

MICROCAPITAL BRIEFS | TOP STORIES

Zambia's Mobile Transactions Lands \$3m in Equity from Omidyar, ACCION

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

Tanzanian Tobacco Farmers Invest \$3m to Establish Bank

The Tanzanian Tobacco Farmers Association is reportedly establishing a bank with the equivalent of USD 3.76 million in capital. The institution is intended to enable farmers to secure loans on better terms, as loans available to farmers through commercial banks have "very high interest rates" and require that the borrower maintain a minimum of USD 1,260 in deposits. March 12, 2012

Triodos, Women's World Banking to Co-manage \$60m Isis Microfinance Fund

Triodos Investment Management, which manages several venture capital and social finance funds, has announced that it will share management duties with Women's World Banking (WWB) Asset Management for Isis Fund, an equity fund that aims to invest in some of the 39 microfinance institution members of the US-based, nonprofit WWB network. The first closing of the fund was recently completed at USD 30.2 million, and the target size of USD 60 million is slated to be achieved by early 2013. The following organizations have invested undisclosed amounts in the fund: KfW Bankengruppe, a German development bank; Achmea, a Dutch insurer; the US-based Inter-American Development Bank; FinnFund, a Finnish development finance company; Triple Jump, a Dutch investment manager; and Storebrand, a Norway-based financial services provider. March 9, 2012

IFC, KfW, BMZ to Invest \$100m in Micro Finance Initiative for Asia

The International Finance Corporation, the private-investment arm of the World Bank Group, reportedly plans to set up the Micro Finance Initiative for Asia (MIFA), a debt fund in which it plans to invest USD 20 million. Two German development institutions, KfW Bankengruppe and the German Federal Ministry of Economic Cooperation and Development (BMX in German), will also invest undisclosed sums. MIFA has a target size of USD 100 million and is to issue debt investments throughout the continent. March 8, 2012

Costa Rica's Coopenae Borrows \$15m from IFC

The World Bank Group's International Finance Corporation has announced that it will loan USD 15 million to the National Cooperative of Educators, a Costa Rican financial services provider known as Coopenae, to expand its credit, savings and insurance offerings to micro- and small enterprises. The Spanish Fund for Latin America and the Caribbean, which is administered by the government of Spain, will support the effort with advisory services related to identifying areas for operational improvement and strengthening Coopenae's institutional capabilities. Coopenae reports total assets equivalent to USD 694 million and 50,000 clients. March 1, 2012

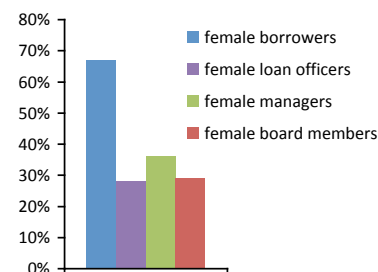
76 Criminal Cases Pending in India Relating to Microborrower Suicides

The Indian state of Andhra Pradesh reportedly is prosecuting 76 employees of Indian microlenders for allegedly pushing poor borrowers to suicide. Top officials of Indian microlender SKS Microfinance have been accused of withholding information implicating SKS employees in some of approximately 200 suicides that were reported in 2010. Data cited include internal documents and interviews with current and former employees of SKS and families of the dead. In one case, a woman died after drinking pesticides after a loan agent reportedly told her to prostitute her daughters to repay her debt. She had the equivalent of USD 3,000 in loans and weekly income of USD 12. Employees of Indian microlenders Share Microfinance and Spandana Sphoorty Financial have also been implicated. The companies deny responsibility for the suicides, and SKS points out that it has been exonerated in 14 of 15 cases so far, with one still pending. February 27 and February 28, 2012

INSIDE	Page
MicroCapital Briefs	2
Microfinance news	
Field Notes	13
Small Is Beautiful...	
Social Performance Indicators	14
Courtesy of MIX	
Upcoming Events	15
Industry conferences	
Paper Wrap-ups	16
Latest research and reports	
Subscribe to the Monitor	18



LATIN AMERICA AND THE CARIBBEAN
PERCENTAGE OF FEMALE STAKEHOLDERS 2010



SP INDICATORS PAGE 14



MICROCAPITAL BRIEFS

ResponsAbility Loans \$4m in Tajikistan, Georgia

Switzerland's responsAbility Social Investments AG recently reported to MicroCapital that it has issued loans to two microbanks: USD 2.5 million to Tajikistan's Bank Eskhata and USD 1.5 million to Georgia's Constanta. Eskhata has a gross loan portfolio of USD 47 million, 9,500 borrowers, USD 26 million in deposits and 18,000 depositors. Constanta reports a gross loan portfolio of USD 39 million, 17,000 borrowers, deposits of USD 1 million and 16,000 depositors. March 15, 2012

Banks Recast Loans of \$80m for India's Basix

Unspecified banks have recently recast loans totaling the equivalent of USD 80 million for Bhartiya Samruddhi Finance Limited, an Indian microfinance institution. Bhartiya Samruddhi is a member of the BASIX Group, which has operations in seven countries and reports total assets of USD 207 million, a gross loan portfolio of USD 197 million and 1.32 million active borrowers. March 15, 2012

ResponsAbility Loans \$1.8m to Cambodia's AMK, TPC

ResponsAbility Social Investments AG of Switzerland recently reported to MicroCapital that it has made local-currency loans to Cambodian microbanks Angkor Mikroheranhvatho Kampuchea (AMK) and Thaneakea Phum (Cambodia) Limited (TPC). AMK, which borrowed the equivalent of USD 1.31 million, has assets of USD 44 million, a gross loan portfolio of USD 31 million, deposits of USD 1.4 million, return on assets (ROA) of 1.9 percent and return on equity (ROE) of 6.8 percent. TPC, which borrowed USD 506,000, has assets of USD 31 million, a gross loan portfolio of USD 22 million, deposits of USD 98,000, ROA of 2.7 percent and ROE of 14 percent. March 15, 2012

Cameroon Credit Unions Spend \$2m to Boost Agricultural Finance

The World Bank's Agriculture Finance Support Facility (Agrifin) is supporting the Cameroon Cooperative Credit Union League, a retail institution and network of 208 credit unions, in an effort to improve the volume and profitability of local agribusiness lending. Agrifin has contributed USD 1 million to fund half of the project, which will include procedure updates, staff training, software improvements and client surveys with the aim of cutting loan-loss below 1 percent and boosting the number of outstanding agricultural loans to 54,000 and the amount of loans to the equivalent of USD 7 million by 2014. March 15, 2012

responsAbility Loans \$2m to Jordan's MEMCC, Palestine's FATEN

Switzerland's responsAbility Social Investments AG has reported to MicroCapital that it has lent the local-currency equivalent of USD 1.5 million to Jordan's Middle East Micro Credit Company (MEMCC) and USD 500,000 to Palestine for Credit and Development (FATEN in Arabic) of the West Bank. MEMCC is an affiliate of US-based nonprofit CHF International, which has operations in 29 countries. MEMCC reports a gross loan portfolio of USD 19 million and 11,000 borrowers. FATEN reports total assets of USD 22 million, a gross loan portfolio of USD 21.1 million and 11,000 borrowers. March 14, 2012

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Telenor Pakistan to Focus on Mobile Banking, Microfinance

Telenor Pakistan Limited, a division of Norway's Telenor that provides telecom services to 28 million Pakistanis, recently announced that it will increase its focus on mobile banking and attempt to expand the rural market share of Tameer Microfinance Bank in which Telenor Pakistan holds a controlling stake. While about 2 percent of Telenor Pakistan's revenue is generated by financial services, the firm's CEO, Lars Christian Iuel, was quoted as saying, "that figure will probably jump 'many-fold.'" Tameer reports USD 61 million in assets and 110,000 borrowers. In January, Telenor Pakistan's mobile banking service, EasyPaisa, handled transactions of USD 3.5 million. March 14, 2012

ENCASH Raises \$2.5m in Equity for ATMs in the Philippines

Rural Impulse Fund II, which is managed by Belgium's Incofin Investment Management, and responsAbility Ventures I, which is managed by Switzerland's responsAbility Social Investments AG, recently infused a total of USD 2.56 million of equity into Electronic Network Cash Tellers Incorporated (ENCASH), a Philippine distributor of automatic teller machines (ATMs). ENCASH has 337 ATMs currently in service and also provides related services to rural financial institutions. While neither the size of the stake taken nor the amount of the investment made by each fund was released, only Incofin will take a position on the ENCASH board of directors. March 14, 2012

Officials Promote Africa Mobile Financial Services Policy Initiative

The governors of the central banks of Kenya and Tanzania recently spoke in favor of the Africa Mobile Financial Services Policy Initiative, which is intended to foster measurable progress in implementing policies and regulations to advance the use of mobile banking throughout Africa. The Alliance for Financial Inclusion, a Thai network of 90 financial regulators, is promoting the effort. March 13, 2012

