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**Carbon Credits to Offset Cost of Efficient Heaters in Mongolia**

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

**EFSE Lends $23m in Armenia, Ukraine, Bosnia and Herzegovina**

The European Fund for Southeast Europe recently reported to MicroCapital that it has made loans of the following amounts in support of microfinance: USD 10 million to Ineco Bank of Armenia, USD 7 million to Megabank of Ukraine and USD 6.6 million to Partner MikroKredītā Fondacijas Tuzla of Bosnia and Herzegovina. Ineco reports total assets of USD 230 million, total deposits of USD 72 million, a return on assets (ROA) of 4.8 percent and a return on equity (ROE) of 26 percent. Megabank reports total assets equivalent to USD 581 million and 450,000 customers. Partner reports a gross loan portfolio of USD 56 million, 34,700 borrowers, ROA of 0.63 percent and ROE of 1.6 percent. May 11, 2012

**Safea of South Africa Expected to Loan $380m via Post Offices**

SA Financial Enterprise Agency (Safea), has reportedly been established under the Industrial Development Corporation (IDC), a finance institution backed by the government of South Africa. Safea results from the merger of three government entities: the SA Microfinance Apex Fund; Khula Enterprise Finance, an institution that provides wholesale funding to financial institutions; and the IDC’s small-business lending program. Safea will use Postbank facilities at post offices to distribute loans to small businesses. The loan book of the combined entity has not been released but is thought to be roughly USD 380 million. May 8, 2012

**Lok Capital to Exit India’s Janalakshmi**

Lok Capital, a microfinance investment vehicle based in Mauritius, reportedly has announced plans to sell its stake in Indian microfinance institution Janalakshmi Financial Services. Lok acquired an undisclosed stake in Janalakshmi in 2007 for the equivalent of USD 229,000 as a series-A investor. Lok sold 25 percent of its stake in 2011 for USD 518,000. Janalakshmi currently is raising USD 9 million from private equity investors to allow for the exit of early investors Lok, the US-based Michael and Susan Dell Foundation and India’s Bellwether Microfinance Fund. In March 2011, Janalakshmi reported total assets of USD 35 million and an annual loss of USD 100,000. May 7, 2012

**Nigeria Bans Minimum Deposit Requirements, Flat-rate Interest**

The Central Bank of Nigeria reportedly has ordered all banks in Nigeria “to allow new customers to open accounts with zero amount to attract more people into the banking system.” Banks are also required to use declining-balance interest calculations instead of flat rates; the latter appear lower but charge interest on the original loan amount even after much of the balance has been repaid. April 18, 2012

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MICROCAPITAL BRIEFS

**Nigerian National Petroleum Corporation to Seek MFI License**
The Nigerian National Petroleum Corporation (NNPC) Staff Cooperative Multipurpose Society Limited - Lagos, a cooperative of oil and gas company NNPC, recently announced it is taking steps to get a license to set up a microfinance bank. Further information on the planned microbank has not been released. May 15, 2012

**Sustainable Energy Loan Product Offered to Philippine MFIs**
The International Finance Corporation, the private-investment arm of the World Bank Group, has partnered with BPI Globe BanKO, which is partially owned by the Bank of the Philippine Islands, “to develop microfinance that would help smaller businesses afford clean energy and energy-saving systems.” The two-year program is intended to provide loans for investments that decrease energy costs and improve profitability for small businesses. BPI Globe BanKO serves 340,000 micro- and small businesses and microfinance institutions. May 9, 2012

**HSBC Staff to Volunteer with MFIs in Middle East, North Africa**
UK-based financial services company HSBC, which was formerly known as the Hongkong and Shanghai Banking Corporation; Grameen-Jameel Microfinance Limited, an investment firm based in Dubai; and Bankers without Borders (BwB), a program of the US-based Grameen Foundation, are partnering to provide financial and technical expertise to microfinance institutions in the Middle East and North Africa. An undisclosed number of HSBC staff members are to be deployed to provide technical assistance to unspecified microbanks. With operations in 85 countries, HSBC reports total assets of USD 2.56 trillion. BwB operates volunteer programs in 13 countries. May 9, 2012

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FIELD NOTES
Where Are Microfinance Loans Truly Scarce? Map it!

Anywhere in the world where I have cell phone reception, I can tell you quite precisely where the closest Starbucks is. With 20,000 branches and counting, we can be encouraged that the world is set to soon eliminate the global problem of lack of access to coffee. I say this in jest, of course, because coffee access is quite prevalent and was so before Starbucks existed. Starbucks can’t quite make the claim that it is improving access to coffee [just ask all the local coffeeshouses in your neighborhood]. It can perhaps claim it is improving access to coffee that is grown responsibly and perhaps that its coffee is better - but duplicative, nonetheless. The difference, in my opinion, between the proliferation of coffeeshouses throughout the world and that of microcredit is that coffeeshops are not claiming they are additive. Their goal is to replace your existing coffee-drinking habits, offering a better product or better experience, not to improve your access to coffee.

