

MICROCAPITAL BRIEFS | TOP STORIES

Frontier, Saama Place \$4m in Shubham Housing Finance of India

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

LOLC Microcredit of Sri Lanka Receives \$56m Syndicated Loan

Lanka Orix Leasing Company (LOLC) Micro Credit Limited, the microfinance arm of Sri Lankan financial service provider LOLC, has received a five-year syndicated loan of USD 56 million arranged by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, a Dutch public-private development bank that holds a 20-percent stake in LOLC Micro Credit. The Organization of Petroleum Exporting Countries Fund for International Development, a multilateral development finance institution based in Vienna; Societe de Promotion et de Participation pour la Cooperation Economique, a French public-private development finance institution; and Cordiant Capital, a Canadian investment company, participated with investments of undisclosed size. LOLC, which reports total assets equivalent to USD 1.1 trillion and deposits of USD 200 billion, was founded in 1980 by the World Bank Group's International Finance Corporation, the Sri Lankan government and Japan's Orix Corporation. January 10, 2013

Maruhan Japan Acquires Equity Stake in Sathapana of Cambodia

Maruhan Japan Bank, a financial institution with assets of USD 123 million, recently completed the acquisition of a stake in Sathapana Limited, a Cambodian microfinance institution (MFI). Neither the price nor the percentage of the stake has been disclosed. Maruhan provides funding and management support to nine Cambodian MFIs. Sathapana reports total assets of USD 108 million, a gross loan portfolio of USD 95 million and deposits of USD 39 million. Maruhan Japan Bank is a subsidiary of Japan's Maruhan Corporation, which also operates food and gaming operations. January 9, 2013

Bank of Ghana Shuts Down 7 MFIs Operating Without Licenses

The Bank of Ghana (BG), the country's central bank, reportedly has closed down the following microfinance banks for failing to comply with a July 2012 deadline to obtain operating licenses: Busy Fingers, Divine Micro-Finance, Emends Micro-Finance, Equip Susu Micro-Finance, Mfa Micro-Finance, Multi Credit Micro-Finance and Unity Trust Micro-Finance. BG reportedly has cautioned the public not to engage with institutions that fail to display their operating licenses. Franklin Belnye, head of the BG banking supervision department, was quoted as having said, "[T]he rate of growth in the sector has brought to the fore the urgent need to strengthen its regulation and supervision to streamline its operations." December 31, 2012

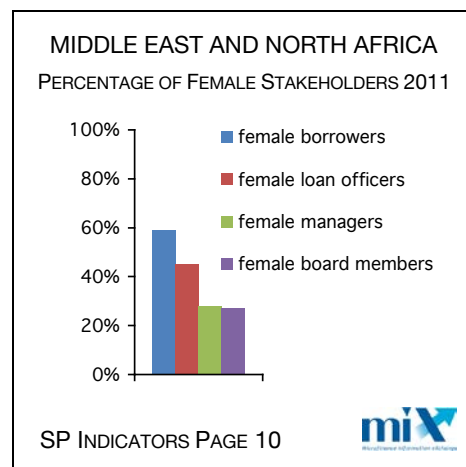
IFC Loans Banco G&T \$100m for Central American SMEs

Banco G&T Continental, a commercial bank based in Guatemala, recently borrowed USD 100 million from the International Finance Corporation (IFC) Capitalization Fund, which is managed by the World Bank Group's IFC. The loan is intended to help Banco G&T expand its services for small and medium-sized enterprises in Costa Rica, El Salvador and Panama. Banco G&T has total assets of USD 4.8 billion and 340 branches in Central America and the US. December 20, 2012

Nigerian Firm May Have Violated Mobile Banking Regulations

An unnamed telecommunications company reportedly is under investigation by the Central Bank of Nigeria (CBN) regarding a mobile banking service it operates in partnership with two domestic banks. CBN Governor Sanusi Lamido Sanusi reportedly warned that mobile banking services are to be administered by CBN-regulated banks rather than telecommunications companies. Governor Sanusi added that the matter is being investigated for the primary purpose of protecting depositors. December 14, 2012

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MICROCAPITAL BRIEFS

Fondazione Giordano Dell'Amore, EMN Offer \$66k Award

Through February 10, Italy's Fondazione Giordano Dell'Amore and the Belgium-based European Microfinance Network are accepting applications for the Giordano Dell'Amore Microfinance Good Practices Europe Award, which includes a prize equivalent to USD 66,000. Details may be found at <http://www.fgda.org>. January 17. 2013

Nigeria's Bank of Industry to Launch Microcredit Fund

The Nigerian government's Bank of Industry (BOI), which reports assets equivalent to USD 1.4 billion, recently announced plans to establish a microcredit fund that will disburse an unspecified level of funding via microfinance banks. BOI Managing Director Evelyn Oputo was quoted as having said, "BOI has identified some gaps in terms of funding, capacity building and mentoring amongst other challenges facing a segment of potential entrepreneurs who are either unserved or under-served vis-a-vi[s] access to finance and other developmental support services." Among those slated to participate in the effort are Organised Private Sector, a lobbying group, and the Association of Local Governments of Nigeria. January 17. 2013

Myanmar Cites Microfinance as Key Part of Development Plans

President U Thein Sein of Myanmar reportedly has prioritized the creation of microfinance banks as part of an effort to increase private investment and alleviate poverty in the country. The announcement was made ahead of the First Myanmar Development Forum, which is intended to create a national development plan for aid groups and foreign investors. January 16. 2013

Nigeria's Cross River State Assembles \$1.2m for SMEs

The government of the Nigerian state of Cross River and the federal government's Bank of Agriculture reportedly have each committed the equivalent of USD 630,000 to support lending to small and medium-sized enterprises involved in agriculture in the state. January 16. 2013

Absolute's Dual Return Funds Loan \$11m to MFIs

Austria's Absolute Portfolio Management has notified MircoCapital that its Dual Return-Vision Microfinance and Dual Return-Vision Microfinance Local Currency funds loaned a total equivalent to USD 11.75 million during December 2012. While not all of the investees were named, the local currency equivalent of USD 1.5 million was disbursed to Pro Mujer Bolivia, which reports a gross portfolio of USD 43 million and is an affiliate of nonprofit Pro Mujer, a provider of financial and other services in five Latin American countries. FINCA Tanzania, which reports USD 24 million in assets and is an affiliate of the US-based microfinance network FINCA International, received a two-year renewal on a loan of USD 750,000. Tanzania's Promotion of Rural Initiative and Development Enterprises Limited, which has a loan portfolio of USD 37 million, borrowed USD 1.5 million for 18 months. January 15. 2013

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Microcredit Loans in China Increase 52% to \$96b in 2012

