JANUARY 2012 | VOLUME.7 ISSUE.1

MicroCapital Monitor
THE MICROFINANCE NEWSPAPER

MICROCAPITAL BRIEFS | TOP STORIES

UN's IFAD Provides $100m to Ethiopia for Rural Inclusion

The UN's International Fund for Agricultural Development, an organization working to alleviate rural poverty in developing nations, has agreed to provide a grant of USD 50 million and a loan of USD 50 million to the Ethiopian government for its Rural Financial Intermediation Programme Phase II. Launched in 2001, the program reaches 3.3 million rural households, of which nearly half are headed by women living on less than USD 2 per day. With its new funding, the program aims to reach to 6.9 million households by 2019 by partnering with microfinance institutions, strengthening the community banking system and advancing savings and credit cooperatives. January 17. 2012

FMO to Loan $10m to Vision Banco of Paraguay for MSEs

The Netherlands Development Finance Company (FMO in Dutch), a public-private partnership, has signed an agreement to loan USD 5 million plus an equivalent amount in local currency to Vision Banco, a microfinance institution in Paraguay, to finance micro- and small enterprises. Vision Banco reports USD 652 million in total assets, a gross loan portfolio of USD 457 million, return on assets of 2.02 percent and return on equity of 25.2 percent. FMO reports total assets of USD 5.5 billion, including investments in Africa, Asia, Eastern Europe and Latin America. January 16. 2012

BPI Globe BanKO Loans $45m to Philippine MFIs, Adds Retail Agents

BPI Globe BanKO, a mobile-oriented savings bank affiliated with the Bank of the Philippine Islands (BPI), reportedly has extended the equivalent of USD 45.3 million in loans to unspecified Philippine microfinance institutions. BanKO also recently teamed up with two retail chains in the Philippines, Tambunting pawnshops and Generika drugstores, which will accept savings and loan applications and perform cash transactions for BanKO. Tambunting has approximately 1,000 outlets, and Generika has about 250. BanKO is a joint venture between Ayala Corporation, a Philippine conglomerate; commercial bank BPI; and Globe Telecom Incorporated. As of March 2010, BanKO had authorized capital of USD 10.7 million. January 10. 2012

EBRD Launches $100m Ukraine Program with Loan to CEBU

The UK-based European Bank for Reconstruction and Development (EBRD) has signed an agreement to loan USD 100 million through 2013 for the benefit of micro-, small and medium-sized enterprises in the Ukraine. So far, Credit Europe Bank Ukraine, on which no financial information is available, has received USD 10 million of the allocation. During 2010, EBRD made investments in 386 projects valued at USD 30.2 billion. January 10. 2012

Omtrix Raises $35m for Higher Education in Latin America and the Caribbean

Omtrix, a Costa Rica-based fund manager, has announced the launch of the Higher Education Finance Fund (HEFF), a student loan financing fund promoting higher education opportunities for low-income youth in Bolivia, the Dominican Republic, Guatemala, Honduras, Paraguay and Peru. So far, USD 35 million has been committed to HEFF, which will disburse wholesale loans for on-lending via microfinance institutions. Initial equity funding has been provided by US-based nonprofit Calvert Foundation, German development bank KfW Bankengruppe, the Luxembourg Microfinance and Development Fund, the Norwegian Investment Fund for Developing Countries (Norfund) and the Swiss Investment Fund for Emerging Markets. Corporación Andina de Fomento, a multilateral financial institution headquartered in Venezuela, has also agreed to provide equity funding in the near future. January 6. 2012

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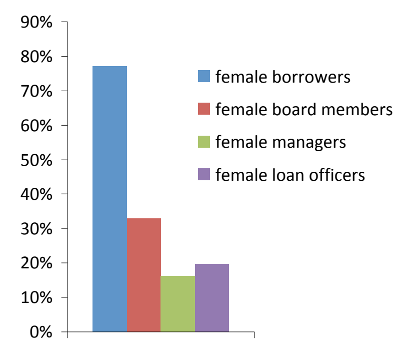
ASIA
PERCENTAGE OF FEMALE STAKEHOLDERS 2010



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MICROCAPITAL BRIEFS

MFTransparency Reports on Ethiopian Microloan Pricing

MFTransparency, a US-based nonprofit that aims to provide comparable pricing information on microcredit products, recently released a report with pricing data from 16 Ethiopian microfinance institutions (MFIs) and analyses based on type of institution, loan purpose and geographic focus. The initiative was sponsored by two Dutch organizations: microfinance network MicroNed and Terrafina Microfinance, a fund that provides technical and financial support to African MFIs. Founded in 2008, MFTransparency has collected data from 30 countries. January 19. 2012

SBI to Boost Microfinance Funding by 50%

The government-owned State Bank of India reportedly plans to grow its microfinance portfolio from the equivalent of USD 180 million as of December 2011 to roughly USD 270 million by the end of March 2012. The bank was one of several wholesale funders represented at a recent meeting with Indian microlenders that was intended to "to sensitise bankers about the latest developments in the sector." Citing an improved outlook, Chandra Shekhar Ghosh, the managing director of microlender Bandhan Financial Services, was quoted as having said, "Things have changed drastically over the last 12 months." SBI reported gross advances of USD 153 billion as of March 2011. January 19. 2012

Nonprofit FINCA Launches FINCA Microfinance Holdings LLC

The US-based nonprofit Foundation for International Community Assistance (FINCA) International has raised USD 200 million to launch a for-profit subsidiary, FINCA Microfinance Holdings LLC. The new entity is intended to aid in the expansion of services to new areas, creation of efficiencies to reduce borrower costs and development of new services such as savings and insurance products. Among its commitments to date are USD 35 million from the World Bank Group's International Finance Corporation, USD 15 million from German development bank KfW Bankengruppe, USD 14 million from the Netherlands Development Finance Company (FMO in Dutch). FINCA International will retain a 66-percent stake in the new entity in order to preserve control of its mission. In 2010, FINCA International served 760,000 clients through subsidiaries in 21 countries. January 18. 2012

