and mission fulfillment. Subscribing to the belief that you can only manage what you measure, the SPTF aims to support microfinance organizations to effectively translate their social missions into reality. This ambitious initiative is in the process of developing "universal standards for social performance management" for MFIs and will ultimately establish benchmarks for performance measurement and management.

Over the past several months, the Microfinance CEO Working Group has worked to engage with each of these initiatives. We have urged the three initiatives to work more actively with each other in a smoother, more coordinated fashion. We have provided detailed feedback to the SPTF Steering Committee on the proposed universal standards and on the strategic direction of the SPTF going forward. We have met with Smart Campaign representatives for an in-depth discussion on the Campaign's proposed certification program, in order to provide feedback and learn how our own organizations and affiliates can become involved. We are tracking our organizations' participation in each initiative, as a challenge to one another to deliver on our word.

While we believe that these initiatives hold significant potential for the industry, we also continue to seek out and encourage exciting new ideas that hold power for the future. We note that there are other promising industry-wide initiatives under development, and we will comment on, endorse, and urge others to support some of them in due course. We also

recognize that other networks of microfinance advocates and practitioners are proposing new standards and actions that are constructive steps, such as the Paris Appeal for responsible microfinance, and the Seal of Excellence for Poverty Outreach and Transformation in Microfinance.

As members of the Microfinance CEO Working Group, we commit to embed the principles and practices of the three initiatives into our own networks. But while our organizations' networks collectively serve tens of millions of clients on five continents, we by no means represent microfinance as a whole. We call on our valued peers and colleagues throughout the industry to endorse these three initiatives and to accelerate their adoption within their own organizations.

At this moment, microfinance has an opportunity to build on past successes, learn from, and respond to the challenges it faces in order to be a more responsive, responsible, and transformative industry. By taking sincere and systematic action, we can build more successful financial institutions that help change the lives of the people we serve.

We welcome comment and feedback from the greater microfinance community and beyond.

Signed,

Michael Schlein, President and CEO, ACCION

Rupert Scofield, President and CEO, FINCA International

Steve Hollingworth, President, Freedom from Hunger

Alex Counts, President and CEO, Grameen Foundation USA

David Simms, Board Chair, Opportunity International Network

Rosario Perez, CEO, Pro Mujer

Scott Brown, President and CEO, VisionFund International

Mary Ellen Iskenderian, President and CEO, Women's World Banking

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## FIELD NOTES

### Dream Big! Linking Products and Services to Clients' Aspirations

I have spent the last few days talking to immigrants, young borrowers and older borrowers - both male and female - about their dreams and aspirations. Dreams can have business implications, and financial service companies that see these linkages can profitably target “aspirational” low-income markets. A fun example is an advertisement from Taiwan’s TC Bank about retirement-age “dream rangers” living their dreams of crossing the country by motorcycle despite their ailments. The ad appears to be hitting a nerve, receiving over 4 million hits on YouTube. Linking financial services to dreams should be a no-brainer. The “American Dream” of homeownership, for example, has stimulated and often over-stimulated home loans in the United States.

Given the close link between having dreams and financing dreams, you might think that those of us who work in microfinance would know a lot about the aspirations of low-income people. But we simply don’t spend enough time learning about clients’ dreams. It might be that we think we know the answers: poor people want to not be poor. But there is more to it than that, and over the last week I’ve had the privilege and opportunity to listen to and be inspired by a few of these dreams.

In Nicaragua, I spoke to women microborrowers that share dreams of improving their communities and their schools. One woman wanted to become mayor, another a city council member. Most dreamed of improving their businesses. One wanted to leave her business to her children for them to manage. Another woman wanted to make sure her grandchildren were educated. A couple of young women wanted to go to Panama to buy merchandise to build a “global” business. The women also spoke of dreams that they still haven’t achieved after years of running a business and borrowing, such as making improvements on their homes (“there is always something more important”) or going back

to university (“I know I will one day”). A group of young men I spoke to dream of growing their businesses to make enough money to leave their parents’ homes. A few wanted to buy a vehicle for their business. One single man in his mid-20s dreams of becoming a good father.

In New York City, undocumented immigrants shared with me their dreams of sending their children to college, but also told me that this is impossible because they don’t think they would qualify for financial assistance. Even if they could go to college, they might have a difficult time finding work afterwards. Another immigrant shared with me that she dreams of going back to Ecuador and starting a business.