BBVA Microfinanzas Puerto Rico Loans \$2m in First Year

In its first year of operation, which ended September 2011, Corporacion para las Microfinanzas Puerto Rico, a microfinance institution owned by the BBVA Microfinance Foundation, loaned USD 2.1 million to entrepreneurs on the island of Puerto Rico. Of the 790 loans, 56 percent were related to the commerce sector, 32 percent to services and 12 percent to manufacturing. BBVA Microfinance Foundation, which supports eight microfinance institutions in the Americas and has assets equivalent to USD 941 million, is an arm of BBVA Group, a Spain-based bank with total assets of USD 725 billion. March 13, 2012

Imp-Act Consortium Seeks Highest Value

The Imp-Act Consortium, a UK-based network of microfinance organizations involved in social performance management, has launched an initiative to discover "What works for clients?" - those elements of microfinance that add the most value for microfinance borrowers. The 1,600-member Social Performance Management Network will serve as the convening space for the initiative. March 13, 2012

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Editor Bob Summers; editorial assistant Jacqueline Foelster;

writers Kristha Abores, Natalie Baer, Amira Berrada,

Brendan Millan, Charlotte Newman and Courtney Snelling;

special thanks to Emilia Akonom and Susannah Tesoriero

For questions, comments or suggestions, please write to

info@microcapital.org or call +1 617 648 0043, Boston, USA

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!

Lovonus Microfinance Bank Begins Operations in Nigeria

Lovonus Microfinance Bank has raised the required capital, equivalent to USD 635,900, for a unit microfinance bank license, allowing it to commence operations in the Victoria Island section of Lagos, Nigeria. In accordance with Nigeria's Cash-lite cashless initiative, the services of for-profit Lovonus will include mobile banking. March 13, 2012

To Borrow \$20m from SIDBI, India's SKS Must Keep It Outside AP

SKS Microfinance Limited, an Indian microlender, reportedly has obtained a loan equivalent to USD 20 million from the government-backed Small Industries Development Bank of India. The loan has a three-year term and an interest rate of 13.5 percent, which is 100-150 basis points above the rate the bank normally charges microlenders. As a condition of the loan, SKS must use the resources outside the state of Andhra Pradesh (AP) and particularly in states with low microfinance penetration. Thirty percent of SKS's portfolio remains in AP, but its collection rate there fell to 25 percent after tight regulations were enacted in response to microborrower suicides (see Page 1). While repayment rates have remained high outside AP, the number of active SKS borrowers in 18 states outside AP decreased by 47 percent to 4,837,000 in 2011. March 7 and March 13, 2012

Bank of Ghana Receives 300 Microfinance License Applications

The Bank of Ghana reportedly has received approximately 300 applications "to operate under the second tier of the regulated microfinance institutions" regime that was covered in the September 2011 issue of this newspaper. To receive one of the licenses, which are due to be issued in April, each operator must include the word "microfinance" in its organization name and hold initial capital equivalent to at least USD 58,600. The four tiers of the regime include: (1) banks, finance houses, and savings and loans institutions; (2) susu (traditional finance) companies, deposit-taking NGOs and credit unions; (3) moneylenders and non-deposit-taking NGOs; and (4) individual money lenders and susu collectors. March 12, 2012

Kenya's M-Pesa Lowers Minimum Mobile Transfer Size to \$0.12

Safaricom, a Kenyan telecommunications company, recently announced that users of its mobile money transfer service, M-Pesa, can now send amounts as low as the equivalent of USD 0.12, down from the previous minimum of USD 0.61. The company has also changed its pricing scheme, with the lowest fee set at USD 0.04 and the fee for sending between USD 1 and USD 6 lowered by 16 percent to USD 0.30. Fees on larger transaction amounts have increased. For example sending USD 545 to USD 848 costs USD 1, up from USD 0.73. Charges for withdrawals have also been raised and now range from USD 0.55 to USD 3.64. M-Pesa, which was developed by Britain's Vodafone Group, has 15.2 million clients and 35,000 agents in Kenya. March 12, 2012

Microinsurance Conference Calls for Proposals

Munich Re Foundation, an affiliate of German reinsurer Munich Re, and the Microinsurance Network, a Luxembourg-based membership organization seeking to improve insurance access for poor people, have issued a call for proposals for presentations to be made at the eighth International Microinsurance Conference, which will be held in Dar es Salaam, Tanzania, beginning on November 6. Proposals may be sent via <http://www.microinsuranceconference.org/2012>. March 12, 2012

Zambia's Pulse Rebranded as Entrepreneurs Financial Centre

Pulse Financial Services Limited, a Zambian deposit-taking microfinance institution, was recently re-branded as Entrepreneurs Financial Centre. The firm has released plans to disburse loans totaling the equivalent of USD 12 million to small and medium-sized enterprises (SMEs) this year. The firm is also mulling the creation of a fund specifically for SMEs in the agriculture sector. The microbank reports total assets of USD 4.2 million. March 12, 2012

MicroCapital Deal of the Month

Zambia's Mobile Transactions Lands \$3.7m in Equity

Omidyar Network, a US-based social investment firm, and ACCION International, a US-based microfinance nonprofit, have invested USD 3.2 million in equity in Mobile Transactions International, a Zambia-based mobile financial services company, in an effort to expand financial access to poor and underserved populations. Mennonite Economic Development Associates, a Canadian nonprofit that aims to alleviate poverty through financial investment, also converted USD 500,000 in debt as part of the equity raise. Mobile Transactions plans to use the funding to develop its leadership team, agent network and technology platform. As part of the agreement, representatives of Omidyar and ACCION will join the board of directors of Mobile Transactions, which has 50 agent locations in Zambia. CEO Mike Quinn of Mobile Transactions said, "Omidyar Network and ACCION share a commitment to our mission and are ideal partners to help us reach our goal to become a pan-African mobile payments business."

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In Singapore, POSBank, Social Enterprise Hub Launch \$4m MFI

POSBank, a commercial bank in Singapore, and the Social Enterprise Hub, an incubator of social enterprises in Singapore, have launched the MicroCredit Business Scheme (MCBS) to provide loans to people with annual incomes lower than the equivalent of USD 23,800. With seed capital equivalent to USD 3.96 million from the Singapore Totalisator Board, a quasi-governmental gaming commission, MCBS has begun disbursing unsecured business loans ranging from USD 4,000 to USD 40,000. POSBank is servicing the loans, and unspecified social welfare organizations have volunteered to market the project. Twelve businesses have been financed so far. March 12, 2012

Azerbaijan Association Mulling Agriculture Guarantee Fund

The 31-member Azerbaijan Microfinance Association is considering the introduction of a fund that would guarantee up to 80 percent of the amount loaned to agricultural entrepreneurs. The maximum loan guarantee has been set at the equivalent of USD 127,000. No timeline for the introduction of the fund has been released. March 12, 2012

Estonian Lending Site isePankur.ee Offers Social Bank Software

Estonian peer-to-peer lending website isePankur.ee has partnered with Helmes, an Estonian technology company, to sell "social banking" software and related support services. IsePankur reports that it is negotiating with international banks as well as start-ups to bring the products to their customers. IsePankur operates websites that allow users in Estonia, Finland and Sweden to loan each other as little as the equivalent of USD 6.50. It reports having provided lenders an average annualized return of about 19 percent. While the scale of the operation has not been made public, isePankur reports having generated a profit margin of 56 percent in 2011. March 12, 2012

United Bank, Social Funds Acquire 67% of Pakistan's Khushhali

A consortium led by United Bank Limited (UBL), a Pakistani commercial bank with total assets equivalent to USD 8.2 billion, reportedly has won the bidding to purchase 67 percent of the shares of Pakistani microfinance institution Khushhali Bank Limited, whose gross loan portfolio stands at USD 43 million. The amount of the bid has not been released. Other buyers include Rural Impulse Fund II, which is managed by Belgium's Incofin Investment Management; Switzerland's responsAbility Global Microfinance Fund; US-based Shorecap II Limited; and Dutch ASN-Novib Microkredietfonds. While UBL's shareholder position in Khushhali will stand at 29 percent, the size of the stakes taken by the other investors has not been released. Whether previous shareholders Habib Bank, MCB Bank and Allied Bank are selling some or all of their holdings is unclear. March 12, 2012

Afghanistan's M-Paisa Offering Western Union Transfers

Afghanistan-based telecommunications provider Roshan has announced plans to offer money transfers into mobile phone accounts in Afghanistan through the network of US-based Western Union, allowing customers of Roshan's mobile money platform, M-Paisa, to receive transfers from 200 countries. Introduced in 2008, M-Paisa now has 1.2 million customers. March 10, 2012

