

# Rural Finance

## Knowledge Management Newsletter

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Dear Readers,

The Rural Finance Knowledge Management Partnership (KMP) is an initiative of the International Fund for Agricultural Development (IFAD), Centre Internationale de Développement et de Recherche (CIDR), and MicroSave represented by Decentralized Financial Services (DFS). It undertakes joint rural finance activities in eastern and southern Africa. This partnership provides rural financial implementation support to IFAD programmes and projects.

This quarterly newsletter provides information rural finance and is a forum for sharing experiences. We welcome your comments on how to make this newsletter more

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From the Editor

The *Rural Finance Knowledge Management Newsletter* is published quarterly. Readers are requested to send any articles on rural finance, field experiences, workshop, conference, and training announcements by email to the RFKM Team for publication to [info@ruralfinancenetwork.org](mailto:info@ruralfinancenetwork.org). A token of appreciation will be provided to readers who submit articles to this newsletter.



# Experience and Knowledge Sharing

## Investigating the financial lives of the poor: the Financial Diaries method

Daryl Collins

*Daryl Collins is the Director of the South African Financial Diaries project, funded by FinMark Trust, the Ford Foundation and the MicroFinance Regulatory Council of South Africa. This article was downloaded from <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.9121/>*

**A** 50-year-old single woman, Mambongo (not her real name) lives with her three children and one grandchild in a crowded flat in one of the roughest areas outside Cape

Town, South Africa. Her main source of income is a small business cooking sheep intestines. A government-sponsored child grant, income from a casual job and periodic small gifts from an aunt supplement this income. Her primary financial concern is making ends meet on a daily basis, and making sure her family enjoys a good Christmas each year.

How does Mambongo manage her money and try to meet these financial goals? The Financial

Diaries, a data collection method initially conceived by David Hulme and Stuart Rutherford, authors of *The Poor and Their Money*, answers such questions by tracking household cash flows over the course of a year. With its rich set of data, the Financial Diaries aims to help policymakers, the financial industry and donor agencies understand financial management practices of the poor so they can strategize on how to increase financial access for these households.

*Mambongo's sheep intestine cooking station*



Finance is the relationship between *time* and *money*. To understand household finances fully, time and money must be observed together.

**Finance: Where time and money intersect**

Very little systematic research has been done into the precise methods that poor people use to manage their money. Many household surveys ask questions about loans and savings behavior, but most ignore or under-report informal services and often miss a fundamental element of finance — time. By taking into account *time*, the Financial Diaries method is able to capture two elements that are not observed in one-time household surveys:

- The complexity of a household’s financial transactions: talking to households over time allows us to unravel the details and capture the entire set of cash flows.
- The success or failure of financial management: this can only be assessed by observing a build-up of savings or how quickly a loan is paid off over time.

Poor households in the study do not actually keep a ‘diary’ themselves. They are interviewed by a team of skilled field researchers who record transactions and comments during home visits every other week. These field researchers ask respondents detailed questions about their financial flows during the prior two weeks. For example, did they take a loan, deposit money into an account, or take goods on credit?

**The South African Financial Diaries**

Building on the first Financial Diaries studies in Bangladesh and India in 1999 and 2000, the South African Financial Diaries were implemented in 2004–05 using different techniques to collect a more complete set of cash flow and balance sheet data. A specially

built database made it possible to improve data quality in two ways:

1. Questionnaires specific to each household were generated, based on data from the previous interview. This innovation simultaneously shortened the interview time, while facilitating a higher precision of recall, even for small financial transactions.
2. Field workers were able to calculate an on-the-spot reconciliation of household cash flow statements, which allowed them to easily target small cash flows that households may have forgotten or avoided discussing.

The South African Financial Diaries method tracked, with high precision, a set of over 200 income, expenditure and financial transaction daily time series for each household. Aggregated across households and over time, the margin of error across the sample becomes an average of 6% of sources of funds after six interviews.

In addition to tracking a large amount of quantitative data, the Diaries simultaneously provides rich qualitative data. Part of the interview time is spent in open-ended conversations with households, allowing researchers to follow households’ financial dilemmas, opportunities, and strategies as they play out from week to week.

**The case of Mambongo**

To see how this method of data collection yields a complete set of ongoing financial accounts, let’s return to the story of Mambongo. Though she was illiterate and could not speak English, she was not intimidated by the detailed financial questions the research team asked her. A strong woman, solid in both appearance and personality, she could remember her cash flows for the previous two weeks and recall exactly how she made her financial decisions. She explained that in April, she took a loan from a moneylender to help the cash flow in her business. She also belonged to eight different savings clubs over the year. One club helped fund her cash flow requirements for business inventories (she received a payment in April), while the others were ear-marked savings for Christmas. The table below shows the complete set of cash flows for April 2004, the combined results of two interviews.