IFC Advising FINO on Effort to Bring Services to 100m Indians

The International Finance Corporation (IFC), a member of the World Bank Group, has agreed to provide advisory support to Indian for-profit technology and services provider Financial Information Networks and Operation (FINO) in support of FINO's goal to bring financial products such as microinsurance, remittances and deposit services to 100 million clients in India over the next three years. IFC's commitment follows cash investments that IFC made in FINO in 2007 and 2009. FINO works with firms that serve 43 million people through 22,000 transaction points in 25 Indian states. January 18. 2012

Philippines Doubles Microloan Ceiling to USD 6,830

As was predicted in a story published in the December 2011 issue of this newspaper, a new microloan category called "microfinance plus" has been approved by the Bangko Sentral ng Pilipinas, raising the microloan ceiling to the equivalent of USD 6,830. To qualify for such a loan, one must repay two loans of at least USD 1,140. January 18. 2012

FINCA Zambia to Cut Rates, Adopt Declining-balance Method

FINCA Zambia Limited, one of 21 microfinance institutions (MFIs) affiliated with US-based nonprofit FINCA International, has told MicroCapital that it will cut its effective lending rates by 20 percent in 2012. This is reportedly made possible by a repayment rate of 97 percent during 2011. The "sticker" price of the loans will actually increase, but FINCA Zambia will begin calculating interest charges based on a "declining-balance" method instead of a "flat" rate whereby clients pay interest on the full loan amount even after much of it has been repaid. Codes of responsible microlending conduct sometimes forbid the charging of flat-rate interest. FINCA Zambia was expected to reach the equivalent of USD 11 million in loans disbursed by the end of 2011. As of 2010, the MFI reported 13,000 borrowers, return on assets of 5.13 percent and return on equity of 13.24 percent. January 18. 2012

SafeSave's "P9" Product Praised for Building Client Assets

At a recent event hosted by the UN Capital Development Fund, the "P9" program of Bangladeshi microbank SafeSave was highly praised. P9 allows individuals to borrow the equivalent of USD 65, which the borrower repays at his or her own pace. When the loan is disbursed, half of the principal is placed into a savings account for the client. Future loan cycles allow the person to borrow more, with an increasing amount going into the savings account such that within three loan cycles the borrower can amass more in savings than the amount of the subsequent loan. A 3-percent disbursement fee, which is consistent with Shariah law, results in an effective annual rate of 12 percent if the borrower chooses to repay within six months. January 18. 2012

responsAbility Lends $4m in Cambodia

Switzerland's responsAbility Social Investments has reported to MicroCapital that it made loans amounting to USD 3 million to Cambodia's ACLEDA Bank and USD 1 million to Hattha Kaksekar Limited, also of Cambodia. ACLEDA Bank reports total assets of USD 1.16 billion, return on assets of 2.56 percent and return on equity of 22.4 percent. Hattha Kaksekar reports a gross loan portfolio of USD 56.4 million and 53,500 borrowers. January 18. 2012

PAMIGA, BASIX to Support Microsavings in Ethiopia

The Participatory Microfinance Group for Africa (PAMIGA), a Paris-based microfinance network, has opened an office in Ethiopia with the support of the MicroLead microsavings initiative of the UN Capital Development Fund. In partnership with the BASIX Group, an Indian provider of various services to poor people, PAMIGA will aim to help Ethiopian microbanks Buusaa Gonofaa and Wasasa strengthen operations, mobilize savings and improve outreach. January 17. 2012

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, Nisha Koul, Ariana Malushi and Charlotte Newman; special thanks to Emilia Akonom, Diego Guerra Tavara 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!

Absolute's Vision Funds Report Returns of Up to 4.55% for 2011

Absolute Portfolio Management, an Austrian firm that specializes in microfinance, reports that during 2011 its Dual Return Fund - Vision Microfinance produced net returns of 2.51 percent for its retail EUR (P) share class and 3.23 percent for its institutional EUR (I) share class. The fund has a total volume equivalent to USD 109 million with loans issued to 65 microfinance institutions (MFIs) in 25 emerging markets. The Dual Return Fund - Vision Microfinance Local Currency provided investors net returns of 4.55 percent during 2011, with a fund volume of USD 28.8 million and loans outstanding to 29 MFIs in 18 emerging markets. January 17. 2012

responsAbility Lends $4.8m in Africa, Russia, Montenegro

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages have disbursed local-currency loans equivalent to the following amounts to four microbanks: USD 2.5 million to Opportunity International Bank of Malawi, which is one of 24 affiliates of US-based nonprofit Opportunity International; USD 1.2 million to Forus Bank of Russia, which reports total assets of USD 47.9 million and 9,600 active borrowers; USD 650,000 to AgroInvest Holding of Montenegro, which is one of 40 microbanks supported by US-based VisionFund International; and USD 582,000 to Advans Cameroun, which is held by Luxembourg-registered Advans SA, which also controls microfinance institutions in Cambodia, the Democratic Republic of the Congo, Ghana and Tanzania. January 17. 2012

RBI Refuses One-off Classification of Recast Loans as Performing

The Reserve Bank of India (RBI) has reportedly rejected a request by commercial banks including HDFC Bank, Corporation Bank and Axis Bank that would allow them to restructure loans outstanding to two microfinance providers such that the assets could be classified as other than non-performing. An RBI-approved deal in mid-2011 allowed just this type of arrangement, but neither of the borrowing institutions - BASIX Group nor Sharada's Women's Association for Weaker Section (SWAWS) Credit Corporation India Private Limited - participated in the offer. RBI has indicated that such a "special dispensation is unlikely for one or two firms," and it would prefer banks and microfinance institutions to "come together…as such concessions can be for the entire sector...." BASIX Group's microfinance activities are carried out by two subsidiaries that report combined assets of USD 383 million. SWAWS reports total assets of USD 28.3 million. January 17. 2012

responsAbility Invests $2.3m in Kazakhstan, Armenia, Azerbaijan

Switzerland's responsAbility Social Investments AG, recently reported to MicroCapital that funds it manages have made debt investments totaling the equivalent of USD 2.3 million in the following microfinance institutions: Arnur Credit of Kazakhstan, which borrowed USD 800,000 and reports total assets of USD 7.5 million and 3,100 active borrowers; FINCA Armenia, a subsidiary of US-based FINCA International that borrowed the local-currency equivalent of USD 1.2 million; and Finance for Development LLC of Azerbaijan, which borrowed USD 300,000 and reports total assets of USD 12.6 million and 8,580 active borrowers. January 17. 2012