Telefonica Offering "mWallet" in South America, Europe

Spanish telecommunications company Telefonica and Sybase 365, a division of German software firm SAP, reportedly are developing mWallet, a mobile money account that is slated to be available to Telefonica's 300 million customers in 26 countries in Europe and South America by June. The service will include retail and peer-to-peer payments as well as a tie-in with credit and loyalty cards. March 9, 2012

Indonesia's CIMB Niaga Triples Microfinance Portfolio

Commerce International Merchant Bankers (CIMB) Niaga, an Indonesian commercial bank, grew its microloan portfolio by 352 percent in the last year to the equivalent of USD 132 million as it broadened its product lineup and expanded its network of microfinance outlets in Java, Sumatra, Bali, Kalimantan and Sulawesi to reach a total of 233 branches. CIMB Niaga reports total assets of USD 16 billion. March 8, 2012

MicroEnsure Ghana to Launch Credit Health Insurance

The Ghanaian branch of MicroEnsure, a UK-based microinsurance subsidiary of nonprofit Opportunity International, has announced plans to offer credit health insurance in Ghana. The product will cover microcredit repayments for borrowers admitted to the hospital. The cost of the coverage will start at USD 0.25 per month. According to Eugene Adogla, director of operations in Ghana, MicroEnsure expects to pay hundreds of claims that range between USD 30 and USD 60 monthly. Two unnamed microfinance institutions have so far signed up to offer the new product. MicroEnsure serves 3.5 million clients in Africa, India, Bangladesh and the Philippines. March 8, 2012

FENACOAC, WOCCU Boost Rural Services in Guatemala, Mexico

The World Council of Credit Unions, a US-based trade association for credit unions in 51 countries, and Federación de Nacional de Cooperativas de Ahorro y Crédito, an association of credit unions and cooperatives in Guatemala, are collaborating on technological delivery mechanisms to provide small farmers in Guatemala and Mexico with financial services and better "access to markets, inputs and technical assistance." With a budget of USD 4 million provided by the US Agency for International Development, the program is reaching four credit unions including Cooperativa Tonantel, which has rolled out agricultural loans, lowered its interest rates and grown membership by 30 percent to 70,000 since 2010. March 9, 2012

Vietnam Issues License to M7 Microfinance Limited

The State Bank of Vietnam, the country's central bank, has issued an operating license to microfinance institution (MFI) M7 Microfinance Limited Institution. M7 was formed by the merger of three of the seven members of the M7 Microfinance Network: the Uong Bi Fund for Promoting Women, the Mai Son Support Fund for Ethnic Women and the Dong Trieu Women's Assistance Fund. Together, these institutions report aggregate assets of USD 3.09 million, USD 2.37 million in deposits, 19,600 depositors, a gross loan portfolio of USD 1.34 million and 12,300 borrowers. March 7, 2012

More Growing Pains for Nigeria's Cash Transaction Tax

The Central Bank of Nigeria (CBN) has announced that its Cash-lite system, which established a limit equivalent to USD 6,330 on corporate cash transactions, should not be applied to microfinance banks (MFBs) in their transactions with commercial banks so that they are not hindered in honoring withdrawals by MFB customers. Despite a report to the contrary that was cited in the February issue of this newspaper, a CBN statement explicitly states that the cash withdrawal limit of USD 950 does apply to individual MFB customers. March 7, 2012

People's Bank of China, PlaNet Aim to Upgrade Risk Management

The People's Bank of China, the country's central bank, and PlaNet Finance, a French NGO, plan to carry out a study on "Expanding the Short and Medium Term Notes Market to Microcredit Companies in China." The research, which is due to be published this year, is focused on upgrading risk management. Although Chinese microlenders cannot take deposits, the Chinese government reportedly is looking to expand other channels of microfinance funding. March 6, 2012

Oxfam Novib's WEMAN Global Offers Gender Finance Resources

WEMAN Global, a program of Dutch nonprofit Oxfam Novib that advocates for gender justice in economic institutions, has added a new section to its website calling for: (1) a protocol to promote gender justice and support the empowerment of financial sector clients; and (2) an end to the marginalization of gender issues in the design of financial services. March 6, 2012



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SKS Microfinance Founder Vikram Akula Says “Yunus Was Right”

Vikram Akula, the founder of Indian for-profit microfinance institution (MFI) SKS Microfinance Limited, reportedly has acknowledged that Dr Muhammad Yunus was “right” about the challenges of “bringing private capital into social enterprise.” Since reports that 200 borrowers committed suicide in 2010 in the state of Andhra Pradesh because they could not repay their microloans (see Page 1), microfinance business there fell by 66 percent. Nobel laureate Dr Yunus has been quoted as saying, “The key is that the whole thing was triggered by SKS. They...overdid things in a big way.... And then [Dr Akula] made personal money out of it.” March 6, 2012

Kazakhstan to Maintain Rural Lending Budget of \$20m

The Fund for Financial Support of Agriculture (FFSA), an institution by the government of Kazakhstan that provides retail and wholesale credit and insurance in rural areas, has reportedly pledged to allocate the equivalent of USD 20 million for rural microfinance during 2012. Borrowers will be able to apply for loans of up to USD 6,760 for a maximum of term of three years with an annual interest rate of 9.5 percent and an effective interest rate not to exceed 10.2 percent. In 2011, FFSA loaned about the same amount, enabling the employment of 5,200 people. March 6, 2012

\$46m in Interest for Bangladeshi Microsavers Too Low?

The executive vice-chairman of the Bangladeshi Microcredit Regulatory Authority, Khandakar Mazharul Haque, reportedly has announced plans to boost enforcement of the minimum interest rate of 6 percent per year on savings required of microfinance borrowers. Microfinance institutions are said to neglect paying this interest amid weak enforcement. Microborrowers in the country received the equivalent of USD 46.5 million in interest on such savings during the second half of 2011. March 6, 2012

US “Benefit Corporation” Allows Balance of Social, Financial Aims

Laws now exist in seven US states recognizing a form of organization called the “benefit corporation” (B-corp), which allows for the balance of societal and financial benefit. Directors of such an entity can prioritize social good instead of maximizing profits, a practice that could risk legal action by shareholders under the traditional corporate framework. B-Lab, a US-based nonprofit that has certified the social and environmental impact of 500 B-corps, has pushed for the laws. B-corps in the microfinance industry include Grassroots Capital, a microfinance investment company; InVenture, which allows individuals to make interest-free loans to enterprises that are outgrowing microlenders; and Agora Management Corporation, a nonprofit fund that invests in small and medium-sized enterprises. March 6, 2012

Chinese Partners Launch \$4m Wholesale Fund

Four Chinese organizations - the 92-member China Association of Microfinance, the governmental China International Center for Economic and Technical Exchanges, Peking University Advanced Financial Information Research Center and financial services firm CreditEase Microcredit Investment - recently launched the Inclusive Finance Wholesale Fund I, which is billed as the first wholesale microfinance fund in China. The fund aims to attract social capital to the sector to expand the capacity of nonprofit microlenders to bring about sustainable development. CreditEase has invested the equivalent of USD 793,000 toward the fund's goal of USD 4.76 million. March 6, 2012

Microfinance Assets in Rwanda Grow 12% to \$78m

Assets in the Rwandan microfinance sector grew from the equivalent of USD 70 million in 2010 to USD 78 million in 2011. Deposits rose from USD 37 million to USD 39 million, while loans grew from USD 49 million to USD 57 million. Non-performing loans increased from USD 5.8 million to USD 6.8 million. March 5, 2012

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The BlueOrchard Group • 32 rue de Malatrex
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info@blueorchard.com • www.blueorchard.com
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US May Commit 1% of AID Budget to Inclusion Technology

The US Senate recently introduced the Microfinance and Microenterprise Enhancement Act of 2011, which proposes that the US Agency for International Development (AID) focus its financial inclusion efforts on incorporating the use of technology and on serving women, very poor people and other vulnerable groups. The bill directs AID to use 1 percent of its development assistance budget for 2013 through 2017 to support these areas. In addition, it directs AID to develop regional funding targets based on local poverty levels. USAID had a budget of USD 23.8 billion for 2011. March 5. 2012

National Automotive Council of Nigeria Launches \$6m Fund

The National Automotive Council (NAC), an agency of the Nigerian government, is planning to commit the equivalent of USD 6.3 million to a microcredit facility for cooperatives of 10 to 20 automotive mechanics. Using a public-private partnership model, NAC plans to establish multiple "mechanic villages" that will be equipped with workshops, schools, hospitals and housing. NAC has completed arrangements for the microcredit facility with nine unnamed microfinance banks through the privately-owned Nigerian Bank of Industry Limited. By year end, NAC expects to seek bids to construct the villages, each of which is expected to cost roughly USD 100 million. March 5. 2012

