

MICROCAPITAL BRIEFS | TOP STORIES

Sagamore Taking 70% Stake in Accion Microfinance China for \$22m

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

Fortis Bank Looks to Raise \$50m on Nigerian Stock Exchange

Fortis Microfinance Bank has offered shares worth a total equivalent to USD 50 million on the Nigerian Stock Exchange. The firm plans to use the new funds to on-lend for affordable housing, boost internal technology capacity and increase its network from 13 branches to reach 774 municipalities. As of year-end 2011, Fortis reported total assets of USD 30 million. July 12, 2012

Deutsche Bank Secures Private Investments of \$64m for EFSE

Germany’s Deutsche Bank recently secured the euro-equivalent of USD 64 million from undisclosed private investors for the senior tranche of the European Fund for Southeast Europe (EFSE), a microfinance investment vehicle based in Luxembourg. The investment is intended to finance up to 10,000 loans to micro- and small enterprises in Southeast Europe and the South Caucasus. EFSE has USD 1 billion in outstanding commitments of which 37 percent are held by public-sector investors. July 11, 2012

In Kyrgyzstan, 31% Owe Multiple Loans, 94 MFIs Are Shut Down

While microbanks in Kyrgyzstan reportedly have doubled their aggregate loan portfolio since 2010, the Kyrgyz National Bank recently shut down 94 microfinance lenders, citing unreasonably high interest rates. Annual microloan rates in the country reportedly range up to 70 percent. Many small lenders have sprung up, with the minimum capital level required to launch set at the equivalent of USD 2,175. Cross-indebtedness in Kyrgyzstan, wherein customers are in debt to multiple lenders, reportedly stands at 31 percent and is rising. Nonprofit FINCA Kyrgyzstan, one of 21 microbanks affiliated with US-based nonprofit FINCA International, has taken steps to improve stability, such as raising its minimum capital level, improving reporting, imposing regular audits and restricting its rate of growth. On the other hand, CEO Babur Tolbaev of for-profit microlender Mol Bulak reportedly is confident about how much “room for growth” is available, citing repayment rates of 97 percent. June 27, 2012

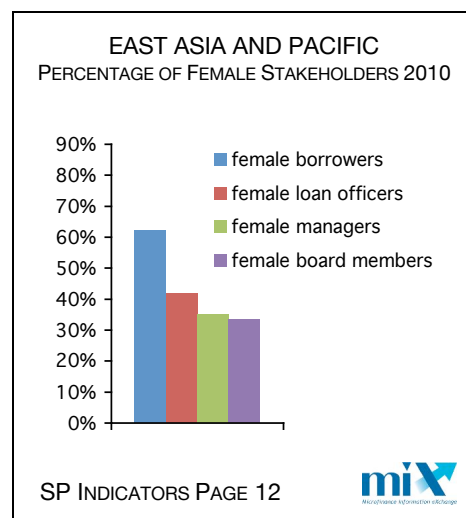
Pakistan Allows Microbanks to Accept Non-Bank Funding

The State Bank of Pakistan, Pakistan’s central banking authority, recently announced that microfinance institutions are now allowed to raise local-currency funding from capital markets and other non-bank sources under revised guidelines of the Microfinance Credit Guarantee Facility, which has been in operation since 2008 with the goal of brokering “long-term and market-based finance for microfinance institutions.” June 27, 2012

Swarna Pragati Housing, Accion Take Stake in Saija of India

Swarna Pragati Housing Microfinance Limited of India and US-based nonprofit Accion reportedly have invested USD 4.5 million in Saija Finance, an Indian microfinance institution. Saija will use the funds to expand its branch network and customer outreach. Neither the breakdown of the investment between the two investors nor the size of the stakes acquired has been released. Founded in 2008, Saija reports total assets of USD 3 million. As of 2010, Accion served 3.18 million clients with an active loan portfolio of USD 3.81 billion. Financial information on Swarna Pragati is not available. June 25, 2012

| INSIDE | Page |
|--------------------------------------|-----------|
| MicroCapital Briefs | 2 |
| Microfinance news | |
| Field Notes | 11 |
| Seductive Sirens of Microfinance | |
| Social Performance Indicators | 12 |
| Courtesy of MIX | |
| Upcoming Events | 13 |
| Industry conferences | |
| Paper Wrap-ups | 14 |
| Latest research and reports | |
| Subscribe to the Monitor | 14 |



MICROCAPITAL BRIEFS

Al-Amal, Alkuraimi Launch Youth Savings Accounts in Yemen

Yemeni institutions Al-Amal Microfinance Bank and Alkuraimi Islamic Microfinance Bank have launched new savings products targeting people aged 18 to 30 in conjunction with Qatari social enterprise Silatech and German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit. The accounts, which will be marketed through youth organizations and in the media, include an optional time-lock option and a range of participation incentives. The goal is to establish accounts for tens of thousands of youth. July 12, 2012

IFC Backs \$37m in SME Lending by BICICI in Cote d'Ivoire

The World Bank Group's International Finance Corporation has agreed to share the risk of the International Bank for the Trade and Industry of the Ivory Coast (BICICI in French), an affiliate of French bank Groupe BNP Paribas, on loans totaling the equivalent of USD 37 million to small and medium-sized enterprises in Cote d'Ivoire. BNP Paribas operates in 84 countries with assets of USD 2.7 trillion. July 12, 2012

SANAD Fund Loans \$3m to Jordan's Middle East Micro Credit

The SANAD Fund for MSME, which invests in micro-, small and medium-sized enterprises with funding from the German government and the European Union, has agreed to loan USD 3 million to Jordanian nonprofit Middle East Micro Credit Company (MEMCC). The loan, which is structured to allow repayment in local currency without exposing MEMCC to currency risk, is paired with technical assistance relating to social and environmental risks. The loan is intended to support 2,000 micro- and small enterprises. MEMCC, which also offers home-improvement loans, reports a gross loan portfolio of USD 22 million and 15,000 borrowers. July 12, 2012

IPA, Citi Offer Financial Capability Research Funding

US-based nonprofit Innovations for Poverty Action and the Citi Foundation, the charitable arm of US-based financial service provider Citigroup, are accepting applications through October 19 for funding from their USD 1.7 million Financial Capability Research Fund. The fund aims to contribute to research in personal money management by focusing on: (1) financial education; (2) incentives for behavior changes; and (3) product design. Only non-US teams are eligible. July 12, 2012