The recent ‘Financial Access 2010’ study from CGAP (Consultative Group to Assist the Poor) underscores that there are still parts of the world where bank access is scarce - especially deposit services. However, in many areas, especially cities in developing countries, credit access has become readily available. If you have access to Google maps, lots of time and a technologically proficient young person, you can pretty much place every single caja, bank and microfinance institution (MFI) branch in Peru on a map, for example, and see for yourself. I managed to do this for Puebla, Mexico, in under 10 minutes, so even a not-so-young, not-so-proficient person can handle this task. If you were to go through this exercise, I think you would find that new entrants have not been expanding access to credit by entering areas where there is no existing credit availability. Instead, they are crowding into the same areas as others. Are they, like Starbucks, offering more delicious products and differentiated service? Unfortunately, in most cases, I think not.

I recently came back from Nicaragua where I heard a story of loan officers interrupting a village bank meeting of another MFI to attempt to convince its clients to switch alliances. I also have noticed that “retention” has become less of an issue because loan officers in many places are renewing loans two to three payments before they come due to avoid the possibility that a client “resting” between loan cycles will get snapped up by the competition. At a conference sponsored by Locfund in March, Diego Cisneros Salas, Peru’s acting superintendent for banking and microfinance, displayed a worrisome chart. It indicated that bank access increased by almost 50 percent between 2005 and 2010, with large gains made in reaching the lower middle classes. However, he cautioned that 33 percent of loan clients have loans from three or more formal institutions. He notes that delinquencies and problems with payments are especially high above this threshold. Another 30 percent have loans from two lenders. This is not even taking into account the informal debt owed by many low-income folks.

Peru’s microfinance industry has been saved so far, in my opinion, by a transparent and wide-reaching credit bureau and fairly strong controls at the MFI level. However, that is not to say the same for its clients. It’s time to take a closer look at how clients are managing multiple borrowing and what practices are creating this phenomenon. In many countries, I think it is clearly time to gain market share not by offering more of the same “coffee” - at the risk of over-caffeinating clients - but by making better coffee. Just look at a map!

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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Credit Is Not a Right


This paper examines the argument that credit should be considered a human right and whether a rights-based approach to microcredit promotes the industry’s universal goal of poverty reduction worldwide.

The authors discuss various ways to define a right to credit. Such a right could be understood, for instance, in terms of universal access, similar to how some societies view education or health. Another component of our understanding of credit as a right is associated with fair treatment or quality of service. As a number of these issues lead to an ongoing philosophical and political debate, the authors settle on recounting the possibilities to demonstrate its complexity rather than adopting one specific definition for its analysis.

The first section of the paper interprets the proposal by Nobel laureate Professor Muhammad Yunus that credit should be elevated to a human right as part of a broader “rights revolution” to raise a sense of urgency regarding its implementation in development policy. The authors argue that this approach debases human rights language by diluting the moral or political legitimacy of rights in general. If everything viewed as moral becomes a right, then rights lose some of their exceptional quality. Another concern stems from a cost-benefit analysis perspective. If credit is established as a human right, then arguments in terms of efficiency or effectiveness may be overruled due to credit’s status as a right.

The second section of the paper reviews empirical data to assess whether the success of access to credit warrants Professor Yunus’s call to establish credit as a right. The authors argue that the evidence indicates that - while access to credit helps some recipients some of the time - it does not guarantee success all of the time. In some cases, it results in damage. With such heterogeneous results, the authors conclude that the campaign for universal access to credit loses some of its urgency.

The third section attempts to identify who would be obligated to enforce credit as a right. The authors argue that, although government is perhaps the most logical candidate for this responsibility, this is at odds with...

(Continued in the subscriber edition)

Agent Banking in Latin America

By the National Banking and Securities Commission of Mexico and Celina Lee, published by the Alliance for Financial Inclusion, February 2012, 19 pages, available at: http://www.microfinancegateway.org/p/site/m//template.rc/1.1.14613

This paper compares how four Latin American countries implement agent banking, a model by which banks provide financial services via nonbank agents such as supermarkets and pharmacies. Agent banking is often used to expand financial services into rural areas at a lower cost than opening bank branches, but it can also be used to complement bank branches to increase coverage in municipalities with high population densities. The authors compare the agent model of Mexico, where agent banking is new, with models in Colombia, Brazil and Peru, which have more experience with the service.

First, the authors look at the implementation of agent banking in Mexico in 2010 and its first-year success in comparison to the other countries under consideration. In 2010, 12 financial institutions in Mexico established approximately one banking agent for every 10,000 inhabitants in the country. Brazil, which began implementation in...
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