Chinese microcredit companies reportedly experienced a 52-percent increase in loans outstanding during 2012 to the equivalent of USD 96 billion. Since the Chinese government began allowing the establishment of microcredit companies in 2005, the number of microfinance institutions in the country has grown to 2,000. January 15. 2013

responsAbility Loans \$11m in Armenia, Lebanon

ResponsAbility Social Investments of Switzerland recently informed MicroCapital that it loaned USD 10 million to Araratbank, an Armenian deposit-taking bank serving 24,000 consumers and micro-, small and medium-sized enterprises. Araratbank holds a loan portfolio of USD 117 million. In addition, responsAbility loaned USD 1.5 million to Al Majmoua, a nonprofit microcredit organization known in English as the Lebanese Association for Development. Al Majmoua provides group and individual loans primarily in rural areas, and it launched a product for small and medium-sized enterprises in 2011. Al Majmoua has a loan portfolio of USD 29 million and 35,000 clients. January 15. 2013

Global Partnerships to Loan Up to \$500k for Guatemalan Women

Global Partnerships, a US-based nonprofit, has agreed to loan up to USD 500,000 to Friendship Bridge, another US-based nonprofit that provides rural Guatemalan women with business and preventive health education as well as loans carrying terms of 4 to 12 months to groups of seven to 25 women. Friendship Bridge, which has a loan portfolio of USD 3.6 million and 14,000 borrowers, will also receive support from Global Partnerships in scaling-up its operations in an effort to attain self-sufficiency for its microcredit program. January 13. 2013

Smartlink, Singapore's Tagit Launch Mobile Banking in Vietnam

Tagit, a mobile technology company based in Singapore, reportedly has partnered with Vietnamese mobile payment provider Smartlink to launch a mobile banking service that will link customers of 51 financial institutions and insurance providers in Vietnam. The platform is expected to allow 120 million mobile users to transfer funds, pay bills and check balances from their devices. January 12. 2013

India Cuts Microinsurance Paperwork Requirements

In an effort to boost financial inclusion, the Insurance Regulatory and Development Authority of India will no longer require written confirmation from banks as proof of residence from those seeking to purchase microinsurance. Instead, passbooks and bank account statements that include residential details will suffice. January 11. 2013

Bank of China (Hong Kong) Offers Microfinance Loans, Training

The Bank of China (Hong Kong) Limited, a commercial banking group with assets equivalent to USD 214 billion, recently launched its "Microfinance Scheme," which provides training and loans to those seeking to "become self-employed or achieve self-enhancement through training, skills upgrading or obtaining professional qualifications." The maximum amount for a self-enhancement loan is USD 12,900, and business start-up loans may be three times as large. Participants may also access mentoring and entrepreneurship training. January 9. 2013

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

Zimbabwe's SEDCO Seeks Microsavings to Bailout Itself

Zimbabwe's cabinet reportedly has approved a proposal by the publicly funded Small Enterprises Development Corporation (SEDCO) to set up a microfinance bank with the intent of recapitalizing the state enterprise with deposits collected from cooperatives and small and medium-sized enterprises. SEDCO also intends to auction some of its properties to raise part of the estimated USD 30 million it needs to regain its financial footing. SEDCO's difficult financial position has been attributed to inadequate funding, the size of its tax bill and a default rate of 20 percent on loans it has disbursed. January 9. 2013

Sudanese Nonprofit Obtains \$100k from Islamic Solidarity Fund

Al-Jam'iya Al-Afriqiya Al-Khayriya li-R'ayat Al-Umuma wa At-Tafula, a Sudanese NGO, reportedly has signed an agreement to access USD 100,000 from the Islamic Solidarity Fund, a Palestinian fund of the Organisation of Islamic Cooperation. The money will be used to establish 225 microfinance projects targeting widows and poor women in the outskirts of Khartoum. Further information on the transaction, such as whether it is a loan or a grant, is unavailable. Based in Saudi Arabia, the Organisation of Islamic Cooperation has 57 member countries and aims to promote peace by "protecting the interests of the Muslim world." January 9. 2013

Uganda Mobile Money Firm Deemed Uncooperative in Fraud Case

Uganda's Criminal Intelligence and Investigations Directorate (CIID) reportedly has indicated that mobile money fraud comprises the largest number of cases lodged with its economic crimes unit. Acting Economic Crimes Commissioner Susan Kalukusu stated that her department is investigating a recent theft of the equivalent of USD 36,000 by three employees of an unnamed mobile money service provider. One of the employees was fired by the provider before an investigation could take place, against CIID instructions, and the firm refused to provide CIID with a listing of the transactions in question. Godfrey Yiga Masajja, the deputy director of commercial banking at the Bank of Uganda, was quoted as saying, "Our role as Central Bank is to regulate any organization with a financial aspect and soon we shall take over." The Uganda Communications Commission and the Ugandan Mobile Money Agents Association are slated to work with the Bank of Uganda in developing a new regulatory framework. January 8. 2013

ACLEDA Bank of Cambodia Borrows \$40m from IFC Fund

The IFC Capitalization Fund, a global equity and subordinated-debt vehicle founded by the World Bank Group's International Finance Corporation (IFC) and the Japan Bank for International Cooperation, recently issued a subordinated loan in the amount of USD 40 million to ACLEDA Bank Plc of Cambodia. ACLEDA CEO In Channy noted that, "IFC's subordinated debt will support ACLEDA's continued efforts to offer financing to small and medium enterprises... [and] ACLEDA Cambodia's growth plan domestically and in neighboring countries." IFC holds equity stakes in ACLEDA Bank and its subsidiary ACLEDA Bank Laos. ACLEDA, which recently launched operations in Myanmar, reports total assets of USD 1.5 billion, a gross loan portfolio of USD 1 billion, deposits of USD 1.1 billion, return on assets of 3.7 percent and return on equity of 32 percent. January 8. 2013

EFSE Loans \$17m to Agricovert, Banca Transilvania of Romania

Luxembourg's European Fund for Southeast Europe (EFSE) recently loaned the euro-equivalent of USD 10.5 million to Agricovert Credit, a non-banking financial institution in Romania that is focused on agriculture. Banca Transilvania of Romania, which has assets of USD 8.5 billion, borrowed USD 6.6 million from EFSE, which holds a label from the nonprofit Luxembourg Labeling Agency certifying that it invests in the microfinance sector. Financial information for Agricovert Credit is unavailable. January 8. 2013

MicroCapital Deal of the Month

Frontier, Saama Make \$4m Equity Placement in Shubham Housing Finance of India

Frontier Investments Group, an investment vehicle owned by US-based nonprofit Accion, recently announced that it and Saama Capital, an investment firm in India, invested a total of USD 4 million in equity in India's Shubham Housing Development Finance Company. Shubham primarily provides mortgages and home-improvement loans to low-income Indians, particularly in urban areas. According to Monica Brand, head of Frontier, "Shubham's innovative operating model has the potential to change the way significant numbers of urban Indians live - by delivering critical financial services to self-employed, low-income people." The investment brings Shubham's capitalization to USD 8 million. Shubham has 25 branches in seven Indian states. Financial data on the investors is not available, but Accion reports an active loan portfolio of USD 5.5 billion serving 5.1 million borrowers. The breakdown of the investment between the investors has not been released.