**Results: Better understanding financial management in poor households**

Mambongo’s broad array of

Mapping the Sources and Uses of Funds for a Financial Diaries household, April 2004			
Sources of funds		Uses of funds	
<i>Operational</i>		<i>Operational</i>	
Casual wages	\$ 52	Food	\$ 85
Business revenues	\$218	Business inventory	\$118
Child grant	\$ 26	Business expenses	\$ 2
Gift from aunt	\$ 26	Paraffin	\$ 6
<i>Financial</i>		Electricity	
Received moneylender loan	\$ 23	Household products	\$ 46
Savings club payout	\$ 92	Transport to work	\$ 12
		Newspapers	\$ 1
		Public phone	\$ 3
		Penalties and fines	\$ 1
		Haircut	\$ 2
		Clothing	\$ 17
		<i>Financial</i>	
		Savings club payment	\$121
<b>Total</b>	<b>\$437</b>	<b>Total</b>	<b>\$436</b>

savings, credit and cash flow instruments is typical of the poor households surveyed using the Financial Diaries. Households in the 250 households surveyed in Bangladesh, India and South Africa used, on average, ten different types of financial instruments. Tracking the entire portfolio of financial instruments over time has yielded a number of insights across a broad spectrum of poverty-related questions, including:

- The median Diary household in South Africa saved an astonishing 21% of their income every month. However, those savings rarely accumulated for more than several months, and usually were tied to a specific purpose, leaving poor households with little savings to use for unexpected emergencies or opportunities.
- Although physical assets, like livestock and land, make up most of a household's net worth, their median value over the year was virtually unchanged. Net financial assets (assets less liabilities) are far more dynamic. Households accumulated savings month by month and by the end of ten months, the median household had 14% more in net financial assets than they started with. This is a significant amount of asset accumulation, taken from small incomes, over a short period of time.
- Funerals provide frequent unexpected financial shocks in South Africa, often costing up to seven months of income. Despite holding a portfolio of funeral insurance instruments, 61% of South African Diaries households are underinsured against the cost of a funeral. Eighty percent of these households would lose over half of their monthly income should the highest income recipient in the household die.

Even by selling liquid assets, only a third of the sample households would be able to maintain their pre-death living standards for a year or more.

- Households are also not prepared for long-term goals like retirement. Only 15% of single adults and 18% of married couples in the Financial Diaries sample would have more than 5 years of retirement support by the time they retired. While the middle- and high-income households benefit from employer-provided provident and pension plans, most low-income South Africans depend on the small state-provided Old Age Grant for support in their old age.

A new book entitled *Portfolios of the Poor*, due to be released in Spring 2009, will bring together the findings of the Bangladesh, Indian and South African Financial Diaries.

## Indian farmers to insure themselves against climate change crop failure

James Murray

For more than half a million farmers in rural India, the age old fear of crops failing due to bad weather could soon be banished, thanks to an innovative insurance scheme that UN negotiators gathering in Bonn in June considered as a central component of climate change adaptation measures in Africa, Asia and Latin America.

Following a successful trial last month, MicroEnsure, a company specialising in providing insurance to poor communities, plans to launch a scheme next year for

up to 600,000 farmers in India's Kolhapur province allowing them to insure against their rice crops failing due to drought or heavy rains during the plants' flowering period.

Chief executive Richard Lettley said micro-insurance policies — so-called because of their relatively low premiums — will be offered to farmers with loans from the local Kolhapur District Cooperative Bank. The firm will then pay out to farmers when weather stations show crops are likely to have been damaged by

rain or drought, making it possible for smallholders to support their families and continue loan repayments even when crops fail.

The scheme, which is receiving funding from the Bill and Melinda Gates Foundation, will be promoted using comic books designed to explain visually how insurance works to farmers who have previously had no access to insurance cover. It will also be supported by finance from the Indian government that will effectively halve the price of premiums to around 2.5% of the

value of the loan.

Leftley is anticipating huge demand from farmers in the region. 'We ran a pilot scheme last month for 5,000 farmers and it sold out in two days,' he said, adding that after similarly successful trials in Malawi, Ethiopia and the Philippines the company was now looking to prove micro-insurance schemes could work on a large scale.

As well as insuring against crop failure, the scheme also helps farmers access larger loans to pay for seeds and equipment, Leftley said, citing previous trials that saw banks lend 15% to 40% more to farmers who have insurance.

MicroEnsure's plans come as delegates at this week's UN climate change talks in Bonn debate whether rich countries should provide financial support to the fledgling sector. The official negotiating text, which forms the basis of an international climate change deal that is expected to be finalised in Copenhagen later this year, includes proposals to support micro-insurance projects.

Dr Koko Warner, an insurance expert at the UN University, said a broad consensus of support was building around the idea ahead of the Bonn meeting with US negotiators showing support for the first time. 'There has been a real shift in the US position,' she said. 'It has got behind micro-insurance as it perceives it as a good way of reducing and spreading climate risk.'

Micro-insurance also presents a cost-effective means of promoting climate change adaptation measures, according to Thomas Loster, chairman of the Munich Re Foundation, a not-for-profit arm of the insurance giant. He predicted that as weather-based



*A farmer in India carrying wheat. Photograph: Stringer India / Reuters /*

insurance schemes mature and larger insurance firms enter the market they will provide poor communities with education to help better protect themselves against the impact of droughts and weather-related disasters, such as hurricanes and flooding.

'The basic principle of insurance is that you offer lower premiums when risks are lower,' he explained, predicting that micro-insurance providers would want to limit the number of claims they face by helping communities become more resilient to climate change.

Alan Doran, a microfinance expert and consultant to Oxfam, said he expected micro-

insurance schemes to become an increasingly important component of development projects. 'These types of schemes allow people in poor communities to cushion themselves against shocks in a way that we take for granted,' he said. 'If the weather stations are put in place and the risks are spread effectively then it has the potential to deliver real benefits.'

This article first appeared on 8 June 2009 at [guardian.co.uk](http://guardian.co.uk).

# Microfinance: Training should extend beyond savings groups

Ben Hess

*Ben Hess is a Catholic Relief Services international development fellow living in Guatemala and working with savings-led microfinance programs. This article was downloaded from <http://crs-blog.org/microfinance-training-should-extend-beyond-savings-groups/>*

The 2007/2008 Human Development Report's statistics on Guatemala are pretty depressing. Approximately 54 percent of Guatemalan children under age five are under their height for age (a sign of malnourishment), almost one in three individuals over age 15 cannot read or write, 32 percent of Guatemalans survive on less than \$2 per day, and 56 percent of the population lives below the national poverty line. The Catholic Relief Services (CRS) addresses these issues through a variety of projects, including nutritional and health monitoring of mothers and young children, technical assistance to small farmers, and educational scholarships for poor students.

