MicroCapital Monitor
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FREE PREVIEW EDITION*

MICROCAPITAL BRIEFS | TOP STORIES

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Grameen Credit Agricole Takes 20% Stake in Senegal's SFA

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

ResponsAbility Loans $5m to Edpyme Raiz of Peru

Switzerland-based responsAbility Investments recently notified MicroCapital that it has issued a senior loan of USD 5 million to Edpyme Raiz, a microlender in Peru. Raiz reports total assets of USD 183 million, a gross loan portfolio of USD 163 million, return on assets of 0.54 percent, return on equity of 2.1 percent and 97,600 borrowers. The institution, which has 48 branches, is in the process of transforming into a *financiera* so it can accept deposits. ResponsAbility reports USD 1.4 billion in assets under management. November 6. 2013

Turkey's Sekerbank Borrows $146m from EFSE, EBRD, IFC

Sekerbank, a Turkish private bank, has borrowed the equivalent of USD 82 million from the UK-based European Bank for Reconstruction and Development, USD 50 million from the World Bank Group's International Finance Corporation, and USD 14 million from the Luxembourg-based European Fund for Southeast Europe. The funding is intended for on-lending to micro-, small and medium-sized enterprises that involve agriculture as well as non-agricultural businesses owned by rural women. As part of its investment, EBRD will provide technical assistance to Sekerbank relating to developing unspecified new products. Sekerbank reports total assets of USD 7.3 billion, deposits of USD 5.1 billion, return on assets of 1.7 percent and return on equity of 13 percent. October 25. 2013

Goodwell West Africa Invests Equity in Nigeria's Mainstreet MFB

Goodwell West Africa, a private equity fund managed by Dutch social investment company Goodwell Investments and Nigeria-based investment management and advisory firm Alitheia Capital, has announced that it will make an equity investment of unspecified size in Mainstreet Microfinance Bank, a subsidiary of Nigerian commercial bank Mainstreet Bank Limited. Mainstreet Microfinance reports assets equivalent to USD 25 million and 60,000 clients. Further financial details on the firm are unavailable. October 17. 2013

Citing Unscrupulous Lending, South Africa's Futuregrowth to Pull Back from Sector

Futuregrowth Asset Management, a South African entity controlled by UK-based Old Mutual plc, reportedly will curtail its investments in lenders that do not require collateral due to concerns of client over-indebtedness. Futuregrowth CEO Andrew Canter was quoted as saying, "The industry seems to be pumping debt down peoples' throats. It is no longer socially responsible and does not belong in developmental funds." Old Mutual reports the equivalent of USD 418 billion under management. October 17. 2013

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

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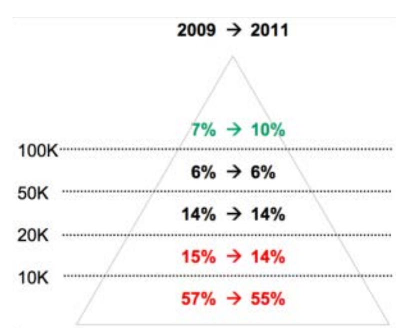
LATIN AMERICA & THE CARIBBEAN
PERCENTAGE OF MFIS IN MARKET BY SIZE



MARKET INDICATORS*

MICROCAPITAL BRIEFS

MicroCapital Onsite at European Microfinance Week

Watch next month's issue of the *MicroCapital Monitor* for our special sponsored report on European Microfinance Week, which is to be held by the 140-member European Microfinance Platform in Luxembourg from November 12 through November 14. November 11. 2013

DID Invests in Currency Hedging Firm MFX Solutions

Developpement international Desjardins (DID), a Canadian nonprofit that invests funds and technical support in development finance in emerging economies, has invested an unspecified amount in US-based MFX Solutions, which provides currency hedging services for microfinance institutions and microfinance investment vehicles. DID will seek to disburse all future loans to its partner financial institutions via MFX so DID can place the investments denominated in a "hard" currency such as US dollars while the borrowing institutions can repay a fixed amount of local-currency. MFX Solutions reports an active portfolio of USD 240 million in swaps and forwards. DID is a subsidiary of Canadian cooperative institution Desjardins Group, which reports total assets equivalent to USD 189 billion. November 4. 2013