FINO Purchases Nokia's Indian Mobile Money Service

Financial Information Networks and Operation (FINO), an Indian for-profit technology provider to financial services firms, reportedly has purchased the Indian mobile payment business of Nokia, a Finnish mobile-phone handset provider, for an undisclosed amount of cash. The acquired service has 750,000 customers and held a monthly turnover equivalent to USD 178,000 before entering a "dormant period" while Nokia solicited potential buyers. Nokia reports total assets of USD 46 billion. July 11, 2012

BMZ, KfW, EU Commit \$45m to Microfinance Initiative for Asia

The Microfinance Initiative for Asia, whose target of USD 100 million was announced in the March issue of this newspaper, has received euro-denominated commitments equivalent to USD 11 million from the European Union and a total of USD 34 million from Germany's Federal Ministry for Economic Cooperation and Development (BMZ in German) and German development bank KfW Entwicklungsbank. Although it will focus on refinancing, the fund will also offer microbanks other types of support such as technical assistance. Switzerland's Blue Orchard Finance SA will serve as manager for the fund. July 11, 2012

Plus of BiH Trains 2,600, Expands Debt Counseling to Sarajevo

The Association for Responsible Personal Finance Management, a nonprofit debt counseling organization in Bosnia and Herzegovina also known as "Plus," has provided financial counseling and mediation services to 900 people, while 2,600 have attended its financial literacy workshops. Plus, which recently opened a new office in Sarajevo, negotiates debt-restructuring plans for microfinance clients. Plus was created in 2009 in the city of Tuzla as the Centre for Financial and Credit Counselling with the support of several European governments and investors. July 11, 2012

IFC Invests \$40m in Mongolia's XacBank

The International Finance Corporation Capitalization Fund, which was founded in response to the financial downturn that began in 2007, recently announced an investment of USD 40 million in XacBank, a Mongolian community development microfinance institution. The funds are to be used to strengthen the bank's capital base and increase financial access for middle-income homebuyers and small and medium-sized enterprises. XacBank reports total assets of USD 380 million, a gross loan portfolio of USD 264 million, 75,700 borrowers, return on assets of 0.43 percent and return on equity of 5.29 percent. July 11, 2012

Citigroup Wins 2012 Business in the Community Award

Citigroup, a US-based bank, has won the International Award in the fifteenth edition of the Awards for Excellence, the corporate responsibility awards offered by the Prince of Wales' charity Business in the Community. Citigroup won the award for its USD 350 million partnership with the US government's Overseas Private Investment Corporation that funded 29 microfinance institutions in 16 countries. July 10, 2012

EBRD Loans \$10m to Partner of Bosnia and Herzegovina

The European Bank for Reconstruction and Development, a development finance institution headquartered in London, has agreed to loan the euro-equivalent of USD 9.8 million to Partner Microcredit Foundation of Bosnia and Herzegovina. Partner is to use the funds to increase the availability of funding for micro-, small, and medium-sized enterprises in the agricultural sector. Partner reports USD 71 million in assets, a gross loan portfolio of USD 56 million, 34,000 active borrowers, return on equity of 1.60 percent and return on assets of 0.63 percent. July 10, 2012

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

IFC, EFSE Loan \$49m to Turkey's Fibabanka to Serve Women

The International Finance Corporation (IFC), a member of the World Bank Group, and the European Fund for Southeast Europe (EFSE), a microfinance investment vehicle based in Luxembourg, have agreed to disburse loans totaling the equivalent of USD 48.9 million to Fibabanka AS, a Turkish bank. IFC has agreed to loan the firm USD 30 million, while EFSE has committed the local-currency equivalent of USD 18.9 million. The loans are intended to help Fibabanka improve access to finance for small businesses owned by women. With total assets of USD 897 million and 20 branches, Fibabanka is a private bank with a focus on supporting small and medium-sized enterprises. July 10, 2012

Incofin's RIF Invests \$2.3m in Equity in India's Annapurna

Incofin Investment Management, a Belgian manager of microfinance funds, has paid the rupee-equivalent of USD 2.36 million in return for an equity stake of undisclosed size in Annapurna Microfinance Private Limited, a for-profit company based in the Indian state of Orissa. Annapurna has nearly 125,000 clients and a loan book of USD 6 million. As of 2010, Annapurna reported return on assets of 0.39 percent and return on equity of 10.78 percent. The stake is held by Incofin's Rural Impulse Fund II, which has assets of USD 173 million and "is focused on investing in [microfinance institutions] with controlled growth and outstanding levels of corporate governance." July 10, 2012

Rwanda Allocates \$4m to Technical Assistance for SACCOs

In its 2012 - 2013 budget, the Rwandan government has reportedly allocated the equivalent of USD 4.2 million to provide technical assistance to savings and credit cooperatives (SACCOs). A portion of the funding will also be used to support the licensing of SACCOs and subsequent monitoring. Finance Minister John Rwangombwa reportedly stated, "The government is of the view that SACCOs can become an important instrument of economic and social transformation, especially in rural areas." As of March, 416 SACCOs were authorized to grant loans, with 273 of these also authorized to accept deposits. As of April, net deposits held by SACCOs in the country had risen to USD 42 million. July 9, 2012

BNP Paribas, Russian Government Loan \$2m to FINCA Russia

The microfinance department of Russia's Ministry of Finance and Banque Nationale de Paris (BNP) Paribas Russia, the local arm of French bank BNP Paribas, reportedly have issued a two-year loan of USD 2 million to FINCA Russia, a subsidiary of US-based microfinance nonprofit FINCA International. FINCA Russia reports a gross loan portfolio of USD 33 million disbursed to 11,000 borrowers. As of 2010, FINCA International had total assets of USD 496 million deployed in 21 countries. BNP Paribas reports assets of USD 2.7 trillion. July 7, 2012

Indonesian Banks Offer Rabu Microsavings

The government of Indonesia has introduced its Rabu Program (meaning "to save diligently") at the recent Indonesian Banking Expo. The program urges students to save on the first Wednesday of each month with the assistance of banking services provided by state banks at schools. The effort is part of the TabunganKu (MySavings) program that was initiated in 2010. TabunganKu enables customers to open accounts with no monthly administrative fees by means of TabunganKu Cars, which visit gathering places such as schools, markets, office buildings and residential areas. TabunganKu has attracted the equivalent of USD 291 million in savings from 2.5 million customers. As part of the expo, the Association of Southeast Asian Nations (ASEAN) held its first conference on financial inclusion. ASEAN is a 10-country collaboration on security, economic integration and sociocultural affairs. July 6, 2012