Nevertheless, CRS has observed that even when these projects are successful and families improve their economic situations, many Guatemalans do not access formal financial institutions—including banks and microfinance agencies—due to unfamiliarity with the services they offer, fears of being manipulated, or high barriers to entry.

These obstacles prevent them from earning interest rates on their savings deposits, accessing pension and insurance products,

and receiving more affordable credit to purchase homes, open small businesses, or fund their children's education. Furthermore, most poor Guatemalans have never received any type of financial education. They might not know how to develop a family budget, may not understand the terms of their loans, and do not make it a habit to save money.

CRS has reached out to the poor and marginalized sectors of the Guatemalan population through savings-led microfinance, which operates through the formation of autonomous savings groups. Group members receive training on the principles of savings and loans, interest rates, and other basic financial tenets. This financial training ensures that group members possess the skills they need to successfully manage the group's fund and make responsible financial decisions when, for example, they evaluate loan requests.

Members have improved their financial skills through their participation in the savings groups, but we wanted to think bigger by resolving two main questions: How can we standardize the financial training? And how can we extend it beyond the savings groups? After all, members are not the only ones who could benefit from learning how to manage their money and develop clear financial goals.

As a result, CRS is currently exploring the idea of creating a formal financial literacy curriculum. The curriculum would include information about savings concepts, budgeting, and basic banking instruments. In addition

to using it with savings groups, we would seek to implement a financial education program in several public secondary schools. CRS would conduct training-of-trainer workshops for teachers and animators, who in turn would teach the curriculum to students and savings group members.

In the United States, personal finance classes often include stock-market simulations that teach students how to invest and track stocks. Although this can generate interest in finance, it can also encourage risky behavior. Combining financial education and savings groups, on the other hand, teaches valuable lessons about savings, loans, and responsible money management. It also builds decision-making and leadership skills, promotes teamwork, and instills students with self-confidence.

## Training and Learning Resources

### The Rural Finance Learning Centre

The Rural Finance Learning Centre (<http://www.ruralfinance.org/>) is an online learning resource sponsored by FAO, IFAD, The World Bank and GTZ. It is managed by the Rural Finance specialists in FAO. The portal has the following training and study materials: Guides for trainers, Self-study guides, Training tools, plus details of various training opportunities.

The RFLC contains a reference library of documents and multi-media organised into topics which can be searched from various perspectives: Archived conference materials, Background and general reference, Policy-making, Service provision and client Distance.

**Distance Learning:** The RFLC provides free, interactive lessons in rural microfinance for those able to work online. There are no tutors — just start and stop when you like. The lessons are organised into groups: Basic concepts, Understanding client enterprises, Managing financial services, and Choosing strategies.

**Videos Online:** The RFLC also stream videos from which you can watch online. If you want to know about self-help groups in India, watch *The Luminous Link*; *Little Money*, *Big Money* will show you how to plan and introduce savings products; *Drumnet* introduces an initiative to enhance supply chain finance in Kenya; *Building Better Lives* shows how credit with education works in Bolivia.

To see the full list of videos go to <http://www.ruralfinance.org/id/27095>.

### Credit Union Executives Society Online University

The Credit Union Executives Society (CUES) Online University is the world's first virtual training and information center for employees in credit unions. CUES Online University is designed especially for employees of the credit unions. CUESU's courses do not replace training and information that involves considerable interaction with instructors or group interaction, but it addresses the needs of a high percentage of credit union training at a fraction of the cost. CUESU's cost-effective training and information will mean that more employees can be trained on more topics for less money.

CUES is a non-profit association based in the USA whose mission is to advance the professional development of credit union CEOs, senior management and (board) directors. The Online University has over 110 internet-specific courses covering over 160 topics. Courses cover everything from 'Strategic Planning for Credit Unions' to 'Teller Training.' CUES Online University is sold on an unlimited-use 12-month subscription based on the number of employees in the subscribing credit union. Unlimited use means that all employees and directors can use CUES Online University at home or from an office computer with internet access as often as they want for one low annual fee. New courses, editions and features are supplied at no extra cost.

CUESU's courses can be completed at the pace of the individual. Familiar material can

be quickly reviewed and new material studied slowly. Courses do not have to be completed in one sitting. Each course includes end-of-chapter 'checkpoints', which are questions that students can answer in written form. Courses also include 'interactive self tests' which consist of multiple choice questions. Employers can require employees to answer these questions to ensure successful training.

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### Scholarships and awards for students' research in microfinance

PlaNet Finance Deutschland invites students writing or finalizing theses on a microfinance-related topic to participate in its University Meets Microfinance project's scholarships and awards programme:

- Eight Scholarships of up to €1500 will be granted in 2009 to allow students conduct on-the-field research in microfinance. Participating students may get additional assistance in organizing the field research. The scholarships will be granted to cover travel and / or accommodation expenses during the field research.

- Four Awards will be granted to students having completed their final thesis in a Master or equivalent programme and who have presented an outstanding research in the microfinance field. The winning thesis will be published and will receive a prize of will €500.

Students will be invited to share and discuss their findings with academics, other students and practitioners during workshops or awareness events organized by the UMM programme

Students should submit their research proposals or final theses electronically to: [umm@planetfinance.org](mailto:umm@planetfinance.org) by 15 July and 31 October. Selected participants for the Scholarship Programme will be informed three weeks after submission deadline. The winners of the awards will be announced in November 2009.

