

## MICROCAPITAL BRIEFS | TOP STORIES

### Advanced Bank of Asia Loans \$2m to Cambodia's Prasac

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

### Accion's Frontier Plans \$75m Emerging Markets Fund

Frontier Investments, a holding of US-based nonprofit Accion, is reportedly planning to launch the Frontier Investment Fund, which will focus on firms in emerging markets that work in arenas such as microfinance, housing, mobile money and microinsurance. The fund is slated to raise USD 60 million to USD 75 million. June 14, 2012

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

The European Fund for Southeast Europe has disbursed loans to support rural outreach by two microbanks in Bosnia and Herzegovina. Microcredit Foundation EKI, an affiliate of US-based NGO World Vision with assets of USD 69 million, borrowed the local-currency equivalent of USD 5 million. MF Banka ad Banja Luka, a holding of Mikrofin Banja Luka that reports assets of USD 40 million, borrowed USD 3.7 million. June 10, 2012

### Nigeria's Agent Banking to Include Tiered Documentation Requirements

The Central Bank of Nigeria has introduced an effort to encourage agent banking, whereby customers may access financial services outside of bank branches such as at terminals in retail stores. The plan includes a know-your-customer system with varying documentation requirements based on average monthly deposits. Paperwork increases in steps for accounts turning over cash at various multiples of USD 111. June 4, 2012

### IDB to Loan \$10m to Nicaragua's Banco de Finanzas for Housing

The Inter-American Development Bank, a US-based multilateral financial institution, has approved a USD 10 million, 10-year loan to Banco de Finanzas, a commercial bank in Nicaragua, to fund a pilot housing project in Nicaragua. The project is intended to improve access to mortgage financing for 500 families working in the informal sector through a rent-to-own program. Potential homeowners rent a property for a 24-month period with part of the monthly rent going into an account that can be used for a down payment on the home. The completion of rental payments will also assist clients in establishing a credit record. Banco de Finanzas reports total assets of USD 112 billion. June 1, 2012

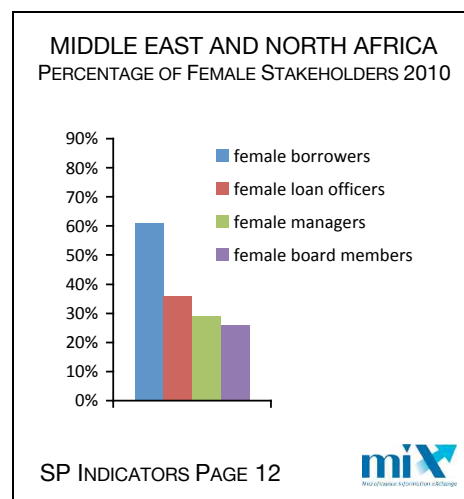
### Lenddo Raises \$8m for Loans Based on Social (Network) Standing

Lenddo, an online microfinance firm based in the Philippines, reportedly has received USD 8 million in equity from US-based investors. Lenddo provides loans to its members based on their reputation on social networks such as Facebook, LinkedIn and Twitter. Members can build their Lenddo score by publishing information about themselves, linking to additional social networks, uploading pictures and inviting people to their network pages. Financial data on Lenddo, which provides loans to individuals in Colombia and the Philippines, is not available. While the new equity investors have not been identified, Lenddo's shareholders include Accel Capital, Blumberg Capital, Omidyar Network and iNova. May 22, 2012

### Bangladesh Revokes Licenses of 12 MFIs

The Microcredit Regulatory Authority (MRA), which supervises nonprofit microfinance institutions (MFIs) in Bangladesh, reportedly has terminated the licenses of 12 unidentified MFIs for deceiving clients, failing to contribute to poverty alleviation and working outside of the scope specified at the time of licensing. MRA will also be appointing administrators to observe other troubled MFIs. MRA currently has the authority to remove chairpersons and CEOs found guilty of irregularities and is considering asking the Ministry of Finance for the power to appoint replacements for such individuals. May 19, 2012

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## MICROCAPITAL BRIEFS

### Green for Growth Fund Loans \$30m in Bosnia and Herzegovina

The Green for Growth Fund, a public-private partnership domiciled in Luxembourg that supports energy-efficient projects, has disbursed two euro-denominated loans for on-lending to microentrepreneurs, private households and farmers in Bosnia and Herzegovina. Partner Microcredit Foundation borrowed the equivalent of USD 1.9 million, and Serbia's Komercijalna Banka Beograd borrowed USD 28 million. Partner, which was founded in 1997 by US-based NGO Mercy Corps, 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. Komercijalna Banka Beograd reports total assets of USD 843 million. The Green for Growth Fund has USD 75 million invested in energy-efficient projects in southeast Europe. June 14, 2012

### NovoPayment Launches Prepaid MasterCard Latodo in Peru

NovoPayment, a US-based prepaid card provider, in conjunction with its subsidiary Servitebca Peru, has released Latodo MasterCard, a general purpose prepaid card program in Peru. The card requires no bank account and can be reloaded at supermarkets and other retail stores. The card balance can be checked through mobile phones. NovoPayment launched a similar program in Venezuela in 2005, and the firm also works in Mexico and Colombia. June 12, 2012

### VisionFund 3-Year Plan: Reach 3.5m Household Members

VisionFund International, a UK-based nonprofit organization that manages the microfinance institutions (MFIs) of the US-based relief NGO World Vision International, has announced a three-year strategy to increase the number of lives it impacts from 2.2 million per year to 3.5 million by 2015. The plan will focus on helping its affiliated MFIs in Africa and Asia to grow and become self-sufficient, as well as working to ensure they operate with high standards of transparency and social impact. VisionFund has a loan portfolio of USD 360 million lent to 688,000 small businesses in 36 countries. June 12, 2012

### Austrian Development Bank OeEB to Invest \$18m in EFSE

Oesterreichische Entwicklungsbank AG (OeEB), Austria's development bank, recently pledged the equivalent of USD 18.7 million to the European Fund for Southeast Europe (EFSE), a microfinance investment vehicle based in Luxembourg. OeEB reports total assets of USD 196 million, and EFSE has an outstanding investment portfolio of USD 982 million. June 12, 2012

### Incofin, BIO Commit \$12m to Early-stage MFIs

Incofin Investment Management, a Belgian company that manages microfinance funds, and the state-owned Belgian Investment Company for Developing Countries recently committed the equivalent of USD 12.6 million to develop early-stage microfinance institutions in Africa, Latin America and Asia. Further details on the agreement have yet to be released. June 12, 2012