UN's Responsible Investment Effort Adopts Reporting Framework

The Principles for Responsible Investment (PRI) initiative, a UN-backed network of investors seeking to integrate environmental, social and corporate governance issues into their strategies, has announced the launch of a new reporting framework that is aimed to increase the transparency of its signatories' activities. The framework consists of 220 indicators relating to investment policies and practices, grouped based on the following asset classes: listed equities, fixed income, private equity, property, infrastructure and inclusive finance. By mid-2014, approximately 800 of the 1,209 signatories are expected to be using the new framework; PRI will de-list members that fail to participate by then. A subset of the data collected through the framework will be made public. Located in 50 countries, PRI signatories collectively manage USD 34 trillion. November 1. 2013

Airtel, Tanzania Postal Bank to Offer Mobile Banking

Airtel Tanzania, a subsidiary of Indian telecommunications company Bharti Airtel, and Tanzania Postal Bank (TPB), which provides financial services to people in rural Tanzania, reportedly are partnering to offer free mobile financial services to their customers. Airtel Tanzania customers with TPB accounts will be able to check account balances, transfer money among accounts, and send and withdraw money using cellular phones. TPB reports total assets equivalent to USD 106 million, 631,000 customers and 28 branches. Bharti Airtel has 261 million subscribers in 150 countries. October 29. 2013

MicroCapital Deal of the Month

Grameen Agricole Takes 20% Stake in Senegal's SFA

The Grameen Credit Agricole Microfinance Foundation, a Luxembourg-based funder of social businesses, recently reported to MicroCapital that it has paid the euro-equivalent of USD 193,000 to acquire a 20-percent stake in Senegalaise des Filieres Alimentaires (SFA) of Senegal. The investment is intended to boost the organization's capacity for processing rice. SFA mainly produces white rice from paddies grown by small farmers in the Senegal River valley and sells mostly to wholesale customers in the city of Dakar. Grameen Credit Agricole also issued a loan of USD 272,000 to SFA and a loan of USD 675,000 to Chamroeun, a Cambodian MFI that offers savings, loans, microinsurance, management skills training and business counseling. Grameen Credit Agricole increased its equity holding in Chamroeun to approximately 20 percent in June. Chamroeun reports USD 6.2 million in assets and 41,000 borrowers. Financial information for SFA is not available.

ADOPEM of the Dominican Republic Lends $1.6m to 728 MSMEs

Asociacion Dominicana para el Desarrollo de la Mujer (ADOPEM), a microfinance institution (MFI) in the Dominican Republic, reportedly has disbursed loans totaling the equivalent of USD 1.6 million to 728 micro-, small and medium-sized enterprises in the country. The cash was available for release from the MFI's required reserve for reasons that ADOPEM was unable to clarify as of the time of publication. Of this set of loans, the equivalent of USD 840,000 was disbursed to 509 women-owned businesses. ADOPEM loans have terms of four to 36 months, with interest rates no higher than the 9 percent maximum rate imposed by the Central Bank of the Dominican Republic. ADOPEM reports total assets of USD 92 million, a gross loan portfolio of USD 72 million, USD 35 million in deposits, return on assets of 4.6 percent and return on equity of 19 percent. October 24. 2013

FIELD NOTES

Customer Centricity: Starting Small

A funny thing about conferences lately is that more and more cover how to put clients at the center of focus. And, of course, the more of these conferences we attend, the less time there is to spend with these low-income "clients." I missed last week's Financial Inclusion 2020 (FI2020) conference in London, but I followed some key bits on social media. I learned that participants believe that only 10 to 25 percent of financial institutions listen effectively to their customers. That is a low figure no matter how we look at it. For now, I would like to set aside the potential reasons for this and focus instead on some solutions. I'll put on my "teacher" hat and walk through a piece of the customer-centricity puzzle.