#### Conditions

Submit the following documents:

- Final thesis: The thesis has to be accepted and graded by the supervising professor. Corrections and / or suggestions of improvement have to be integrated in the submitted version.
- Short CV
- Application Form (Appendix I)
- Declaration of Consent (Appendix II)
- Declaration of Acceptance from the supervising professor and / or tutor (Appendix III)

Submit your thesis in English preferably. Submit a short abstract of the results in English if you are writing in a language other than English.

Contact:  
UMM, PlaNet Finance  
Deutschland e.V  
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## The Centre for Microfinance

Expertise and experience in guiding and managing institutions that provide financial services to poor people are lacking in South Africa and on the African continent. This is true for most of the world's developing countries and has led to an international effort to improve management capacity and understanding of microfinance. The Centre for Microfinance is part of an international programme, financed by the Microfinance Management Institute ([www.themfmi.org](http://www.themfmi.org)) with partners in India, the Philippines and Costa Rica.

The Centre fulfils three core functions:

- Education: developing and presenting courses in microfinance at formal and non-formal levels, including an MBA Microfinance electives, a Certificate in Individual Microenterprise Lending, a Certificate Programme in Microfinance Management and Executive Management Courses in Microfinance.
- Research: undertaking research studies in different areas and on diverse aspects of banking services provision to the poor on a continent-wide collaborative basis. Here the focus is on market integration; member based financial services; rural finance; legislation and regulation; and access to finance and also SMME finance.
- Dissemination of information: including research results in the form of conferences, workshops and publications.

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## Conferences and Workshops

### 4th African Microfinance Conference

The African Microfinance Conference has become a very popular event taking place every two years in Africa since the first conference 2003 in Johannesburg, and subsequent ones in 2005 in Cape Town, and 2007 in Kampala. The 4th African Microfinance Conference will take place in Ouagadougou, Burkina Faso, 7–10 July 2009. The conference follows-on from discussions and topics of previous conference and in this way provides a trend in experiences and challenges of microfinance in Africa.

The general theme of fourth conference will be 'Affordable access to finance for low-income African entrepreneurs'. The Conference will focus on affordable access to financial services for the majority of African small and medium entrepreneurs operating mostly in rural as well as in the urban areas. The subthemes are:

1. Transaction costs revisited — towards an efficient transactional platform to engage with poor and low-income clients (this relates to the affordability aspect as well).
2. Enabling legislation — protecting African financial systems or stifling innovation — an important topic within the reality of the financial crisis in the developed world and in anticipation of the reaction to tighten regulations due to the current crisis.
3. Microfinance and food security

— including value chain finance and other aspects as food security focuses in two areas, generating income to access food and to produce food.

4. Inclusion challenges in Africa – the role of different actors and methods, and to continue the theme started in 2005 by the United Nations and the second African Microfinance Conference
5. Collateral Management in Agricultural and Rural Finance in Africa — to generate discussion on collateral substitutes and aspects of access to land.

Visit [www.microfinance.up.ac.za](http://www.microfinance.up.ac.za) and follow the links to the conference for more information on calls for papers, registration dates, costs and general information on the conference as it becomes available as well as a report on the 3<sup>rd</sup> African Microfinance Conference that took place in Kampala in 2007.

For more information check out the website: [www.apim-burkina.bf](http://www.apim-burkina.bf). You can also send emails in French to [ctmpb@fasonet.bf](mailto:ctmpb@fasonet.bf), and in English to [katherine.blaine@up.ac.za](mailto:katherine.blaine@up.ac.za) for more information or if you wish to add your name to the address list for future communication on the conference.

*Leonce KONE, Conference Organising Committee Chairman*

### Expert meeting on Managing Risks in Financing Agriculture

The expert meeting on integrated risk management was organized Johannesburg, 1–3 April 2009 to review and discuss good practices and available instruments for financial risk management in agriculture, and the characteristics that are typical of practices that have brought increased access to agricultural finance to farmers and other agents along the supply chain. The Expert meeting was organized by AFRACA, FAO

#### Findings

1. *Financing for agriculture is viable and sustainable* if supported by sound risk assessment and risk management at all levels, including at the farm, the financial institution (commercial risk), and the agricultural value chain.
2. *Cooperative financial institutions and mutuals* are often well positioned and effective in providing financial services for agriculture, and other financial institutions can draw valuable lessons from their experiences.
3. *Mutually beneficial partnerships* through which risks and benefits are shared lower risk by creating holistic solutions and by enabling cost-efficient delivery of packaged financial and nonfinancial products and services.
4. *Aggregation* of clients can facilitate the development of,

and access to, risk management services, such as price risk management and insurance, as well as other services such as collective input purchasing and output marketing.

5. *Good banking practices*, combined with understanding of the agriculture sector and the client, are the core of sound institutional management and operations for financing agriculture.
6. *Government policy and intervention* should be oriented towards public goods and infrastructure (physical and non-physical), aiming to promote an enabling environment for the development of agricultural finance and insurance services, through public private partnerships.
7. *Well designed and qualified technical assistance*, taking into consideration existing local knowledge and built on understanding of effective demand for financial services, is key to the development of efficient and well-performing financing of agriculture.
8. *Insurance* is one tool in an overall risk management strategy to promote agricultural finance at all levels (micro, meso and macro). There is a need for continuing development of insurance products and services adapted to developing countries, in particular that are addressing agricultural production and livestock losses.
9. *Innovations in agricultural finance* could build on and improve existing products and processes to deliver new and more efficient services. Investment costs of innovation may deter good initiatives. Cost-sharing, through the

development of partnerships for example with other service providers, is necessary both to initiate and to scale up innovation.