### Starbucks Donates to Long-term Microloan Fund from Fairtrade

Fairtrade International, a nonprofit based in Germany, in conjunction with the US-based Grameen Foundation and Belgium's Incofin Investment Management, has launched the Fairtrade Access Fund, which will fund long-term loans to farmers for investments such as replacement equipment. The Fairtrade Access Fund has set a goal of raising at least USD 8 million in its first year and USD 25 million by the end of its second year. US-based coffee retailer Starbucks has donated USD 1.3 million to the fund, which is slated to launch in Latin America during 2012 and extend thereafter into Africa and Asia. With assets of USD 6.1 million, Fairtrade International comprises three producer networks and 21 labeling initiatives worldwide. June 11, 2012

### India's Basix Sees Assets Fall from \$326m to \$22m

India's Basix, which controls microlender Bhartiya Samruddhi Finance Limited, reportedly has the equivalent of USD 22 million in assets, as compared to the USD 326 million it reported in September 2010. Its number of borrowers fell to 200,000 from 1.7 million during the same time period. As borrowers in the Indian state of Andhra Pradesh have failed to repay USD 90 million of microloans and banks have refused to extend new wholesale loans, Basix's net worth has turned negative. Basix Chairman Vijay Mahajan reportedly stated, "Basix will primarily remain as a livelihood promotion organization, while microlending will remain as one of its businesses." Basix's other services include microinsurance and business development services. June 11, 2012

### REGMIFA Reaches \$51m Loaned to African MSMEs

The Regional Micro-, Small and Medium Sized Enterprise Investment Fund for Sub-Saharan Africa SA (REGMIFA), a Luxembourg-based investment fund, recently celebrated its second anniversary and reported that its loan portfolio had reached USD 51.3 million as of May. During 2011, REGMIFA reported experiencing no losses while it disbursed 32 investments to 20 microfinance institutions, 11 of which were in five countries with which REGMIFA worked for the first time. The disbursements were on-lent to 103,000 borrowers, 68 percent of whom were women. During 2012, REGMIFA has set a goal of reaching an outstanding portfolio of USD 70 million. June 8, 2012

### Nigeria to Establish Special Court for Microfinance Debtors

The Central Bank of Nigeria (CBN) reportedly is working with the Department of Justice to create a special court to address defaults by microborrowers. According to a statement attributed to Olufemi Fabanwo, the Director of the Other Financial Institutions Department of CBN, the establishment of the court is "vital to the survival of the subsector." Plans for such a court have been in the works for a year, and Mr Fabanwo noted that the delay has negatively affected some microfinance banks: "Some loans that would have been recovered, if the special court had been established, are already going bad.... The subsector needs the special court as quickly as possible." June 6, 2012

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### SmartPay to Offer Debit, Prepaid Cards in Zimbabwe

Smart Payment Solutions (SmartPay), an entity backed by a consortium of banks and other organizations in Zimbabwe, is introducing a cashless banking system that will allow the use of prepaid and debit cards issued through retail and community agents. Among its services, it aims to offer “interoperability of all [automated teller machines] and Point of Sale (POS) systems.” June 6. 2012

### FMO Invests in Advans Pakistan Microfinance Bank

Advans SA, a microfinance investment vehicle, recently announced the incorporation of Advans Pakistan Microfinance Bank. Advans SA holds 70 percent of the bank's shares, and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, a Dutch public-private development bank, holds the remainder of the shares. The initial share capital of Advans Pakistan is equivalent to USD 8.5 million. Advans Pakistan plans to offer loans and savings services to households and micro-, small and medium-sized enterprises, with its first branch to be opened in Karachi in November. Advans also backs microbanks in Cambodia and five African countries that serve 245,000 borrowers with a loan portfolio equivalent to USD 75 million as of 2010. June 5. 2012

### Microinsurance Network Offers Capacity Building Tools Inventory

The Microinsurance Network, a 52-member organization that promotes the development of insurance for low-income people, has launched a Capacity Building Tools Inventory offering 28 training modules and handbooks for microinsurance operations such as managing performance, product development and tracking client demand. New tools can also be requested or uploaded by users. Organizations that have contributed content to the inventory include the World Bank, the UN's Microinsurance Innovation Facility and US-based nonprofit CGAP (Consultative Group to Assist the Poor). The tool resides at <http://microinsurancenetwerk.org/capacitybuildingtoolsinventory/>. June 5. 2012

### Silatech, Al Barid Launch Youth Savings Accounts in Morocco

Silatech, a Qatar-based social enterprise, has partnered with Al Barid Bank, a subsidiary of Post Morocco, to launch a Youth Savings Account available to Moroccans between the ages of 18 and 25. The service offers matching deposits for the first 20,000 accounts opened and a voluntary lock-in mechanism to limit withdrawals for a set time period. Silatech operates in Egypt, Morocco, Palestine, Syria, Tunisia and Yemen. Al Barid Bank has 1,800 branches serving approximately 4 million customers. June 4. 2012

### Under Fire for Insurance Practices, SKS of India Adds Life Product

India's Insurance Regulatory and Development Authority (IRDA) reportedly has detected “massive problems” with the handling of insurance services by for-profit SKS Microfinance, which had total assets of USD 389 million and 4.3 million borrowers as of 2011. The irregularities include illegally “receiving the cheques of death claims from its insurers on its name.” SKS allegedly has also collected higher commissions on insurance sales than is allowed by IRDA. SKS has denied any wrongdoing and separately announced plans to offer an endowment life insurance plan, which guarantees payment of an undisclosed sum at the end of the policy term or upon the death of the policyholder. SKS had offered a similar plan until 2009, at which point, according to an unidentified senior executive of SKS, “There was huge demand and we facilitated sale of around 2.8 million insurance policies in 14 months. But our internal systems were not capable of handling these volumes and we discontinued the business.” For the year 2011, SKS earned the equivalent of USD 63.5 million from the distribution of insurance policies backed by approximately 10 insurance companies. May 27 and June 4. 2012

## MicroCapital Deal of the Month

### Advanced Bank of Asia Loans \$2m to Cambodian Microfinance Institution Prasac

Prasac, a Cambodian microfinance institution, recently borrowed USD 2 million from Advanced Bank of Asia (ABA), a commercial bank in the country. According to Prasac CEO Sim Senacheert, an advantage of the domestic loan is that it allows Prasac to diversify away from international funding. Despite the higher interest rate compared with foreign loans, domestic loans take less time to close, and their structure is less complicated. Mr Senacheert also noted that borrowing from a Cambodian firm supports employment within the mainstream financial services industry of the country. In a separate announcement, Prasac expressed its commitment “to providing and developing more green financing to the rural people for their livelihood improvement and environmental protection in particular.” Prasac reports total assets of USD 156 million, a gross loan portfolio of USD 152 million and 116,600 borrowers. Founded in 1996, ABA operates 10 branches including seven in Phnom Penh.