Rating Initiative Stops Funding Ratings, Will Shut Down in 2013

The Rating Initiative (RI), a Luxembourg-based program that supports the use of microfinance institution (MFI) ratings that include both financial and social criteria, is transitioning into a two-year exit phase that already has involved terminating its subsidies for the social ratings of MFIs. RI already had stopped co-funding financial ratings as of April 2011. In its exit phase, RI will reach out to the specialized rating agencies Planet Rating, MicroFinanza, M-CRIL and MicroRate to encourage the use of the Responsible Finance Rating product, which incorporates both financial and social criteria in an analysis of institutional risk. January 16. 2012

Philippine RCBC Merging JP Laurel Bank into Rizal Microbank

Rizal Commercial Banking Corporation (RCBC), a development bank in the Philippines, reportedly is looking to integrate the operations of its microfinance subsidiaries, President Jose P Laurel Rural Bank Incorporated and Rizal Microbank by April. The combined entity will retain the name Rizal Microbank, hold USD 27.4 million in assets and operate 18 branches in Luzon and Mindanao. RCBC reports total assets equivalent to USD 7.4 billion, return on assets of 1.47 percent and return on equity of 14.07 percent. January 16. 2012

Pesinet Brings Child Health Services, Microinsurance to Mali

Pesinet, a French nonprofit, is reportedly using mobile technology to provide health services to 600 children in the Bamako Coura neighborhood of Bamako, Mali. A monthly fee equivalent to USD 0.96 covers doctor examinations and half the cost of medications. Health workers examine enrolled children weekly and use mobile phones to enter the data into a database that is monitored by doctors at local community health centres. The health workers are alerted when a child should be seen at the centre for further examination. Participating health centres report a 37-percent increase in visits from Pesinet subscribers. January 16. 2012

MicroRate Launches Luminis MIV Information Service

MicroRate, a US-based microfinance rating agency, has launched the "beta" version of Luminis, a web-based platform offering data on microfinance investment vehicles (MIVs), with the financial support of the Luxembourg government and the nonprofit Luxembourg Fund Labeling Agency. Using the current version, users can view basic profiles of approximately 80 MIVs at no charge. The full version, which is scheduled to launch by March, will offer access to detailed profiles and reports via paid subscription. January 13. 2012

Brazil's Mongeral Aegon, Finsol Team Up to Sell Microinsurance

Brazilian insurance company Mongeral Aegon reportedly has partnered with microlender Instituto Finsol Brazil to sell microinsurance. Details on the terms and pricing of the policies are not available. Mongeral Aegon, which reports total assets equivalent to USD 212 million and 214,000 clients, is a joint venture between Dutch insurer Aegon and Mongeral, a Brazilian company involved in the insurance and pension markets. Based in Recife, Brazil, Finsol was founded in 2006 and was acquired in 2010 by Mexican microlender Financiera Independencia. For the first nine months of 2011, Finsol reported a net loss equivalent to USD 5.18 million and net operating revenues of USD 3.82 million. January 12. 2012

International Borrowing Ceiling Doubled for Indian MFIs

Reserve Bank of India Deputy Governor H R Khan has announced that Indian microfinance institutions (MFIs) will now be allowed to execute external commercial borrowings of up to USD 10 million per year, twice as much as was previously allowed. Such funds must be "utilised for lending to self-help groups or for micro-credit or for bonafide micro finance activity including capacity building." Although the change is intended to address liquidity issues in the industry, Ramesh Ramanathan, chairman of Bangalore-based MFI Janalakshmi, reportedly said that the volatility of the Indian rupee will dispel the interest of foreign investors. January 11. 2012

ROE for Indian MFIs Drops from Over 45% to Under 20%

The steep decline in microloan repayments that began in 2010 in the Indian state of Andhra Pradesh is continuing to discourage private investment in microlenders. According to Vishal Mehta, a partner at Mauritius-registered Lok Capital, "the sector is not at all attractive unlike a year ago. The return on equity is now in the range of 16-18 percent compared to up to 45-48 percent earlier." January 10. 2012

Nokia Money e-Wallet Service Launches in India

Nokia Corporation, a Finnish telecommunications company, has launched the Nokia Money electronic-wallet service, which enables customers to load cash to their mobile phones at local Nokia dealers and use the credit to pay for services such as utilities, phone recharging and insurance policies. The service can also be a pathway to enrollment in other money services that Nokia has set up with Indian banks Union Bank of India and Yes Bank. These services allow additional types of financial transactions such as person-to-person money transfers, but are more tightly regulated. Nokia reportedly holds 39 percent of the mobile phone market in India, where an estimated 880 million mobile phones are in use. January 10. 2012

EFSE Lends $24m in Azerbaijan, Kosovo, Armenia, Montenegro

The European Fund for Southeast Europe (EFSE), a microfinance investment fund incorporated in Luxembourg, has reported to MicroCapital that it has disbursed the following loans: USD 15 million to AccessBank of Azerbaijan, which reports a gross loan portfolio of USD 342 million and deposits of USD 158 million; the equivalent of USD 649,000 to Kreditimi Rural I Kosoves of Kosovo, which reports assets of USD 13.9 million; and USD 3.89 million to Alter Modus of Montenegro, on which data are unavailable. EFSE also loaned USD 3 million plus the local-currency equivalent of USD 2.27 million to Byblos Bank Armenia, which has assets of USD 93.5 million. January 10. 2012

Customer Hotline to Bolster Tanzanian Code of Conduct

The Tanzania Association of Microfinance Institutions has announced that 48 of its members have adopted a code of conduct whereby they agree to disclose interest rate and other service costs to customers through loan contracts, advertisements, brochures and notice boards. Loan contracts are to be understandable, prepared in Swahili and accompanied by verbal explanations to serve those with limited reading skills. Customers can report non-compliance via a hotline set up for this purpose: +255 0764 668 331. January 10. 2012