10. *Price risk management* is very important and equally difficult to achieve, but could be promoted through aggregation. Hedging instruments have only limited availability in developing countries, particularly for small farmers, and are only applicable to internationally traded commodities. Contract farming offers another approach to price risk management for small farmers and their financial institutions.
11. *Innovative forms of collateral and collateral substitutes* can be employed in order to improve access to finance for farmers who lack suitable conventional physical assets for loan guarantees.
12. *Financial literacy* is a particular challenge for financial institutions serving farmers and other clients in the agricultural value chain in developing countries. Financial literacy education will contribute to improving risk management in agricultural lending and is equally important both for staff and clients of financial institutions.
13. *Leasing* offers the potential to reduce some of the risks of traditional loan provision for investment financing in agriculture. Leasing can provide an alternative financing solution for small farmers and rural enterprises with limited collateral and credit history for the acquisition of equipment and other production assets.
14. *Certification of agricultural producer organizations* can allow improved access to

national and international markets, and capacity building. Reduced market risks for farmers and financial institutions alike can enhance access to affordable finance

## Ecobank, microfinance and poverty alleviation

Ecobank is committed to playing a leading role in providing financial services to poor and low-income but economically active micro and small enterprises in Africa. While the sector remains very important to the growth and development of Africa as it employs many Africans and is the bed-rock of national economies, the key challenge remains lack of access to financial services.

Ecobank has a dual objective in serving this market. The market is largely untapped and has tremendous potentials and so it presents a business growth opportunity for the bank while also offering a significant platform to empower African entrepreneurs to upscale their operations, expand income generation and pull themselves out of poverty.

To pursue the vision the bank and its partner, Accion International, a global leader in microfinance, are working to establish microfinance banks across Africa with a plan to launch operations in 20 countries by 2012. Ecobank, ACCION and other partners launched one of the biggest microfinance banks in Nigeria in 2007, launched another bank in Ghana in 2008 and have a plan to increase the footprint to eight countries in 2009.

To complement the direct retail approach, Ecobank also acts as bankers to microfinance institutions in the countries in which it operates. We presently support over 250 microfinance institutions with wholesale loans and other products in a manner that deepens their capacity to expand delivery of services to their customers .

Ecobank believe the prospects remain very bright for the microfinance sector which is arguably as large as or even larger than the traditional banking sector.

## War over funds threatens cooperative revival

22 June 2009, *The East African*

A cash-fuelled dispute between cooperative unions and their apex body is stifling the planned revival of Uganda's cooperative movement through which the country's small-scale farmers would bulk their produce for collective marketing and selling.

Apparently, Uganda Cooperative Alliance — whose members, by law, are secondary cooperative societies — is recruiting new but arguably illegal members among primary societies, with whom it prefers to implement a Ush32 billion (\$16 million) programme.

It has constituted a board of directors that is presiding over a new stream of members, excluding past members who say this is illegal. According to its by-laws as amended in 2005, any registered society is eligible for membership, but this appears to be in contravention of the Cooperative Societies Act.

The secondary societies, which comprise national and district cooperative unions, have taken the alliance to court over the matter and have applied for the money directly from the government through a business proposal they say will get the movement back on its feet.

The government set aside Ush32 billion in the 2008 / 09 budget to build microfinance infrastructure through savings, credit and cooperative organisations and an extra Ush2 billion (\$1 million) for market research and implementation of cooperative activities.

In January this year, the alliance presented a concept note to the Finance Ministry through the

Microfinance Support Centre (MSC), a state-owned company created to manage the rural microfinance support project.

The concept note, titled 'Empowering farmers through an integrated marketing system', does not show any involvement of cooperative unions. Instead, it proposes to create primary cooperative societies and area cooperative enterprises, arguing that most of the unions' historical members have either closed down or work at negligible capacity.

The concept paper also suggests that the apex body wants to do the same work as its members — providing storage facilities, delivering primary society members' produce to warehouses, providing members with market information, and bulking and marketing produce.

*The East African* has learnt that before the alliance presented its concept note, secondary cooperative unions had taken it to court seeking an order to ban recruitment of 'illegal' members and reinstate the 'legitimate' board of directors. The two later agreed to settle the matter out of court and the unions' lawyers withdrew the case, but the alliance is alleged to have secretly presented the note to the government.

A ministry official is said to have tipped off the unions, who quickly instructed their lawyers to write to the State Minister for Microfinance explaining the situation and advising that no money for cooperative marketing be approved on the basis of the concept paper. The unions' letter reads in part: 'To our surprise, on February 2, 2009, Uganda Cooperative Alliance had opted out of the court settlement by approaching your ministry to directly finance their activities by a concept paper which is to be presented to your ministry.

Our clients' complaint is that the concept paper excludes them and yet they are members of Uganda Cooperative Alliance.'

The Ush32 billion at stake was allocated by then finance minister Dr Ezra Surumabut is yet to be absorbed. Erisa Ngereza, chairman of the Uganda National and District Unions Association, said they would obtain the money as an association and not through the alliance.

'We have already applied for the money with a business proposal that will help revive and enhance the role of cooperative unions. Besides, we want this money as a loan, while Uganda Cooperative Alliance wants it as a grant,' Mr Ngereza said.

One of the projects proposed in the business plan, he added, is processing plants to add value to farmers' produce before it is sold. 'As an example, we intend to build an aloe vera factory in Tororo where we have over 130 primary societies in our membership,' he said.