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### Microfund for Women Expands Health Insurance in Jordan

The Microfund for Women, a Jordanian lender to microentrepreneurs, has extended health insurance coverage to family members of its clients as part of its Caregiver Program, which helps to defray expenses associated with hospitalization. The current phase of the program is intended to benefit 3,000 families who will receive cash payments totaling the equivalent of USD 148,200 to offset expenses such as food and transportation in addition to medical care. Microfund for Women has a gross loan portfolio of USD 26 million and a 30-day portfolio-at-risk ratio of 50 percent. June 4. 2012

### Bangladesh Finance Minister: MFIs Too Dependent on Founders

Bangladesh Finance Minister A M A Muhith reportedly has urged microfinance institutions to adjust their management structures to ensure that the organizations do not become destabilized “after the death of the founder,” alluding to such high-profile figures as Sir Fazle Hasan Abed, founder of development organization BRAC, and Dr Muhammad Yunus, founder of Grameen Bank. We at MicroCapital wish these leaders long and happy lives. June 3. 2012

### Allianz to Use Satellites to Insure Farmers in Asia

Allianz, a German insurance provider, reportedly has launched a three-year pilot project using satellite technology to manage crop insurance sold to rice farmers in seven countries in Asia. Remote imaging is used to estimate losses caused by adverse events, reducing costs associated with deploying staff on the ground. Allianz is also recruiting local government and agricultural groups as middlemen to reduce the costs of servicing products. Allianz serves 60 million clients in approximately 70 countries. June 1. 2012

**ResponsAbility Loans \$6m in Kazakhstan, Jordan, Azerbaijan**

ResponsAbility Social Investments, a Swiss microfinance investment firm, has disbursed loans totaling the local-currency equivalent of USD 3.2 million to Kazmicrofinance (KMF), a microfinance institution in Kazakhstan. ResponsAbility has also lent USD 2.8 million to FINCA Azerbaijan and USD 500,000 to FINCA Jordan, both of which are affiliates of US-based nonprofit FINCA International, which has operations in 21 countries. KMF reports total assets of USD 44 million, a gross loan portfolio of USD 36 million, 30,300 active borrowers, return on assets of 8.1 percent and return on equity of 29 percent. FINCA Azerbaijan reports total assets of USD 135 million, a gross loan portfolio of USD 119 million, and 121,000 active borrowers. FINCA Jordan reports total assets of USD 6.8 million, a gross loan portfolio of USD 5.4 million and 11,000 active borrowers. June 1, 2012

**Ethiopian Women's Project Borrows \$50m from World Bank**

The World Bank has approved a no-interest loan of USD 50 million from its International Development Association (IDA) to the Women Entrepreneur Development Project, a nonprofit that was created to help women in Ethiopia find employment and gain related skills. The project aims to facilitate the growth of micro-and small enterprises owned by women and improve the capacity of microfinance institutions to serve these entrepreneurs. The World Bank estimates that the resulting reduction in gender inequality may increase annual gross domestic product growth in Ethiopia by 1.9 percent. June 1, 2012

**IFAD to Focus on Rural Financial Services in Africa**

According to International Fund for Agricultural Development (IFAD) Senior Rural Finance Adviser Michael Hamp, "Approximately 17 percent (more than USD 700 million) of IFAD's portfolio of loans and grants is focused on rural financial services, making IFAD one of the top 10 funders of microfinance worldwide." IFAD, a UN agency working to alleviate rural poverty in developing countries, indicates that it plans to focus more on providing financial products and tools in sub-Saharan Africa. May 31, 2012

**IFC, BNP Paribas to Loan \$25m to Vietnam's Orient Commercial**

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has agreed to provide a syndicated loan of USD 25 million to Vietnam's Orient Commercial Joint Stock Bank to expand financing to small and medium-sized enterprises. The loan consists of USD 15 million from IFC and USD 10 million from BNP Paribas, a French financial institution with assets of USD 2.7 trillion. USD 5 million of the syndication is earmarked for on-lending to businesses owned and operated by women. Orient Commercial reports total assets equivalent to USD 943 million, a gross loan portfolio of USD 556 million, return on equity of 14.5 percent and return on assets of 2.2 percent. May 30, 2012

**LeapFrog Buys into Ghana's Express Life Insurance for \$5m**

LeapFrog Investments, a microinsurance equity fund based in Mauritius, recently acquired a majority stake in Ghana's Express Life Insurance Company for USD 5.5 million. LeapFrog will also provide Express Life operational support relating to product design, distribution and cost management. LeapFrog Founder Dr Andrew Kuper said, "Through Express, LeapFrog aims to empower over 500,000 Ghanaians with financial safety nets and springboards to a better life." LeapFrog Investments reports fund assets of USD 135 million. Financial information on Express Life is unavailable, but its products cost no more than USD 10 per month. May 30, 2012

**FFSA Loans \$4m to Cotton Farmers in Kazakhstan**

The Fund for Financial Support of Agriculture (FFSA), a state-owned provider of retail and wholesale microfinance services in Kazakhstan, reportedly has disbursed six-month loans totaling USD 4.5 million to 490 cotton farmers in the country's Maktaral and Shardara districts. FFSA reports total assets of USD 90 million, a gross loan portfolio of USD 70 million and 19,000 borrowers. May 28, 2012

**Central Bank of Nigeria Goal: 63m Savings Accounts by 2020**

The Central Bank of Nigeria (CBN) has released a National Financial Inclusion Strategy that includes the goal of growing the number of savings accounts in the country from 21 million as of 2010 to 63 million as of 2020. To meet its financial inclusion goals, CBN projects that the numbers of: (1) bank branches will need to increase from 5,800 to 10,000; (2) automated teller machines from 10,000 to 62,400; (3) point of sale devices from 11,200 to 400,000; and (4) mobile-banking agents to 65,000. May 28, 2012