Ghana Shea Value Chain Initiative Employs 3,500 Women

PlaNet Finance, a French NGO, recently announced that its shea butter project in northern Ghana has employed 3,500 women to date and is expected to employ 1,500 more in the next year. A joint project of PlaNet and SAP, a German software company, the Ghana Shea Value Chain Initiative was launched in 2010 with the support of Ghanaian microfinance institutions Maata-N-Tudu and Grameen Ghana. The project supplies producers with financial support, equipment, storage silos and mobile phones. PlaNet Finance also plans to build a factory to process shea butter. March 5. 2012

Grameen Spins Off Mifos Software

The US-based Grameen Foundation, which launched the Mifos microfinance management information system in 2006, has transitioned management and development of the software package to the Community for Open Source Microfinance, a nonprofit formed for this purpose. Mifos is "open-source," meaning that it is free of charge and can be edited to meet local needs. The microbanks that use Mifos reportedly serve about 850,000 clients. March 5. 2012

Fiji Implements Electronic G2P Program

Fiji's Department of Social Welfare is implementing electronic government-to-person payments via a program that includes providing recipients with magnetic-strip cards and no-fee bank accounts. Eighty-one percent of recipients have been enrolled so far. March 5. 2012

EU Funds Arvand's Agricultural Loans in Tajikistan

The EU has funded the World Bank's International Finance Corporation to provide technical assistance to Arvand, a microbank in Tajikistan, in support of developing its agricultural loan portfolio. The effort includes building an agricultural leasing business and improving farmers' access to finance. Arvand reports total assets of USD 11 million, a gross loan portfolio of USD 8.5 million, 12,000 borrowers, return on assets of 5.5 percent and return on equity of 21 percent. March 5. 2012

Partner Microcredit, EFSE Publish Financial Literacy Guides in BiH

Partner Microcredit Foundation (PMCF), a microfinance institution in Bosnia and Herzegovina, has received co-funding from the European Fund for Southeast Europe, a wholesale microfinance funder, to publish 100,000 copies of a "smart borrowing" guide. PMCF reports assets of USD 89 million, a gross loan portfolio of USD 64 million and 39,000 active borrowers. March 3. 2012



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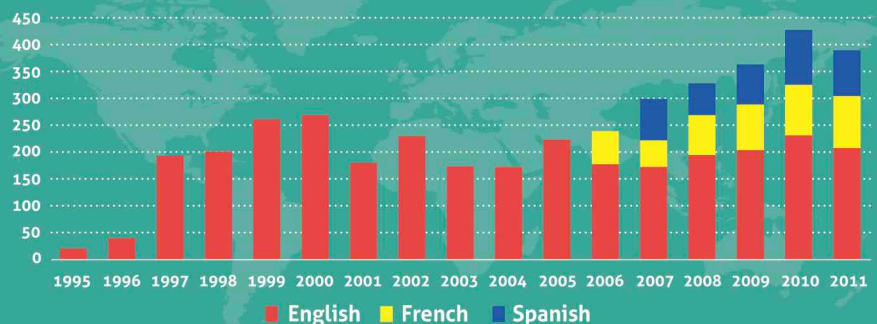
Programme de formation Boulder Microfinance 2012 en Français
16 Juillet au 3 Août à Turin, Italie

Boulder Microfinance Training Program 2012 in English
July 16th - August 3rd in Turin, Italy

Programa Boulder en Español 2012, para la Capacitación Ejecutiva en Microfinanzas
5 al 16 de Marzo, Cartagena de Indias, Colombia

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Cambodian MFIs Waive Debt for Flood Victims

Unspecified Cambodian microfinance institutions reportedly have “eliminated interest on loans to families affected by last year’s floods and would not seize property from flood victims in the event of default.” Some have also suspended repayments for borrowers that were affected by the major floods that occurred between September and November 2011. These measures had not been publicized previously due to concerns of false claims. March 2. 2012

AccessBank of Azerbaijan Offers Vehicle Insurance

Azerbaijani microfinance institution AccessBank has announced that it will be offering insurance policies for vehicle owners in accordance with a new law requiring vehicle owners to carry liability insurance. The policies will be offered through three undisclosed insurance companies in the country, and the maximum amount of coverage per accident will be USD 63,600. AccessBank reports total assets of USD 488 million and 120,000 borrowers and is affiliated with Access Microfinance Holding AG, a German firm that holds stakes in six microbanks. March 2. 2012

IFC Loans \$32m to Garanti Bank Romania for SMEs

The International Finance Corporation, the private-investment arm of the World Bank Group, has agreed to loan the equivalent of USD 32 million to the Romanian arm of Garanti Bank “to help finance small and medium businesses in Romania, especially those owned or managed by women entrepreneurs.” Garanti Bank reports total assets of USD 78 billion and 9 million customers in seven countries. March 1. 2012

Nigeria Appoints Agents to Seek Money Owed to Liquidated MFIs

The government-backed Nigeria Deposit Insurance Corporation has reportedly appointed debt recovery agents to seek an unspecified total of “debts owed to the 103 closed [microfinance banks] nationwide.” Including the sales of physical assets, the initiative has so far collected the equivalent of USD 650,000. Calls have also been made to set up an entity to purchase bad microfinance debt. March 1. 2012

Philippines, ADB to Promote Microinsurance

The Philippine government has announced that it is “promoting micro-insurance as a strategy to protect low income earners and the informal sector from uncertain events or risks” such as “typhoons, floods and earthquakes.” The Asian Development Bank is providing technical assistance for the program, which includes financial literacy efforts and permission for insurance companies to provide microinsurance products. So far, 3 percent of the 25 million targeted have been reached. The goal is to insure 5 million people by 2020. March 1. 2012

CRISIL Upgrades Indian MFIs Equitas, Ujjivan, Janalakshmi

Credit Rating and Information Services of India Limited has upgraded the ratings of Indian microlenders Equitas Micro Finance India Private Limited and Ujjivan Financial Services from BBB- to BBB, indicating “moderate safety.” The rater also revised the outlook of local microlender Janalakshmi Financial Services from an unspecified level to “positive.” The lenders reportedly have been able to raise funds totaling the equivalent of USD 266 million since October 2010 “due to greater regulatory clarity and stable operating environment.” March 1. 2012

MF Funds Purchase 45% Stake in Arnur of Kazakhstan

Three microfinance investment vehicles, Rural Impulse Fund II, which is managed by Belgium’s Incofin Investment Management; MicroVest II, which is managed by US-based MicroVest Capital Management; and ASN-Novib fund, which is managed by Triple Jump of the Netherlands, have taken stakes totaling 45 percent of Arnur Credit, a microfinance institution in Kazakhstan. The remaining shares of Arnur are owned by Kazakh credit association ORDA Credit. The breakdown of the shareholding among the minority investors has not been disclosed, although each will place a staff member on Arnur’s board of directors. Arnur reports total assets of USD 7.5 million, a gross loan portfolio of USD 6.1 million, return on assets of 2.2 percent, return on equity of 6.1 percent, 3,100 borrowers and 38 branches. February 29. 2012



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Finadev Benin Borrows from Oxfam Novib

Triple Jump Fund Management, a Dutch investor in microfinance, recently issued its first loan to Finadev Benin SA, a microfinance institution in Benin. The funds were disbursed from the Oxfam Novib Fund, which holds assets of USD 56 million. Finadev offers group and individual loans and insurance services and recently obtained a license to accept deposits. Finadev has 5,500 clients and a loan portfolio of USD 8.06 million. Since 2009, Finadev Benin has been fully owned by Finadev Group, a microfinance holding company owned by US-based Emerging Capital Partners. February 29, 2012

Bandhan Sells \$112m in Securitized Loans to IDBI, Axis, DCB

Indian microlender Bandhan Financial Services reportedly has securitized agricultural loans totaling the equivalent of USD 112 million for sale to the Industrial Development Bank of India (IDBI), a public-sector bank, and two private-sector Indian banks, Axis Bank and Development Credit Bank. IDBI purchased debt of USD 102 million, and the other banks split the remainder. Bandhan is also in the process of securitizing another block of loans worth USD 20 million. As the fiscal year comes to an end in March, traditional Indian banks are pushing to achieve government-mandated agriculture-lending targets. February 29, 2012

SKS Microfinance Securitizes \$122m in Loans

SKS Microfinance Limited, an Indian non-banking finance company, reportedly has raised the equivalent of USD 72 million by selling securitized microloans to an undisclosed public-sector bank and USD 49 million through a second sale to an undisclosed party. Both securitizations have been rated "Highest Safety" by India's CARE Ratings. SKS Microfinance reports total assets of USD 389 million, a gross loan portfolio of USD 341 million, 4.3 million borrowers, return on assets of 66 percent and return on equity of 152 percent. February 29, 2012