MicroCapital Deal of the Month

Sagamore Taking 70% Stake in Accion Microfinance China for \$22m

Accion, a US-based nonprofit organization, recently announced a local-currency equity investment equivalent to USD 21.9 million placed by China-based Sagamore Investments in Accion Microfinance China (AMC). The initial transfer is of USD 6.25 million, while the remaining funds will be disbursed over the course of two years. Sagamore Investments will take a 70-percent stake in the company, and Accion, the operating partner, will retain 30 percent. AMC is a microfinance institution that was established in 2009 to deliver financial services to microentrepreneurs in Chifeng, Inner Mongolia. These services include working capital and fixed-asset loans for small and medium-sized enterprises starting at USD 150. AMC reports assets of USD 7 million, a gross loan portfolio of USD 6 million and 778 active borrowers. Sagamore has approximately USD 250 million invested in international venture capital and private equity funds plus USD 150 million placed in Chinese funds and firms.

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India May Raise Microloan Ceiling to \$9k

A change made to the draft of the Indian Micro Finance Institutions (Development and Regulation) Bill reportedly would raise the ceiling for loans disbursed by microfinance institutions from the equivalent of USD 910 to USD 9,100 and gives the Reserve Bank of India (RBI) the option to increase the maximum to USD 18,100 without further legislative action. An unnamed banker with private-sector IndusInd Bank was quoted as saying, "Clearly, at [USD 9,100], you are not targeting the original segment." Other changes to the bill include tasking state microfinance committees with reporting violations to RBI rather than being purely advisory. District-level committees would also be formed to meet quarterly and report violations directly to RBI. July 6, 2012

Nigerian Microfinance Banks to Create \$13k Trust Fund

The 180-member Lagos chapter of Nigeria's National Association of Microfinance Banks (NAMBLAG) reportedly has created the NAMBLAG/BGL private trust fund with the aim of raising the equivalent of USD 13,000 to provide short- and long-term liquidity to microbanks. Among the fund's investors is the BGL Group, an investment banking company headquartered in Lagos. Financial details on BGL are not available. The cash to be disbursed by NAMBLAG/BGL is intended to be on-lent to economically active poor people beginning in 2013. July 4, 2012

Central Bank of Brazil Launches Financial Inclusion Action Plan

The Central Bank of Brazil reportedly has released an action plan for strengthening the institutional environment of the country's financial system in support of the National Partnership for Financial Inclusion, which was launched in November 2011. No further information is available on the partnership or on the related action plan. July 3, 2012

Ethiopian Government Replaces Mules with Electronic Transfers

The Productive Safety Net Programme of the Ethiopian government reportedly has introduced electronic money transfers for participants in the program, which provides money to food-insecure Ethiopians in return for labor on public works projects. The system has allowed 20,000 Ethiopians to receive money directly into new bank accounts, replacing cash transfers by car or mule. The government hopes to expand the project in 2013 to reach more of the program's 7.5 million participants. July 2, 2012

IFC to Loan \$50m to Jiangsu Leasing of China for Ed, Health SMEs

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has agreed to provide a loan of USD 50 million to Jiangsu Financial Leasing, which is controlled by the Chinese government. The loan is intended to increase access to finance for small and medium-sized enterprises (SMEs) in the education and health care sectors in less-developed regions of China. While standard financial details on Jiangsu are not available, it is known that IFC owns a 10-percent stake in the firm. Jiangsu's leasing portfolio includes 82 percent SMEs and 44 percent businesses in frontier regions. July 2, 2012

300 Susu Collectors Apply for Licenses in Ghana

The Ghana Cooperative Susu Collectors Association, an umbrella organization of regional cooperatives, has announced that 300 of its susu collector members have submitted applications under the new Bank of Ghana requirements for microfinance licensing. Traditional susu collectors offer savings and credit services predominantly to low-income earners. Unlike microfinance companies, susu operators are not required to maintain a minimum level of capital, however "each registered member of an umbrella Association shall contribute to an Insurance Fund to be set up by the Association." Further, susu collectors generally must "carry out their activities within a defined geographical area such as a town, city, a market or a suburb and shall not operate branches." July 2, 2012

Reliance Capital to Serve as Agent for State Bank of India

Reliance Capital Limited, a holding of Indian conglomerate Reliance Group, reportedly has partnered with the government-owned State Bank of India to serve as its banking correspondent (BC). BCs offer services such as deposits, remittances and account applications on behalf of banks. Companies can also offer their own financial products at these outlets, which are often located within other organizations such as office buildings or educational institutions. Reliance Capital's Reliance Money plans to increase the number of its "kiosk branches" from 30 to 500 by the end of 2012. These kiosks manage 20,000 transactions monthly and earn roughly the equivalent of USD 0.30 per transaction. June 30, 2012

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EU, EBRD to Support SMEs in Mongolia, Turkey

EU is funding a five-year project that was recently launched in partnership with the London-based European Bank for Reconstruction and Development (EBRD) to support the Mongolian government's SME Agency. With a budget equivalent to USD 4.7 million, the aim is to boost the growth of small and medium-sized enterprises (SMEs) in Mongolia by providing consulting services to SMEs, strengthening the capacity of the SME Agency and promoting reforms to facilitate access to finance for SMEs. EU has also given a grant equivalent to USD 3.1 million to EBRD's Small Business Support program to encourage the growth of SMEs in Turkey through the provision of advisory services for individual enterprises and the professional development of senior managers of SMEs. June 29, 2012

Mifos Software Update Adds Accounting, Reporting Features

The Community for Open Source Microfinance, a US-based nonprofit that maintains the open-source microfinance software package Mifos, recently announced the release of version 2.4 of the software, which now includes 25 embedded reports, a basic accounting module, account transfer functionality, value-based permissions for loan approvals, real-time integration with the M-Pesa mobile money service and pro-rated payments. June 28, 2012