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EFSE Loans \$8m to Banka Respublika of Azerbaijan, ProCredit BiH

The European Fund for Southeast Europe (EFSE), a microfinance investment vehicle based in Luxembourg, recently loaned USD 4.9 million to Banka Respublika Open Joint Stock Company of Azerbaijan. EFSE also made a euro-denominated loan worth USD 3.2 million to ProCredit Bank, a microfinance institution in Bosnia and Herzegovina that is part of Germany's ProCredit Holding. This funding will be used to finance micro- and small enterprises. ProCredit Bank reports total assets of USD 205 million, a gross loan portfolio of USD 163 million and deposits of USD 139 million. ProCredit Holding consists of 21 banks in Eastern Europe, Latin America and Africa. Financial information for Banka Respublika is unavailable. January 8. 2013

Nepal to Require Insurers to Offer Agriculture, Livestock Cover

The insurance regulatory authority of Nepal, Beema Samiti, reportedly plans to require non-life insurance companies to offer cover for crops and livestock with an annual insurance premium equal to 5 to 7 percent of the value insured. "The absence of proper insurance of crops, livestock and poultry has deterred financial institutions from financing agro projects," according to a statement attributed to Bhaskar Mani Gyanwali, spokesperson for the country's central bank. No licensed insurance companies now provide this insurance, and the microfinance institutions, cooperatives and NGOs that do so cover only amounts less than the equivalent of USD 1,100. January 8. 2013

Online Fundraiser Wafaa Provides Interest-free Loans to Muslims

Wafaa, a UK-based website that accepts loans as small as USD 20, has gathered funds from 274 lenders enabling it to lend USD 2.7 million to six field partner microfinance institutions for on-lending interest-free to poor Muslims in the Middle East and North Africa. Those who loan money via Wafaa may withdraw the money only if it is repaid, and - in accordance with Islamic law - they do not earn interest. January 7. 2013

Pakistani Province May Cut Microloan Program Due to Militancy

Bacha Khan Khapal Rozgar, a self-employment scheme funded by the government of the Pakistani province of Khyber Pakhtunkhwa, may be discontinued in areas that continue to experience militant activity. The program, which is administered by the government's Bank of Khyber (BK), reportedly has been successful in supporting enterprises such as motorcycle taxis and small stores in militant-affected areas such as the cities of Mingora and Tank. The program, which charges a fee of 4 percent on loans disbursed in lieu of interest "... for people opposed to interest payment on religious grounds," has served 16,000 individuals and garnered government allocations totaling the equivalent of USD 23 million since its launch in 2011. January 8. 2013

Mobile Banking Accounts in Pakistan Up 25% to 1.8m in 3 Months

Recent data from the State Bank of Pakistan indicate that the number of mobile bank accounts in Pakistan increased 25 percent to 1.8 million during the quarter ending in September 2012. Mobile banking customers reportedly completed 32 million transactions worth a total equivalent to USD 1.4 billion. During the same period, branchless banking agents facilitated USD 6.6 million in microloan repayments according to Pakistani newspaper *The Nation*. January 7. 2013

EFSE Loans \$33m to Garanti Leasing of Turkey

The European Fund for Southeast Europe of Luxembourg recently loaned the equivalent of USD 33 million to Garanti Leasing, a subsidiary of Turkey's Garanti Bank that provides real estate and equipment leasing services, to boost its lending to micro-, small and medium-sized enterprises (SMEs) particularly in rural areas. Garanti Leasing General Manager Unal Gokmen stated that, "The loan will not only strengthen our penetration to [the] SME and [microenterprise] market but also will leverage our reputation in international markets." Garanti Bank reports total assets of USD 96 billion. January 7. 2013

IFC Loans \$15m to AccessBank of Azerbaijan

The World Bank Group's International Finance Corporation (IFC) recently loaned USD 15 million to AccessBank of Azerbaijan to supplement its lending to micro-, small and medium sized-enterprises, particularly in rural areas. IFC Regional Manager for the South Caucasus Thomas Lubeck stated that, "This cooperation is yet another step forward in implementing our strategy in Azerbaijan to foster...the non-oil sectors." IFC owns a 20-percent stake in AccessBank, which reports a gross loan portfolio of USD 376 million, deposits of USD 178 million, a return on assets of 4.7 percent and return on equity of 21 percent. Access Microfinance Holding of Germany holds stakes in AccessBank and five other microbanks in Africa. January 7. 2013

Financial Literacy Training to Benefit 1,000 Loan Officers in Sudan

Silatech, a Qatari enterprise that aims to increase employment and entrepreneurship among youth in Arab countries, recently delivered a three-day "Financial Literacy Training of Trainers" program to 20 instructors from the Sudan Academy for Banking and Financial Sciences. These instructors will now offer a four-month microfinance program to 1,000 credit officers in Sudan. The course, which covers budgeting, saving and debt management, was developed by US-based NGOs Microfinance Opportunities and Freedom from Hunger. January 4. 2013

Nepalese Confederation to Establish \$1m Social Business Fund

The Confederation of Nepalese Industries, a body of 50 large and medium-scale manufacturing and service-sector businesses in Nepal, reportedly has promised to establish a USD 1 million social business fund over the next three years. The announcement came in response to a speech made in the country by Dr Muhammad Yunus, the founder of the Grameen Bank of Bangladesh, in which he urged the development of social businesses as a method to boost employment. January 3. 2013



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Rwandan Women Wooed to Become Tigo Mobile Money Agents

Millicom International Cellular, a Luxembourg-based telecommunications company also known as Tigo; the Cherie Blair Foundation for Women, a UK-based charity promoting entrepreneurship; and the US Agency for International Development have partnered to convince 4,000 women in Rwanda to become Tigo mobile money agents. Over 18 months, the initiative is to offer financial literacy and business development training as well as access to 12-month working capital loans to be disbursed via unspecified microfinance institutions. Participants are to become TigoCash agents that can accept cash, allowing customers to send money via mobile phones to other mobile phone users and to make retail purchases. January 3. 2013

In Nepal, Mission Drift and the Suggestion of Subsidized Rates

At a recent event in Katmandu, Chief Executive Shankar Man Shrestha of the Rural Microfinance Development Center, a lender-owned provider of wholesale loans to Nepalese microfinance institutions (MFIs), reportedly said, "Despite the huge contribution towards poverty alleviation, MFIs now are showing signs of mission-drift due to expectations of exponential profits. The practice of hiding bad loans and snatching clients or insisting on multiple lending will hurt them." Deputy Governor Gopal Prasad Kafle of Nepal Rastra Bank, the country's central bank, added that borrowers pay more interest because MFIs distribute dividends of up to 28 percent, but said "if the government wants the poorest of the poor to get loans at lower interests, it should subsidize either the operating cost or the interest rate." January 3. 2013