CDC Group Invests \$10m in East African Equity Fund PEAMEF

The CDC Group, a development finance institution owned by the UK government's Department for International Development, has announced that it has invested USD 10 million in the Progression Eastern African Microfinance Equity Fund (PEAMEF), which will support microfinance institutions in Kenya, Rwanda, Tanzania, Uganda and Zambia. PEAMEF may also invest up to a quarter of its capital in other businesses that promote financial inclusion, such as mobile banking, low-cost housing and related support services. The fund aims to raise a total of USD 40 million to reach 500,000 customers in East Africa. Other investors include the European Investment Bank, the Norwegian Microfinance Initiative and German development finance institution KfW Entwicklungsbank. February 29, 2012

Pakistan Aims to Disburse \$134m via MFIs to Agriculture

The State Bank of Pakistan, the country's central banking authority, has set a target of disbursing the equivalent of USD 134 million to microfinance banks for on-lending to the agricultural sector during fiscal year 2012. Total credit disbursement to the domestic farming sector grew to USD 1.64 billion during the second half of 2011, an increase of USD 273 million over the same period of 2010. February 28, 2012

Yunus Not to Seek World Bank Presidency

Bangladeshi Prime Minister Sheikh Hasina had reportedly recommended the appointment of Dr Muhammad Yunus, the founder of Grameen Bank, as the next president of the World Bank, a US-based institution that provides loans to developing countries. Last year, the Hasina administration was accused of harboring improper motives when it forced Dr Yunus to resign as managing director of Grameen Bank. Despite a positive response from EU Parliament member Jean Lambert of England, to whom the recommendation was given, Dr Yunus has said he is not interested in the post. February 28, 2012



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UN, Silatech Back Mubadarati Initiative for Young Palestinians

An initiative called Mubadarati is being set up to provide loans to young people in the West Bank and Gaza. It will be carried out by the UN Relief and Works Agency for Palestine Refugees in the Near East, with a partial guarantee provided by Silatech, a social enterprise based in Qatar that focuses on creating opportunities for Arab youth. The scale of the program has not been made public. February 28. 2012

MicroEYE Information Mapping Tool Launched in Pakistan

The Pakistan Poverty Alleviation Fund, a public-private partnership, and the Pakistan Microfinance Network, a network of 20 microfinance providers in Pakistan, have launched MicroEYE, a tool that maps the landscape of microfinance in Pakistan. The initiative is expected to assist in planning the expansion of branch networks as well as identifying areas that may be more susceptible to over-indebtedness. February 28. 2012

Tanzania to Introduce Regs, Credit Bureau, Financial Education

The Tanzanian government is reportedly drafting a law that will provide a legal, regulatory and supervisory framework for microfinance in the country. The sector is currently unregulated, and microfinance institutions have been accused of engaging in abusive practices. The government also plans to launch a credit reference bureau by September as well as a financial literacy program. As part of the effort, the World Bank Group is assisting with a study on consumer protection in banking, insurance, pensions, securities and microfinance. February 28. 2012

Fraud Cases Embarrass Kenyan Mobile Money

Reports of mobile money fraud have been surfacing in Kenya including one in which an agent of the M-Pesa service was tricked into sending the equivalent of USD 600 to a fraudulent account. In other cases, thieves pose as staff of the service. Another issue for mobile money is that it seems to function like a bank account, but is not regulated to the same extent. Between July and September 2011, USD 683 million was transferred via mobile phones in Kenya. February 28. 2012

FirstBank of Nigeria, Airtel, Etisalat, GLO Partner on Mobile Money

FirstBank of Nigeria has signed agreements to provide mobile financial services in Nigeria in partnership with three mobile phone service providers, the local arm of India's Airtel; the local arm of Etisalat, which is based in the United Arab Emirates; and Globacom Limited Nigeria (GLO), which has operations in four West African countries. Services are to include bank account inquiry, fund transfer, retail payment, microinsurance, savings, remittances and the ability to receive government payments. FirstBank of Nigeria reports total assets equivalent to USD 12 billion and has 37 branches. February 27. 2012

Nepalese Authorities to Launch Microinsurance Guidelines

The Nepali insurance board, Beema Samiti, is reportedly preparing to release guidelines for health, accident, crop and livestock microinsurance programs intended to serve low-income and rural populations. While local insurance companies are pessimistic about the profitability of microinsurance, they are prepared to handle losses of 2 to 4 percent during an initial phase, according to a statement attributed to Beema Samiti spokesperson Shekhar Aryal. The regulator projects that the majority of its microinsurance clients will be from the agricultural sector, but it plans to encourage insurance companies to also insure microenterprises and related equipment such as water mills, tea shops, rickshaws and vending carts. February 27. 2012

IFC to Invest \$5m in New Housing Arm of India's Au Financiers

Au Financiers, a non-banking financial company in Rajasthan, India, reportedly will establish Au Housing Finance Private Limited, an Indian housing company serving the unbanked "predominantly in the low income state of Rajasthan." The World Bank Group's International Finance Corporation will invest USD 5 million in the firm. The National Housing Bank, a state-owned bank in India, and the government of Rajasthan will invest undisclosed sums in the project. The budget for the firm's first two years is equivalent to USD 27 million. February 26. 2012



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responsAbility Lends \$4.5m in Romania, Kyrgyzstan, BiH

Switzerland's responsAbility Social Investments AG recently reported to MicroCapital that funds it manages have disbursed loans totaling USD 4.5 million to three microbanks in Europe and Kyrgyzstan. ProCredit Bank Romania, which borrowed USD 1.97 million, reports total assets of USD 112 million, a gross loan portfolio of USD 105 million and 112,000 active borrowers. The bank is a member of Germany's ProCredit Holding Group, which has operations in 21 countries. Kompanion of Kyrgyzstan received USD 1.5 million and reports total assets of USD 50 million, a gross loan portfolio of USD 30 million, return on assets (ROA) of 4.7 percent, return on equity (ROE) of 20 percent and 119,000 borrowers. Mikrofin Banja Luka of Bosnia and Herzegovina received USD 983,000 and reports total assets of USD 139 million, a gross loan portfolio of USD 123 million, ROA of 0.3 percent, ROE of 1.3 percent and 40,000 active borrowers. February 25, 2012

MicroWorld Launches Lending Website for Cappedmini

MicroWorld, a member of the French PlaNet Finance Group, has launched a website allowing the staff of French technology company Cappedmini to issue interest-free microloans as small as the equivalent of USD 26. The site can be set to highlight loan opportunities based on pre-determined criteria. MicroWorld, which has developed similar sites for GDF Suez and Sogeti, disburses the funding via partner microbanks in Asia, Madagascar, Peru and Senegal. February 25, 2012

MIF to Support "Smart" Client Protection in Latin America

The Multilateral Investment Fund, a member of the US-based Inter-American Development Bank, has agreed to provide unspecified support to the Smart Campaign, a US-based microfinance consumer protection initiative, as part of a project to assist Latin American and Caribbean microfinance institutions in implementing client protection practices. Please see MicroCapital.org for a list of the Smart Campaign's seven core principles. February 24, 2012

India's Vimo SEWA to Become Agent for L & T Insurance

Vimo SEWA, an Indian insurance cooperative promoted by the NGO Shree Mahila Self Employed Women's Association (SEWA), has reportedly become the first microinsurance agent of India's L & T Insurance. Coverage against illness, loss of wages and death will cost the equivalent of USD 1 to USD 14 per year. The partners plan to add cattle and fire insurance in the future. The available coverage amounts are not yet available. Among the services of L & T is an online platform that allows insurance agents to issue policies directly in the field. The company reports assets of USD 56 million. February 24, 2012

Swaziland Prepares Microfinance Bill, Launches Rural Effort

Swaziland's Ministry of Finance reportedly is close to releasing a draft National Credit Bill to "promote fair and non-discriminatory access to consumer credit and improve the standards of consumer information" and "curb unfair lending practices." The ministry also has initiated a Rural Finance and Enterprise Development Program, which aims to incorporate rural residents into the formal financial sector and strengthen small and medium-sized businesses. The scale of the program has not been released. February 24, 2012

BNP Paribas Loans \$2.3m to MicroCred Nanchong

BNP Paribas China, a branch of French bank BNP Paribas, has disbursed a local-currency loan equivalent to USD 2.3 million to Chinese microfinance institution MicroCred Nanchong, a member of France-based MicroCred. MicroCred Nanchong has distributed loans as low as USD 300 to 7,000 borrowers. MicroCred Nanchong reports total assets of USD 21 million, a gross loan portfolio of USD 20 million, return on assets of 5.4 percent and return on equity of 8.0 percent. MicroCred, which is a member of the French PlaNet Finance Group, also has operations in Madagascar, Senegal, Cote D'Ivoire and Nigeria. February 23, 2012