G20, Ashoka Offer \$100k for Financial Access Solution

Ashoka Changemakers, a program of the US-based nonprofit Ashoka, in conjunction with the recent G20 summit of leaders from 20 large economies, has launched the "G2012 Mexico Financial Inclusion: Innovative Solutions for Unlocking Access" competition. A prize of USD 100,000 will be awarded to a solution to barriers preventing communities worldwide from accessing financial services. Details about the competition, which will close on September 12, can be found at <http://www.changemakers.com/financialinclusion>. June 28, 2012

Compuscan Leads Credit Training for Staff of Rwandan Banks

The Compuscan Academy, a financial services training provider affiliated with South African credit bureau Compuscan, is currently leading a three-month credit awareness training for 160 bank and microfinance institution representatives in Rwanda. The session is a result of a need cited by the National Bank of Rwanda and is funded by the African Development Bank. The course programs offered are: (1) The fundamentals of credit processes for credit officers, which focuses on credit targeting, application analysis, credit structuring, documentation, workouts, write-offs and collections via the legal system; and (2) The fundamentals of credit portfolio and risk management for credit and risk managers, which focuses on portfolio targeting and structuring, portfolio risk and return, credit supervision, risk management and reporting requirements. June 28, 2012



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IFC to Loan \$100m to 400 Suppliers to Comercial Shops Mexicana

The World Bank Group's International Finance Corporation has opened credit lines totaling USD 100 million to 400 small and medium-sized enterprises that sell products to Mexican supermarket chain Comercial Shops Mexicana (TCM). The funds, which are guaranteed by TCM, will be disbursed through PrimeRevenue, a US-based provider of supply-chain finance, and E-Factor Network, a Mexican online community for entrepreneurs. June 27, 2012

M-Pesa Strikes Deal to Access PesaPoint ATMs in Kenya

Safaricom, a Kenyan mobile network operator that runs mobile money service M-Pesa, recently signed a deal with Paynet Group, a technology company operating in Kenya and Zimbabwe, allowing customers of the 28 Kenyan institutions on Paynet's PesaPoint automated teller machine network to move funds via mobile phone. Before this agreement, 120 financial institutions were on the M-Pesa network, which has 15 million clients and 35,000 agent outlets. June 27, 2012

Union Banka to Lend \$950k to Prizma of Bosnia and Herzegovina

Union Banka, a financial institution in Bosnia and Herzegovina, recently approved a local-currency loan equivalent to USD 958,000 to Microcredit Foundation Prizma, a local microfinance institution. Two thirds of the funds will have a maturity described as "long-term," while the remainder is to be available on a revolving basis. Union Banka, which is publicly traded and partially owned by the government, reported total assets of USD 94 million as of year-end 2009. Prizma reported total assets of USD 72 million, a gross loan portfolio of USD 64 million and 69,000 borrowers as of year-end 2011. June 26, 2012

Incofin Takes Stake in Rwanda's Unguka, Lends in Kyrgyzstan

The Rural Impulse Fund II, which is managed by Belgian for-profit Incofin Investment Management, has taken a 35-percent stake in Unguka Bank Limited of Rwanda in return for an investment of unspecified size. The funding, which is paired with a technical assistance facility, is intended to allow Unguka to expand into rural areas. Founded in 2005, Unguka Bank reported a net profit equivalent to USD 384,000 and working capital of USD 1.8 million as of 2010. Funds managed by Incofin also disbursed loans of USD 3 million to FINCA Kyrgyzstan, one of 21 microbanks under US-based microfinance nonprofit FINCA International, and USD 2 million to Bai Tushum and Partners, another microbank in Kyrgyzstan. FINCA Kyrgyzstan reports loans of USD 50 million outstanding to 110,000 clients. Bai Tushum reports total assets of USD 86 million, a gross loan portfolio of USD 55 million, return on equity of 16.1 percent, return on assets of 3.4 percent and 35,000 active borrowers. June 26, 2012

India's Grameen Koota Raises \$5m in NCDs from responsAbility

Grameen Financial Services Private Limited, an Indian microfinance institution also known as Grameen Koota, recently raised the rupee-equivalent of USD 5 million in debt funding through the issuance of secured, redeemable, non-convertible debentures to unspecified funds advised by Switzerland's responsAbility Social Investments. Unitus Capital, an advisory firm based in India, served as advisor to Grameen Koota in the transaction. Grameen Koota, which offers microloans and educational services, reports total assets of USD 65 million, a gross loan portfolio of USD 56 million and 321,000 active borrowers. June 22, 2012



Sustainable Microenterprise & Development Program

- ◆ Arusha, Tanzania, October 15–26, Savings Led Microfinance in Action
- ◆ Accra, Ghana, March 11–22, 2013, Skills for Senior Microfinance Leaders
- ◆ Webinars on Microfinance, Savings Groups & Value Chain Development



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100m No-Frills Bank Accounts Established in India

The Reserve Bank of India (RBI) has announced that the number of “no-frills” account holders has doubled since 2010, rising to 103 million as of March. The announcement comes as part of an update to the RBI financial inclusion program, which was introduced to increase financial inclusion by various means including requiring banks to open 25 percent of new branches in rural areas. June 21. 2012

EFSE, Azerbaijan Association to Publish Financial Literacy Booklet

The European Fund for Southeast Europe, a microfinance investment vehicle based in Luxembourg, and the 28-member Azerbaijan Micro-Finance Association have agreed to work together to develop and distribute a financial education booklet. The plan is backed by German development bank KfW Entwicklungsbank, with financial support from the German Federal Ministry for Economic Cooperation and Development and the European Commission. The goal of the effort is to reduce multiple borrowing and cross-lending, which can lead to over-indebtedness. June 21. 2012

USAID, Citi to Bring Mobile Money to Colombia, Haiti, Kenya, Asia

The US Agency for International Development (AID) and Citi, a US-based bank, recently announced a partnership that will focus on increasing financial inclusion in developing countries through mobile money technology. USAID pledged USD 23 million to support local mobile money platforms, while Citi will integrate its core banking solutions with the mobile money operators in order to leverage mobile payments to reach mobile phone users with no access to banking services. The program will reach nine countries, starting with Colombia, Haiti, Indonesia, Kenya and the Philippines. The partners will seek the participation of additional partners such as government agencies that disburse salaries and public benefits. In the first quarter of 2012, Citi reported net income of USD 2.9 billion. June 21. 2012