Some of the dreams I have heard about are ambitious - maybe unlikely - but many are realistic. More importantly, most of the people who shared these dreams with me *believe* they are achievable. I think we owe it to them to do our part. Financial access isn’t a panacea, but it can play a role in helping people achieve their dreams. Asset-building tools for immigrants (either in their adopted countries or at home) might be useful, as might insurance that protects families from major shocks. In the case of young microentrepreneurs, understanding that their dreams differ from those of their parents is critical to offering them financial services that can help them grow out of poverty. Microfinance institutions often focus on the instability of youth while overlooking its potential. What if microfinance institutions segmented their client groups by dream when developing products? The financial institutions that can dream as big as their clients will perhaps end up bigger themselves!

*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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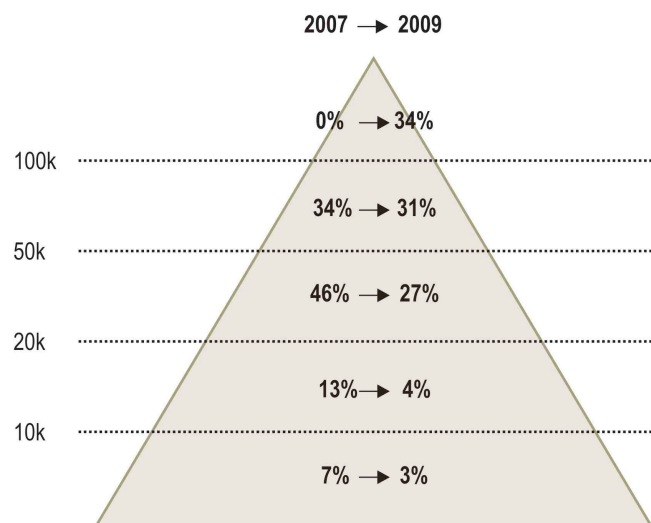
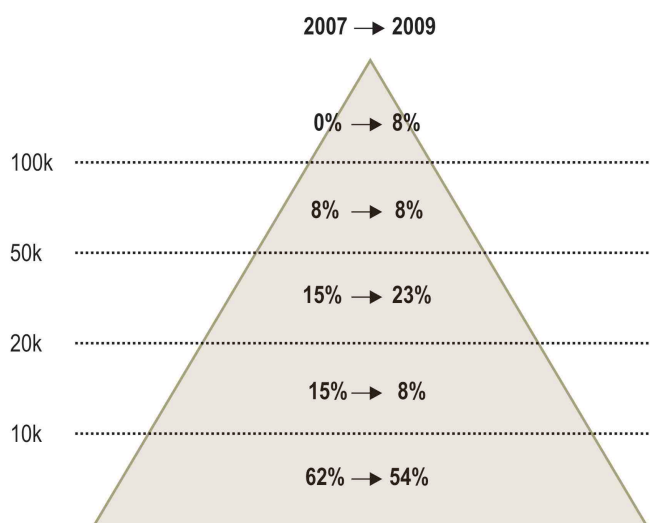
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**MICROCAPITAL MARKET INDICATORS | KYRGYZSTAN**13 MICROFINANCE INSTITUTIONS (MFIs) REPORTING<sup>1</sup>**TOP TEN MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
FINCA MicroCredit Company (formerly FINCA Kyrgyzstan)	9,619,628	25	33,741,752	52,981,007
Bai Tushum and Partners	7,349,015	28	23,423,822	38,121,852
MCC Mol-Bulak	5,136,609	327	597,237	10,870,456
MCC Kompanion Financial Group	4,454,178	19	21,270,904	30,179,260
First MicroCredit Company	1,338,746	20	6,174,699	8,852,190
MCC Elet-Capital	295,486	46	520,964	1,111,936
MCA Agrocredit Plus	279,084	72	286,329	844,497
Credit Union Zakowat	137,310	17	757,656	1,032,276
OXUS Kyrgyzstan	27,528	5	491,269	546,325
MCC Bereke-credit	(16,705)	-10	177,164	143,754

**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 reported data for 2007 - 2009 to the *MicroBanking Bulletin* or MIX Market.  
Source: Microfinance Information Exchange (MIX) Incorporated, December 2011

## UPCOMING EVENTS

### Second Annual Microinsurance Conference

February 20 - February 22, 2012, Johannesburg, South Africa

This event will cover topics such as the microinsurance market, growth potential, sustainable business models, partnerships, distribution channels, reinsurance, educating consumers and the farm sector. The fee to attend is ZAR 113,999 including VAT. For more information, you may visit <http://www.iirconferences.co.za/microinsurance> or contact Rosalind Hinchcliffe via [rhinchcliffe@iir.co.za](mailto:rhinchcliffe@iir.co.za) or +27 11 771 7000.