I'll begin with three critical reasons *why* a financial institution might want to be client centered. The first two are proactive; the third is defensive: First, clients generate revenues, and staying in front of their needs can increase revenue. For example, one huge problem in microfinance is low client retention. Understanding how to keep clients - how to make relationships "sticky" - is key to the survival of microfinance institutions, in my view. Second, if providers of financial services to low-income people are supposed to be doing "good" or at least doing "no harm," how will they know if this is happening without measuring "good" or "harm"? And, third, even if a financial institution is not especially interested in its effect on clients, there will be scrutiny of its practices at some stage, particularly when regulators or advocacy groups begin to realize that client protection is at risk.

The *why's* above are no-brainers, and I think many more than the 10 to 25 percent of financial institutions at FI2020 have "bought in" to this reasoning. Over the past four weeks, my team has worked with four of these institutions, all of which are making huge efforts to be client centric. Their results are not public, however; and in many cases, the institutions don't even have results to use internally yet. This points to a key problem, which may be resulting in low levels of customer centricity: *how* to be client centric is not always clear, and the capacity to do so is often low. Here's where I suggest a financial institution start small, but with a framework. This process should start with *asking* some key questions; *collecting* relevant information; *storing* it appropriately; engaging in a process for its *analysis;* and finally using the information to *improve services, manage risk and make strategic decisions*.

In my experience, institutions will fall short somewhere in this process. We have worked with institutions that have started just by collecting a few more data points as part of the loan intake process. In other cases, just agreeing to enter more of the intake responses into the data storage system can be a big first step. Coming up with efficient ways to store, retrieve and analyze data is also a basic step, as is using the analysis for decision making. For example, a financial institution might learn that its clients often leave after a third loan cycle, talk to third-cycle clients about why they are leaving and adapt its services to keep them.

More complex quantitative and qualitative surveys and discussions are useful, but require more work and greater institutional capacity. So for those 75 to 90 percent of financial institutions that may not be effectively listening, my recommendation is to start small, think a lot and keep building. Once you see the results, you won't want to stop!

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 18 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.


Vision Microfinance: Social Impact Investing

PAPER WRAP-UPS

The International Bank of Bob

By Bob Harris, published by Bloomsbury Publishing, 2013, 400 pages, available for purchase at http://www.bloomsbury.com/us/the-international-bank-of-bob-9781620405222/

The idea for this book stems from the day that US-based author Bob Harris met a group of South Asian day laborers while traveling in Dubai. The laborers had come to Dubai after being promised high wages and good working conditions, but received as little as USD 6 per day and were forced to work long hours. This encounter caused Mr Harris to think about the inequalities in the world caused by the "birth lottery," the opportunities that people do or do not receive because of the situation or location in which they are born. He returned home with the goal of helping people living in developing economies.

Mr Harris searched the website of Kiva, a US-based online portal allowing individuals to make loans to microfinance institutions (MFIs) that on-lend the funds to lower-income borrowers around the world. Mr Harris made many loans via Kiva and began to think about the borrowers that the loans were intended to benefit. He decided to travel the world to meet them.

Mr Harris met with borrowers in Bosnia, Cambodia, Morocco, Peru, Rwanda and other countries and looked into the day-to-day operations of the MFIs that serve them. In Bosnia, a country still feeling the economic repercussions of war, Mr Harris visited Zene za Zene, a humanitarian organization that works with women survivors of war. "Zagorka," one of Zene za Zene's borrowers, was on her fifth loan to buy and raise pigs and poultry to sell at profit.

In Kenya, Bob met with "Symon," a borrower of Juhudi Kilimo. The MFI's name means "agricultural effort," and it focuses on loans for raising livestock for later sale. Symon used his loans to raise cows and used the profits to grow coffee…. *(Continued in the subscriber edition)*

Post-Conflict Remittances and Human Security: Perspectives on Peace-Building, Institutions, and Development

By Daivi Rodima-Taylor, Donald Terry and John Harris; published by Boston University's Pardee Center for the Study of the Longer-Range Future; 2013; 146 pages, available at http://www.bu.edu/pardee/files/2013/10/Pardee-CFLP-Remittances-TF-Report.pdf

This collection of research papers explores the "role of remittances in post-conflict environments" and the potential of these funds to serve as a major underpinning of economic development. In 2013, remittances to developing countries are projected to total USD 430 billion. The reviewed papers attempt to establish the importance of remittances for both… *(Continued in the subscriber edition)*