IFC Loans \$5m in Dominican Republic for Housing, SMEs

The International Finance Corporation (IFC), a member of the World Bank Group, reportedly has lent the local-currency equivalent of USD 4.8 million to Asociacion La Nacional de Ahorros y Préstamos, a microfinance institution in the Dominican Republic, to increase its lending for housing and small and medium-sized enterprises. According to Francisco Melo, vice president of La Nacional, "Providing housing loans to low- and middle-income individuals is our mission, especially for those outside large urban centers across the Dominican Republic." La Nacional reports total assets of USD 491 million, a gross loan portfolio of USD 299 million and USD 420 million in deposits. January 2. 2013

Nigeria Threatens to Shut Down MFIs Not Meeting IFRS

Nigeria's Corporate Affairs Commission, a regulatory body, reportedly has warned microfinance banks (MFBs) in the country that they risk being shut down in 2013 if they do not adhere to the International Financial Reporting Standards (IFRS), a set of standards meant to harmonize accounting practices that are promoted by the UK-based IFRS Foundation. Executive Secretary Jim Obazee of the Nigerian government's Financial Reporting Council, reportedly believes that many MFBs pretend not to understand IFRS, stating, "We need to stop these play-around organizations." Small and medium-sized enterprises in the country have until 2014 to transition to the use of the standards. January 1. 2013



Kenya Bankers Association Opens Membership to MFIs

The Kenya Bankers Association, whose activities include lobbying on behalf of its 43 members, reportedly has revised its rules to accept deposit-taking microbanks as members. December 31. 2012

Ujjivan of India Cuts Some Microloan Interest Rates to 24%

Ujjivan Financial Services, a microlender in India, recently decreased the interest rate it charges on new group loans to 25 percent per year from 26 percent. The rate for loans to returning group and individual customers is now 24 percent per year, also reduced from 26 percent. No change in the rate for first-time loans to individuals was disclosed. According to Managing Director Samit Ghosh, Ujjivan has "undertaken a number of measures to improve the efficiency of operations to reduce costs and take advantage of the economies of scale based on our 300-branch nationwide presence.... In accordance with the directions of the Reserve Bank [of India], the benefits are being shared with our customers by reducing the interest rates." Ujjivan reports total assets of USD 146 million, a gross loan portfolio of USD 126 million, return on assets of 0.24 percent, return on equity of 1.1 percent and 855,000 active borrowers. December 28. 2012

Oikocredit Names David Woods as Managing Director

Oikocredit, a Dutch cooperative investment fund, recently appointed David Woods as managing director, following the retirement of Ben Simmes. Mr Woods previously worked for Dutch bank ABN AMRO and several financial organizations in the United Arab Emirates. As of 2010, Oikocredit reported USD 900 million in assets and 790 investees, of which 596 were microfinance institutions. December 27. 2012

EBRD Loans \$56m in Macedonia, Serbia for SMEs

The UK-based European Bank for Reconstruction and Development (EBRD) recently announced plans to disburse loans worth the euro-equivalent of USD 17 million to Ohridska Banka, a Macedonian subsidiary of French bank Societe General. Ohridska, which reports total assets of USD 520 million, focuses on serving small and medium-sized enterprises (SMEs). EBRD also disbursed a five-year loan worth USD 39 million to Banca Intesa Beograd, a commercial bank in Serbia, for on-lending to SMEs. Banca Intesa Beograd, which reports total assets of USD 4.9 billion, is majority-owned by Intesa Sanpaolo Group, an Italian banking group with subsidiaries in 12 European countries. December 24. 2012

Moroccan Microfinance Tax Exemption Set to Expire

The Moroccan government recently forecast that microcredits will create 2 million permanent jobs over the next 10 years, a doubling of its previous forecast. In this context, the country's budget minister, Idriss Azami, reportedly recommended that parliament extend the value-added tax exemption that was established in 2006 in an effort to expand the microfinance sector. The exemption is due to expire at the end of 2012. December 21. 2012



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Indian Banks Require MFIs to Have Codes of Conduct Audited

The Small Industries Development Bank of India, the State Bank of India, ICICI Bank, HDFC Bank and HSBC, which account for an estimated 80 percent of loans to microfinance institutions (MFIs) in India, have made it compulsory for MFIs to undergo third-party assessments of their codes of conduct before receiving further loans. The assessment is in addition to the credit ratings previously required. Model codes of conduct cover such areas as limiting multiple lending and collections practices. December 21, 2012

Zimbabwean Facility to Counter Interest Rates of 40% per Month

At the recent launch of the Zimbabwe Microfinance Wholesale Facility (ZMWF), Norman Mataruka, the registrar of banking institutions for the Reserve Bank of Zimbabwe, reportedly claimed that microlenders in the country charge interest rates as high as 40 percent per month. Ethel Hlabangana, acting secretary of Zimbabwe's Ministry of Small and Medium Enterprises and Cooperative Development, expressed hope that ZMWF would spur lower microloan interest rates. ZMWF has approved loans totaling USD 735,000 to eight undisclosed MFIs at interest rates of 9 to 16 percent per annum. ZMWF was founded in 2011 by the 72-member Zimbabwe Association of Microfinance Institutions in collaboration with Hivos of the Netherlands, the UK Department for International Development and Germany's Deutsche Gesellschaft für Internationale Zusammenarbeit. December 21, 2012

CBZ Bank, Econet Wireless Offer Mobile Banking in Zimbabwe

CBZ Bank, a retail bank formerly known as the Commercial Bank of Zimbabwe, recently partnered with the local affiliate of South Africa's Econet Wireless to allow CBZ customers to access their bank accounts via mobile phone using the Ecocash service. CBZ Executive Director Collins Chimutsa reportedly noted that, "At present, a number of Zimbabweans are operating without a bank account, and by having this partnership on the Econet subscription of about seven million effectively means that we are now opening the banking services to all Zimbabweans." About USD 300 million has been transferred through Ecocash since its launch in 2011. December 20, 2012

Investors Shifting Focus from MFIs to NBFCs in India?