CGAP Microfinance Photo Contest Accepting Entries

Through September 3, US-based nonprofit CGAP (Consultative Group to Assist the Poor) is accepting submissions to win prizes worth up to USD 2,000 in its annual photo contest, which is described in detail at <http://www.cgap.org/p/site/c/template.rc/1.26.16426>. June 20. 2012

Grameen Credit Agricole Lends \$4m in Burkina Faso, Asia

Grameen Credit Agricole Microfinance Foundation (GCAMF), which was founded by French bank Credit Agricole and Grameen Trust of Bangladesh, has told MicroCapital that it issued several loans, each of which carries a one-year grace period. GCAMF issued a four-year, euro-denominated loan worth USD 2.5 million to Sri Lanka's LOLC Micro Credit Limited (LOMC), the microfinance arm of Lanka ORIX Leasing Company (LOLC). LOMC holds a loan portfolio of USD 140 million outstanding to 103,000 clients. Angkor Mikroheranhvatho Kampuchea of Cambodia, which reports total assets of USD 68 million, a gross loan portfolio of USD 47 million and 275,000 active borrowers, accepted a local-currency loan worth USD 1.2 million with a three-year term. Groupe d'Accompagnement à l'Investissement et à l'Épargne of Burkina Faso, which reports a gross loan portfolio of USD 3.5 million outstanding to 40,000 women, borrowed the local-currency equivalent of USD 467,000, part of which will carry a term of two years and part of which will carry a term of three months. June 20. 2012

UNEP, Insurers Launch Global Insurance Principles

The UN Environment Programme Finance Initiative recently launched its Principles for Sustainable Insurance (PSI) initiative in Brazil. PSI aims to provide a global framework for risk management in support of environmental, social and economic sustainability. Among the signatories are: Aviva of the UK, ING of the Netherlands, Itaú Seguros of Brazil, Munich Re of Germany, the Co-operators Group of Canada and Sompō Japan Insurance. June 19. 2012



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Invest Africa Allows Individuals to Loan \$25 to MSEs

Online fundraiser Invest Africa has recently been launched to support microbanks in Africa by accepting loans as small as USD 25. Upon repayment, the lender may withdraw his or her principal, but earnings may be used only for re-lending or for a “rewards” program, which offers electronics and event tickets. Invest Africa charges a 10-percent fee on funds received from investors, and a third-party fee of up to 5 percent also applies. While the location of the firm is not available, it raises money for nonprofit Volunteer Partnerships for West Africa of Ghana, Alide of Benin and nonprofit Finco Africa Group of Mali. June 19, 2012

ResponsAbility Loans \$3.3m in Ecuador, Paraguay, Peru

ResponsAbility Social Investments, a Swiss investment company, recently reported to MicroCapital that it disbursed loans through the responsAbility Global Microfinance Fund in the amount of: USD 2 million to Financiera El Comercio (also known as Fielco), which is located in Paraguay and reports total assets of USD 136 million and a gross loan portfolio of USD 106 million disbursed to 84,000 borrowers; USD 1 million to Ecuadorian microbank Banco D-Miro, which reports total assets of USD 43 million and a gross loan portfolio of USD 40 million disbursed to 39,500 borrowers; and the local-currency equivalent of USD 390,000 to Peru's Nueva Vision, which reports total assets of USD 69 million and a gross loan portfolio of USD 59 million disbursed to 20,700 borrowers. June 16, 2012

Nepal Limits Mid-loan Changes to Interest Rates

Nepal Rastra Bank (NRB), the central bank of Nepal, has reportedly mandated that financial institutions permit borrowers to repay loans at the original interest rate in the event of an increase in the posted rate. Borrowers who do not wish to pay a higher rate must refrain from additional borrowing and begin to repay their outstanding balance. NRB also changed the definition of “deprived-sector” lending, to which banks must commit as much as 3.5 percent of their total loans depending on organizational type. Loans of up to the equivalent of USD 180,000 to non-credit and savings cooperatives for on-lending to agriculture groups now qualify, as do purchases of shares in microfinance institutions. June 18, 2012



AlHuda CIBE: Supply of Islamic Bankers Falls Short of Demand

The demand for Islamic finance experts is 10 times greater than the current supply, according to Zubhair Mughal, CEO of AlHuda Centre of Islamic Banking and Economics, a nonprofit microfinance research and training organization in Pakistan. While speaking at the recent Moscow Halal Expo, Mr Mughal said that while 38 Islamic universities worldwide produce a total of 5,000 Islamic bankers per year, demand is close to 50,000. June 18, 2012

Mongolia's TenGer, IFC Invest in China's Urumqi Tianrong

The World Bank Group's International Finance Corporation (IFC) is making an equity investment equivalent to USD 1.6 million in Urumqi Tianrong Microcredit Company, a joint venture of Mongolia-based TenGer Financial Group, IFC and three unidentified investors from China and Mongolia. The amount of investment committed by TenGer and the other investors has not been disclosed. With its first branch slated to open late this year in the Xinjiang region of northwest China, Urumqi Tianrong aims to lend USD 200 million to 15,000 small businesses in the next two years. June 18, 2012

ResponsAbility Loans \$4m to ACLEDA Laos, MEMCC of Jordan

Switzerland's responsAbility Social Investments has loaned the local-currency equivalent of USD 3.75 million to ACLEDA Laos Bank, an affiliate of Cambodia's ACLEDA Bank. ACLEDA Laos reports total assets of USD 56 million and deposits of USD 30 million. ResponsAbility also loaned USD 300,000 to Jordanian for-profit Middle East Micro Credit Company, which was established in 2003 as an affiliate of US-based nonprofit CHF International and reports a gross loan portfolio of USD 19.7 million and 11,000 borrowers. June 15, 2012

National Microfinance Bank of Tanzania Pays 10% on Deposits

National Microfinance Bank (NMB), which is backed by the government of Tanzania, is offering 10-percent interest rates to certain accountholders. The announcement follows an uptick of the inflation rate to 18 percent as of April. NMB holds the equivalent of USD 1.2 billion in deposits. June 14, 2012



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FIELD NOTES

Mexico's SOFOMs: Seductive Sirens of Microfinance

Last year, I ran into Gonzalo Puente, a Bolivian microfinance expert who has spent the past 10 years in Mexico, first with CAME, then FINCA and more recently with a new venture, SOFOM Fortaleza a Mi Futuro. He explained that this was one of a few microfinance institutions (MFIs) in Mexico that is trying to do things well.