Indian NGO Gramalaya Creates MFI

Gramalaya, an Indian nonprofit, has launched a microfinance institution (MFI) named Gramalaya Microfin Foundation (GMF), which will focus on lending to female self-help group members that have received capacity-building services through GREAT (Gramalaya Entrepreneurs Associates), an organization that offers training and financial linkages and was also created by Gramalaya. Loan amounts will range from the equivalent of USD 189 to USD 283 for a period of 12 to 18 months with an annual interest rate of 24 percent calculated using the reducing-balance method. GMF will receive technical support from another MFI created by GUARDIAN (Gramalaya, Gramalaya Urban and Rural Development Initiatives and Network), which aims to provide “easy access to water and sanitation...through micro credit.” As of 2011, GUARDIAN reported a gross loan portfolio of USD 966,000 and approximately 24,400 borrowers. January 10. 2012

Lagos Chapter of NAMB to Build 500 Homes

While details remain scarce, the Lagos State Chapter of the National Association of Microfinance Banks, a trade group of microbanks in Nigeria, has announced that it plans to build 500 houses to be sold with monthly payments no higher than the equivalent of USD 78 over a period of 20 years. January 10. 2012

Bangko Sentral ng Pilipinas Issues Microinsurance Licenses

Bangko Sentral ng Pilipinas has issued microinsurance licenses to two rural banks, Bangko Mabuhay and Mallig Plains Rural Bank Incorporated. Per government requirements, the cost of their insurance products will not exceed 5 percent of the daily minimum wage, which is equivalent to USD 9.60. Guaranteed benefits will not exceed 500 times the minimum wage. Fifty other rural banks are in the process of applying for microinsurance licenses. While financial details on Bangko Mabuhay are unavailable, Mallig Plains Rural Bank reports total assets of USD 11.5 million and 22,600 borrowers. January 10. 2012

Kenya to Allow Deposit-taking MFIs to Use Agents

The Central Bank of Kenya (CBK) has reportedly issued guidelines allowing deposit-taking microfinance institutions (DTMs) to use agents to expand their provision of financial services. Agents contracted by DTMs must be approved by CBK, and the central bank will have the authority to access agent data without prior notice. Additionally, DTMs will be required to submit information regarding agent-related fraud, theft or customer complaints and the remedial measures taken to address these issues. As of April 2011, CBK reports that there are six DTMs in Kenya with 47 branches, deposits worth the equivalent of USD 100 million and a total loan portfolio of USD 172 million. January 10. 2012

NAMB: Nigerian Borrowers Will Not Repay “National Cake”

The Lagos State Chapter of the National Association of Microfinance Banks, a trade group of microbanks in Nigeria, has reportedly asked the government to fund private microlenders rather than provide direct microloans. Mr Olufemi Babajide, the Chairman of the chapter, opined that previous attempts by government agencies to set up microbanks failed because they were perceived as “national cake,” presumably meaning that borrowers did not feel it important to repay loans funded by taxpayers. Mr Babajide further stated the failure of such microlenders could cause a “spillover effect” that would negatively impact private MFBs. In some markets, government microloans have harmed private actors, which cannot compete with subsidized rates. January 10. 2012

Rwanda, Visa Partner on Electronic Payments

The government of Rwanda and US-based payment technology firm Visa Incorporated have announced a collaboration intended to lay a foundation for electronic payments in Rwanda including the implementation of localized settlement services, boosting Rwandan exports through e-commerce, streamlining government payments, deploying mobile solutions and increasing financial literacy. January 8. 2012

SANAD Fund for MSME to Loan $5m to Lebanon's BLC Bank

The Luxembourg-based SANAD Fund for MSME has loaned USD 5 million to BLC Bank, a Lebanese commercial bank, to expand its lending to small and medium-sized enterprises (SMEs). SANAD provides debt and equity financing to financial institutions in the Middle East and North Africa with the intent of strengthening local financial markets and the microenterprise and SME sector. As of September 2011, SANAD had raised USD 34 million in funding. Incorporated in 1950, BLC runs 51 branches in Lebanon and Cyprus. January 5. 2012

TBC Capital Impact Investing Fund-I Seeks $75m

TBC Capital Asset Management Incorporated, a Canada-based investment management firm that focuses on impact investments, is launching the TBC Capital Impact Investing Fund-I, a pooled fund with the following approximate allocations: (1) 65 percent to microfinance - mainly tier-2 microfinance institutions and their service providers; (2) 20 percent to small and medium-sized enterprises, especially those involved in sustainable agriculture; and (3) 15 percent to clean and "base-of-pyramid" infrastructure. The debt-only, closed-end fund will be focused on developing countries and has a target size equivalent to USD 74 million. January 5. 2012

Yunus to Seek Court Review of Removal from Grameen Bank

Nobel laureate Dr Muhammad Yunus reportedly has sought a review of the court decision upholding his removal from his position as managing director of Bangladeshi microfinance institution Grameen Bank on "grounds of errors of law." Dr Yunus had previously challenged the central bank's decision to remove him from his post based on the grounds that the move was politically motivated. However, the courts maintained that the appointment of Dr Yunus in 1999 as the managing director of Grameen Bank, without central bank approval, was invalid. At age 70, Dr Yunus was also found to be in violation of the mandatory retirement age of 60 years for government employees. January 5. 2012

Azerbaijan's AccessBank Achieves 500,000th Loan, 30th Branch

AccessBank of Azerbaijan, one of six affiliates of Germany's Access Microfinance Holding, recently announced that it has disbursed its 500,000th loan. Since its launch in 2002, the bank has disbursed USD 1.75 billion to 250,000 micro- and small enterprises and low- and middle-income households. Recently having opened its 30th branch in the city of Guba, AccessBank reports a gross loan portfolio of USD 342 million and deposits of USD 158 million. January 4. 2012