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Sudan to Subsidize MFI Staff, Microfinance Council Arranged

The Central Bank of Sudan (CBOS) reportedly will pay two years of salary for up to 1,000 new graduates entering employment in the microfinance sector. CBOS will also pay for six months of training and technical assistance. The initiative aims to expand microfinance services and increase the use of microfinance and commercial banks. The state of Khartoum also announced the establishment of a Microfinance Council, which aims “to enable the micro-finance sector to play its role in achieving economic and social justice in the State.” February 20 and February 23, 2012

Zantel Tanzania Mobile Money Adds Salary Access, Insurance

Zantel Tanzania, a telecommunications company owned by Etisalat of the United Arab Emirates, has re-branded its Z-Pesa mobile payment service as Ezy Pesa, which now offers employers the ability to pay their employees' salaries through mobile phones and allows customers to access accounts at the Cooperative Rural Development Bank (CRDB). CRDB is a Tanzanian commercial bank with total assets of USD 1.5 billion. Ezy Pesa also offers microinsurance policies that cover accidental death or permanent disability with premiums as low as the equivalent of USD 0.09 per day and coverage of up to USD 1,855. This “Farijika” insurance is provided in partnership with the National Insurance Corporation Tanzania Limited. Zantel Tanzania, which has 1 million mobile phone customers, introduced Z-Pesa in 2008. February 22, 2012

Regulation in Zimbabwe to Address Consumer Protection

Zimbabwean Reserve Bank Governor Gideon Gono has reportedly cited various problems within the Zimbabwe microfinance sector, including the absence of a credit reference bureau for the 157 licensed microfinance institutions (MFIs) in the country. In response to unethical loan recovery practices, the Reserve Bank of Zimbabwe (RBZ) is creating a performance evaluation framework to monitor the impact of MFIs and manage policy interventions. RBZ, the Ministry of Finance and other stakeholders have also drafted a microfinance bill that aims to address issues such as the tenure of licenses, consumer protection and transparency. February 22, 2012

responsAbility Lends \$3.6m to 4 Cambodian MFIs

Switzerland's responsAbility Social Investments AG recently reported to MicroCapital that it has made loans totaling the equivalent of USD 3.6 million from funds it manages to four Cambodian microfinance institutions. Amret Company Private Limited, which received USD 1 million, reports total assets of USD 87 million, a gross loan portfolio of USD 67 million, 223,000 borrowers, return on assets (ROA) of 5.9 percent and return on equity (ROE) of 25 percent. Angkor Mikroheranhvatho Kampuchea, which received the local-currency equivalent of USD 804,000, reports a gross loan portfolio of USD 31 million and USD 1.4 million in deposits. Prasac, which received USD 1.25 million, reports total assets of USD 112 million, a gross loan portfolio of USD 105 million, and 112,000 active borrowers. Hattha Kaksekar Limited, which received USD 500,000, reports a gross loan portfolio of USD 56 million, 53,000 borrowers, ROA of 4.4 percent and ROE of 21 percent. February 21, 2012

Dr Yunus, IIM-A to Raise \$10m for Social Businesses

Dr Muhammad Yunus, the founder of Bangladesh's Grameen Bank, has partnered with the Indian Institute of Management - Ahmedabad (IIM-A), a public business school, to build an investment fund for social ventures that is targeted to raise the equivalent of USD 10 million. Dr Yunus defines a social business as one that addresses social needs and reinvests all of its profits back into the business without paying any dividends. The effort will include a mentoring network and incubation program with IIM-A's Centre for Innovation, Incubation and Entrepreneurship and Grameen Creative Lab. February 21, 2012

Philippines Tightens Requirements for Agricultural Lenders

Bangko Sentral ng Pilipinas, the central bank of the Philippines, recently tightened the requirements for banks offering agricultural microloans. Such banks must now carry a capital adequacy ratio of at least 12 percent and a rating of at least 3 on the CAMELS ratings system, which gauges a bank's condition based on capital, asset quality, management, earnings, liquidity and sensitivity to market risk. The covered “micro-agri” loans have tenors of up to 12 months, a cap equivalent to USD 3,500, and are only granted to borrowers who have engaged in farm activities for at least two years and also have non-farm income. Since 2007, banks reportedly have lent USD 11 million in micro-agri loans. February 21, 2012

FENALCO Insures Education Loans of Colombia's Cresca

Colombian business organization Federación Nacional de Comerciantes has agreed to insure education loans issued by Cresca Creditos, a start-up microfinance institution in Colombia, for a fee of 4 percent. Each microloan, which can range up to USD 3,000, covers one university semester and carries an interest rate of 36 percent per annum. Cresca has an existing agreement with one educational institution to offer loans to its students and intends to partner with 12 other universities once funding is in place. Cresca is offering investors a fixed interest rate of 18 percent per annum with a term of five years. February 20, 2012

Kenyan Government Loans \$2m to Jamii Bora

Kenya's Jamii Bora Bank recently received a local-currency loan equivalent to USD 2 million from the Women Enterprise Fund, an agency of the Kenyan government that provides credit to support the start-up and expansion of women-owned businesses. Jamii Bora plans to use the funds to offer women loans with interest rates of 8 percent. The bank also recently announced plans to raise USD 2 million in equity through an issuance of new shares in September. Major shareholders in Jamii Bora include Jamii Bora Scandinavian Group and Messrs Asterisk Holdings, each of which holds a 25-percent stake. February 20, 2012

New Fund to Mark Nigerian “Year of Women's Empowerment”

The Banker's Committee of the Central Bank of Nigeria (CBN) has designated 2012 as a “Year of Women's Empowerment,” which will include efforts to secure commitments from Nigerian banks to reserve a percentage of management positions for women as well as the creation of an investment fund targeting female microentrepreneurs. CBN Governor Malam Sanusi Lamido Sanusi reportedly said that the fund aims to ensure that women have access to loans with interest rates below 10 percent. Further details on the fund have not yet been released. February 17, 2012

Bank Credit to Indian Microfinance Shrinks 22%

The amount of credit outstanding from Indian banks to the microfinance industry reportedly fell from the equivalent of USD 5.5 billion in April 2011 to USD 4.3 billion in December 2011. This decline of 22 percent contrasts with an increase of 32 percent from April to December of 2010. This trend has been attributed to a rise in bad loans, slower economic growth and regulatory uncertainty. February 17, 2012

CIDA, IFC Support Atlantic Bank to Focus on SMEs in Belize

Atlantic Bank of Belize is receiving unspecified support from the Canadian International Development Agency and the International Finance Corporation, a member of the World Bank Group, in an effort to improve access to financial services for small and medium-sized enterprises (SMEs) in Belize. The goal is to help Atlantic Bank improve its products and services and diversify its portfolio with the aim of increasing the bank's SME portfolio by 40 percent to USD 15 million. Atlantic Bank has 13 branches and is majority-held by Sociedad Nacional de Inversiones of Honduras. February 15, 2012

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FIELD NOTES

Small Is Beautiful...Thoughts About the Value of Smaller MFIs

Last week, I ventured to downtown New York City to attend a discussion on “Sources & Consequences of Microfinance.” David Roodman of the US-based nonprofit Center for Global Development offered a summary of his new book, *Due Diligence: An Impertinent Inquiry into Microfinance*, noting that the “value” of microfinance has not been proved in terms of client social welfare or empowerment. The only way to “prove” value, argued Mr Roodman, is through randomized controlled trials, and simply not enough of these have been completed. He suspects that microfinance is not doing much harm, but noted that the only “proof” of value we have is the sector’s ability to create thousands of jobs at microfinance institutions worldwide. Roodman’s assessment suggests that only the larger microfinance institutions (MFIs) probably create enough jobs to offer “value.” But, I thought, what about the little guys?

Chuck Waterfield, CEO of the US-based nonprofit Microfinance Transparency, offered no better hope for the small MFI. He displayed some charts that stirred the young idealistic bankers in the room, illustrating that smaller loans cost clients more in interest. So which MFIs are making these smaller loans? I quickly scanned the MIX Market database of MFIs worldwide segmenting those that serve the low, broad, high, and small and medium-sized enterprise markets. Since 2001, their average total assets were USD 22 million, USD 36 million, USD 62 million and USD 53 million, respectively. The relationship was to be expected, but also suggests that smaller MFIs are the ones making smaller loans to “low” markets and thus charging higher interest rates. It makes you wonder if it isn’t a matter of time before their competition scoops up their clients by offering cheaper products.