Investors previously interested in microfinance institutions (MFIs) in India reportedly are seeking to invest in non-banking financial companies (NBFCs), which, unlike MFIs, are regulated by the Reserve Bank of India. NBFCs may access a wider range funding types than MFIs and can facilitate the acquisition of shares, stocks and bonds. NBFCs are barred from accepting demand deposits and issuing checks, however. Michael van den Berg of Dutch microfinance investment manager Triple Jump reportedly attributed the interest in NBFCs to their internal rates of return of 15 to 20 percent, which is on par with that of MFIs. In addition, NBFCs tend to issue larger loans than MFIs - up to the equivalent of USD 730 - and serve a wider clientele including small and medium-sized enterprises. December 19, 2012

EBRD Loans \$13m to BT Leasing Transilvania of Romania

The UK-based European Bank for Reconstruction and Development recently loaned the equivalent of USD 13 million to BT Leasing Transilvania, a subsidiary of Romania's Banca Transilvania, for on-lending to small and medium-sized enterprises. While financial information for BT Leasing Transilvania is unavailable, Banca Transilvania reported total assets of USD 6.5 billion as of 2010. December 19, 2012

IFC Launching Business Edge Training Program in South Sudan

The International Finance Corporation (IFC), an arm of the World Bank Group, recently agreed to expand its Business Edge training program to South Sudan in an effort to aid small businesses with management skills upgrades relating to "business performance and competitiveness." IFC also has worked in the country, which achieved independence from Sudan in 2011, to "establish a legal and regulatory framework for investment" as well as establishing partnerships intended to increase investment in agriculture and health. December 19, 2012

CreditEase Inclusive Finance Fund Loans \$800k to Chinese MFIs

CreditEase, a Beijing-based wealth management firm, recently delivered local currency totaling the equivalent of USD 800,000 from its Inclusive Finance Wholesale Fund (IFWF) to five rural microcredit NGOs in China. This is half of the amount that IFWF has raised since it was established in 2011. CreditEase charges interest rates between 10 and 20 percent per annum and a service fee between 1 and 10 percent. The only beneficiary that has been named is Xi Xiang Women's Development Association of the municipality of Hanzhong in the province of Shaanxi. Xi Xiang reportedly charges clients 11.76 percent per annum with four installments due during the one-year term of each microloan. Data on other funding sources that Xi Xiang may use to offset its expenses are not available. Xi Xiang reports total assets of USD 1 million, a gross loan portfolio USD 1 million, 1,400 active borrowers, return on assets of 1.6 percent and return on equity of 4.4 percent. December 18, 2012

Kazakhstan Looks to Triple Microloan Volume

Kazakhstan's Minister of Labor and Social Protection of Population, Serik Abdenov, reportedly has stated that his government aims to grow the microloan portfolio in the country to the equivalent of USD 80 million and boost the amount of microcredit loans by three and a half times within the next year. While details remain scarce, it seems that Minister Abdenov was referring to government-backed microloans. The ministry also will aim to tighten borrower requirements while simplifying procedures. One of the goals of the moves is to bring the estimated 300,000 self-employed people in the country that do not participate in the pension and social insurance systems into those programs. The 46 microfinance institutions in Kazakhstan that report 2011 data to the US-based nonprofit Microfinance Information Exchange report outstanding loans totaling USD 263 million. December 18, 2012



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EU to Give Jordan \$33m for Microfinance over 3 Years

The EU has agreed to provide funding equivalent to USD 33 million to support Jordan's 2012-2014 plan to establish a nationwide microfinance program. The program is part of an EU initiative intended to bring democratic reforms to the nation. The microfinance program previously gained the support of German development institutions Kreditanstalt für Wiederaufbau Bankengruppe and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, which will advise the Jordanian government in analyzing its legal framework for microfinance. December 18, 2012

FMO Donates \$210k to Incofin for Capacity Development Facility

Dutch public-private development bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO) has agreed to fund technical assistance worth the equivalent of USD 210,000 to five unspecified microbanks that have received investments from the Rural Impulse Funds of Incofin Investment Management, a Belgian manager of microfinance investments worth USD 425 million. This is the fourth in a string of similar commitments dating to 2008 that have supported a total of 14 microfinance institutions. December 18, 2012

Incofin Lends \$1m to FUNDESER of Nicaragua

Belgian microfinance fund manager Incofin Investment Management recently loaned USD 1 million to Fundación para el Desarrollo Socioeconómico Rural (FUNDESER), a Nicaraguan nonprofit microlender, through its Rural Impulse Fund II. FUNDESER will use the funds to aid individuals in rural areas, specifically in the agricultural and trade sectors. Incofin will also provide technical assistance to FUNDESER as it seeks to convert into a regulated financial institution. Although the reason FUNDESER seeks to become a regulated institution has not been disclosed, microfinance institutions sometimes take this step to expand the types of investment they are allowed to accept. FUNDESER offers loans for working capital, home improvement and education through 18 branches. FUNDESER reports total assets of USD 17 million, a gross loan portfolio of USD 13 million, 25,000 active borrowers, return on assets of 0.39 percent and return on equity of 6 percent. December 17, 2012

SKS of India Securitized \$10m in Loans, Stock Hits 52-Week High

SKS Microfinance, an Indian microlender, reportedly has securitized receivables from 64,500 microloans worth the equivalent of USD 10 million into a special-purpose vehicle for which pass-through certificates have been purchased by an unspecified entity. The size of the average securitized loan is USD 210. Following the transaction, SKS shares rose to USD 3.39, the highest price they have reached in the last year. SKS reports a gross loan portfolio of USD 249 million disbursed to approximately 3.9 million borrowers, return on assets of -50 percent and return on equity of -130 percent. December 17, 2012

RBI: No to Islamic Banking; Yes to Financial Education

At a recent event, Reserve Bank of India Governor Duvvuri Subbarao reportedly ruled out the implementation of Islamic banking in the country in the near-term, citing the need for a new law to allow the practice. Governor Subbarao also argued in favor of increasing financial education in grade schools and colleges in an effort to increase financial inclusion. He reportedly claimed that increased financial literacy would also support the government in its effort to disburse subsidies and state-sponsored scholarships to students via bank transfer in order to reduce costs including losses due to malfeasance. At the same event, the chief minister of the state of Kerala, Oommen Chandy, reportedly encouraged banks to increase the provision of education loans. December 17, 2012

Century Microfinance of Kenya Seeks Cash for Agribusiness Fund

Century Deposit Taking Microfinance, a microfinance institution established in 2012 in Kenya, is seeking to create an agribusiness fund through "share capital mobilization, fund raising from development organizations and partnerships based on credit guarantees." The funds would be used to provide collateral-free loans ranging in size from USD 70 to USD 12,000 for farmers seeking to increase production for export. No financial information is available on Century, which is majority owned by domestic investors. December 15, 2012

Banks in Indonesia Claim Readiness for Branchless Banking

A group of Indonesian banks reportedly has announced that its systems will be ready to handle branchless banking during 2013 pending the issuance of authorizing regulation from Bank Indonesia, the country's central bank and financial regulator. Budi Gunadi Sadikin, the managing director for micro and retail banking for state-owned Bank Mandiri, reportedly said, "Telecommunication operators have more than 300,000 to 400,000 spots at which phone vouchers are sold. Banks want to have access to these spots." December 13, 2012

Arab Spring Foundation Seeks to Raise \$5b for Jobs in MENA

The Arab Spring Foundation for Entrepreneurship and Employment, also known as the Farasee Foundation, has been created to launch the "1 million jobs for Middle East and North Africa (MENA)" initiative, which will seek investments from institutional investors and sovereign funds to develop jobs and improve food security. The first phase of the initiative entails raising USD 1 billion to fund micro-, small and medium-sized enterprises in Morocco in an effort to stimulate growth in agribusiness. By way of joint venture and profit sharing, the micro-investments will comply with Islamic law, which prohibits the charging of interest. Future phases of the effort are intended to raise an additional USD 4 billion to be deployed in other countries in MENA. Farasee Foundation has offices in the United Arab Emirates and Morocco. December 11, 2012

