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Incofin Funds Take Stakes in Peru's EDPYME Solidaridad, ProEmpresa

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

Zimbabwe Drafts Microfinance Bill After 2 MFIs Shut Down

As some microloan interest rates in Zimbabwe have reached 10 percent per month, the government reportedly is drafting a law to require microfinance institutions (MFIs) to post interest rates and fees and to submit financial data to regulators each year. The bill also would disallow the distribution of shareholder dividends unless the MFI, "has made adequate provision against losses on loans" and has complied with other provisions of the law. MFIs in Zimbabwe, which are currently governed by the Banking Act, can be launched with capital of USD 5,000. To qualify to accept deposits, however, MFIs must hold USD 5 million. Earlier this year, MFIs McDowells International and All Angels Investments reportedly lost their licenses for accepting deposits without authorization. September 13, 2012

Bad Microdebt in Nigeria Grows to \$100m

Over the past year, write-offs in the Nigerian microfinance sector have risen from the equivalent of USD 70 million to USD 100 million. Chairman Olufemi Babajide of the National Association of Microfinance Banks, South West Zone, reportedly has proposed that the Central Bank of Nigeria help the industry establish a special-purpose corporation to buy bad debt that the industry can pay off over time, as has been done for commercial banks in the country. Referring to pressing customers to repay via a proposed microdebtors' court, which was covered in the June issue of this newspaper, Mr Babajide was quoted as saying, "If there is a special court, they will pay up." September 13, 2012

ADB Guarantees \$27m in Loans from Ratnakar to Indian MFIs

The Manila-based Asian Development Bank and IFMR (Institute for Financial Management and Research) Capital, an affiliate of Indian nonprofit IFMR, reportedly are providing partial credit guarantees to support lending by Ratnakar Bank Limited, a commercial Indian bank, to microfinance institutions in India. The first round of the effort is slated to support the equivalent of USD 26.9 million in microloans disbursed to 125,000 households. IFMR Capital also will provide structuring, arranging and monitoring services as part of the deal. August 29, 2012

EBRD Loans \$10m to AccessBank of Azerbaijan

The London-based European Bank for Reconstruction and Development recently agreed to disburse a five-year loan of USD 10 million to Azerbaijan's AccessBank, one of six...

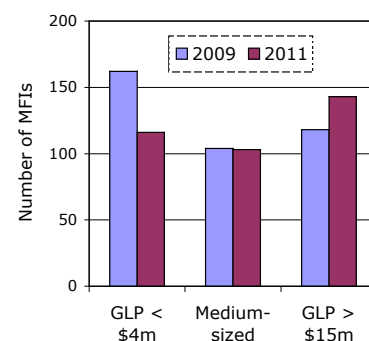
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MICROCAPITAL BRIEFS

MicroCapital to Cover European Microfinance Week Onsite

We at MicroCapital are pleased to announce that we have been contracted to provide onsite reporting from Microfinance Week 2012, a production of the 130-member European Microfinance Platform. The event will be held in Luxembourg from November 14 through November 16, with multiple postings to be published each day at <http://microcapital.org> and on Twitter @MicroCapital. For more details, you may refer to the ad on page 4 of this newspaper and <http://e-mfp.eu>. September 13, 2012

Econet Lesotho Launches Mobile Money Service

Econet Telecom Lesotho (ETL), a provider of telephone services and Internet access, recently launched Spache-fono (Eco-cash), a product that allows customers to use their mobile phones to send and receive money for purposes such as paying bills, making retail purchases, collecting salary and sending cash to customers of multiple mobile service providers. Spache-fono does not require a bank account, as funds can be withdrawn or uploaded at 15 ETL locations and 46 Post Bank stations. The fee to send money is equivalent to USD 0.60, and the daily transfer limit is USD 60. The government of Lesotho owns a 30-percent stake in ETL, whose parent, Econet Wireless, has operations in Africa, South America and Eurasia. September 13, 2012

India's MFIN Seeks Equal Margin Caps for Small, Large MFIs

India's 46-member Microfinance Institutions Network, reportedly will ask the Reserve Bank of India (RBI) to return the margin cap on individual loans issued by large microlenders to 12 percent per year. RBI recently lowered the cap to 10 percent only for microlenders with portfolios over the equivalent of USD 18 million. The interest rate cap on individual microloans remains fixed at 26 percent per year. September 13, 2012

MicroCapital Deal of the Month

Funds Managed by Incofin Acquire Equity in Peruvian Microlenders EDPYME Solidaridad, ProEmpresa

For an undisclosed sum, the Rural Impulse Fund II, which is managed by Belgium's Incofin Investment Management, has acquired an 8.2-percent equity stake in Peru's EDPYME (Entidad de Desarrollo para la Pequeña y Microempresa) Solidaridad, a non-bank financial institution. Solidaridad is held by Caritas del Peru, which is affiliated with the Catholic Church. In addition to supporting village banking, Solidaridad reports serving 23,000 clients with a total outstanding portfolio of USD 35 million disbursed as individual and group loans. Volksvermogen, a microfinance investment vehicle that is funded by the Belgian holding company of the same name, recently raised its stake in ProEmpresa, a Peruvian microlender, from an undisclosed level to 10 percent for an undisclosed price. ProEmpresa reports total assets of USD 89 million, a gross loan portfolio of USD 76 million and 41,000 borrowers. A representative of Volksvermogen, which is also managed by Incofin, will take a seat on the board of directors of ProEmpresa.