DEG, EFSE, EIF to Loan $38m to Turkey's Alternatifbank

Alternatifbank (ABank), a commercial bank in Turkey, has agreed to borrow the euro-equivalent of USD 38.7 million from German development finance institution Deutsche Investitions-und Entwicklungsgesellschaft (DEG) and the European Fund for Southeast Europe (EFSE), a microfinance investment fund incorporated in Luxembourg. DEG will provide USD 25.8 million of the principal, with EFSE providing the remainder. The investment by EFSE was funded by the European Commission via the European Investment Fund, a public-private partnership that supports financial institutions in Europe. ABank reports total assets equivalent to USD 2 billion, return on assets of 0.78 percent and return on equity of 6.52 percent. January 3. 2012

Pakistan Floats 5-year Framework, Financial Education Program

The State Bank of Pakistan (SBP), the country's central bank, recently announced that it has developed the "Microfinance Strategic Framework 2011-2015" that is intended to: (1) promote innovations to reduce operating costs and achieve "rapid scale;" (2) promote organizational development through effective governance and professional management; and (3) improve consumer protection and financial literacy. A pilot Financial Literacy Programme (FLP) to be implemented by Austrian consultancy Bearing Point aims to reach 50,000 primarily low-income beneficiaries via media outlets and mobile network operators. January 2. 2012

Grameen-Jameel Hits $53m Facilitated, 1.5m Clients Reached

Grameen-Jameel, a joint venture of the US-based Grameen Foundation and the UK-based Abdul Latif Jameel Foundation, recently announced that it has reached 1.5 million clients through its partner microfinance institutions (MFIs). Grameen-Jameel provides loans to early-stage MFIs and guarantees for MFIs seeking to access local-currency commercial loans. Grameen-Jameel works in nine countries and territories in the Middle East and North Africa and has provided guarantees of approximately USD 24 million that have facilitated local-currency financing of USD 53 million. December 29. 2011

Krung Thai Bank of Thailand Downscaling to Offer Microfinance

The government-owned Krung Thai Bank recently announced that it has initiated microfinance operations by offering loans to people with low incomes and no regular salary. The service is being offered in 20 unspecified regions as a one-year pilot project with plans to expand to 200 regions during the following year. Krung Thai will use third-party agents for customer service and debt collection. The service is intended to help keep "lower-income applicants away from loan sharks" by offering annual interest rates of approximately 20 percent. Krung Thai also announced that it has restructured its small and medium-sized enterprise operations to improve loan approval and distribution processes. December 29. 2011

Spanish Support of Peruvian MFIs Reaches $158m

Since 1998, Peruvian institutions reportedly have received a total equivalent to USD 158 million from the Microcredit Fund of the Spanish government's Agency for International Development Cooperation. These funds have been on-lent to approximately 59,000 microentrepreneurs through development finance institutions such as the Corporación Financiera de Desarrollo SA and microfinance institutions such as Confianza, Crear, Edyficar, Caja Municipal de Ahorro y Credito and Mibanco. December 28. 2011

Asasah of Pakistan to Collect Repayments via Easypaisa

Asasah, a microfinance institution (MFI) in Pakistan, reportedly will be accepting microloan repayments via Easypaisa, the branchless banking service of Pakistani MFI Tameer Microfinance Bank Limited. Easypaisa is a joint venture of Tameer Microfinance and Telenor Pakistan, a subsidiary of Norwegian mobile communications company Telenor Group. Easypaisa users can conduct financial transactions using mobile phones or by visiting an Easypaisa shop, Telenor service center or Tameer Microfinance branch. There are 14,000 Easypaisa agents in 600 cities across Pakistan. Asasah reports a gross loan portfolio of USD 1.9 million and 18,900 active borrowers, most of whom are women. Tameer Microfinance reports total assets of USD 61.7 million and 111,100 active borrowers. December 27. 2011

Mozambique Launches Rural Finance Strategy

The Mozambican Ministry of State Administration recently launched a five-year "Rural Finance Strategy" aiming to extend financial access to more rural areas of Mozambique. The program is intended to "increase agricultural production and productivity and other economic activities...improve the marketing of goods, and...increase household income." While commercial banks exist in 60 of the country's 128 districts, the strategy aims to bring access to rural finance in more than 80 percent of districts. Further details of the strategy are unavailable. December 26. 2011

Ghana's Sinapi Aba Trust Provides Youth Vocational Training

Ghanaian microfinance institution Sinapi Aba Trust has set up a program to provide youth with vocational skills such as hairdressing, dressmaking, mechanics and carpentry. After an apprenticeship period, participants that pass an exam are offered support in starting their own businesses. As of 2011, 1,100 students have graduated from the program. As of 2010, Sinapi Aba Trust reports total assets of USD 30.7 million and 102,500 active borrowers. December 23. 2011

FIELD NOTES

2012: Turning a Lackluster Forecast Into a Year to Remember

Every January, I take some time to reflect on the year to come and the direction of the microfinance industry. The year 2012 promises to be lackluster. A recent "Microfinance Market Outlook for 2012" report by social investor responsAbility surveyed industry leaders who prioritized risk management and corporate governance as the most important business needs of the sector. The recent survey of Microfinance Gateway users by CGAP (Consultative Group to Assist the Poor) also placed risk management second only to financial inclusion as the topic they are most interested in reading about. These are not scintillating topics that will lead to innovation or great changes in the marketplace, but they are long overdue and will certainly help consolidate an industry that's been through a rough few years. With a threatening wind coming from Europe, it makes a lot of sense to be better prepared for the continued effects of a global slowdown.

Another adverse effect of Europe's crisis will likely be a dwindling of grant money for microfinance, as European governments continue to look inward. Microfinance institutions (MFIs), most of whose balance sheets are much healthier than those of European governments, will be hard pressed to convince bilateral aid agencies to support their plans for expansion. This slowdown in grants has been trending independently of Europe's woes, particularly with regard to bilateral agencies. Kiva has shown us that new "retail" investors are enthusiastic about microfinance when offered a nice platform and a good story. This year, we may see interest in similar "crowdsourcing" models that aim to attract "retail" philanthropists into supporting MFIs' ancillary social programs. Major philanthropists are still in the picture, but they each have specific agendas. The Bill & Melinda Gates Foundation, for example, continues to focus its financial inclusion strategy on delivering services more efficiently and the opportunities technology can provide to increase financial access through broader delivery channels.

