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UN's IFAD Provides \$100m to Ethiopia for Rural Inclusion

The UN's International Fund for Agricultural Development, an organization working to alleviate rural poverty in developing nations, has agreed to provide a grant of USD 50 million and a loan of USD 50 million to the Ethiopian government for its Rural Financial Intermediation Programme Phase II. Launched in 2001, the program reaches 3.3 million rural households, of which nearly half are headed by women living on less than USD 2 per day. With its new funding, the program aims to reach to 6.9 million households by 2019 by partnering with microfinance institutions, strengthening the community banking system and advancing savings and credit cooperatives. January 17, 2012

FMO to Loan \$10m to Vision Banco of Paraguay for MSEs

The Netherlands Development Finance Company (FMO in Dutch), a public-private partnership, has signed an agreement to loan USD 5 million plus an equivalent amount in local currency to Vision Banco, a microfinance institution in Paraguay, to finance micro- and small enterprises. Vision Banco reports USD 652 million in total assets, a gross loan portfolio of USD 457 million, return on assets of 2.02 percent and return on equity of 25.2 percent. FMO reports total assets of USD 5.5 billion, including investments in Africa, Asia, Eastern Europe and Latin America. January 16, 2012

BPI Globe BankO Loans \$45m to Philippine MFIs, Adds Retail Agents

BPI Globe BankO, a mobile-oriented savings bank affiliated with the Bank of the Philippine Islands (BPI), reportedly has extended the equivalent of USD 45.3 million in loans to unspecified Philippine microfinance institutions. BankO also recently teamed up with two retail chains in the Philippines, Tambunting pawnshops and Generika drugstores, which will accept savings and loan applications and perform cash transactions for BankO. Tambunting has approximately 1,000 outlets, and Generika has about 250. BankO is a joint venture between Ayala Corporation, a Philippine conglomerate; commercial bank BPI; and Globe Telecom Incorporated. As of March 2010, BankO had authorized capital of USD 10.7 million. January 10, 2012

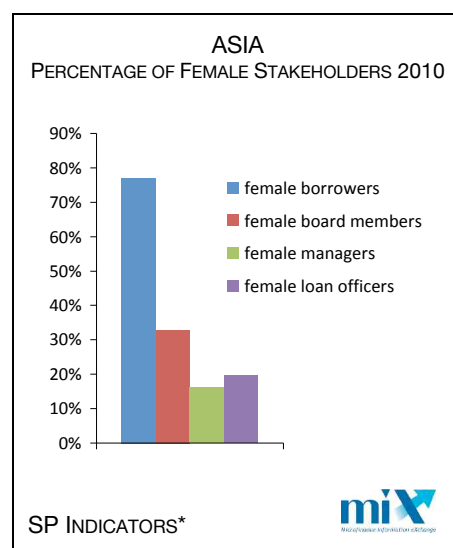
EBRD Launches \$100m Ukraine Program with Loan to CEBU

The UK-based European Bank for Reconstruction and Development (EBRD) has agreed to loan USD 100 million through 2013 for the benefit of micro-, small and medium-sized enterprises in the Ukraine. So far, Credit Europe Bank Ukraine, on which no financial information is available, has received USD 10 million of the allocation. During 2010, EBRD made investments in 386 projects valued at USD 30.2 billion. January 10, 2012

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

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FIELD NOTES

2012: Turning a Lackluster Forecast Into a Year to Remember

Every January, I take some time to reflect on the year to come and the direction of the microfinance industry. The year 2012 promises to be lackluster. A recent “Microfinance Market Outlook for 2012” report by social investor responsAbility surveyed industry leaders who prioritized risk management and corporate governance as the most important business needs of the sector. The recent survey of Microfinance Gateway users by CGAP (Consultative Group to Assist the Poor) also placed risk management second only to financial inclusion as the topic they are most interested in reading about. These are not scintillating topics that will lead to innovation or great changes in the marketplace, but they are long overdue and will certainly help consolidate an industry that’s been through a rough few years. With a threatening wind coming from Europe, it makes a lot of sense to be better prepared for the continued effects of a global slowdown.

Another adverse effect of Europe’s crisis will likely be a dwindling of grant money for microfinance, as European governments continue to look inward. Microfinance institutions (MFIs), most of whose balance sheets are much healthier than those of European governments, will be hard pressed to convince bilateral aid agencies to support their plans for expansion. This slowdown in grants has been trending independently of Europe’s woes, particularly with regard to bilateral agencies. Kiva has shown us that new “retail” investors are enthusiastic about microfinance when offered a nice platform and a good story. This year, we may see interest in similar “crowdsourcing” models that aim to attract “retail” philanthropists into supporting MFIs’ ancillary social programs. Major philanthropists are still in the picture, but they each have specific agendas. The Bill & Melinda Gates Foundation, for example, continues to focus its financial inclusion strategy on delivering services more efficiently and the opportunities technology can provide to increase financial access through broader delivery channels.