**Akhuwat, Punjab to Loan \$11m Interest-free in Pakistan**

The government of the Pakistani province of Punjab reportedly has provided interest-free microenterprise loans totaling the equivalent of USD 6.5 million to 30,000 unemployed people since November 2011. The Punjabi government is expected to allocate an additional USD 10.9 million for the program in the upcoming fiscal year. The loans, which range in size from USD 110 to USD 540, are disbursed via Akhuwat, a microlender with a gross loan portfolio of USD 2.8 million that also offers programs for disabled people and other services. May 26, 2012

**Savings Bank Group Promotes Microfinance Products, Training**

The World Savings Bank Institute (WSBI), a Switzerland-based association representing banks with the equivalent of USD 5.4 trillion in assets, announced a plan at its recent congress in Morocco whereby its members will tailor some of their offerings to the needs of the most vulnerable potential customers. For example, WSBI members may launch financial education initiatives or use technology to reach unserved and isolated groups. May 25, 2012



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### ResponsAbility Lends \$7m to KWFT, MicroCred Ivory Coast, PRIDE

Switzerland's responsAbility Social Investments has agreed to disburse loans to three microfinance institutions in Africa. Kenyan Women Finance Trust, which reports total assets of USD 235 million, a gross loan portfolio USD 152 million, 413,000 borrowers, return on assets of 1.6 percent and return on equity of 12 percent, has borrowed a total of USD 5 million. MicroCred Ivory Coast, which is one of five microbanks affiliated with MicroCred of the French PlaNet Finance Group, has borrowed the local-currency equivalent of USD 1.6 million. Tanzania's Promotion of Rural Initiative and Development Enterprises Limited, which reported total assets of USD 36.9 million and 100,005 active borrowers as of 2009, borrowed USD 1 million. May 25. 2012

### India's SWAWS On Track to Restructure Wholesale Loans

Sharada's Women's Association for Weaker Section (SWAWS) Credit Corporation, an Indian microfinance institution (MFI), has received approval from the Reserve Bank of India for its loan recast proposal. Wholesale creditors Punjab National Bank and Housing Development Finance Corporation Bank have agreed to convert 30 percent of their loans into shares. The total amount of funding to be refinanced has not been released, but SWAWS CEO K Rahul described the package as "needed to sustain our operations." As of 2010, SWAWS reported assets of USD 28 million and 134,000 borrowers. May 25. 2012

### ResponsAbility Lends \$6m in Bolivia, Colombia

Switzerland's responsAbility Social Investments AG recently reported to MicroCapital that it loaned USD 3.25 million to Bolivian microbank Crecer and the local-currency equivalent of USD 3.6 million to Colombian microbank Fundacion Mundo Mujer (FMM) Popayan. Crecer reports assets of USD 63.7 million, a gross loan portfolio of USD 58 million and 108,000 borrowers. FMM Popayan, which serves 265,000 clients with a loan portfolio of USD 154 million, is one of 39 members of the US-based Women's World Banking network. May 24. 2012

### Khushhali of Pakistan Allows Customers to Use Multiple Branches


Khushhali Bank, a microfinance institution in Pakistan, reportedly is rolling out a new banking system that allows customers to access their accounts at multiple branches. Customers were previously restricted to conducting transactions at the branch at which they initiated their relationship with the bank. The announcement came at the inauguration of the bank's 100th branch in Pattoki. Khushhali Bank reports a gross loan portfolio of USD 53 million, 440,000 active borrowers and deposits of USD 18.6 million. May 24. 2012

### Bhutan to Establish Financial Inclusion Policy, Apex Lender

The Royal Monetary Authority of Bhutan, the country's central bank, reportedly is finalizing a Financial Inclusion Policy intended to enhance the agriculture sector. Supporting regulations are expected to cover: e-money issuers; deposit-taking microfinance institutions (MFIs); nondeposit-taking MFIs; and the establishment of an apex institution to provide funds to MFIs. Microfinance clients in the country now reportedly borrow amounts up to the equivalent of USD 890 and pay monthly interest of 5 percent to 10 percent. May 24. 2012

### Grameen, KfW, Access Africa Invest in Mobile MFI Musoni Kenya

Grameen Foundation, a US-based NGO that aims to help poor people access financial and information services and business opportunities; KfW Bankengruppe, a German development bank; and the Access Africa Fund, a US-based for-profit entity launched by nonprofit CARE International, have each purchased a 25-percent stake in Musoni Kenya, a microfinance institution that provides services via mobile phone. The investment is to be used to help Musoni Kenya expand its services in rural areas and obtain a deposit-taking license. The sizes of the investments have not been released, and financial data on Musoni Kenya are not available. May 23. 2012



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| 1996 | 20      | 0      | 0       |
| 1997 | 180     | 0      | 0       |
| 1998 | 200     | 0      | 0       |
| 1999 | 250     | 0      | 0       |
| 2000 | 270     | 0      | 0       |
| 2001 | 180     | 0      | 0       |
| 2002 | 220     | 0      | 0       |
| 2003 | 180     | 0      | 0       |
| 2004 | 180     | 0      | 0       |
| 2005 | 220     | 0      | 0       |
| 2006 | 180     | 50     | 0       |
| 2007 | 180     | 50     | 50      |
| 2008 | 200     | 70     | 50      |
| 2009 | 220     | 80     | 60      |
| 2010 | 230     | 90     | 70      |
| 2011 | 210     | 80     | 70      |

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### Ghana Targets 10% Microinsurance Penetration in 3 Years

The National Insurance Commission of Ghana reportedly has set a goal to increase penetration of the microinsurance market from the current 1 percent of the population to 10 percent within three years. Insurance commissioner Nyamikeh Kyiamkeh outlined a strategy of building momentum for the effort by focusing on women, including members of savings associations. May 23. 2012

### Partners in Community Development Launches Insurance in Fiji

The nonprofit Partners in Community Development in Fiji and the state-owned Life Insurance Corporation of India reportedly are launching a microinsurance project in the Fijian village of Urata. The product covers life, accidents and funeral expenses, with the lowest annual premium of USD 15 covering USD 1000 in life insurance. May 22. 2012

### Nigeria's SMEDAN, Azsa to Partner on Training, Equity, Loans

The governmental Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) has agreed to collaborate with Azsa Microfinance Bank, which holds USD 376,000 in paid-up capital, to refer micro-, small and medium-sized enterprise customers to each other. SMEDAN will provide entrepreneurial training, mentoring and counseling; and Azsa will offer the trainees credit, equity funding or both. May 22. 2012

