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AccessBank of Azerbaijan Raises $10m via MSME Bonds Platform

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

Amit Patni, Arihant Patni Acquire 43% of Grameen Capital India

Grameen Capital India (GCI), an investor in microfinance institutions and other social enterprises, recently announced the acquisition of a 43-percent stake in the company by Indian technology entrepreneurs Amit and Arihant Patni. The shareholding was acquired for an undisclosed sum from IFMR Trust, an Indian nonprofit that promotes access to finance and co-founded GCI. It is the policy of GCI that its investors may recoup their investment, but not more than that. Since launching in 2008, GCI reports having facilitated investments of USD 127 million in enterprises serving 1 million poor people. December 10. 2012

ACLEDA Bank of Cambodia to Expand to Myanmar

ACLEDA Bank, a Cambodia-based commercial bank specializing in microfinance, plans to launch microfinance operations by January 2013 in Myanmar, which recently lifted restrictions barring wholly foreign-owned direct investments. ACLEDA, which was founded as the Association of Cambodian Local Economic Development Agencies, will lend to individuals and groups in Myanmar, and it expects to accept savings soon. Myanmar law sets a ceiling on lending rates at 30 percent per year. ACLEDA, which also operates in Laos, reports total assets of USD 1.5 billion. December 7. 2012

BanBif of Peru to Sell $400m in Bonds to Fund Microfinance

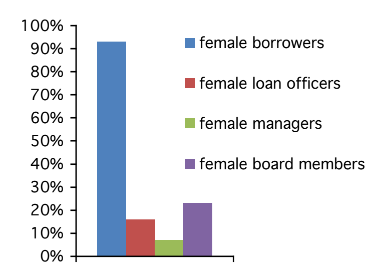
BanBif, a bank in Peru, reportedly is planning to sell up to USD 400 million in bonds in an effort to expand its domestic microfinance lending. BanBif CEO Juan Ignacio de la Vega reportedly said that the lending will focus on companies with 10 or fewer employees. BanBif reports total assets equivalent to USD 2.1 billion. December 4. 2012

Microfinanzas BBVA Takes 31% Stake in ADOPEM of the DR

Fundacion Microfinanzas Banco Bilbao Vizcaya Argentaria (BBVA), a nonprofit affiliate of Spanish banking firm BBVA Group, recently took a 31-percent stake in microfinance institution (MFI) Asociacion Dominicana para el Desarrollo de la Mujer (ADOPEM) of the Dominican Republic for an undisclosed sum. Established in 1982, ADOPEM offers financial microenterprise loans, voluntary savings and insurance as well as business and financial education. ADOPEM reports total assets of USD 85 million, a gross loan portfolio of USD 66 million outstanding to 146,000 borrowers, USD 23 million in deposits collected from 199,000 depositors, return on assets of 5.5 percent and return on equity of 21 percent. Fundacion BBVA was created in 2007 and works with a network of nine MFIs in the Americas serving 1.26 million customers. November 28. 2012

(For more top stories, please refer to the subscriber edition)

SOUTH ASIA
PERCENTAGE OF FEMALE STAKEHOLDERS 2011



SOCIAL PERFORMANCE INDICATORS*

MICROCAPITAL BRIEFS

Diamond-in-Motion Banking Truck Launched Nigeria

Diamond Bank, a commercial bank in Nigeria, reportedly has launched "Diamond-in-Motion," a banking service truck that allows customers to open new accounts, make deposits, withdraw cash, pay bills and use an automated teller machine. The bank intends to purchase 250 additional trucks to expand the project nationwide. Diamond serves retail, corporate and public-sector customers with total assets equivalent to USD 5 billion. December 13. 2012