Going by the concept paper, the alliance's intended activities will be facilitating formation of 1,500 primary cooperative societies and 300 area cooperative enterprises. Besides training and linking its members to savings and credit cooperative societies (SACCOs) for operationalisation of the warehouse receipt system, other activities bear similarity to what its historical members ought to be doing.

A senior officer at the alliance who requested anonymity because he is not its official spokesperson said the cooperatives collapsed in the 1990s and those that exist either do only on paper or are operating well below capacity.

He said even if the cooperatives were to be revised they would have to go through rigorous restructuring to adjust to the

changes that have taken place over time.

For instance, with liberalisation, they will not monopolise marketing and selling produce, while their key commodities like coffee have seen significant declines in production.

*David Malingha-Doya*

## Africa: Microfinance faces collapse as financial crisis bites

23 June 2009, Nairobi (Kenya)

Microfinance institutions in Africa have very little chance of surviving the current financial crisis as loan repayment default soars. Most of their low-income debtors will be too busy concentrating on personal survival to think of repaying their loans.

This is despite a show of resilience by the global microfinance sector in a new survey conducted by CGAP, an independent policy and research centre dedicated to advancing financial access for the world's poor.

'There have been few failures among microfinance institutions since the onset of the current financial crisis. However, the more than 400 respondents to the March survey reported significantly tougher market conditions,' reads the report, released recently.

In East Africa, microfinance institutions have been pivotal in spurring growth and development for the majority of rural dwellers. They also support a thriving small and medium scale enterprise sector that today account for about 30 per cent of the gross domestic product of countries like Kenya.

However, the full impact of the financial crisis is likely to be felt in the second half of this year.

Accordingly, many MFIs are taking steps to cope, such as taking a more conservative lending approach and in some cases, even cutting staff.

'Many poor households are struggling with the many consequences of the global food, financial and employment crises,' said Elizabeth Littlefield, CGAP's chief executive.

She added, 'Their income sources like revenue from small businesses or from money sent from families working abroad, have become more erratic. At the same time, many expenses like food, are still far higher than before. Savings are thus being withdrawn and loan repayment rates to MFIs are worsening.'

According to the survey, as opposed to their counterparts in emerging economies, leading MFIs in the West are well positioned to adjust their operations to weather the financial storm. Many are investing more in client communications and tightening credit and collection policies. It is critical that these organisations stay financially viable, as their clients will need their services now more than ever.

It is this burden that local and regional microfinance institutions will have to deal with as the crisis finally takes its toll on Africa, coupled with other economic situations that may hamper their survival chances in the face of the crisis.

'On the client side, we foresee a further deterioration in food consumption and loan repayment in many markets resulting from sustained high food prices and a drop in incomes,' says the survey.

While half of the MFIs participating in the survey expected loan delinquencies to improve over the next six months, this optimism was tempered by the

finding that more than 60 per cent of MFIs expect to face liquidity pressures over the same period.

A majority of MFIs report that the liquidity drought is hurting, with smaller institutions suffering more acutely than their larger counterparts. Sixty-five per cent of respondents to the CGAP survey reported declining — or at best stable — loan portfolios in the most recent six months, reflecting the impact of the credit crunch. In addition, more than two-thirds of MFIs reported an increase in their portfolio-at-risk levels.

There are, however, strong regional differences, with MFIs in more integrated economies — particularly Europe and Central Asia and Latin America — reporting the largest impacts from the crisis.

It is expected that the same effects will befall those operating in the emerging economies like Africa in the second phase of the crisis.

The World Bank predicts that between 50 million and 90 million more people could be driven into poverty by the current global crisis.

Source. The East African (Kenya) <http://africanpress.wordpress.com/2009/06/23/africa-microfinance-faces-collapse-as-financial-crisis-bites>

## Microfinance institutions should offer more than financial services

Mumbai, India, 14 May 2009

*New Microfinance Insights Survey on social impact reveals new data on impact and performance measurement in microfinance from 160 microfinance institutions and investors globally.*

A new survey conducted by *Microfinance Insights*, the global print magazine, shows that 85% of microfinance institutions and 61% of microfinance investors believe that microfinance institutions should aim for wider social development beyond financial inclusion. The data comes at a time when many microfinance institutions are expanding quickly by offering more customers micro-credit. The results of the survey demonstrate that microfinance institutions, in their effort to fight global poverty, should offer additional solutions through the relationships they have established with clients.

Seventy-nine percent of MFIs polled offer products and services that are consciously seeking to create social impact beyond simple financial inclusion, including community development (63%), inclusion of minorities (60%), and better employment and labor conditions (53%). In addition, more than 83% of MFIs polled said that they are committed towards poverty alleviation as their primary goal, while 78% maintained their social objective is 'women's empowerment.'

Over the last few years, particularly with increasing commercialization, the microfinance sector has come under criticism for not bringing customers out of poverty, and that some organizations have 'drifted' from their goal of impacting the lives of the poor — particularly women. To address this critique, many institutions have developed and implemented measurement metrics that seek to quantify impact.

Over 150 respondents were polled, including investors in microfinance. While the results reveal a firm commitment from both MFIs and investors towards

creating social impact (47% percent of investors polled rated social return on investment as important as financial return), concerns remain over the process of measuring impact. The primary concerns among MFIs and investors were the associated time and cost structures. Sixty three percent of the investors polled said that an immature measurement framework is a major issue for impact assessment, followed by 60% who cited cost and time considerations.