### Tanzanian Microfinance Bank to Promote Savings for Education

The National Microfinance Bank, which is backed by the government of Tanzania, reportedly has launched a Financial Fitness Program "aimed at promoting the culture of saving for the purpose of financing education." The effort involves financial literacy training for small-business owners and school children as well as the distribution of 50,000 financial-fitness comic books. May 22. 2012

### EBRD to Loan \$44m for Household Energy Efficiency in Moldova

The London-based European Bank for Reconstruction and Development recently committed the euro-equivalent of USD 44 million to the Moldovan Residential Energy Efficiency Financing Facility to assist Moldovan households in reducing household energy usage. The funds will be disbursed via local banks such as Banca Comerciala Romana (BCR) Chisinau, a subsidiary of BCR Romania, which will receive the first credit line of USD 3.8 million. Loans will be issued to individuals, resident groups and energy service companies to invest in thermal insulation and energy-efficient appliances such as heat pumps. The effort is supported by grants of USD 2.9 million from the Swedish International Development Corporation and USD 6.4 million from the EU Neighbourhood Investment Facility. May 22. 2012

### Kiva Boosts Funds Raised for Microloans to \$89m

Kiva, a US-based online microlending fundraiser, has released data indicating its total loans to microfinance institutions increased to USD 89 million during 2011 from USD 71 million lent in 2010. The number of individuals providing this funding to Kiva increased from 371,000 to 457,000 during the same period. During 2011, Kiva reports having worked with 26 new "field partners." These microfinance institutions accept Kiva funding for on-lending to microborrowers. May 21. 2012

### Bangladesh Limiting Non-credit Services Offered by MFIs

The Microcredit Regulatory Authority (MRA), the supervisor of NGO microfinance institutions (MFIs) in Bangladesh, reportedly is requiring MFIs to obtain permission by June 30 if they wish to offer services other than microcredit. The stated goal is to "ensure that MFIs' surplus funds are used in the targeted poverty alleviation purposes." A total of 630 MFIs are registered with MRA. May 21. 2012



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**MicroRate Launches Luminis Impact Investing Data Platform**

MicroRate, a US-based microfinance rating agency, with funding from the nation of Luxembourg and the nonprofit Luxembourg Fund Labeling Agency, has launched the full version of Luminis, an online analytical platform on microfinance funds. The beta version of the service was launched early in the year, as was announced in the January issue of this newspaper. Luminis offers analysis based on performance, risk, social and management data. The web-based platform enables investors to compare basic data and analysis on 80 microfinance funds at no charge, with full fund profiles and reports available on 23 of these funds on a fee basis. May 21. 2012

**Faulu Kenya, Airtel Offer Mobile Credit**

Microfinance institution Faulu Kenya is offering credit via mobile phones to customers of the Kenyan arm of Airtel, an Indian telecommunications company. Customers can take out loans equivalent to USD 1.19 to USD 119, with interest rates between 3 and 10 percent and a repayment period of 10 to 30 days. The maximum amount that can be borrowed is slated to be increased to USD 892 by 2013. Faulu Kenya customers also have access to Faulu Popote, a mobile savings and money transfer service available through any mobile service provider. Faulu Kenya has USD 54 million in total assets and a gross loan portfolio of USD 33 million. Airtel serves 243 customers in 20 countries in Africa, Asia and Europe. May 19. 2012

**Kenya's Boma Certified to Use Progress out of Poverty Index**

The Boma Project, a Kenyan NGO that aims to help women increase their incomes, recently has become certified by the US-based Grameen Foundation in the Advanced Standards of Use of the foundation's client tracking tool, the Progress out of Poverty Index. May 17. 2012

**China to Pilot Rural Finance Reforms in Lishui**

The People's Bank of China (PBOC), China's central bank, reportedly has announced a pilot program in the city of Lishui to encourage the establishment of village banks, microcredit firms and rural credit cooperatives in an effort to expand financial services for villagers and increase agricultural production. PBOC will expand the types of loan collateral allowed in certain areas and will permit agricultural firms to sell shares and issue bonds. A similar program was approved for the city of Wenzhou in March. May 17. 2012

**Sudanese State of Blue Nile to Form Microfinance Council**

Governor Yahia Mohammed Kheir of the Sudanese state of Blue Nile reportedly has said that the local government will form a "high council" to promote microfinance. The effort will be supported by the disbursement of USD 747 million in loans and farm supplies by the federal government of Sudan. May 17. 2012

**SEEP, Citigroup Plan Global Savings Campaign**

The Small Enterprise Education and Promotion Network, a US-based association of anti-poverty organizations in 180 countries, is launching a one-year planning phase as a lead-up to its Global Savings Campaign. In conjunction with Citigroup Foundation, the charitable branch of US-based financial services provider Citigroup, the initiative aims to provide widespread access to savings services and reduce the transaction costs incurred by microfinance institutions. The planning stage includes identifying knowledge gaps, developing an agenda, forming alliances and achieving a greater understanding of the needs of potential low-income savers. The budget for the effort has not been released. May 16. 2012



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## FIELD NOTES

### Whose Side Are You On?

#### Tensions Between MFIs and Their Loan Officers

This week in Colombia, I had the opportunity to spend some time with loan officers from a microfinance organization (one of several I will not name in this column). Toward the end of the visit, one loan officer turned to me and asked me to share some of her thoughts about the organization's credit policies with the head office. I asked why she didn't do this herself, and she said she had few opportunities: "Mostly, they ask me about job satisfaction; they don't ask for my thoughts about our products." This comment rang true.

A few years ago, I suggested to a manager of a Peruvian microfinance institution (MFI) that I speak to some of the MFI's loan officers to better understand some of its clients' needs. The reply was: "They can't be trusted; just talk to the clients." This seemed an unhealthy attitude considering that loan officers manage all of the client relationships and represent most of the institution's human resources. It is unfair to characterize this "us versus them" attitude as typical among MFIs, but if you are in charge of an MFI, I suspect the example comes as no surprise. In another (now defunct) MFI, the practice was to rotate loan officers around the country to prevent them from becoming intimate with their clients out of concern that this would result in the loan officers de-prioritizing the institution's interests. Not surprisingly, it was hard to recruit female loan officers for these positions. I spoke to a lot of disgruntled employees from that MFI.