MFIs in Mexico to Issue MasterCards

MasterCard Incorporated, a US-based payments and technology company, recently established a business model intended to reach small and medium-sized enterprises by enabling regulated microfinance institutions (MFIs) in Mexico to issue its cards. Te Creemos CEO Jorge Kleinberg, representing the first MFI to participate, stated that, "Customers making up the microfinance segment have traditionally carried out their transactions in cash, basically because they did not have access to other payment tools. This joint venture with MasterCard presents itself as a golden opportunity to modify this behavior, under affordable conditions." Over the next three years, Te Creemos, which reports total assets of USD 45 million, aims to reach 250,000 new customers. MasterCard operates in 210 countries. December 10. 2012

Most New Bangladeshi Bank Branches Must Be Rural

The Bank of Bangladesh, the country's central bank, has introduced guidelines requiring that commercial banks secure permission before setting up new locations and that the majority of new branches approved each calendar year be located in rural areas. December 11. 2012

MicroCapital Deal of the Month

AccessBank of Azerbaijan Raises $10m via Symbitoics' MSME Bonds Platform

Symbiotics Investment Group, a Swiss for-profit microfinance intermediary, recently raised USD 10 million for AccessBank, a microfinance bank in Azerbaijan, through Micro, Small & Medium Enterprise (MSME) Bonds SA, an investing platform founded by Symbiotics and based in Luxembourg. MSME Bonds is dedicated to offering fixed-income impact investing options for institutional investors in the form of standardized, electronically traded syndications. The bond sale supplies AccessBank with three-year financing intended to sustain the growth of its micro- and small enterprise credit portfolio. AccessBank, which is one of six microbanks partially held by Germany's Access Microfinance Holding, reports USD 577 million in total assets, a gross loan portfolio of USD 376 million outstanding to 120,000 borrowers, deposits of USD 178 million from 110,000 depositors, return on assets of 4.7 percent and return on equity of 21 percent. Symbiotics reports having intermediated investments totaling USD 1 billion since its founding in 2004.

EUROPEAN MICROFINANCE WEEK 2012

SPECIAL REPORT

This content is sponsored by the European Microfinance Platform (e-MFP), a network in Luxembourg that presents the annual European Microfinance Week conference.

ADA on Supporting MFIs, Networks in Developing New Products

On November 14 at European Microfinance Week in Luxembourg, representatives of Luxembourg-based nonprofit Appui au Développement Autonome (ADA) and the Red Centroamericana y del Caribe de Microfinanzas (REDCAMIF), a association of seven national microfinance networks, presented their progress to date on an effort to promote product innovation and capacity building among microfinance institutions (MFIs) in Central America and the Dominican Republic. The partnership, which was launched this year, has a budget equivalent to USD 7 million to be disbursed over 4.5 years. The organizations have completed a survey of client needs in the region and have dedicated approximately 15 percent of the project budget to support networks in becoming self-sufficient, such as through a fund to support national networks in developing products they can sell to their member MFIs. The client survey identified the following needs: (1) loans for housing and community infrastructure; (2) rural finance; (3) leasing; (4) voluntary microinsurance; (5) micropensions; and (6) savings. Other goals of the partnership between ADA and REDCAMIF include: (1) improving governance, management and financial performance; (2) improving risk management among smaller MFIs; (3) improving transparency, analysis, benchmarking and dissemination of social and financial information; and (4) supporting MFIs in implementing tools to manage social performance such as social audits.

Responsible Microfinance Group Promotes Existing Tools

The European Microfinance Platform Action Group on the Implementation of Responsible Microfinance recently presented a compilation of existing social performance tools, which is available at: http://www.unpri.org/files/Responsible%20investment%20initiatives%20in%20microfinance%20mapping.pdf. Panelists at the event suggested steps for microbanks embarking on the process of evaluating their social performance such as making a public commitment through an effort such as the Smart Campaign, which is backed by US-based nonprofit Accion, or the Global Appeal for Responsible Microfinance, which is promoted by a set of institutions led by Oxus Group, an initiative of French NGO Agency for Technical Cooperation and Development. However, Laura Foose, the coordinator of the 1,000-member Social Performance Task Force, pointed out that simply endorsing an effort such as the Smart Campaign is just a first step: "Commitment to these efforts includes a commitment to implementation." Loic de Canniere, the CEO of Belgian microfinance investor Incofin, described a template of covenants that investors can incorporate into loan agreements with microfinance institutions. The covenants include guidelines for both financial indicators - such as return on assets ranging from zero to 10 percent - and social aspects - such as implementing the principles of the Smart Campaign over time.