Central Bank of Nigeria: Microfinance Reserves Go Negative

The Central Bank of Nigeria reportedly has stated that the total assets held by microfinance banks (MFBs) in the country increased by 3 percent to the equivalent of USD 1.3 billion during the six months ending in June 2012. However, aggregate reserves decreased from USD 12.8 million to negative USD 10.2 million. Separate data from the Nigeria Deposit Insurance Corporation indicate that MFBs reduced the amount of credit extended to clients in 2011 due to heavy investment in fixed assets. December 10, 2012

CEO of Ghana's Mighty Microfinance: Expand to Rural Areas

CEO Sampson Ahmed of Mighty Microfinance Company, which has nine branches in Ghana, recently called on microfinance stakeholders in the country to focus on expanding operations to rural areas: "Most firms are based in the cities, not realizing that there are some rural areas that we have to serve...I want to tell my colleagues to focus on the rural areas to help people with loans and advi[c]; they should come to the needs of the farmers and support the rural areas to develop." December 10, 2012

Non-performing Loans to Indian Self-help Groups Hit \$400m

India's National Bank for Agriculture and Rural Development recently released a report entitled "Status of Microfinance in India, 2011-12" that indicates lenders in India cut back their exposure to self-help groups (SHGs) during the year ending March 2012 as non-performing assets owed by SHGs rose from the equivalent of USD 270 million to USD 406 million. An SHG generally includes about 25 women that work together to borrow and save. December 7, 2012

FIELD NOTES

Confessions of a Slow Adopter: On the Demand for Mobile Money

I have a confession to make. I have a rocky relationship with technology. It started in college circa 1987 when one of my roommates tried to muffle up our bohemian image with a brand new Macintosh personal computer (the beige box I scoffed at back then looks pretty bohemian to me now!). It was 25 years later before I bought my first Mac. You might categorize me as a slow adopter. Maybe I needed education on why the Mac would save me lots of time and money. But I had plenty of time in college and quite a low opportunity cost, so learning a new technology did not really promise to revolutionize my life.

More recently, I have adopted other technologies quite quickly (perhaps because my opportunity costs are much higher today!). My PayPal account dates back to the year the service was founded. When my bank started taking checks through its automated teller machine, I was there. Photo deposits? Xoom.com? I'm on it.

I am thinking about all this in light of the "hype" as well as critical thinking that has emerged over the course of 2012 around financial access, technology and - most specifically - mobile banking. In December, Daniel Radcliffe and Rodger Voorhies, thought leaders at the US-based Bill & Melinda Gates Foundation, published "A Digital Pathway to Financial Inclusion," which summarizes some of the main issues around digital money. The paper notes that mobile money has been a boon for facilitating money transfers and has great potential for other payments as well as credit, savings and insurance services. There has been great excitement in places like Kenya and among customers in

other countries who can now use mobile phones to send and receive money between towns: a great first step for mobile, particularly in countries where transportation is a challenge. The next step, in my opinion, is to better understand the opportunity costs, preferences and perceptions of potential customers (influenced by scandals such as those that recently occurred at MTN Uganda, perhaps?), as these issues will be key to understanding the demand side of the mobile equation. For example, for some, saving with a neighbor may be as convenient as using a phone, which doesn't take physical bills or coins. The benefits of mobile money need to be spelled out more clearly as we look to offer low-income customers new mobile solutions.

Understanding the demand side will help influence the supply side as well. One bank that I know of recently shelved plans to work on mobile access for its low-income customers, suggesting that the required long-term investment in education and infrastructure was not attractive given the expected (slow) pace of adoption. So I would like to challenge some of you with a New Year's resolution to understand slow adopters. There are more of us than one might like to believe. And we are not likely to move quickly unless the new technologies offer us something that we believe to be much better than our current alternatives.

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\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).



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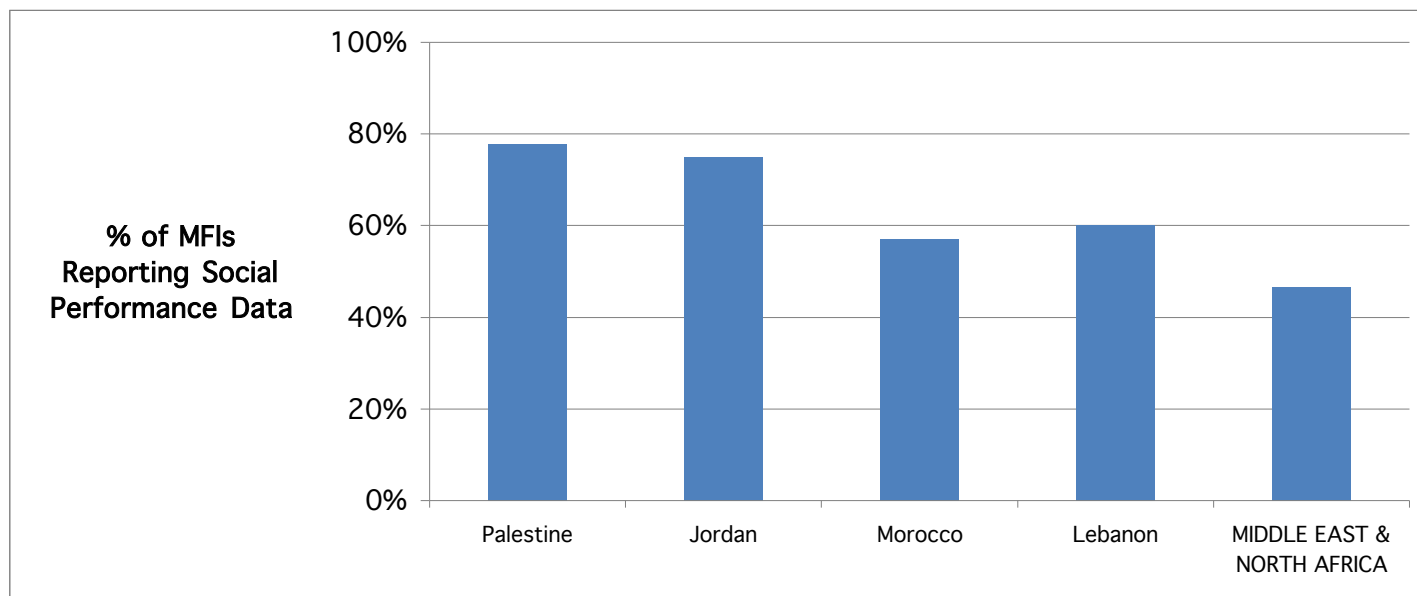