### Invest in Mekong Region Marketplace

February 23, 2012, Siem Reap, Cambodia

Planned to immediately follow a Capacity Building for Partnerships event, this marketplace facilitates investors meeting potential investee microbanks. The fee to attend is USD 100 with package pricing available to those attending both events. More information is available from Jack Lord Rubillar at +65 6438 4112, [info@at|bwtp.org](mailto:info@at|bwtp.org) or <http://www.bwtp.org/capacity-bldg-and-partnerships.html>.

### 13th Annual Social Enterprise Conference

February 25 - February 26, 2012, Boston, Massachusetts, USA

Run by students of Harvard's Business School and Kennedy School of Government, this program includes a Saturday schedule focused on practitioners, and a Sunday program that includes a "Pitch for Change" competition and Career Fair. Tickets for Saturday are USD 50, and tickets for Sunday are USD 115 for general admission and USD 50 for Harvard students. No phone number is offered, but you may visit <http://socialenterpriseconference.org/contact> to reach the organizers.

### Making Finance and Insurance Markets Work for the Poor

March 1 - March 3, 2012, Jamshedpur, Jharkhand, India

This event will address models of inclusive financial innovation, field-level data analysis and policy and regulatory constraints. The registration fee is INR 5,000. More information is available via Dr H K Pradhan via +91 0657 398 3333 or [pradhan@xlri.ac.in](mailto:pradhan@xlri.ac.in), or you may visit <http://111.93.2.3/c4p.htm>.

### 2nd Annual Africa Banking & Finance Conference 2012

March 6 - March 7, 2012, Nairobi, Kenya

This event will consider the finance sector in Africa with an eye on the financially excluded population, the growth of middle-class consumers, infrastructure development needs and the growing external interest in Africa. The fee to attend is USD 1,000. For more information, you may visit [http://www.aidembs.com/banking\\_conference/](http://www.aidembs.com/banking_conference/), or you may contact [info@at|aidembs.com](mailto:info@at|aidembs.com) or +254 20 221 8114.

### Microinsurance Summit LATAM 2012

March 26 - March 29, 2012, Miami, Florida, USA

Highlights of this event include discussions on reducing operating costs, product innovation and financial education. The standard registration fee is USD 2,299 with discounts available for representatives of microbanks and **an additional 15% off for MicroCapital readers citing the code "MicroCapital"**. Add-on fees apply for various add-on events. More details are available via <http://microinsurance-latin.com/>, +44 (0) 20 3141 8700 or [register@at|hansonwade.com](mailto:register@at|hansonwade.com).

### Mobile Money Americas 2012

March 27 - March 28, 2012, Mexico City, Mexico

This event offers a range of material on mobile money in the region, including launching new services and case studies from Telefonica, Tigo, Citi and Telcel. The fee to attend the two-day conference is USD 2,099 with add-on workshops available and discounts for registrations completed by February 24. More details may be had via +44 (0) 20 7067 1831, [mmt@at|clarionevents.com](mailto:mmt@at|clarionevents.com) or <http://mobile-money-gateway.com/event/mobile-money-americas-2012/>.

### Financing Low-cost Housing Africa

March 28 - March 29, 2012, Nairobi, Kenya

This program will bring together representatives of financial institutions, NGOs and housing organizations to plan the evolution of low-cost housing. The agenda will include: identifying investors, various housing microfinance models including from Latin America and selecting low-cost housing technologies. Registration packages for the conference cost USD 2199 plus VAT with various discounts and add-on workshops available. Details may be had via <http://lowcosthousing-africa.com/>, +44 (0) 203 141 8700 or [info@at|hansonwade.com](mailto:info@at|hansonwade.com).