Mexico's microfinance industry covers only about 5 percent of Mexico's 112 million people. With a relatively high GDP per capita of USD 15,000, Mexico's average microfinance loan size is very low at about USD 320. Compare this with Bolivia, which has a per capita GDP of just USD 4,800 and an average microfinance loan near USD 3,000. Surely many small businesses in Mexico could use more than USD 320 to grow. It is common for clients to attend various village bank meetings from multiple MFIs to meet their credit needs. They often send others to make payments on their behalf to ease the burden of attending all these meetings, increasing the risk of the loan for the MFIs, which lose touch with their clients. MFIs share this risk among themselves, enabling them to spend more resources on growth, but few seem to work on improving their credit analysis. It's no wonder that consumer lending through retail stores, pawn shops and co-ops is still strong. Interest rates are high at these outlets, but the hassle is less. My colleague Derek Poulton brought me a brochure from Mexico for a "vacation" loan with a 168 percent annual interest rate that's "fast, easy and safe."

Gonzalo noted that the high profitability of "SOFOMs," Mexico's regulated non-deposit-taking financial institutions, have "seduced" new investors into the market, many of whom are not socially driven. SOFOMs can indeed be *seductive*. They are easy to start up (requiring no preapproval from regulators), easy to finance (foreign capital is allowed) and relatively easy to run (SOFOMs can live off of one basic loan product). According to the *Oxford English Dictionary*, the word *seduce* has a

dark side. It means: *attract (someone) to a belief or into a course of action that is inadvisable or foolhardy*.

Foolhardy! Are these MFIs and investors taking inadvisable courses of action? If so, when will the ball drop? Already delinquencies are inching up, suggesting that the time for MFIs to improve is now. I asked Gonzalo what "trying to do things well" might mean in the context of such a complicated market environment. He notes that it means having a long-term approach. Fortaleza a Mi Futuro believes that loan sizes can be increased, improving returns and allowing for gradual declines in interest rates if rigor is maintained in the loan process. Its strategy is to begin in hard-to-reach rural areas, "using" gains from loans in more thickly populated areas to reduce costs. It is also seeking ways to ensure that a social mission is accomplished. It is in the market for a "socially oriented" investor to sit on its board to make sure social discipline is sustained along with financial discipline.

Much as it did for the mythological Odysseus, it will take great strength for investors in Mexico to resist the temptation of attractive short-term returns. High delinquencies, poor product design and weak management are only some of the risks that lie on the rocky shores ahead. While comfortable margins on the back of high interest rates have cushioned some of this risk, these can't last forever. Those who focus on doing things well stand a chance of conquering the temptation to squeeze as much profit from the business as possible. Just in case, it wouldn't hurt to have a strong social investor in the picture to keep the institution tied to its mission as Odysseus had to be tied to the mast.

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, or you may follow her on Twitter at [BarbaraatEA](#). 



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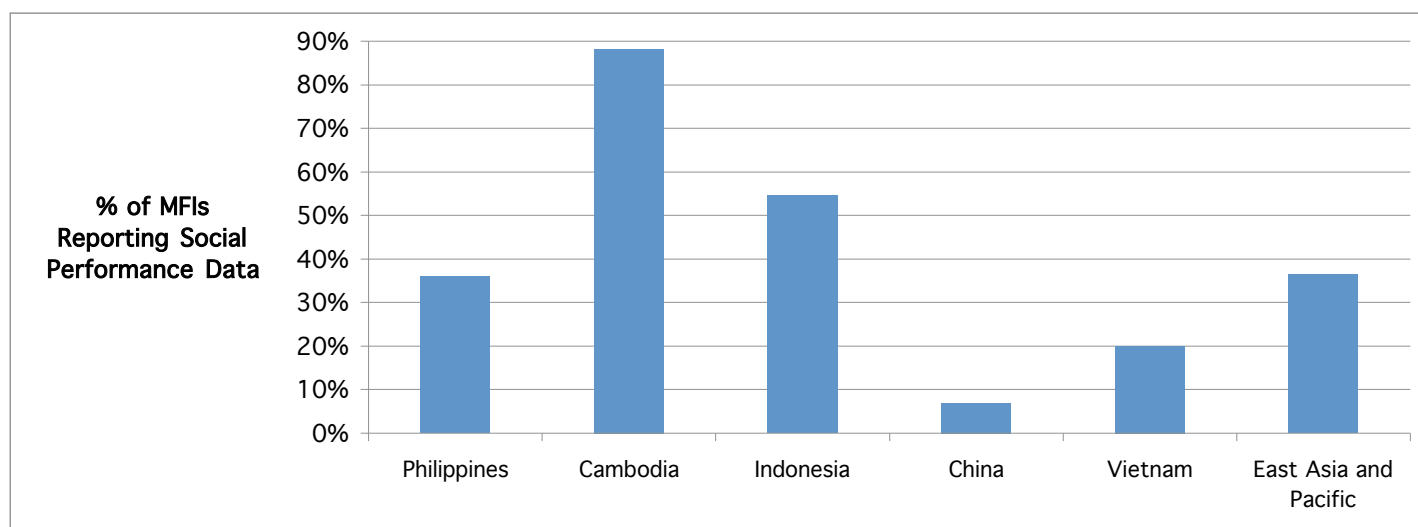