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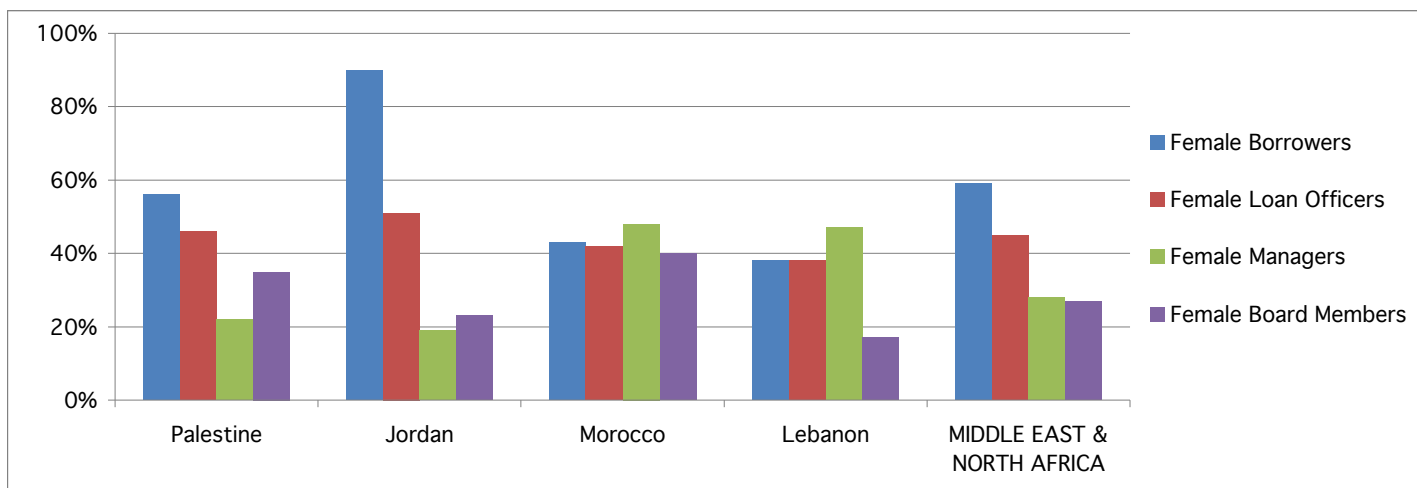
58 MICROFINANCE INSTITUTIONS (MFIs) FROM 10 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA

TOP FIVE COUNTRIES BY MFI REPORTING OF SOCIAL PERFORMANCE DATA



The countries named in the above chart are those from the region from which the greatest number of MFIs reported 2011 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



Percentages for the countries named above include data from 3 to 7 MFIs per country.

Source: Microfinance Information Exchange, January 2013

UPCOMING EVENTS

Third Annual Microinsurance Conference

January 21 - January 24, 2013, Johannesburg, South Africa

This event will cover microinsurance in southern Africa including marketing, pricing, distribution, social complexities, regulation and recruiting shareholders. The fee to attend is ZAR 9,999. More details may be sought from Sphelele Vilakazi at +27 11 771 7000 or svilakazi@iir.co.za, or you may visit <http://www.iir.co.za/index.php/3rd-annual-microinsurance-conference-conference>.

Mobile Money Asia 2013

January 28 - January 31, 2013, Kuala Lumpur, Malaysia

The main event on January 29 and January 30 will focus on mobile payments, point-of-sale technology, risk management, advertising models, how mobile transactions affect consumer decisions and using microcredit models to reach the underbanked. The fee to attend the main conference is USD 2,399. Pre- and post-conference workshops are available for an extra fee, and discounts apply to group bookings. More information is available via mmt@clarionevents.com, <http://www.mobile-money-gateway.com/event/mobile-money-asia-2013> or +44 (0) 20 7384 7910.

Hanson Wade Hosts Islamic Microfinance Summit

January 29 - January 30, 2013, Istanbul, Turkey

This conference will bring together representatives of microfinance institutions, investors, policy makers and Shariah specialists to discuss how to "Unlock Islamic microfinance through regulation, product development and effective funding models." Registration fees vary from USD 599 to USD 2,997 with various discounts available. More details are available via <http://islamicmicrofinance-summit.com/>, +44 (0) 203 141 8700 or info@hansonwade.com.

Social Enterprise Conference

February 9 - February 10, 2013, Boston, Massachusetts, USA

The conference will explore the intersection between business and social impact by bringing together students, aspiring entrepreneurs and practitioners. In addition to panel discussions, speeches and a career fair, there will be a "Pitch for Change" competition offering prizes of USD 6,000 and consulting hours with social enterprise organizations. Tickets to different portions of the event vary in price from USD 25 to USD 115 plus handling fees of roughly 10 percent. For additional information, you may contact the organizers at info@socialenterpriseconference.org, visit <http://socialenterpriseconference.org/> or call +1 617 495 6155.

Third Microfinance Summit Nepal

February 14 - February 16, 2013, Katmandu, Nepal

This event seeks to build a socially responsible and sustainable microfinance sector in Nepal. The cost for Nepalese participants is NPR 10,000, and international participants may register for USD 500. For additional information, you may email mfsummit2013@cmfnepal.org, call +977 1 443 4041 or visit <http://microfinancesummitnepal.org/>.

Advancing Women Entrepreneurs

February 18 - February 19, 2013, Dar es Salaam, Tanzania

This session aims to bring together bankers to identify challenges and outline opportunities to reach women entrepreneurs in Africa. The conference will explore concepts relating to business operations, management style, growth capacity and the risk behavior of women-run enterprises. The fee to attend the event is USD 2,500 with a rate of USD 1,500 available to members of the Small Business Banking Network. For additional information, you may contact Elizabeth Vivirito, via +1 312 540 1580, extension 4 or evivirito@capplusexchange.org, or you may visit <http://www.sbbnetwork.org/aworkshop-feb2013>.

Savings Groups Conference 2013

March 4 - March 5, 2013, Arlington, Virginia, USA

Participants in this conference will network and discuss the role of savings groups, linking savings groups to the formal financial sector, reaching remote areas, scaling up and mobile technology. The fee is USD 625, with a rate of USD 550 available to delegates who register by January 18. For more information, you may contact Belicca Ferrer at +1 617 517 9477 or savingsconference@oxfamamerica.org, or you may visit <http://www.oxfamamerica.org/issues/community-finance/savings-conference-2013>.

Impact Investing Summit

March 14 - March 15, 2013, Huntington Beach, California, USA

This event will cover topic such as social-impact bonds, protecting portfolios against inflation and methods of screening investments based on potential impact. The fee to attend is USD 2,595 with discounts available for advance registrations and certain categories of attendees. More details are available via mail@imn.org, +1 212 768 2800 or http://www.imn.org/main/index_group.cfm?g=IM.