### Africa Mobile Money Research Conference

April 2 - April 3, 2012, Nairobi, Kenya

This conference will focus on academic research on mobile money including: regulation, implementation, research and innovative application development. The event is associated with the preparation of special issues of the *International Journal of Computing and ICT Research* and the *African Journal of Science, Technology, Innovation and Development* to be published in 2012. The fee to attend is USD 200. No telephone number is provided, but the organizers may be contacted via <http://ammrec.uonbi.ac.ke/contact>.

### HBS-ACCION Program on Strategic Leadership for Microfinance

April 9 - April 14, 2012, Boston, Massachusetts, USA

Organized by the Harvard Business School and ACCION International, this program offers management and leadership training for microfinance institution CEOs and executives of mainstream banks entering the microfinance market. The standard cost is USD 7,350 including housing and meals; a limited number of scholarships are available. More details are available via [hbsaccion@at|accion.org](mailto:hbsaccion@at|accion.org), +1 617 625 7080 or <http://www.accion.org/page.aspx?pid=494>.

### MORE DETAILS COMING SOON ON...

### 2012 Research Conference on Microinsurance

April 11 - April 13, 2012, Enschede, the Netherlands

### Uniglobal Global Microfinance Forum

April 12 - April 13, 2012, Istanbul, Turkey

### Mobile Payments & NFC World Summit 2012

April 19 - April 20, 2012, Hong Kong, China

### Association of the Luxembourg Fund Industry

### Socially Responsible Investing / Microfinance Conference

May 10, 2012, Luxembourg

### Transformational Microfinance LATAM

May 22 - May 23, 2012, Mexico City, Mexico

### Mobile Money Africa

May 14 - May 17, 2012, Johannesburg, South Africa

### TBLI Conference Asia 2012

May 24 - May 25, 2012, Hong Kong, China

### Bottom of the Pyramid Housing Finance Latin America

August 28 - August 29, 2012, Miami, Florida, USA

### 2012 Global Youth Economic Opportunities Conference

September 11 - September 13, 2012, Washington, DC, USA

### 5th Convergences 2015 Forum

September 26 - September 28, 2012, Paris, France



## PAPER WRAP-UPS

### Global Microscope on the Microfinance Business Environment 2011

*Published by the Economist Intelligence Unit, October 2011, 72 pages, available at: [http://issuu.com/idb\\_publications/docs/global\\_microscope\\_2011](http://issuu.com/idb_publications/docs/global_microscope_2011)*

This paper examines microfinance business environments in 55 countries, comparing them across three categories: supporting institutional framework, political stability, and regulatory framework and practices. It is the fifth annual paper in the series, covering the 12-month period ending June 2011. The research comprises data collected in 21 countries of Latin America and the Caribbean, 11 of Sub-Saharan Africa, seven of Eastern Europe and Central Asia, seven of East Asia, five of South Asia and four of the Middle East and North Africa.

The authors argue that while microfinance has become more mature and sustainable, the global financial downturn led to a downgrade in the quality of some loan portfolios, resulting in the need for improvement especially within risk management. The factors included in the scoring are: regulation and supervision of microcredit portfolios, legal recognition for microfinance institutions (MFIs), regulatory and supervisory capacity for microcredit and other microfinance services, deposit policies, accounting transparency, client protection, credit bureaux and political stability.

The two countries of East and South Asia that are rated as having the most favorable conditions for microfinance are Pakistan and Philippines. Both receive strong scores for regulatory frameworks and are in the top 10 positions in the overall ranking. Cambodia, which was ranked 13, also has an advantageous environment for MFIs. There are expectations of positive change in Thailand where the Ministry of Finance has appointed a new body to deal with microfinance matters and the central bank has eased regulations. In China, although the number of MFIs has been growing, the sector is still in the early stages of development. India's ranking dropped due to new regulatory limits on interest rates and lending margins. Countries such as Sri Lanka and Vietnam are still in the process of formulating regulatory mechanisms for microfinance.

Countries of Eastern Europe and Central Asia generally occupy middle positions in the ranking. Kyrgyzstan dropped nine spots to settle at 21 as regime change in 2010 annulled plans for modernization of relevant law. Armenia and Bosnia focused their efforts on consumer protection, and both countries score high on financial reporting standards.