Technology-based delivery could be a game changer, transforming today's business models into something very different - and much more scalable. But I don't think innovation can stop at delivery. Maintaining or improving asset quality, growing market share and ultimately improving the lives of customers are still critical issues to tackle. The microfinance industry has failed to show exactly how it's improving lives, but this will have to change. Most donor agendas for 2012 include evaluation efforts. Investors are asking for social impact as well. Measuring this impact is still a puzzle, however. The phrase most commonly associated with the social performance of microcredit seems to be "do no harm" - hardly an inspiring rationale for investing in microfinance. Some people, including development consultant Milford Bateman, have likened the impact of microcredit to that of smoking cigarettes. A more moderate David Roodman, author of the just-published *Due Diligence: An Impertinent Inquiry into Microfinance* from the Brookings Institution Press, reminds us that financial access makes intuitive sense. He asks us to, "Imagine your life without them: no insurance, no bank account, no credit cards, all business done with cash." How would we cope? Would our lives be less efficient and more costly? Every time David says this, I realize how much work is yet to be done. This is why the prospect of a lackluster year is one I have a hard time accepting. We need to come up with more and better ways to offer appropriate products and services to customers that can help them deal with their financial lives - including loans, savings, insurance and investments. Who will finance this innovation? It's time for MFIs to reach into their own pockets and invest in their futures and those of their clients.

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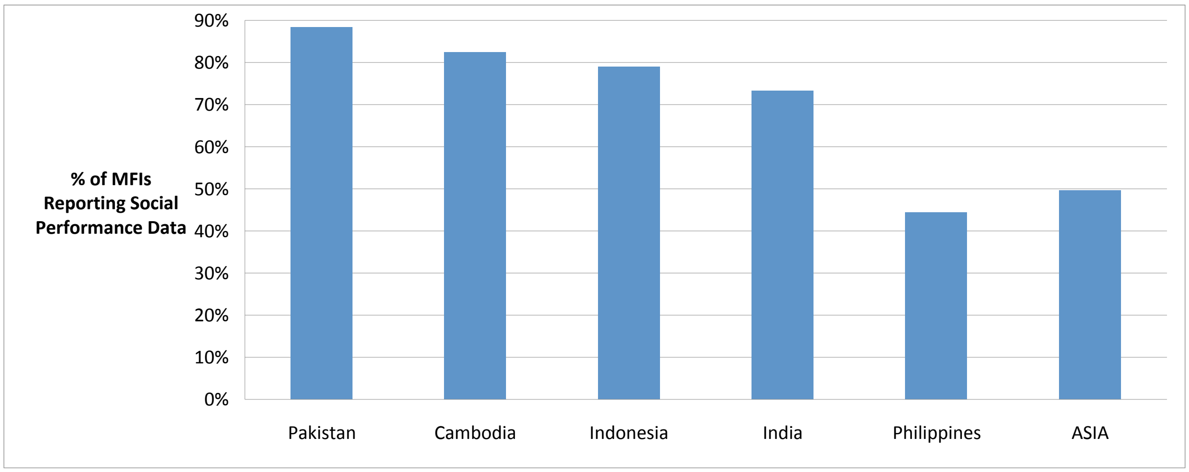
MICROCAPITAL SOCIAL PERFORMANCE INDICATORS | ASIA

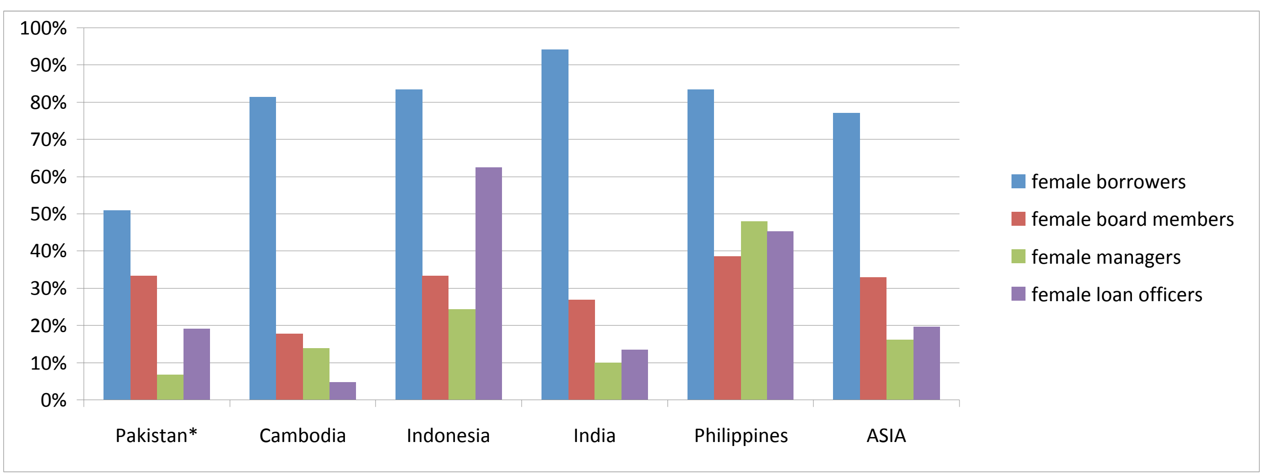
160 MICROFINANCE INSTITUTIONS (MFIs) FROM 14 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA[1]

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 social performance data to the Microfinance Information Exchange (MIX). The percentages are calculated from the number of MFIs that reported social performance data divided by the number that reported financial data to MIX.

PERCENTAGE OF FEMALE STAKEHOLDERS



The data above are tabulated from MFIs reporting social performance data to MIX.

*Data for Pakistan on board members and staff are based on a sample of three MFIs; all other elements of this chart are based on data from 13 to 66 MFIs per country.