Loan officers *look* like they are on your team. They often wear attractive uniforms prominently displaying the name of your MFI, standing out as they march through markets, poor neighborhoods and the countryside. They *act* like they are on your team, suffering hardships few workers will accept. This week, I held some focus groups during which two rural loan officers explained that they wake up around 4:30 in the morning to get

out to the countryside to meet with clients. Another loan officer shared that a delinquent client hit him when he went to collect on a loan payment. "It's a risk," they all chimed in. Loan officers also *talk* like they are on your team. I haven't met a loan officer who couldn't recite the institution's mission and values.

So why do MFIs sense that their loan officers are not completely on their team? I suspect it is because credit officer turnover is quite high in many countries. In Mexico, it has become a painful fact that after training a loan officer for a few months, he or she often goes to the competition to negotiate better pay. This is costly, especially since the workers often take their clients with them. But that is not solely the fault of the loan officers; institutions could do more to avoid this.

Let's start with baby steps. MFIs often don't have updated client contact information or other mechanisms for contacting clients other than through their loan officers. One solution could be to manage data and client communication more efficiently, building this into central operations. Bringing other team members into the client relationship can also be healthy. I spoke to staff at an MFI this week that is piloting a program to have consultants visit clients and offer business and financial tips. Finally, MFIs could listen to what loan officers have to say more often. They may seem overly focused on financial incentives, but that's a function of how MFIs have structured their compensation, not necessarily of their loyalties. Perhaps MFIs need to decide whose side they want their loan officers to be on and then work on tangible steps to get them there.

*About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni@eac-global.com](mailto:bmagnoni@eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).*



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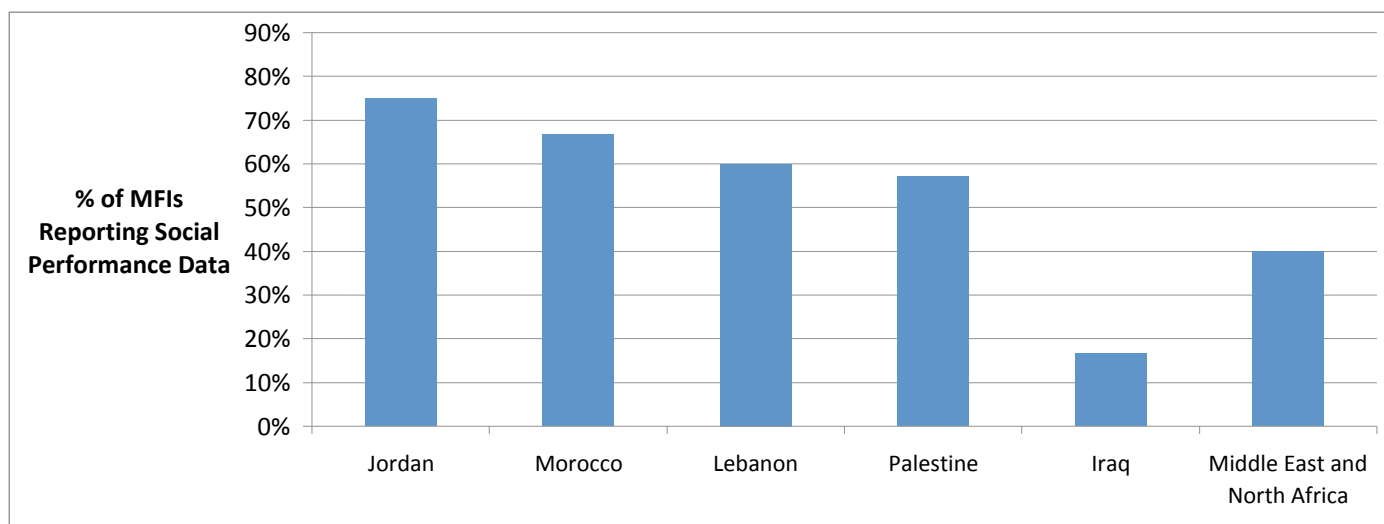


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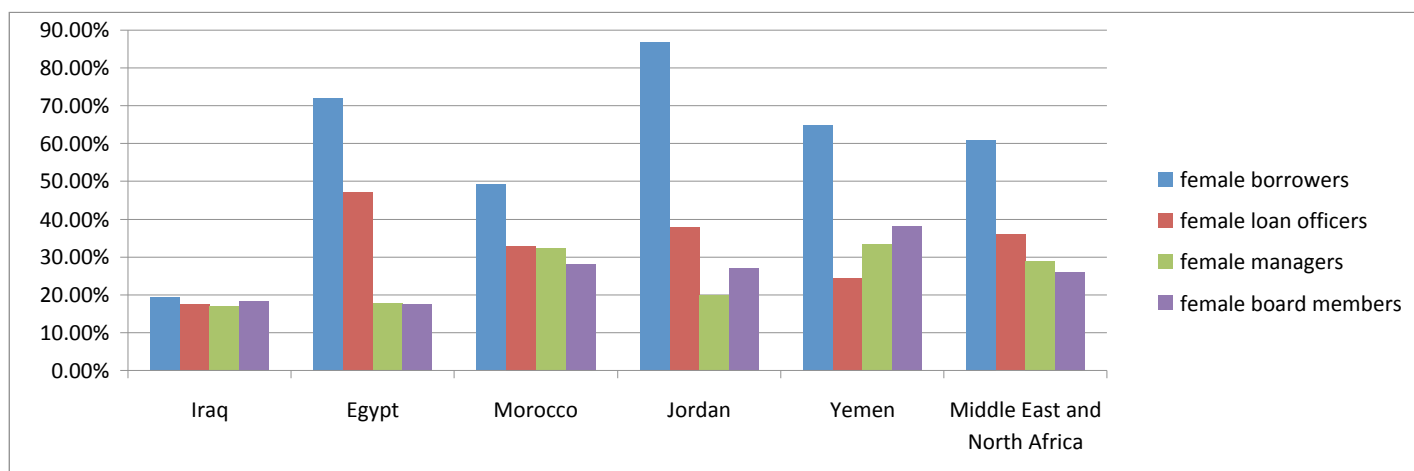
26 MICROFINANCE INSTITUTIONS (MFIs) FROM 10 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA

#### 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 8 to 12 MFIs per country.

Source: Microfinance Information Exchange, June 2012

## UPCOMING EVENTS

### Cracking the Nut 2012: Attracting Private Sector Investment to Rural and Agricultural Markets

June 25 - June 26, 2012, Washington, DC, USA

This conference focuses on leveraging public-private partnerships to develop rural and agricultural markets. The agenda covers five themes: expanding to new markets, tapping new sources of agricultural inputs, creating effective partnerships, making finance work and forging positive government support. A two-day workshop on agricultural value chain finance will follow the conference. The fee to attend the main event is USD 765. For additional information, you may contact Kim Ha via +1 703 914 5533 or kha(at)azmj.org, or you may visit <http://www.crackingthenutconference.com/>.