It didn't get any rosier for small MFIs as the evening went on. Camilla Nestor of the US-based nonprofit Grameen Foundation pointed at Grameen’s own efforts to develop new products that meet its clients’ needs more effectively than the one-product model of working capital

loans on which microfinance has based its past success. These include savings accounts and mobile payments. Because MFIs aren’t typically enthusiastic about investing to develop new products when they are already doing well, Ms Nestor explained that subsidies can push them along. But even with subsidies, I suspect large MFIs will be most willing and able to invest in new products and technologies. CJ Juhasz from US-based Women’s World Banking Asset Management added that MFIs should be thinking about the potential income from cross-selling credit products with savings and insurance. I worry that smaller MFIs may not have the scale or capacity to add a product “suite” to their existing infrastructure.

I was left with some burning questions that I did not have a chance to pose at the event, so I will share them in this space. To Mr Roodman: Can we “prove” that smaller MFIs have been valuable? And if not, Mr Waterfield, should they continue to exist, or would clients be better served by accessing larger institutions that may be able offer them new products at lower prices? These are not easy questions for me since some of my favorite MFIs are “small” institutions. And I see value in their efforts. Many know their clients well, and they often reach regions or market niches that larger institutions shy away from. Ultimately, those small institutions that can commit to a strong mission and a “harder” target market should be able to demonstrate their value. But many of these institutions have been moving up-market to diversify revenues and gain market share. They should be cautioned to remain “on mission” - serving the working poor - lest they lose what value they do offer vis-à-vis their larger competitors.

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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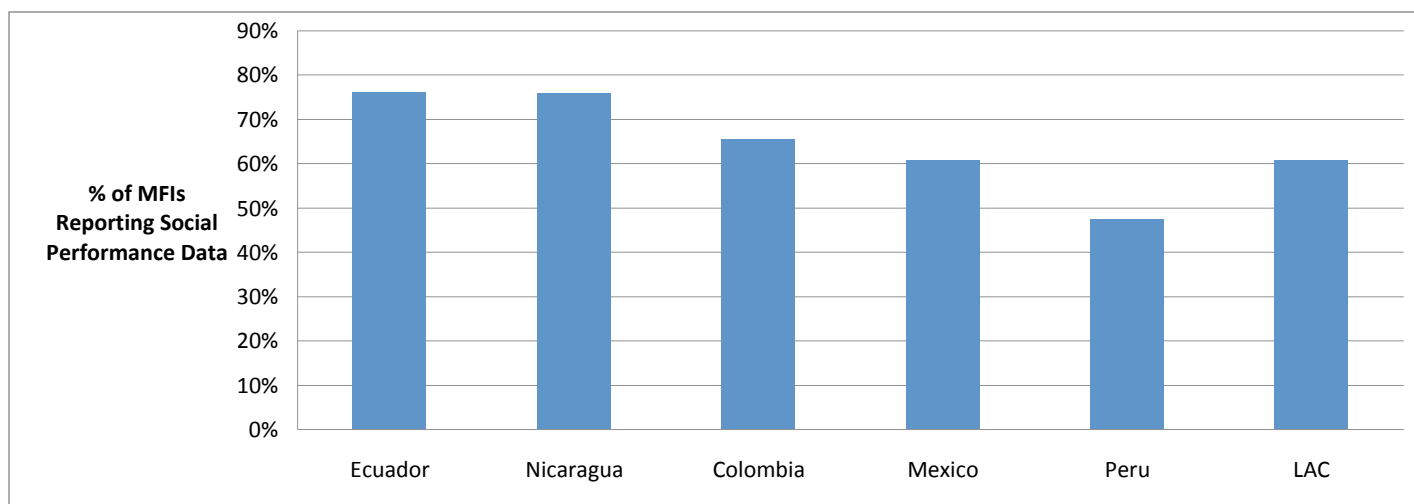
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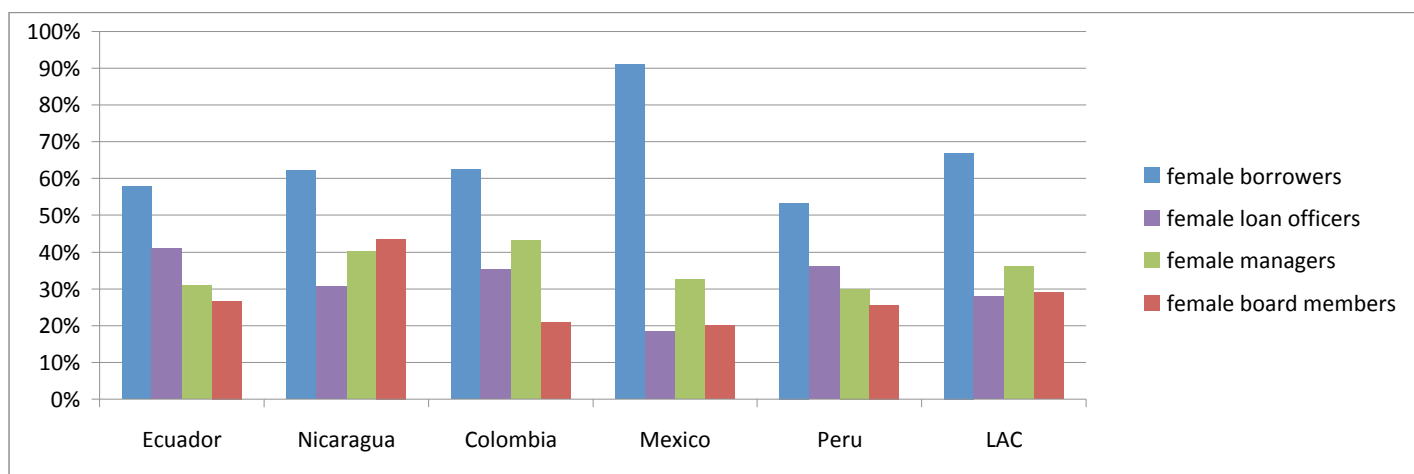
368 MICROFINANCE INSTITUTIONS (MFIs) FROM 22 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA¹

TOP FIVE COUNTRIES BY MFI REPORTING OF SOCIAL PERFORMANCE DATA - LATIN AMERICA AND THE CARIBBEAN (LAC)



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

PERCENTAGE OF FEMALE STAKEHOLDERS



The data in the above chart are tabulated from MFIs reporting social performance data to MIX. Percentages for the five countries shown are based on samples of 25 to 59 MFIs per country.

(1) Denotes only MFIs that reported social performance data for their fiscal year 2010.
Source: Microfinance Information Exchange Incorporated, March 2012

UPCOMING EVENTS

Microinsurance Summit LATAM 2012

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

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

Mobile Money Americas 2012

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

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

Financing Low-cost Housing Africa

March 28 - March 29, 2012, Nairobi, Kenya

This program will bring together representatives of financial institutions, NGOs and housing organizations to plan the evolution of low-cost housing. The agenda will include: identifying investors, various housing microfinance models including from Latin America and selecting low-cost housing technologies. Registration packages for the conference cost USD 2,199 plus VAT with various discounts and add-on workshops available including **an additional 15% off for MicroCapital readers citing the code "MicroCapital"**. Details may be had via <http://lowcsthousing-africa.com/>, +44 (0) 203 141 8700 or [info\[at\]hansonwade.com](mailto:info[at]hansonwade.com).

Africa Mobile Money Research Conference

April 2 - April 3, 2012, Nairobi, Kenya

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

HBS-ACCION Program on Strategic Leadership for Microfinance

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

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

2012 Research Conference on Microinsurance

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

The objective of this event is to assess the state of microinsurance research and provide a platform for dialogue among researchers from different regions and disciplines. Registration, which closes March 18, costs EUR 230 with an undergraduate rate of EUR 50 available. For more details, you may contact Marcia Clifford at +31 53 48 93 423 or [m.clifford\[at\]utwente.nl](mailto:m.clifford[at]utwente.nl), or you may visit the conference website at http://www.utwente.nl/igs/conference/2012_microinsurance/.

Uniglobal Global Microfinance Forum

April 12 - April 13, 2012, Istanbul, Turkey

This conference aims to bring together representatives of microfinance institutions, fund managers, development agencies and social investors to discuss topics such as assessing the role of government in microfinance, exploring new products and technological innovations, managing risks and adhering to the dual bottom line of social investment. The fee to attend is EUR 990 plus 19 percent tax. More information may be acquired via [registration\[at\]uni-global.eu](mailto:registration[at]uni-global.eu), +420 234 250 250 or <http://www.uni-global.eu/en/event/2012-114>

2012 Africa Microfinance Conference on Back to Basics

April 18 - April 20, 2012, Johannesburg, South Africa

This event aims to examine how the microfinance sector in Africa can provide alternative financial services that help alleviate poverty and create wealth. The registration fee is ZAR 7,500, with five passes available for the price of four. For additional information, you may visit <http://eltraining.co.za/conferences/microfinance.php> or contact Lucy Brown at [lucybrown\[at\]eltraining.co.za](mailto:lucybrown[at]eltraining.co.za) or +27 11 023 5601.