(1) Denotes only MFIs that reported data for their fiscal year 2010.
Source: Microfinance Information Exchange Incorporated, December 2011

UPCOMING EVENTS

The SoHo Loft Capital Creation and Crowdfunding Conference
January 23, 2012, New York, New York, USA

This conference will cover the marketplace for private company stock and the role of this marketplace in facilitating small business development and job creation. Presentations are to include: US-Congress Representative Patrick McHenry on his "Crowdsourcing Bill" and the interactions between social media and private markets. On January 24, the organizers will also host "The SoHo Loft Capital Creation Family Office Forum." The full registration rate is USD 1241, with discounts available for advance registration including a 10-percent reduction for MicroCapital readers using the code "TheSohoLoftMC". For more information, you may email events@sohoioftevents.com, telephone +1 212 845 9652 or visit http://tslccac.eventbrite.com/.

Scalable Business Models for Islamic Microfinance
January 30 - February 1, 2012, Istanbul, Turkey

This conference aims to address access to finance for unbanked Muslims, the role of the Islamic Development Bank in advancing Islamic microfinance, case studies, attracting commercial funding and ensuring the authenticity of Islamic microfinance products. The full fee to attend is USD 2,299 with various special rates available including a 15-percent discount for MicroCapital readers citing the priority code "MicroCapital." Additional fees apply for add-on workshops or for electronic copies of the conference documentation for non-attendees. For additional information, you may email info@hansonwade.com, telephone +44 (0) 203 141 8700 or visit http://islamicmicrofinance-summit.com/.

Mobile Money APAC (Asia Pacific) Conference and Expo
January 30 - February 2, 2012, Singapore

This event will cover topics such as mobile money as a driver of socio-economic development, mobile money in the insurance market and securing customers through government-to-person payments. The cost to attend is USD 2,299, with additional fees applicable to a pre-conference workshop and post-conference site visits. For more details, you may contact Sonum Puri via sonum.puri@clarionevents.com or Steven Clarke via steven.clarke@clarionevents.com. Alternatively, you may telephone +44 (0) 20 7370 8623 or +44 (0) 20 7370 8478 or visit http://www.mobile-money-transfer.com/apac.

Indian Ocean / South Asia Mobile Payments & Banking Summit
January 31 - February 1, 2012, Colombo, Sri Lanka

This event will cover retail payments and cross-border remittances including business models for banks and network operators as well as various payment platforms that can enhance value-added services. The fee to attend is USD 1,199 for retail merchants, USD 1,999 for representatives of telecom operators and banks, and USD 1,499 for others. Additional information is available via +65 6391 2533, http://www.magenta-global.com.sg/iosapayments2011/ or enquiry@magenta-global.com.sg.

Second Annual Microinsurance Conference
February 20 - February 22, 2012, Johannesburg, South Africa

This event will cover topics such as the microinsurance market in Africa, potential for growth, how to create a sustainable business model, the role of partnerships, innovative distribution channels, the role of reinsurance, educating consumers and an overview of microinsurance in the agricultural sector. The fee to attend is ZAR 113,999 including VAT. For additional information, you may contact Rosalind Hinchcliffe via rhinchcliffe@iir.co.za or +27 11 771 7000, or you may visit http://www.iirconferences.co.za/microinsurance.

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, 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/, or you may contact info@aidembs.com or +254 20 221 8114.

Microinsurance Summit Latam 2012
March 26 - March 28, 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 microfinance institutions and for registrations completed before January 27. Add-on fees apply for an agricultural focus day and various workshops. More details are available via http://microinsurance-latin.com/, +44 (0) 20 3141 8700 or register@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 tiered discounts for registrations completed by January 20 and February 24. More details may be had via +44 (0) 20 7067 1831, mmt@clarionevents.com or http://mobile-money-gateway.com/event/mobile-money-americas-2012/.

MORE DETAILS COMING SOON ON…

Financing Low Cost Housing Africa
March 28 - March 29, 2012, Nairobi, Kenya

African Mobile Money Research Conference
April 2 - April 3, 2012, Nairobi, Kenya

HBS-ACCION Program on Strategic Leadership for Microfinance
April 9 - April 14, 2012, Boston, Massachusetts, USA

2012 Research Conference on Microinsurance
April 11 - April 13, 2012, Enschede, the Netherlands

Mobile Payments & NFC World Summit 2012
April 19 - April 20, Hong Kong, China

Association of the Luxembourg Fund Industry Socially Responsible Investing / Microfinance Conference
May 9 - May 10, 2012, Luxembourg

TBLI Conference Asia 2012
May 24 - May 25, 2012, Hong Kong, China

5th Convergences 2015 Forum
September 26 - September 28, Paris, France

PAPER WRAP-UPS

Latest Findings from Randomized Evaluations of Microfinance

By Jonathan Bauchet, Cristobal Marshall, Laura Starita, Jeanette Thomas and Anna Yalouris; published by CGAP (Consultative Group to Assist the Poor); December 2011; 32 pages; available at: http://www.cgap.org/gm/document-1.9.55766/FORUM2.pdf

The authors of this paper assess the impact of microfinance on poverty by reviewing findings from recent randomized evaluations that compare how one group responds to having access to specific financial services with how a comparable group fares without access to those services. This study aims to contribute to a more refined narrative of the impacts of microfinance in the wake of mixed appraisals of microfinance, including inflated expectations of its positive impact and categorical denials thereof. The studies discussed in the paper were undertaken by the following US-based entities: Innovations for Poverty Action, a nonprofit organization; Financial Access Initiative, a consortium of development economists; and the Abdul Latif Jameel Poverty Action Lab, which is housed at the Massachusetts Institute of Technology.

The first part of the paper reviews the results from randomized evaluations that measure the impact of microcredit and microsavings on business investment, business creation, consumption and household welfare. This evidence suggests that while increased access to credit does not produce the kind of dramatic transformations promised by some microfinance providers, it does appear to have some positive outcomes including the creation of new businesses and increased purchasing of durable goods. The studies also indicate that marginally creditworthy wage earners that received loans were more able to withstand shocks such as health emergencies and thus maintain their jobs. Formal savings is also found to be effective in helping poor people accumulate funds for investment or consumption.