Technology-based delivery could be a game changer, transforming today’s business models into something very different - and much more scalable. But I don’t think innovation can stop at delivery. Maintaining or improving asset quality, growing market share and ultimately improving the lives of customers are still critical issues to tackle. The microfinance industry has failed to show exactly how it’s improving lives, but this will have to change. Most donor agendas for 2012 include evaluation efforts. Investors are asking for social impact as well. Measuring this impact is still a puzzle, however. The phrase most commonly associated with the social performance of microcredit seems to be “do no harm” - hardly an inspiring rationale for investing in microfinance. Some people, including development consultant Milford Bateman, have likened the impact of microcredit to that of smoking cigarettes. A more moderate David Roodman, author of the just-published *Due Diligence: An Impertinent Inquiry into Microfinance* from the Brookings Institution Press, reminds us that financial access makes intuitive sense. He asks us to, “Imagine your life without them: no insurance, no bank account, no credit cards, all business done with cash.” How would we cope? Would our lives be less efficient and more costly? Every time David says this, I realize how much work is yet to be done. This is why the prospect of a lackluster year is one I have a hard time accepting. We need to come up with more and better ways to offer appropriate products and services to customers that can help them deal with their financial lives - including loans, savings, insurance and investments. Who will finance this innovation? It’s time for MFIs to reach into their own pockets and invest in their futures and those of their clients.

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](https://twitter.com/BarbaraatEA).

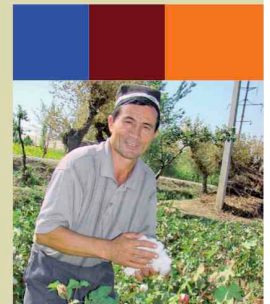
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PAPER WRAP-UPS

Latest Findings from Randomized Evaluations of Microfinance

By Jonathan Bauchet, Cristobal Marshall, Laura Starita, Jeanette Thomas and Anna Yalouris; published by CGAP (Consultative Group to Assist the Poor); December 2011; 32 pages; available at: <http://www.cgap.org/gm/document-1.9.55766/FORUM2.pdf>

The authors of this paper assess the impact of microfinance on poverty by reviewing findings from recent randomized evaluations that compare how one group responds to having access to specific financial services with how a comparable group fares without access to those services. This study aims to contribute to a more refined narrative of the impacts of microfinance in the wake of mixed appraisals of microfinance, including inflated expectations of its positive impact and categorical denials thereof. The studies discussed in the paper were undertaken by the following US-based entities: Innovations for Poverty Action, a nonprofit organization; Financial Access Initiative, a consortium of development economists; and the Abdul Latif Jameel Poverty Action Lab, which is housed at the Massachusetts Institute of Technology.

The first part of the paper reviews the results from randomized evaluations that measure the


impact of microcredit and microsavings on business investment, business creation, consumption and household welfare. This evidence suggests that while increased access to credit does not produce the kind of dramatic transformations promised by some microfinance providers, it does appear to have some positive outcomes including the creation of new businesses and increased purchasing of durable goods. The studies also indicate that marginally creditworthy wage earners that received loans were more able to withstand shocks such as health emergencies and thus maintain their jobs. Formal savings is also found to be effective in helping poor people accumulate funds for investment or consumption.

The second part of the paper presents evidence from evaluations of financial products and delivery methods indicating that seemingly small variations in traditional microcredit and savings offerings can yield significantly different results. The studies under consideration assess the results of modifying common attributes of microfinance products such as group liability, weekly repayment schedules and targeting women rather than men. Many of the studies found that individuals and groups shared very similar repayment patterns. In serving women, practitioners may have a greater impact if... *(Continued in the subscriber edition)*

Bank Agents: Risk Management, Mitigation, and Supervision

By Kate Lauer, Denise Dias and Michael Tarazi; published by CGAP (Consultative Group to Assist the Poor); December 2011; 24 pages; available at: <http://cgap.org/p/site/c/template.rc/1.9.55781/>

The authors of this paper analyze the use of bank agents in an effort to guide supervisory entities in developing a regulatory approach suitable to their respective countries. The authors observe that - in most countries - bank agents, which are defined as "any third party acting on behalf of a bank," handle a very small percentage of the total assets in banking systems, minimizing the systemic risk they present. However, the authors stress that it is still important that bank supervision offices enforce the responsible use of agents.

Tasks performed by agents include: transmitting information, such as receiving loan applications or providing customers with account balances; processing information, such as conducting "know your customer" procedures or assessing loan applications; handling cash, including deposits or withdrawals; and electronic fund transfers, such as bill payments or disbursing government benefits. Banks may use also agent network managers (ANMs) to manage agents. In such arrangements, banks may... *(Continued in the subscriber edition)* 

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