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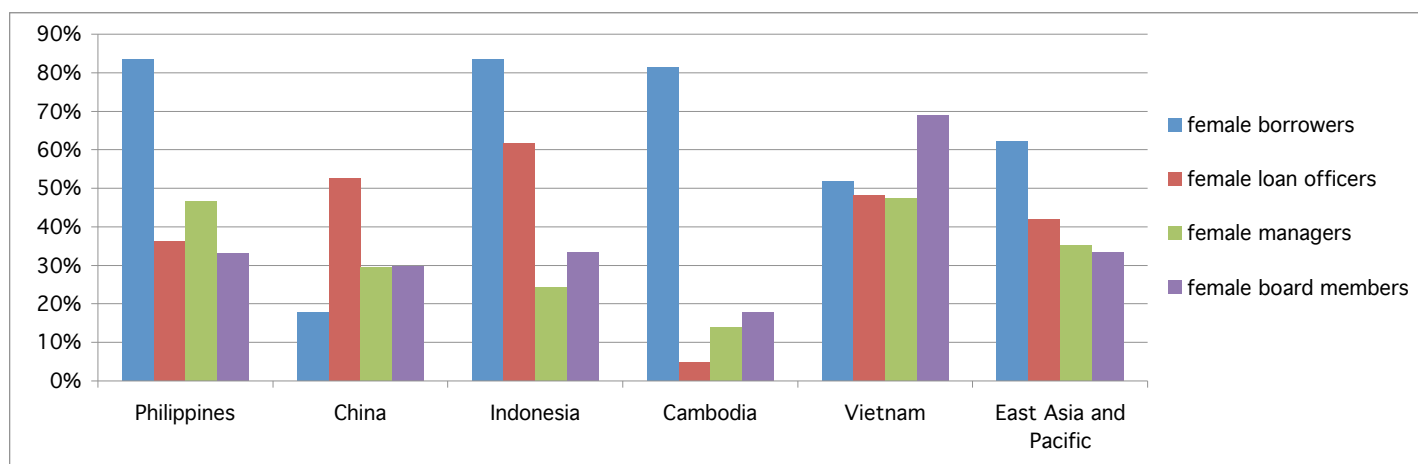
159 MICROFINANCE INSTITUTIONS (MFIs) FROM 13 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA

TOP FIVE COUNTRIES BY MFI REPORTING OF SOCIAL PERFORMANCE DATA



The countries appearing in the above chart are those from the region from which the greatest number of MFIs reported 2010 social performance data to the Microfinance Information Exchange (MIX). The percentages are calculated by dividing the number of MFIs that reported social performance data by the number that reported financial data to MIX.

PERCENTAGE OF FEMALE STAKEHOLDERS



The countries appearing in the above chart are those from the region from which the greatest number of MFIs reported 2010 female stakeholder data to MIX. Percentages for the countries shown include data from 15 to 50 MFIs per country.

Source: Microfinance Information Exchange, July 2012

UPCOMING EVENTS

Family Office & Private Wealth Management Forum: The Race for Returns

July 23 - July 25, 2012, Newport, Rhode Island, USA

This forum offers discussions on the challenges and opportunities of investing in various asset classes including emerging markets, with sessions touching on tax, regulation, asset protection, philanthropy, family office structure and other issues. Representatives of family offices, consultants, endowments and foundations may attend at no charge with others required to pay USD 3,459 online or USD 3,559 by mail. More details may be had via +1 212 532 9898, info[at]opalgroup.net or http://www.opalgroup.net/conferencehtml/current/family_office_private_wealth/family_office_private_wealth.php.

Sixth Asia Conference on Microinsurance: Microinsurance as a Growth Catalyst for Insurance to Reach Out to the Masses

July 24 - July 25, 2012, Manila, the Philippines

This forum will explore regulatory challenges in microinsurance, catalysts for growth, commercial opportunities, profitable models as well as case studies. The registration cost is USD 1680 with a rate of USD 1480 available to subscribers to the *Asia Insurance Review*. For additional information, you may contact Ms Wee Ling at +65 6372 3167 or weeling[at]asiainsurancereview.com, or you may visit: <http://asiainsurancereview.com/AsiaConferenceMicroinsurance/>.

Fourth International Disaster and Risk Conference: Integrative Risk Management in a Changing World

August 26 - August 31, 2012, Davos, Switzerland

This conference will cover tools for disaster-risk reduction, climate change adaptation, environmental risk, agricultural risk, cascading effects of mega-disasters, urban risks, infrastructure and critical services, health impacts and others. The standard cost of the conference is EUR 780 with discounts available for one-day registration and students. A post-conference symposium is priced separately. For additional information, you may contact Madeleine Colbert at madeleine.Colbert[at]grforum.org or +41 (81) 414 16 00, or you may visit: http://idrc.info/pages_new.php/IDRC-Davos-2012/831/1/.

Scalable Strategies for Low-cost Housing - Latin America

August 27 - August 29, 2012, Miami, Florida, USA

Topics to be covered at this event include: getting the best returns on investment, risk management, structuring stakeholder partnerships, and regulatory and legal barriers. The price of the two-day conference is USD 2,299. Add-on workshops are available as are discounts for microfinance institution representatives plus an **additional 15-percent discount for MicroCapital readers indicating the priority code "MicroCapital."** For additional information, you may visit <http://housingfinance-latam.com>, email info[at]hansonwade.com or call +1 212 537 5898.

Impact and Policy Conference: Evidence in Governance, Financial Inclusion, and Entrepreneurship

August 30 - September 1, 2012, Bangkok, Thailand

This event will cover: (1) financial inclusion; (2) governance and post-conflict recovery; and (3) small and medium-sized enterprise development. Each day of the conference will end with a session for researchers and practitioners to develop relationships and receive immediate funding. The fee to attend is USD 200 for representatives of for-profit organizations and USD 100 for most others. More details are available via +1 203 772 2216, events[at]poverty-action.org or <http://poverty-action.org/impactandpolicyconference>.

Sixth Annual Mobile Financial Services Asia Pacific Summit

September 10 - September 12, 2012, Manila, the Philippines

This event will cover partnerships among telecoms, microbanks and other players; increasing market share; security; cross-border models; and improving the user experience. The fee to attend is USD 2,395 with add-on workshops and a range of discounts available, including for those registering before August 3. More details may be had from Rita Parasurum via rita.parasurum[at]ibcasia.com.sg or +65 6508 2482 or by visiting <http://mobilefinancialsummit.com/>.

Global Youth Economic Opportunities Conference

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

The aim of this conference is to form partnerships and share practices for increasing youth economic opportunities, and for participants to gain technical knowledge in countering youth unemployment. The registration fee is USD 695. More information may be requested from Whitney Harrelson at whitney[at]makingcents.com or +1 202 783 4090 or by visiting <http://www.youtheconomicopportunities.org>.

Investment and Innovation in Microfinance: Africa

September 18 - September 20, 2012, Accra, Ghana

This event includes an awards program and will also cover investment opportunities, risk management, regulation and managing data. The standard registration pricing is USD 1,999 with add-on workshops available. A range of discounts is available including a **15-percent discount for MicroCapital readers indicating the priority code "MicroCapital."** For more information, you may visit <http://microfinance-africa.com>, email info[at]hansonwade.com or phone +44 203 141 8700.