Investing in Microfinance

On November 16 at European Microfinance Week, Sebastian von Stauffenberg, the CEO of US-based microfinance rating agency MicroRate, made the following comment regarding the larger investment community: "People outside of our microfinance bubble speak another language - if we don't speak their language, the whole trickle-down effect [of increased investment in microfinance] does not occur." Mr von Stauffenberg was speaking as part of a panel on microfinance investment that also included Sebastien Juhen of Swiss microfinance investor BlueOrchard Finance, who said that microfinance investment vehicles should work to improve their communication to investors regarding the risks of investing in microfinance - including how investment managers address these risks. Axelle Ferey, who works in private equity at the Luxembourg arm of UK-based accounting and advisory firm Ernst & Young, discussed the recent EU Alternative Investment Fund Managers directive, which will require "alternative" funds that manage the equivalent of USD 650 million or more in unleveraged assets (or USD 130 million or more in leveraged assets) to meet a range of standards intended to protect investors, increase transparency and reduce systemic risk. The standards, which apply throughout the EU and in three other countries, cover compensation, conduct, disclosure, organizational and other guidelines. The "carrot" is that fund managers can acquire a "marketing passport" that is valid in all participating countries through a single process beginning in July 2013. Ms Ferey also told MicroCapital that, "For small [fund] managers below the thresholds, the European Commission is currently designing a new EuSEF [European Social Entrepreneurship Fund] label, the purpose of which is to establish a passporting regime for EU-based funds and their managers, on a voluntary basis, provided a number of criteria are met by the managers in relation to the funds' organization and investment policy."

ASKI of the Philippines Wins European Microfinance Award

Alalay Sa Kaunlaran Incorporated (ASKI) of the Philippines has won the euro-equivalent of USD 127,000 as part of the fourth European Microfinance Award, which is offered every two years and was focused this year on food security. ASKI was recognized for its work providing both financial services and community development efforts in rural areas. ASKI Executive Director Rolando Victoria stated that, "The motivation at the time [of our founding] was credit…. Now we were able to install a hanging bridge…linking farmers to markets." Another way that ASKI has assisted its clients is by linking groups of customers with major buyers including fast-food restaurant chain Jollibee Foods Corporation, which reported sales equivalent to USD 1 billion during the year ending in June. Before the winner was announced, Mr Victoria said that if his organization were to win, it would use the cash prize to fund financial education. ASKI reports total assets of USD 32 million, a gross loan portfolio of USD 25 million and deposits of USD 4 million. The EU's European Investment Bank hosted the award ceremony and participates on the selection committee. Funding for the award is provided by the Luxembourg Agency for Development Cooperation.

FIELD NOTES

Springing Up Patiently: Innovation in Microfinance in Africa and Beyond

For those of you still willing to take some time out of your busy year-end schedules to do some light reading, the US-based nonprofit CGAP (Consultative Group to Assist the Poor) just published "Current Trends in Cross-Border Funding." Having just returned from Tanzania, I was especially interested in understanding what's happening in Africa. So with a cup of coffee from the KNCU Coffee Cooperative in Moshi, I set off on a new journey into the data.

While data from the 2011 study aren't terribly recent, the trends are enlightening nonetheless. Cross-border funding in 2011 was estimated to have totaled USD 25 billion. The data shows modest growth of 6 percent total since 2009. A look at trends by region shows that the drivers of growth in both commercial and grant funding are in Africa, which, as the poet David Diop recited over six decades ago, has been "springing up patiently." Growth in East Asia and the Pacific is high, but totals there are small. South Asia and Latin America still receive large amounts of funds, but growth there slowed between 2009 and 2011. The heavily weighted combination of the Middle East, North Africa and sub-Saharan Africa are up 32 percent to USD 3.7 billion. And it's not only grant funding; debt funding - and especially equity funding - are showing big growth (though both categories are still small in relative terms).