### MF Tech 2012

June 25 - June 27, 2012, Kuala Lumpur, Malaysia

This event aims to aid microfinance institutions in achieving growth, reducing costs and increasing capacity by addressing regulatory concerns, technology costs, cloud computing, internal training, vendor support and infrastructural challenges. The standard pricing is USD 2,299 with a rate of USD 1,699 available to representatives of microbanks. Workshop entry is available separately. **A 15-percent discount is offered to MicroCapital readers indicating the priority code "MicroCapital."** For more information, you may visit <http://microfinance-technology.com>, email [info\(at\)hansonwade.com](mailto:info(at)hansonwade.com) or phone +1 212 537 5898.

### 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 charged USD 3,459 online or USD 3,559 by mail. More details may be had via +1 212 532 9898, [info\(at\)opalgroup.net](mailto:info(at)opalgroup.net) or [http://www.opalgroup.net/conferencehtml/current/family\\_office\\_private\\_wealth/family\\_office\\_private\\_wealth.php](http://www.opalgroup.net/conferencehtml/current/family_office_private_wealth/family_office_private_wealth.php).

### Financing 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](mailto:info(at)hansonwade.com) or call +1 212 537 5898.

### 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 tiered pricing for those registering before August 3 and July 6. More details may be had from Rita Parasurum via [rita.parasurum\(at\)ibcasia.com.sg](mailto: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 purpose 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 with discounts available for presenters and all registrations received by June 29. More information may be requested from Whitney Harrelson at [whitney\(at\)makingcents.com](mailto:whitney(at)makingcents.com) or +1 202 783 4090 or by visiting <http://www.youtheconomicopportunities.org>.

### Investment and Innovation in Microfinance: Africa

September 19 - 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](mailto:info(at)hansonwade.com) or phone +1 212 537 5898.

### 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, with discounts available for those registering before June 30. More details may be had via <http://www.convergences2015.org/>, [forum\(at\)convergences2015.org](mailto:forum(at)convergences2015.org) or +33 (0) 142 657 884.

### 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. Among the speakers are Dr Muhammad Yunus, founder of the Grameen Bank in Bangladesh; Robert F Kennedy Jr of the US-based National Resources Defense Council; and Deepak Chopra of the US-based Chopra Foundation. The fee to attend is USD 500 per day. For more information, you may contact Krystala Kalil at +1 719 636 1045 or [krystala\[at\]sriconference.com](mailto:krystala[at]sriconference.com), or you may visit <http://www.sriconference.com>.

### 2012 SEEP Annual Conference

November 5 - November 9, 2012, Arlington, Virginia, USA

This conference will focus on "innovations that increase scale and impact...expanding access to the basic tools of economic self-determination." Pricing details are expected to be available July 1 via <http://www.seepnetwork.org/seep-2012-pages-97.php>, [annualconference\(at\)seepnetwork.org](mailto:annualconference(at)seepnetwork.org) or +1 202 534 1400.

### MORE DETAILS COMING SOON ON...

### 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, New Delhi, India

## PAPER WRAP-UPS

### Financial Inclusion and Stability: What Does Research Show?

By Robert Cull, Asli Demirguc-Kunt and Timothy Lyman; published by CGAP (Consultative Group to Assist the Poor); May 2012; 4 pages; available at: <http://www.microfinancegateway.org/gm/document-1.9.57542/FISCGAP.pdf>

This paper reviews empirical research on the relationship between financial inclusion and the financial stability of national economies. The authors first examine linkages among development, income equality and poverty reduction. Although they conclude that there is limited empirical evidence on the relationship between financial inclusion and financial stability, research has indicated that broad-based economic development leads to economic growth, reduces income inequality and reduces poverty. The authors posit that these benefits can have an indirect, positive effect on financial stability. Increased access to financial services, for example, can lead to increased savings and promote stability at the household and individual level. And these developments, in turn, could contribute to overall stability in an economy.

The authors also consider cases in which irresponsibly delivered financial services adversely affect micro-level stability. Inappropriate financial products, for instance, have been positively correlated with lower levels of education. The entry rate of new, small firms and their growth is also positively associated with economic development. Greater financial development and inclusion at the micro-level, then, might coincide with greater overall stability for national economies. Evidence also suggests that wider financial inclusion can enhance social and political stability, which could, in turn, contribute to greater financial system stability.

The authors also consider whether financial exclusion could lead to greater instability. Research indicates that underdeveloped financial systems have disproportionately negative consequences for small firms and low-income households. High rates of financial exclusion also result in reliance on informal financial services, which the authors consider poor substitutes for those offered in the formal financial sector. Indeed, pyramid schemes marketed as savings and investment opportunities have been linked to social unrest and lack of confidence in banking systems.

The authors determine that the literature reviewed only indirectly connects financial inclusion to financial stability, but they identify standard-setting bodies (SSBs) - such as the Basel Committee on Banking Supervision - as potential partners in exploring the specifics of the relationship. Research institutions and academia currently produce the majority of research on financial inclusion and stability, yet SSBs have a direct interest in this endeavor and are among the best-positioned to contribute to such research. The authors argue that: (1) the risks of money laundering and terrorist financing; and (2) calls for regulatory reform, improved consumer protection and financial literacy due to the recent financial downturn provide sufficient cause for SSBs to adopt a more active role in research as well as policy and regulation.

The authors conclude that significant gaps remain in the literature and highlight a number of unexplored ways that financial inclusion may contribute to political, social and financial stability such as: What contributions can financial consumer protection and financial integrity offer to ensure that financial inclusion is pro-stability?; What tools are best-suited to meet the needs of financially excluded people?; How can we measure financial inclusion?; and What direct effect can increased formal savings have on stability?