MORE DETAILS COMING SOON ON...

Mobile Payments & NFC World Summit 2012

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

Association of the Luxembourg Fund Industry

Socially Responsible Investing / Microfinance Conference

May 10, 2012, Luxembourg

Mobile Money Africa

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

Investing in African Youth:

Making Financial Services and Training Work

May 21 - May 22, 2012, Dakar, Senegal

Transformational Microfinance

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

~~CANCELLED: TBLI Conference Asia 2012~~

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

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

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

MF Tech 2012

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

Bottom of the Pyramid Housing Finance - Latin America

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

2012 Global Youth Economic Opportunities Conference

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

5th Convergences 2015 Forum

September 26 - September 28, 2012, Paris, France

Eighth International Microinsurance Conference

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

European Microfinance Week

November 14 - November 16, 2012, Luxembourg

PAPER WRAP-UPS

The Challenge of Understanding Pricing of Micro-loans

By Chuck Waterfield, published by MicroFinance Transparency, June 2011, 12 pages, http://www.mftransparency.org/pages/wp-content/uploads/2011/06/The-Challenge-of-Understanding-Pricing-of-Micro-Loans_Jun2011_ENG.pdf

This article explores the difficulties in understanding and comparing interest rates charged by microfinance institutions (MFIs), using Compartamos Banco of Mexico as its main example. The report cites as key challenges the lack of regulations requiring transparency in many countries in which MFIs operate and the misrepresentation of interest rates by some MFI staff.

In the example of Compartamos, a micro-finance bank founded in 1990, the bank communicates an interest rate of 4 percent per month to its clients, but charges 107 percent interest if calculated on an annual percentage rate (APR) method and over 150 percent when calculated using an effective interest rate (EIR) formula. According to information given by Compartamos to its clients, for a loan equivalent to USD 300, borrowers will make equal payments of USD 22 per week for 16 weeks for a total of USD 355. Mr Waterfield points out that, if a client continues to borrow and repay such loans for one year, the client

will pay USD 180 in interest on an average loan balance of USD 130.

Mr Waterfield also calls attention to the fact that Compartamos charges “flat-rate” interest, meaning borrowers are charged interest on the full amount of the loan each week even after they have repaid part of the balance. This contrasts with the “declining-balance” method, which involves calculating interest each period on only the outstanding loan balance. Taking into account the charging of flat-rate interest by Compartamos, the annual interest rate reaches 86 percent, rather than the 48 percent that might be expected from its claim to charge 4 percent monthly interest. In addition, Compartamos actually charges 4 percent interest every four weeks, not every month, which allows the bank to charge clients an extra “month” of interest each year. According to MFTransparency’s calculations, this raises the APR from 86 to 93 percent.

Compartamos also requires borrowers to save 10 percent of their loan amounts as soon as they receive the loans. If the borrower fails to repay, Compartamos seizes the money. Although borrowers never effectively receive the complete amount of their loan, they are still charged interest on this money.

In addition to these factors, many MFIs charge fees and commissions. Compartamos does not claim to charge any fees on the repayment schedules on its website, but it does charge the

15-percent value-added tax required by the Mexican government. This tax adds 13.4 percent to the APR, bringing it to 107 percent, which is approximately what Compartamos reports in the fine print of the repayment schedules on its website.

The report concludes that because of the challenges in calculating interest, it is common for MFIs to charge rates that are much higher than they appear. While truth-in-lending laws can help with this problem, transparency laws are absent in many countries in which MFIs operate. The author argues that it is essential to increase transparency worldwide to keep borrowers informed of the true cost of loans and allow them to make better choices about the funds they borrow.

Commitments to Save:

A Field Experiment in Rural Malawi

By Lasse Brune, Xavier Gine, Jessica Goldberg and Dean Yang; October 2010; 20 pages; available at: <http://www.moody.com/microsites/mic2010/presentationfiles/Yang.pdf>

Based on a field experiment in Malawi, this report indicates that accounts that restrict access to savings until a date of the saver’s choice improve savings levels. This allows savers, who often set release dates to coincide with the start of planting season, to invest more in planting. Positive effects were documented on crop sales and household expenditures in the months immediately after harvest.

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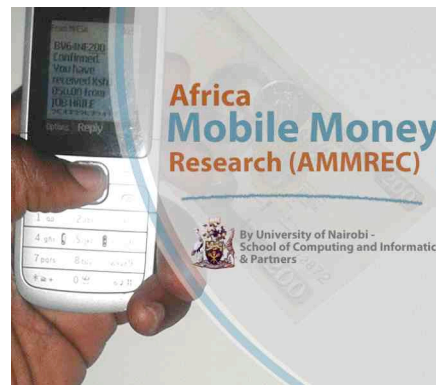
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Exploratory Analysis of Local Geographies of Need and the Proximity of Microfinance Service Providers in Nigeria

By Dr Adegbola A Ojo and Scott Gaul; published by Microfinance Information Exchange; January 2012; 14 pages; available at: [http://www.themix.org/sites/default/files/MBB-%20Exploratory Analysis of Local Geographies of Need and the Proximity of Microfinance Service Providers in Nigeria_0.pdf](http://www.themix.org/sites/default/files/MBB-%20Exploratory%20Analysis%20of%20Local%20Geographies%20of%20Need%20and%20the%20Proximity%20of%20Microfinance%20Service%20Providers%20in%20Nigeria_0.pdf)

This paper explores the relationships among local governments, the distribution of microfinance banks and various characteristics of the populations they serve. A negative correlation is found between informal employment and microfinance supply

Building Livelihoods: A Field Manual for Practitioners in Humanitarian Settings

Published by the Women's Refugee Commission, May 2009, 378 pages, available at: http://www.womensrefugeecommission.org/docs/livelihoods_manual.pdf

This wrap-up covers the "Microfinance Interventions" chapter of *Building Livelihoods*. That chapter describes the benefits of providing microfinance programs to displaced people as well as the potential mistakes of poorly planned interventions. It also recommends how to incorporate age-, gender-, ability- and conflict-sensitive approaches in such microfinance programs. Finally, it provides resources for developing interventions, mapping the needs of a targeted population and creating guidelines for monitoring and evaluation.

A case study of the American Refugee Committee, which provided loans to Liberian and Sierra Leonean refugees in Guinea and Liberia, Sudanese refugees in northern Uganda, and Burmese refugees in Thailand, indicates that serving displaced people allows them to create a positive credit history that can facilitate the use of microfinance services from linked providers in the area of return.

Concern Worldwide, an Ireland-based agency working with displaced populations, reportedly cites underfunding and rushing into design and planning as the main causes of failure for

microfinance interventions in war-affected areas. Other potential shortcomings of microfinance interventions include poorly defined client selection criteria and the provision of microfinance and relief programs by the same organization without using separate branding.

The report indicates that in order to determine the suitability of microfinance interventions in post-conflict environments there should be a certain degree of political and economic stability, a manageable inflation rate, a fairly stable client population and preexisting economic activities that are compatible with credit services.

Microfinance interventions are inappropriate as a first response, when basic human needs are unsatisfied. They are also unsuitable if services for a similar target group are already in place, when grants are provided in lieu of microfinance intervention or if laws of the host country restrict the displaced population from market activities. The authors suggest conducting thorough market research before taking any action. Poorly prepared programs discredit the concept of providing refugees with microfinance services resulting in the reduction of donor funding. Organizations should therefore ensure that they possess the necessary expertise before implementing an intervention.

The US Agency for International Development suggests five rules for lending in post-conflict areas: offer services that meet the needs of microentrepreneurs, cut costs by streamlining operations, use motivational tools

for timely repayments, charge full-cost interest rates and fees, and achieve sustainability via economies of scale. Regarding program design, the authors argue that an organization must consider local context, be responsive to the various stages of client life cycle and follow a "Do No Harm" methodology.

Sex, age and disability should not disqualify individuals as clients. Instead, programs should be tailored to address the needs of particular subgroups within the targeted population. For example, the report introduces approaches for implementing group savings and credit products for clients affected by HIV/AIDS.

The authors report that savings services are preferred over credit in conflict-affected areas, especially by women and youth. Business loans and microinsurance products can also be beneficial if designed to fit the circumstances of displaced communities. For example, short-term business loans and life insurance may be relatively successful.

The authors recommend ongoing program monitoring including measuring the demand for different products as it shifts over time. Monitoring can also help address unintended program results such as increased stress among female participants due to role reversals in income generation. Targeting women and youth does ensure economic and social empowerment. Beyond portfolio size and repayment rates, organizations should assess impacts in terms of access to health, education, nutrition, water and sanitation as well as other factors such as the preparation of displaced people for repatriation. 📧

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