It seems that Africa is the place to be! But how will Africa handle this growth in interest and investment? Lessons from Latin America may prove useful. Capacity building was critical to building strong, sustainable markets in Latin America. However, innovation has been slow there. And innovation is arguably more urgent in Africa where only 34 percent of rural Africans live within two kilometers of an all-season road (versus 65 percent in other developing regions). Perhaps less consideration to "best practices" is due; what we thought "best" in the 2000s is feeling a bit stale and distortional today. For example, the concept of cash-flow lending for consumption seemed like a brilliant idea back then, but it now seems a bit risky and - in some circles - even immoral. In general, the speed with which information, technological change and competition move suggests that the concept of best practice will become less relevant over time. Success will be more about the capacity of management to adapt to changing market contexts, analyze information and make decisions based on that information. Adapting to challenges and country-specific realities will be key in Africa with its diverse territories, infrastructure, cultures and cost structures. In this context, copycat start-ups based on concepts of best practice may have little impact. Innovation will be key.

While important challenges for Africa lie ahead, I would like to make a year-end "pitch" for us not to forget Latin America. There is room for greater access to more effective financial products there too. In our recent work on the Microinsurance Learning and Knowledge (MILK) Project, we have been interviewing microinsurance clients worldwide. One group in Ghana (clients of Opportunity International) had an average monthly household income of USD 599 versus USD 506 for a group in Mexico (clients of Compartamos Banco), even though Mexico has five times the per-capita gross domestic product. Microfinance in Mexico is still a costly and inefficient business, and commercial capital is not offering solutions. Innovation is still needed for microfinance throughout the world. We should be mindful to favor approaches that seek solutions rather than target regions as we push into the New Year.

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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PAPER WRAP-UPS

Financial Inclusion and the Linkages to Stability, Integrity and Protection: Insights from the South African Experience

Published by CGAP (Consultative Group to Assist the Poor), November 2, 2012, 47 pages, available at: http://www.cgap.org/sites/default/files/I-SIP%20Report_1.pdf

The authors of this paper challenge financial regulators to consider how to improve the interaction among the following four factors: financial inclusion, financial stability, financial integrity and financial consumer protection, which are referred to collectively as I-SIP. Regulators are encouraged to view these four objectives as mutually interdependent when creating policies. The report introduces the idea that any financial inclusion implementation should seek to "maximize synergies" among I-SIP associations and "minimize tradeoffs." The main identified issue is that the risks involved with financial inclusion increase when officials "pursue one objective without an awareness of the linkages to the others; and when the objectives are difficult to define or measure."

Financial sector policies are explored through the following… *(Continued in the subscriber edition)*

The Social Dilemma of Microinsurance: A Framed Field Experiment on Free-Riding and Coordination in Microcredit Groups

By Wendy Janssens and Berber Kramer; published by International Labour Office; August 2012; 24 pages; available at: http://www.ilo.org/public/english/employment/mifacility/download/repaper22.pdf

This paper summarizes the results of a field experiment involving 355 microcredit clients in Tanzania. Health risks were simulated within groups of microfinance borrowers, and borrowers were asked to decide whether they would purchase insurance to offset health expenditures. The study divided participants into… *(Continued in the subscriber edition)*

Current Trends in Cross-Border Funding for Microfinance

By Estelle Lahaye and Ralitsa Rizvanolli, published by CGAP (Consultative Group to Assist the Poor), December 2012, 4 pages, available at: http://www.cgap.org/sites/default/files/Brief-Current-Trends-in-Cross-Border-Funding-for-Microfinance-Nov-2012.pdf

This brief summarizes the findings from a survey of cross-border funding for microfinance between the years 2007 and 2012. The study indicates that cross-border funding commitments increased gradually over the entire period but at a much slower rate between 2009 and 2011. The authors… *(Continued in the subscriber edition)*