### Measuring Financial Inclusion: The Global Findex Database

By Asli Demirguc-Kunt and Leora Klapper, published by The World Bank, April 2012, 61 pages, available at: <http://go.worldbank.org/J3T8AZ4KX0>

This report indicates that three quarters of the world's poor people do not have access to a bank account mostly because of cost, distance and the paperwork required to set up a bank account. The higher costs of informal financial services hamper the ability of poor people to set up businesses or insure themselves against unforeseen events. "Providing financial services to the 2.5 billion people who are 'unbanked' could boost economic growth and opportunity for the world's poor," said former World Bank Group President Robert B. Zoellick. "This new report on the world's 'unbanked' makes the case: the more poor people are banking today, the more they are banking on their future."

The study offers a host of detailed data by region. For example, 16 percent of the population in sub-Saharan Africa makes money transfers via mobile phones, compared with 3 percent in the rest of the world.

### Eliminating Entry Barriers for the Provision of Banking Services: Evidence From 'Banking Correspondents' in Brazil

By Juliano Assuncao, unpublished working draft, January 2012, 18 pages, available at: <http://www.cfsp.org/publications/working-paper/eliminating-entry-barriers-provision-banking-services-banking-corresponde>

The document finds that the number of banking agents in the country increased rapidly between 2000 and 2007, reaching approximately four times the number of actual bank branches. The author concludes that banks can use agents to serve most towns without opening traditional bank branches.



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## Perceptions of (Micro)Insurance in Southern Ghana: The Role of Information and Peer Effects

By Lena Giesbert and Susan Steiner, published by Deutsches Institut für Wirtschaftsforschung (DIW Berlin), 2012, 33 pages, available at: [http://diw.de/documents/publikationen/73/diw\\_01.c.394251.de/dp1194.pdf](http://diw.de/documents/publikationen/73/diw_01.c.394251.de/dp1194.pdf)

This paper analyzes the proceedings of four focus groups to gauge the perceptions of microinsurance among people with low-incomes in southern Ghana. The focus groups included participants without microinsurance and others who were insured by the Ghanaian Gemini Life Insurance Company (GLICO). To put microinsurance into the context of a broader risk management framework, the authors also used household survey data on the shocks households experienced and the coping strategies that they applied in response to shocks.

According to the authors, microinsurance in the capital, Accra, has grown rapidly over the past decade to include both commercial insurers and public insurance schemes. Outside of the capital, microinsurance growth has been limited to policies offered by the Microinsurance Agency, which offers life insurance, and GLICO, which offers a life microinsurance policy called Anidaso. Most of the population outside of Accra does not subscribe to any insurance other than the free public health insurance offered by the National Health Insurance Scheme (NHIS).

The level of risk among this population is very high. One third of households in the study had experienced serious illness, and almost one quarter had had a death of one or more family members in the previous five years. Additionally, approximately one in 10 households had experienced other shocks such as destruction of property, natural disasters and job loss.

The focus group discussions were conducted in the districts of Brakwa and Nyakrom in the Central Region of southern Ghana. Groups consisted of eight members, either all male or all female, and were segmented into two groups: (1) groups that already existed and whose members were thus more likely to be comfortable sharing experiences with each other; and (2) groups established only for the focus group discussion. Half of the participants in each group were insured, while the remaining half were uninsured.

In three of the discussion groups, participants regarded Anidaso positively, while the fourth group, the male group in Brakwa, had negative reactions based on one participant's poor experience with GLICO staff. Other forms of

insurance such as that provided by NHIS, property insurance and other life insurance products received positive reactions from all groups. However, insurance in general received mixed reactions.

After analyzing the comments made by participants, the authors found that most positive comments were vague, lacking details about what they would like insurance companies to offer. The negative comments generally expressed concerns about the insurance provider and insurance in general. Ultimately, the study indicated that the participants had a low level of education about finance, which the authors claim influences perceptions of insurance. The study also found that participants' perceptions were strongly influenced by their peers, both positively and negatively.

The authors argue that given the high risk and cost of medical treatment and funerals, it would be expected that more households would use microinsurance products. However, the study found that the main coping strategies for all shocks were self-help and self-insurance. Fewer than 10 percent of households used market-based mechanisms, namely loans from formal financial institutions. Of those who used market-based mechanisms, only 13 percent made a claim to an insurance provider to cope with a shock. Thus, the authors find that microinsurance is more important as a risk management strategy for illness than any other shock, due to the free insurance available from NHIS.

The authors conclude that, based on the results of the study, the target population for microinsurance had positive perceptions about insurance, but demonstrated a lack of knowledge about what insurance can do. Many participants' impressions were based on incorrect or incomplete information about insurance in general as well as about specific providers and products. The authors recommend that microinsurance providers maintain close customer contact and relationships to improve perceptions of microinsurance in the long term.

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## Volume Growth and Valuation Contraction: Global Microfinance Equity Valuation Survey 2012

By Jasmina Glisovic, et al; published by CGAP (Consultative Group to Assist the Poor) and JP Morgan; May 2012; 16 pages; available at: <http://www.microfinancegateway.org/gm/document-1.9.57526/VolumeGrowth.pdf>

This report summarizes the changes in asset quality, share transaction volumes and equity valuations of microfinance institutions (MFIs) in India, Bosnia and Latin America and the Caribbean during 2011 and the beginning of 2012.

The first section reports, based on a survey of private equity investments, that the number of transactions nearly doubled in 2011 as compared to 2010. It also finds a 43-percent increase in capital invested from 2010 to 2011. The authors attribute this growth to an improved regulatory environment in India and lower valuations.

The second section examines publicly traded commercial institutions known as lower-income financial institutions (LIFIs) that provide financial services to lower-income clients but do not necessarily have a stated social mission. The client base for LIFIs often overlaps with that of MFIs, and the 11 LIFIs studied focused largely on microfinance. The study finds that these LIFIs had higher earnings than traditional banks. The study also notes a continued compression of valuation multiples for both MFIs and LIFIs from 2009 but predicts stable valuations in most markets for 2012.

## AT MICROCAPITAL.ORG: A Friend Indeed: Evaluation of an Insurance Education Radio Campaign in Kenya

By Craig Tower and Elizabeth McGuinness, published by Microfinance Opportunities, December 2011, 60 pages, available at: [http://www.microinsurancefacility.org/sites/default/files/content/learning\\_journey/see\\_also/Impact%20Evaluation%20of%20ICE-K%20Project\\_FINAL%20.pdf](http://www.microinsurancefacility.org/sites/default/files/content/learning_journey/see_also/Impact%20Evaluation%20of%20ICE-K%20Project_FINAL%20.pdf)