Complete survey results can be found in the May / June 2009 issue of *Microfinance Insights* available at [www.microfinanceinsights.com](http://www.microfinanceinsights.com)

### About Intellecap

Intellectual Capital Advisory (Intellecap) ([www.intellecap.net](http://www.intellecap.net)) is a social business advisory firm that incubates innovative businesses, enables capacity building, and facilitates investment initiatives in the development sector. Working in direct design, execution, as well as indirect strategic advisory roles, Intellecap seeks to create unique solutions that efficiently and effectively address development problems. Intellecap recently launched a second magazine, *Beyond Profit*, which looks at the ideas, people and businesses in the social enterprise space.

### About Microfinance Insights

*Microfinance Insights* ([www.microfinanceinsights.com](http://www.microfinanceinsights.com)) is an international print magazine published by Intellecap to serve the knowledge needs of the growing microfinance sector. A comprehensive and consolidated resource, the magazine publishes diverse global voices, uncovers trends, and analyzes critical issues from economic, business, and social angles. By building knowledge and bringing in new international perspectives, particularly from developing

countries, the magazine has become a microfinance thought leader. It is read by over 10,000 people around the world, who attend its knowledge-building events, and participate in global responsible finance, mobile finance, and microfinance conferences.

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## Kenya to license nine deposit-taking micro lenders by December 2009

16 June 2009

Faulu Kenya Ltd. was granted a license by the central bank to accept deposits, the first microfinance institution in Kenya to receive such a permit.

As many as nine micro lenders are expected to receive similar licenses by the end of this year, Central Bank of Kenya Governor Dr. Njuguna Ndung'u told reporters in June in the capital, Nairobi. Previously, the company wasn't allowed to take money from the public and was only able to issue loans.

Faulu was among nine companies that submitted formal applications to become deposit-taking institutions, Ndung'u said. The license was granted under the Microfinance Act that came into effect in May 2008 and is expected to promote a culture of savings in Kenya, Ndung'u said.

Faulu currently has 87 branches and plans to increase this number using deposits collected from customers, Chairman Ken Wathome said, without providing further details. Within three years, the company plans to increase its customers to 1 million from 220,000, he said.

Faulu began operations in 1992 as a pilot micro-lending programme of Food for the Hungry International, a Geneva-registered non-governmental organization. In April 2005, Faulu sold five-year bonds worth 500 million shillings (\$6.4 million). The securities are traded on the Nairobi Stock Exchange.

*Eric Ombok*

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## World Bank rural finance scheme to help Indian farmers

World Bank, Washington, 9 June 2009

With a \$20 million Bill & Melinda Gates Foundation contribution, the World Bank will establish an Agriculture Finance Support Facility to support the expansion of rural finance in the developing world including India. In a time of tight credit, the Facility will support grants to bank and non-bank institutions for activities to increase access to financial services, such as savings, credit, payments and insurance, in rural areas in developing countries as profitable business lines, the bank announced Monday.

"In India, a country with relatively high rural banking outreach, 45 percent of smallholder farmers did not have a savings account, and 69 percent did not have a credit account with formal financial institutions," it noted announcing the new venture in recognition of the financial crisis hitting the poorest the hardest. "There is a great need among smallholder farmers, who make up the bulk of the world's poor, for ways to save and manage their money," said Carlos Cuevas, Deputy Director of Financial Services for the Poor

for the Bill & Melinda Gates Foundation.

"Having access to safe and reliable financial services such as savings, credit and insurance, allows poor farmers to safeguard cash, which they often receive only once a year during harvest. In this way, they can better provide for their families, prepare for emergencies, and build long term financial security."

"We need to ensure sustainable access to financial services as a fundamental way to reduce poverty," said Renate Kloeppinger-Todd, Rural Finance Adviser at the World Bank.

"The Facility will enable financial institutions to provide new opportunities for smallholder farmers to make productivity enhancing investments and to use new technology and services."

Even before the financial crisis, most of the over one billion smallholder farmers worldwide and many of the rural entrepreneurs of the developing world had little to no access to financial services. Since the financial crisis, access to these needed services has become even more strained.

Financial cooperatives and cooperative banks, a major source for financial services in rural areas in developed countries, have not emerged as significant service providers in most developing countries, the Bank said.

The World Bank provides ongoing support to many countries to improve the enabling environment for financial sector development. It also makes direct investments in rural finance. In fiscal year 2008, the World Bank committed \$613 million for 28 rural finance projects.

*(run Kumar*

## Malawi - Reducing HIV / AIDS through credit with education in Karonga, Chitipa and Mzuzu

The HIV / AIDS prevalence rate in Malawi is estimated at 17 percent. Forty-six percent of the infected population is of a productive age between 15 and 24 years, and 60 percent of this group are women. Areas with migration and cross-border trade centers near the Malawi-Tanzania border have been particularly vulnerable. A lack of knowledge about the causes of HIV / AIDS worsens the situation.

Meanwhile, a 2000 GEMINI survey revealed that the supply of financial services in rural areas fall far short of demand. The survey showed that only 15 percent of small-to-medium size enterprises had received some form of credit. The economically active poor are viewed as an excessive credit risk by traditional lending sources, preventing the ability to grow businesses to help people escape poverty. Women are particularly at-risk of relying on the sex trade to support themselves and their families, further increasing their risk of contracting HIV / AIDS.

### What is the solution?

In October 2000 in Malawi, World Vision registered Finance Trust for the Self-Employed (FITSE) as a microfinance institution serving poor clients in the districts of Karonga, Chitipa and Mzuzu. FITSE aims to improve the living standards of poor women and their families through improved HIV / AIDS status, food security and income levels. In addition to making small loans, FITSE's provides weekly training sessions on health, HIV / AIDS, and

business management. A June 2003 evaluation of FITSE by World Vision microfinance and HIV / AIDS experts from outside Malawi reported the following: 'Tangible results .... Many clients had extensive knowledge of HIV / AIDS prevention and care .... Clients are familiar with orphan care groups, home-based care, the need to visit and encourage them.'