Fifth Convergences 2015 Forum

September 19 - September 21, 2012, Paris, France

This event will gather an estimated 3,000 attendees to consider solutions to poverty in Europe and worldwide. Topics will include social entrepreneurship, microfinance and others. Pricing ranges from EUR 25 to EUR 400 depending on employer category. More details may be had via <http://www.convergences2015.org/>, +33 (0) 142 657 884 or forum[at]convergences2015.org.

SRI Conference on Sustainable, Responsible, Impact Investing

October 2 - October 4, 2012, Uncasville, Connecticut, USA

This conference offers sessions on investment and practice management in addition to various social issues, shareholder advocacy strategies and community investment opportunities. The fee to attend is USD 500 per day. For more information, you may contact Krystala Kalil at krystala[at]sriconference.com or +1 719 636 1045, or you may visit <http://www.sriconference.com>.

MORE DETAILS COMING SOON ON...

2012 SEEP Annual Conference: Building Inclusive Markets

November 5 - November 8, 2012, Arlington, Virginia, USA

Eighth International Microinsurance Conference

November 6 - November 8, 2012, Dar es Salaam, Tanzania

TBLI Conference Europe 2012

November 8 - November 9, 2012, Zurich, Switzerland

European Microfinance Week

November 14 - November 16, 2012, Luxembourg

Microfinance India Summit

November 27 - November 28, 2012, New Delhi, India 🇮🇳

PAPER WRAP-UPS

Microfinance Banana Skins 2012: The CSFI Survey of Microfinance Risk

By David Lascelles and Sam Mendelson, published by the Centre for the Study of Financial Innovation, July 2012, 50 pages, available at: <http://citigroup.com/citi/microfinance/data/news120628.pdf>

This survey, the fourth in the Banana Skins series since its launch in 2008, addresses the theme of “staying relevant” by identifying the most pressing risks to the microfinance industry as determined by approximately 360 sector practitioners, investors, regulators and observers in 79 countries. The survey asked respondents to explain their concerns for microfinance over the next few years, rate a list of “banana skins” - or potential risks - and assess the preparedness of microfinance institutions (MFIs) to deal with these risks. The survey results identify 20 risks to the sector, and the authors compare the changes in risk perception since 2008 as well as examining responses by region and type.

The greatest risk as perceived by survey respondents is borrower over-indebtedness, and many respondents separately cited the potential subsequent financial and reputation damage to the industry as a whole. Several causes of over-indebtedness are cited such as the rapid growth of lending capacity, a lack of professionalism and a shift toward emphasizing profit over social benefits. The second through fourth most highly rated risks are inadequate corporate governance, poor management quality and credit risk, respectively. Other top risks include quality of risk management, inadequate client management, political interference and sector regulation.

The authors characterize eight of the top 12 risks as “institutional risks” - problems that can be controlled internally by MFIs. This indicates that increased MFI professionalism could lead to decreased sector risks. However, the authors emphasize that many respondents believe that while many MFIs are well managed, those that are not tend to generate a disproportionate level of publicity and damage.

Breaking down the responses by respondent type, the authors find that microfinance practitioners are more concerned with over-indebtedness and credit risk, while investors, regulators and observers are generally more concerned with corporate governance and management skills. Practitioners also find the intensity of competition to be a greater risk than do other respondents.

When analyzed by region, respondents from most regions saw a large risk in over-

indebtedness and credit risks except Asia, where stakeholders are largely concerned with regulatory limits on access to MFI funding. Respondents from all regions are concerned with the image of the microfinance sector.

When compared with the previous years’ survey results, the levels of perceived risk have decreased slightly.

Regarding the preparedness of MFIs to handle risk, respondents assigned an average rating of 5.49 on a scale of one to 10. Practitioners were more confident than non-practitioners. Latin America was the most confident region, and Western Europe was the least confident.

Financial Access 2011: An Overview of the Supply-Side Data Landscape

By Oya Pinar Ardic et al, published by CGAP (Consultative Group to Assist the Poor) and the International Finance Corporation, May 2012, 26 pages, available at: <http://www.cgap.org/gm/document-1.9.57980/Forum5.pdf>

This discussion of financial inclusion focuses on supply-side data. It examines data related to: (1) access to financial services and the reach of financial infrastructure; (2) usage of financial services; and (3) quality of financial products and service delivery. The authors compare financial data providers and identify the following challenges to collecting data: human and other resources required to track financial inclusion indicators are usually limited; some data are not publicly available; lack of institutional identity weakens the reliability of supply-side data; and lack of standardized definitions and data. The authors recommend: (1) building country-level data capacity; (2) using standardized definitions and methodologies; (3) seeking data from a range of providers; (4) monitoring financial activities, enabling access to financial services and complying with know-your-customer requirements more systematically; (5) collecting more detailed data on consumer segments; (6) including more data from micro-, small and medium-sized enterprises; and (7) promoting open access to data.

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Gateways to Impact: Industry Survey of Financial Advisors on Sustainable and Impact Investing

Published by the Calvert Foundation, June 2012, 14 pages, available at: <http://gatewaystoimpact.org/images/gatewaystoimpact.pdf>

This report offers the results of a survey of approximately 1,000 financial advisors in the US regarding “sustainable” investment, which is defined as aiming to generate a financial return while also creating social or environmental benefits. The survey examines: (1) investor interest levels; (2) barriers to recommending such investment and solutions to these barriers; and (3) market potential. The survey found that 21 percent of advisors showed high interest and engagement in sustainable investment, 16 percent showed interest and were relatively engaged and 25 percent were interested but not significantly engaged. Advisors saw four major barriers to sustainable investing: (1) perceptions of insufficient track records and weak financial performance; (2) perceptions of low client demand; (3) lack of access to information; and (4) lack of comfort in advising clients on such investment. One estimate of the potential market for sustainable investing is USD 650 billion.

Market Outlook 2012: Perspectives of Microfinance Association Leaders

By Karla Brom, published by the Small Enterprise Education and Promotion (SEEP) Network, 2012, 25 pages, available at: http://www.seepnetwork.org/filebin/pdf/resources/Market_Outlook_web_en.pdf

This document presents the results of a survey of associations of microfinance institutions identifying the following priorities and threats: (1) the role of governments in terms of regulation, political interference, subsidized lending and fostering political and economic stability; (2) competition and over-indebtedness; and (3) the need for a renewed focus on clients, including adopting codes of conduct and researching new products and services. 