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FIELD NOTES


Friends with Benefits: On Microfinance Networks

Last week in Panama, I kicked off the microfinance conference season by participating in Microfinance: Growing with Inclusion, a bi-annual production of Red Centroamericana y del Caribe de Microfinanzas (REDCAMIF). It was a great event with more than 700 participants from Central America - and beyond - sharing three days of discussions, networking and, of course, music and dance. Playing a leadership role in microfinance in Central America is tough. REDCAMIF's microfinance institutions seem to have little in common. Some are large, others tiny. Some lend to indigenous women in rural Guatemala, others to urban men in Panama's bustling capital. But they are brought together by a need to plug into the resources, trends and innovations of the broader industry. This is where REDCAMIF adds value.

In Panama, I sat down with the new director of the Small Enterprise Education and Promotion (SEEP) Network, Sharon D'Onofrio, to discuss some of the challenges and opportunities in strengthening microfinance networks like SEEP. The opportunities are many. For example, networks can promote transparency and information sharing, thus reducing reputational risk, minimizing risks for clients and ultimately boosting the health and longevity of the industry. They are also key in helping donors and investors follow industry trends. They can fundraise on behalf of multiple small organizations from a region, cutting donor's project costs. Events such as REDCAMIF's foster a spirit of collaboration and friendship that strengthens institutional ties. Additionally, in the aftermath of the global economic crisis, international networks or "holdings" of microfinance institutions such as Accion, FINCA, Opportunity International and Pro Mujer fared relatively well as a result of their capital, clout and know-how. I was in Mexico last month where some investors are strongly concerned about various risks in the sector, but are willing to make bets on institutions with international backers.

There are many challenges for networks as well. Most of these are related to their business models. It is hard to raise donor funding for network overhead, yet many networks need just that. New ones need to grow and increase capacity. Older players may struggle to stay relevant to their members. Membership fees don't drive revenues, and events offer an appreciated but limited contribution to overhead. To help generate revenue, many networks have side businesses such as managing investment funds, credit bureaux or technical assistance centers. Finding the right balance between commercial efforts and donations to drive socially led projects is tough. Representing the diverse needs of members is also difficult, but, again, REDCAMIF is making strides.

When I began collaborating with REDCAMIF about five years ago, I appreciated the close-knit friendships among board members, but I also criticized the "boys' club" atmosphere. Few women had penetrated this club, though over 60 percent of microfinance clients in the region were women. This week, I was excited to watch the installation of the first woman to serve as President of REDCAMIF's board of directors. Panama's Jacoba Rodriguez stood in front of hundreds of constituents with her daughters and granddaughter, backed by a board whose majority is now female. She declared her commitment as a woman, Panamanian and industry member to push forward REDCAMIF's agenda. As her voice shook with emotion, I was overtaken by a great sense of pride in this group of friends and colleagues, who I will never call a boys' club again.

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

Confessions of a Microfinance Heretic: How Microlending Lost Its Way and Betrayed the Poor

By Hugh Sinclair, published by Berrett-Koehler Publishers, 2012, 267 pages, available for sale at <http://www.bkconnection.com/ProdDetails.asp?ID=9781609945183>

This book chronicles the experiences of the author working for microfinance institutions (MFIs) in Mexico, Mozambique and Nigeria and describes the negative impressions he has of the management of these MFIs. Mr Sinclair then argues that many investment funds decide which MFIs to invest in based on profit potential rather than social impact. As an example, he cites the persistence of investment funds in backing Nigeria's Lift Above Poverty Organisation despite alleged illegal practices and exorbitant interest rates charged by the MFI.

Mr Sinclair also criticizes online microfinance lending platforms for not publishing information such as... (Continued in the subscriber edition)

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A New Look at Microfinance Apexes

By Sarah Forster, et al; published by CGAP (Consultative Group to Assist the Poor); July 2012; 26 pages; available at: <http://www.cgap.org/p/site/c/template.rc/1.9.58459/>

This brief summarizes a study performed by CGAP (Consultative Group to Assist the Poor), a US-based nonprofit policy and research center, on microfinance "apexes," which filter public resources to microfinance providers within a country. The authors consider a 2008 study on 76 apexes in 46 countries, a 2010 quantitative survey of 23... (Continued in the subscriber edition)

General Guidelines for the Development of Government Payment Programs

Published by the World Bank, August 2012, 71 pages, available at: <http://go.worldbank.org/BXDKN3HIB0>

This report aims to assist governments and other stakeholders in developing efficient electronic government payment systems. The document indicates that many government payment programs can be made more efficient, safer and more transparent while cutting costs by approximately 75 percent.... (Continued in the subscriber edition) 



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