Peru and Bolivia perform best in the ranking not only in Latin America and the Caribbean region but also globally. The authors of the ranking find that the sector in Peru benefits from a well-defined legal framework and effective supervisory capacity. On the other hand, microfinance in Bolivia continues to prosper despite civil unrest. As the operations environment for microfinance has improved in Mexico and Panama, both countries jumped in the ranking to finish in a tie at tenth place. Brazil climbed up 12 spots as a result of strong financial inclusion and innovations in agent banking. Trinidad and Tobago, Venezuela, Haiti and Argentina are among those occupying the lowest 10 spots worldwide.

In several Arab countries, the growth of microfinance has fallen off due to political unrest. Current affairs had a particularly bad influence on the operating environment in Yemen. Despite clear regulation and rapid growth in the sector there over the last several years, Yemen's rank sank 17 positions - but was still the best in the Middle East and North Africa. While Egypt's legislation does not allow for the provision of microcredit by non-bank commercial companies, Morocco has been boosting its investment climate for microfinance. On the other hand, Lebanon only lightly regulates the sector.

Kenya scores the highest in Sub-Saharan Africa and is fourth in the global ranking. Neighboring Uganda finishes ninth globally and, alongside Pakistan and Philippines, is the leader of the category for regulatory framework and practices. Rwanda ranks 15th based on government support of microfinance activities, especially in rural areas. In Nigeria, the central bank revised its microfinance policy in April 2011 but faces difficulties with enforcement. The central banks also have issues with supervising MFIs in the Democratic Republic of Congo, Ghana and Senegal. In Madagascar, the authors identify a comprehensive legal framework and a promotion unit, but find that serious transparency issues remain.

### Role Reversal Revisited

*By Damian von Stauffenberg and Daniel Rozas, published by MicroRate, 2011, 22 pages, available at: <http://microrate.com/wp-content/uploads/2012/01/Role-Reversal-Revisited-Final-Version2.pdf>*

While development finance institutions (DFIs) have been expected to pave the way for private funders to support microfinance as the industry matures, the 2007 MicroRate report "Role Reversal" indicates that this is not the case. This new report re-examines the situation and finds that microbanks with easy access to private funding still receive a significant portion of DFI lending.

## Trends in Cross-Border Funding

*By Barbara Gähwiler and Alice Nègre, published by CGAP (Consultative Group to Assist the Poor), December 2011, 4 pages, available at: [http://www.cgap.org/gm/document-1.9.55998/Brief\\_Cross-BorderFunding.pdf](http://www.cgap.org/gm/document-1.9.55998/Brief_Cross-BorderFunding.pdf)*

This paper describes global trends in microfinance funding based on data from the annual CGAP Funder Survey. The findings indicate that the amount of new cross-border commitments increased from USD 2.9 billion in 2009 to USD 3.6 billion in 2010. The study also shows the increased use of microfinance investment vehicles and other intermediaries in channeling investments. While debt remains the primary instrument used by funders, equity investments have increased, with the share of equity funding reaching 13 percent in 2010, up from 9 percent in 2008.

### A Business Case for Microinsurance: An Analysis of the Profitability of Microinsurance for Five Insurance Companies

*By Janice Angove and Nashelo Tande, published by the Microinsurance Innovation Facility, July 2011, 55 pages, available at: <http://www.ilo.org/public/english/employment/mifacility/download/mp11bus.pdf>*

This paper analyses the profitability of microinsurance through case studies of operators in Kenya, South Africa, India, Guatemala and the Philippines. The authors utilize a framework based on the following drivers of profitability: generating sufficient income by reaching scale, managing claims costs, and managing acquisition and administration costs. The findings indicate that products with simple life benefits can be profitable. Working with partners can also be beneficial for insurers, both in managing distribution and administration costs as well as in providing customers with added value.

### The Answer is 'Yes'—Cost and Willingness to Pay in India

*By Akhand Tiwari, Akhilesh Singh, Ann-Byrd Platt, Graham A.N. Wright, Minakshi Ramji and Sachin Bansal; published by MicroSave; 2011; 16 pages; available at: [http://ami.microsave.org/sites/default/files/research\\_papers/CWP\\_Summary\\_Paper-MI\\_Summit\\_2011.pdf](http://ami.microsave.org/sites/default/files/research_papers/CWP_Summary_Paper-MI_Summit_2011.pdf)*

Based on a study of business correspondents (BCs) in India, this paper explores the business case for banks to use BCs and considers customers' willingness to pay for the service. A significant number of respondents are found to have difficulty conducting bank transactions and thus are willing to pay extra for the convenience of BCs.



