MicroCapital Monitor
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MICROCAPITAL BRIEFS | TOP STORIES

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

Please see page 2 for coverage of this "MicroCapital Deal of the Month"

Accion's Frontier Plans $75m Emerging Markets Fund

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

Nigeria's Agent Banking to Include Tiered Documentation Requirements

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

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

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

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

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

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

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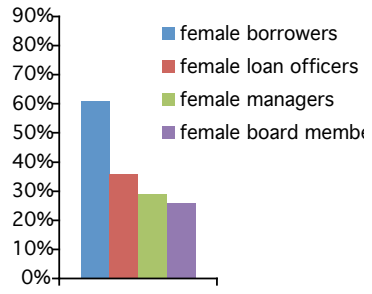
MIDDLE EAST AND NORTH AFRICA
PERCENTAGE OF FEMALE STAKEHOLDERS 2010



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MICROCAPITAL BRIEFS

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

The Green for Growth Fund, a public-private partnership domiciled in Luxembourg that supports energy-efficient projects, has disbursed two euro-denominated loans for on-lending to microentrepreneurs, private households and farmers in Bosnia and Herzegovina. Partner Microcredit Foundation borrowed the equivalent of USD 1.9 million, and Serbia's Komercijalna Banka Beograd borrowed USD 28 million. Partner, which was founded in 1997 by US-based NGO Mercy Corps, reports USD 71 million in assets, a gross loan portfolio of USD 56 million, 34,000 active borrowers, return on equity of 1.60 percent and return on assets of 0.63 percent. Komercijalna Banka Beograd reports total assets of USD 843 million. The Green for Growth Fund has USD 75 million invested in energy-efficient projects in southeast Europe. June 14. 2012

NovoPayment Launches Prepaid MasterCard Latodo in Peru

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

Austrian Development Bank OeEB to Invest $18m in EFSE

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

MicroCapital Deal of the Month

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

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

FIELD NOTES

Whose Side Are You On?
Tensions Between MFIs and Their Loan Officers

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

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

Loan officers *look* like they are on your team. They often wear attractive uniforms prominently displaying the name of your MFI, standing out as they march through markets, poor neighborhoods and the countryside. They *act* like they are on your team, suffering hardships few workers will accept. This week, I held some focus groups during which two rural loan officers explained that they wake up around 4:30 in the morning to get out to the countryside to meet with clients. Another loan officer shared that a delinquent client hit him when he went to collect on a loan payment. "It's a risk," they all chimed in. Loan officers also *talk* like they are on your team. I haven't met a loan officer who couldn't recite the institution's mission and values.

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

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

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PAPER WRAP-UPS

Measuring Financial Inclusion: The Global Findex Database

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

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

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

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

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

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

According to the authors, microinsurance in the capital, Accra, has grown rapidly over the past decade to include both commercial insurers and public insurance schemes. Outside of the capital, microinsurance growth has been limited to policies… *(Continued in the subscriber edition)*

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

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

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

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

The second section examines publicly traded commercial institutions known as lower-income financial institutions (LIFIs) that provide financial services to lower-income… *(Continued in the subscriber edition)*