The second part of the paper presents evidence from evaluations of financial products and delivery methods indicating that seemingly small variations in traditional microcredit and savings offerings can yield significantly different results. The studies under consideration assess the results of modifying common attributes of microfinance products such as group liability, weekly repayment schedules and targeting women rather than men. Many of the studies found that individuals and groups shared very similar repayment patterns. In serving women, practitioners may have a greater impact if they offer a menu of loans tailored to different categories of women, specifically targeting various levels of earning potential and reasons for borrowing. Similarly, impact assessments that were conducted to isolate the effects of repayment frequency suggest that various repayment options should be made available including grace periods. Studies that were conducted to observe the effects of "microfinance plus" products, which include add-on services such as financial management training, indicate that simple "rules of thumb" about sound financial practices - rather than comprehensive curricula - are more advantageous for low-income business owners.

Finally, the authors suggest that microinsurance has positive impacts on poor households - including increasing the ability to handle weather shocks and irregular agriculture income - but that low rates of take-up, even for effective products, show that product design is key. The price of the insurance policy, lack of information about how formal insurance works and lack of trust in the insurance provider are among the factors discouraging poor households from buying policies.

The authors acknowledge that randomized trials have limitations such as the short timeframe during which most are conducted. This is due in part to high costs that are associated with randomized evaluations as well as to the reluctance of practitioners to deprive a control group of financial services for longer than a few years.

Implementing Client Protection in Microfinance: State of the Practice, 2011

By Daniel Rozas, Isabelle Barrès, Charlotte Connors and Elisabeth Rhyne; published by the Center for Financial Inclusion at ACCION International; November 2011; 48 pages; available at: http://smartcampaign.org/tools-a-resources/536

This report explains how the Smart Campaign, a consumer protection initiative housed within US-based nonprofit ACCION International, and other industry players are working to move from an initial phase of raising awareness regarding client protection to a new phase of capacity building, implementation and certification.

The authors consider industry progress in terms of the "Client Protection Principles," which include appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair treatment of clients, privacy of client data and mechanisms for complaint resolution.

Group Lending or Individual Lending? Evidence from a Randomised Field Experiment in Mongolia

By Orazio Attanasio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, Heike Harmgart; published by the European Bank for Reconstruction and Development; December 2011; 48 pages; available at: http://www.ebrd.com/downloads/research/economics/workingpapers/wp0136.pdf

Based on a field experiment in Mongolia, this study indicates that access to group loans has a positive impact on food consumption and entrepreneurship, while individual borrowing is not associated with significant change in these factors. Those borrowing via groups were also found to be less likely to make informal transfers to families and friends while individual borrowers were more likely to do so. The authors suggest that this may be due to groups partially taking the place of informal financial networks.

Bank Agents: Risk Management, Mitigation, and Supervision

By Kate Lauer, Denise Dias and Michael Tarazi; published by CGAP (Consultative Group to Assist the Poor); December 2011; 24 pages; available at: http://cgap.org/p/site/c/template.rc/1.9.55781/

The authors of this paper analyze the use of bank agents in an effort to guide supervisory entities in developing a regulatory approach suitable to their respective countries. The authors observe that - in most countries - bank agents, which are defined as "any third party acting on behalf of a bank," handle a very small percentage of the total assets in banking systems, minimizing the systemic risk they present. However, the authors stress that it is still important that bank supervision offices enforce the responsible use of agents.

Tasks performed by agents include: transmitting information, such as receiving loan applications or providing customers with account balances; processing information, such as conducting "know your customer" procedures or assessing loan applications; handling cash, including deposits or withdrawals; and electronic fund transfers, such as bill payments or disbursing government benefits. Banks may use also agent network managers (ANMs) to manage agents. In such arrangements, banks may outsource agent management functions to a specialized third-party operator, arrange for a large retailer to use its outlets as agents of the bank or enter into an agency agreement with a third party, which in turn subcontracts to multiple agents.

The authors point out that the extent to which a bank uses agents, the specific tasks assigned to agents and the bank's management of the arrangement all affect the levels and kinds of risks to which a bank will be exposed. These include: (1) operational risks, such as agent fraud, data entry errors, poor cash management and abusive service; (2) technological risks, such as utility disruption or software failure; (3) legal and compliance risks, such as customers suing the bank as a result of an agent's actions or agents demanding the same benefits as bank staff; (4) credit risk, such as the bank not receiving money owed by the agent; and (5) the resultant reputational risk. In order to mitigate these risks, banks may employ policies covering areas such as agent selection, training, cash management and monitoring. Other risk management strategies include periodic reviews of agent networks, contingency planning, insurance coverage and risk-sharing with ANMs.

The authors study regulatory environments that require agent registration, onsite inspections, periodic information reporting and approval for banks to use agents in general. The authors also discuss corrective measures that supervisors can take in cases of bank or agent noncompliance. These include instructing the bank to develop a plan to address weaknesses, requiring additional capital, asking the bank to remedy agent misconduct, requiring the bank to terminate the agency agreement, imposing fines or even prohibiting the bank from the further use of agents.

The authors assert that while it is "too early to determine how specifically the different supervisory approaches impact bank use of agents," there is some indication that cumbersome licensing requirements may dissuade banks from pursuing the model. The authors argue that given the relatively limited scope of bank use of agents, there is low systemic risk, so supervision should not be overly complex or burdensome.

Impact Investors in Asia

Published by the Asian Development Bank, 2011, 58 pages, available at: http://beta.adb.org/sites/default/files/impact-investors.pdf

This paper describes the scale and scope of capital pools available for impact investment in social enterprises in Asia and the Pacific through a survey of individual and institutional investors operating in the region. Key findings include a willingness among investors to increase their involvement in impact investing, provided there is more information about the availability of impact investing opportunities and easier access to such opportunities.

Making Microfinance Work: Managing Product Diversification

By Cheryl Frankiewicz and Craig Churchill, published by the International Labour Organization, December 2011, 612 pages, available for a fee at: http://www.ilo.org/global/publications/books/WCMS_153735/lang--en/index.htm

Designed for microfinance institution managers, this book addresses how to combine product menus to serve specific market segments, strategies for overcoming the challenges of managing a diverse product portfolio and how to manage partnerships. The authors suggest actions to manage diversification that include redistributing responsibilities, empowering staff, communicating with clients, reengineering systems, adapting the institutional culture and managing change in general.