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## The Debate on Outreach & Impact: What Do We Know and How Do We Know It?

By David S Gibbons, commissioned for the 2011 Global Microcredit Summit, June 2011, 16 pages, available at: <http://www.microfinancegateway.org/p/site/m/template.rc/1.1.13634>

In this paper, the author argues that many studies on the impact of microfinance frame their question poorly, leading them to fail in assessing the positive impact of microfinance on poverty.

As evidence of this impact, Dr Gibbons cites the high degrees of satisfaction expressed in surveys of borrowers from the Indian nonprofit microfinance institution (MFI) Cashpor Microcredit as well as the generally high repayment rates observed in the sector and the rapid spread of microfinance across the world.

Dr Gibbons finds a significant gap between the opinions of clients that claim microcredit reduces poverty and the results of various randomized controlled trials (RCTs) that show no such impact. He argues that this discrepancy is due to the poor choice of questions in RCTs.

For example, in a recent study called "Measuring the Impact of Microfinance: Taking Another Look," Kathleen Odell argues for the importance of RCTs in attempting to determine whether "women who have continued access to microfinance have significantly higher household incomes than similar women who don't have such access." Dr Gibbons argues that the answer may not be the same for all poor women, irrespective of their physical and entrepreneurial acumen. Instead, the author suggests that the research question should be presented as, "Is continued borrowing of microfinance - for say at least 5 years because the loans are small - strongly and positively associated statistically with being no longer poor?"

While some RCTs seek a correlation between microcredit use and increased incomes, Dr Gibbons contends that sustained access to microfinance helps poor women, "but not always in the form of increased incomes." He

argues that this is due to the vulnerability of poor people to shocks such as seasonal food shortages, illness of household members, natural disasters and social obligations.

Furthermore, the relationship between opportunities for employment and interest in microfinance is inversely related: demand for microfinance decreases when more employment opportunities are available and vice versa. For example, in Malaysia poor women have better wage employment opportunities, so their demand for microfinance is low. However, in many poorer countries in Asia, Africa and Latin America, employment opportunities for poor women are inadequate, resulting in significantly higher demand for microfinance among poor women.

The author argues that a major problem with RCTs is that they require the "control group" to be deprived of financial services during the study period. In India, Bangladesh and other poor countries where microfinance outreach is growing fast, finding a control group is difficult.

Another issue that can affect the utility of RCTs is that poor people may not reveal to researchers all of the financial transactions that they conduct. Poor people, "with or without access to microcredit," normally live with many financial transactions including borrowing from loan-sharks, relatives, shop-keepers or from a second or third MFI to repay their loans. There may be other informal savings or borrowing arrangements among friends or relatives, with or without interest

being charged. Analysis based on data lacking this aspect of people's lives may be misleading or may carry so many qualifications as to be useless in the real world.

The author endorses the use of the Progress out of Poverty Index (PPI) to estimate whether a person is poor before and after her use of microcredit. He also suggests that since public money no longer plays a significant role in the financing of MFIs, governments should not be much concerned about the social impact of MFIs. Finally, the author argues that poor people should ultimately decide on the effectiveness of microfinance, based on whether it responds to their needs.

## Succeeding at Microinsurance Through Differentiation, Innovation and Partnership

By Thomas Meyer and Madhu Vazirani, published by Accenture, January 2012, 20 pages, available at: [http://www.microensure.com/images/library/files/Resources/MicroinsurancePoV\\_01.12.pdf](http://www.microensure.com/images/library/files/Resources/MicroinsurancePoV_01.12.pdf)

This paper addresses microinsurance in emerging markets and provides a brief overview of microinsurance markets identified as having significant immediate potential: Brazil, India, Indonesia, China, Mexico, the Philippines, South Africa, Colombia, Kenya, Nigeria and Vietnam.

The authors investigate the factors that might drive the success of a microinsurance offering and identify partnerships, technological innovation and differentiation as essential to a microinsurance strategy. 📄

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