Fourth Latin America Microinsurance Summit

March 18 - March 21, 2013, Mexico City, Mexico

Discussion topics at this event will include overcoming barriers to microinsurance, leveraging technology to drive market penetration and optimizing rural distribution. The cost to attend the main, two-day conference is USD 4,887 with a range of add-on workshops and discounts available, including to those registering by January 25. For additional information, you may contact Miles Harley at mharley@hansonwade.com or +44 (0) 20 3141 8797, or you may visit <http://microinsurance-latin.com/>.

Africa Microinsurance Microfinance Conference 2013

March 26 - March 28, 2013, Accra, Ghana

This event is intended for stakeholders interested in health, life, agriculture and disaster microinsurance as a tool for poverty alleviation. The cost to attend is USD 850 with discounts available to those registering with a colleague and to all who register before February 28. For more details, you may contact Obasi Ngwuta at +234 8027922649 or info@westafricabusinessschool.com, or you may visit <http://www.microfinancegateway.org/p/site/m/template.rc/1.11.187419/>.

MORE DETAILS COMING SOON ON...

HBS-Accion Program on Strategic Leadership for Microfinance

April 1 - April 6, 2013, Boston, Massachusetts, USA

The Institutional and Technological Environment for Microfinance

April 11 - April 12, 2013, Paris, France

Mobile Payments and NFC World Summit 2013

April 18 - April 19, 2013, Hong Kong, China

Global Forum on Remittances

May 20 - May 23, 2013, Bangkok, Thailand

Third European Research Conference on Microfinance

June 10 - June 12, 2013, Kristiansand, Norway

Cracking the Nut: Sourcing for Agricultural Supply Chains

June 25 - June 26, 2013, Dresden, Germany

Tenth Annual European Microfinance Network Conference

June 25 - June 26, 2013, Stockholm, Sweden

6th World Forum Convergences 2015

September 17 - September 19, 2013, Paris, France

PAPER WRAP-UPS

Securing the Silent:

Microinsurance in India: The Story So Far

By Premasis Mukherjee, Rosalind Piggot and Sunil Bhat; published by MicroSave; December 2012; 63 pages; available at: http://www.microsave.org/sites/default/files/research_papers/Securing_the_Silent_MI_Report.pdf

This paper examines the life and health microinsurance industry in India. The authors begin with an overview of the conventional life insurance industry and trends within it before offering guidance regarding how micro-insurance can best be implemented and structured to protect low-income households. The authors argue that the future of microinsurance lies in innovation. They believe that the adoption of group insurance is essential to growth of the industry. Groups might include members of the same extended family or neighborhood.

The authors state that the regulation of the Indian microinsurance sector by the Insurance Regulatory and Development Authority has successfully promoted rapid growth. Since the life insurance industry in India was liberalized in 1999 and 2000, it has grown at a rate of 15 to 20 percent per year. However, the total of life insurance premiums collected as a percentage of gross domestic product is below

that which is observed in more highly developed countries. Ninety percent of the overall population of India, including 88 percent of the Indian workforce, lacks any form of insurance or pension coverage. Of the 40 percent of workers earning the lowest wages in India, 27 percent do have some form of account with a formal financial institution.

The authors note that due to the high cost of developing new relationships with potential microinsurance policyholders, NGOs and microfinance institutions (MFIs) are the ideal conduit to promote and supply micro-insurance, as they can use their previously established networks to disseminate these services. An estimated 96 percent of all microinsurance agencies are NGOs or MFIs.

The report concludes that the future of microinsurance lies in innovation, with the industry moving from offering individual policies to group insurance. The authors also predict that savings-linked products will grow in popularity as microinsurance companies look to provide clients with a comprehensive range of products and services, which they have begun to realize can enhance client loyalty. The authors believe that such loyalty is crucial for microinsurance providers because the cost of offering microinsurance is high enough without having to increase outreach efforts to replace non-renewing clients.

Pathways Towards Greater Impact: Better Microinsurance Models, Products and Processes for MFIs

By Craig Churchill, Aparna Dalal and Josh Ling; published by International Labour Organization; November 2012; 52 pages; available at: http://www.ilo.org/public/english/employment/mifacility/download/mpaper18_models.pdf

This document reviews challenges and successes that microfinance institutions (MFIs) may face when offering insurance to low-income individuals and microenterprises. The paper focuses on the evolution of products and improving business processes.

Arguing that many MFIs and insurance providers design products that suit themselves rather than their clients, the authors propose that MFIs work harder to understand market needs and preferences. Second, MFIs should ensure that low-income households are offered easy-to-understand products.

The authors also argue that MFIs should prioritize savings, such as by offering savings-linked insurance coverage. MFIs should be sure any mandatory coverage is valuable and that clients understand the coverage and its benefits. The authors also suggest MFIs proactively develop their “product menu,” improve claims processing and employ holistic risk management practices.



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Microinsurance in Pakistan: A Diagnostic Study - Demand and Supply Analysis

By Gabi G. Afram et al, published by the Securities and Exchange Commission of Pakistan and the Financial Sector Reform and Strengthening Initiative of the World Bank, October 2012, 113 pages, available at: http://www.secp.gov.pk/corporatelaws/pdf/MI_Report_16102012.pdf

This report indicates that the current market for life microinsurance in Pakistan is 3.7 million policies. For health microinsurance, the market demand is pegged at 32 million policies with a potential of 80 million people insured including dependents. As of 2011, the insurance industry comprises 0.8 percent of the country's USD 211 billion gross domestic product.

At the event marking the release of the document, attendees expressed the expectation that the development of the insurance sector would enable microinsurance firms to profit from safeguarding low-income people, ease the economic burdens on the government and alleviate poverty in the long-term.

The Securities and Exchange Commission of Pakistan is expected to use the document as it works to formulate a regulatory framework for the microinsurance sector.

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Microfinance Investments

By Roland Dominice, published by Symbiotics, 2012, 120 pages, available via free registration at: <https://my.syminvest.com/industry/microfinance/papers/2cbe58ea-4705-474e-b2a4-d275a8194f50>

This e-book summarizes investments made in microfinance institutions by microfinance investment vehicles (MIVs) and non-MIV socially responsible investors. The authors estimate the MIV market value at USD 10 billion as of 2012, 35 percent higher than it was in 2007. Two thirds of MIVs are debt funds, and three quarters of MIV assets are placed in Eastern Europe and Latin America. Among the author's arguments is that microbanks usually outperform emerging market banks when they receive private equity.

Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets

Published by the International Association of Insurance Supervisors Microinsurance Network Joint Working Group and the Access to Insurance Initiative, October 2012, 35 pages, available at: http://www.iaisweb.org/view/element_href.cfm?src=1/16664.pdf

The authors of this paper argue that governments should regulate inclusive insurance products and that insurance operations should be separated into independent legal entities by businesses that also offer other products. In discussing supervisory approaches, it is suggested that laws and regulations employ qualitative definitions rather than quantitative metrics when practicable. 📄



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