### Project objectives

The goal of the Credit and Education program is to improve the HIV / AIDS and health status of the poor in the northern region of Malawi in an integrated manner than can provide a model for others. The program seeks to:

- Ensure that at least 60 percent of women clients engage in safe sex practices by the end of 2005
- Increase business income of at least 75 percent of the women borrowers
- Increase knowledge level on HIV / AIDS of at least 75 percent of the women borrowers

Credit and Education combines microfinance with low-cost education to assist clients to build their productive assets, accumulate savings, improve self-confidence, and improve basic business and family survival skills, using the following interventions:

- Capacity Building (training to manage credit and savings)
- Credit
- HIV / AIDS and Business Training
- Savings Mobilization

This article was lifted from [http://www.worldvision.org/worldvision/appeals.nsf/stable/im\\_malawi22\\_v7](http://www.worldvision.org/worldvision/appeals.nsf/stable/im_malawi22_v7)

## Mobile money to poor seen £3 billion market in 2012

15 June 2009

The market of mobile financial services to poor people in emerging markets will surge from nothing to \$5 billion (£3 billion) in 2012, US-based microfinance policy and research centre CGAP said. Mobile money is one of the hottest topics in the wireless world, but so far take-up of services has been mostly limited to a few emerging markets, as in developed countries the popularity of online banking has been a brake on mobile money.

'There's a lot of excitement, but very little understanding what's going on as the number of implementations is still limited,' said Mark Pickens, microfinance analyst at CGAP. The market began in early 2007 with a launch of Safaricom's M-PESA in Kenya, which has attracted 6.5 million customers, or one in six Kenyans.

Operators in several emerging countries have followed, and by end-2009 CGAP expects more than 120 mobile money implementations in developing markets. The new estimates are part of GCAP's joint study with industry group GSMA on estimating the size of mobile financial markets. The study is due to be published next week at the Mobile Money Summit in Barcelona.

Pickens said on top of the \$5 billion, telecoms operators could save up to \$2 billion from lower customer turnover, and the takeup of financial services would lift by \$1.10 their average monthly revenue per user (ARPU).

In Africa only one in five people have bank accounts, mainly

because of the prohibitive cost to the banks of operating branches in far-flung parts of a continent where many of the population of one billion live on a few dollars a day or less. But mobile phones are spreading extremely fast: to 270 million in 2007 from just 50 million in 2003, according to GSMA.

### Scope of services growing

The scope of mobile financial services in these markets has grown quickly from simple cash transfers by text message to payments for everything from a taxi ride to a utility bill.

There are about one billion people in emerging markets who have mobile phone, but no bank accounts. CGAP expects that number to rise to 1.7 billion to 2012, with around one in five of them picking up mobile money -- and creating the \$5 billion market. Most optimistic researchers expect more than a billion people in emerging markets to start using mobile money within a few years, while some are more cautious than CGAP.

Telecom operators are in a pole position to launch mobile financial services in most emerging countries as most banks know they cannot compete on their own and so are happy to provide the cash float for the systems in the belief that in the long-term they are opening up a channel to potential customers.

'Customers have already purchased point of sale — its in their pocket,' Pickens said, but warned investors should not expect to see returns in a few months. Safaricom, East Africa's biggest mobile operator, told Reuters the two-year-old M-PESA should generate a profit this year.

Operators such as South Africa's MTN — the continent's biggest operator — and Kuwait's Zain are piling in services similar to

M-PESA in a slew of countries including South Africa and Nigeria, and have pilot schemes stretching from the Middle East to Afghanistan.

### About the Center for Financial Inclusion at ACCION International

The Center for Financial Inclusion at ACCION International is an industry-building initiative that works closely with a wide range of actors to tackle challenges surrounding financial inclusion. It is dedicated to the proposition that low-income people deserve high-quality financial services, and that those services are best provided through sustainable, commercial programs. The Center brings together nonprofits, commercial banks, technology firms, regulators, universities, and many others to address three principal topics: Investors and Microfinance, the Double Bottom Line, and Product and Process Breakthroughs. Using tools such as convening, coalition building, research, information dissemination, training and piloting, the Center is the next step in ACCION's longstanding commitment to commercial microfinance. For more information, please visit: [www.centerforfinancialinclusion.org](http://www.centerforfinancialinclusion.org).

*Tamo Virki, EMEA technology correspondent, HELSINKI (Reuters)*

### Philippines: Micro-finance firms take to ratings

Manila Philippines, 5 June 2009

Local Microfinance institutions have started to submit themselves to assessment by international rating firms in a bid to improve operations and attract investments from abroad.

For Joseph Omar O. Andaya, president and chairman of the Rural Green Bank of Caraga, having his bank rated by Milan-based Microfinanza Rating not only opened doors to a million-peso loan, it also helped him see where his bank was weak. Negotiations are now ongoing with BlueOrchard Microfinance Investment Managers, a fund based in Switzerland, for a loan of as high as P400 million, a quarter of the bank's P1.6-billion loan portfolio.

Mr. Andaya, the incoming president of the association of rural banks, said Microfinanza pointed out Green Bank's strengths and weaknesses compared to other institutions in the region. The weaknesses included high operating costs and inefficient operations. But one of his bank's biggest strengths? His clients, the chief of the Butuan City-based bank claimed. 'The fact you had yourself rated shows you are committed to improving your business, regardless of what score you get,' Mr. Andaya said.

### Painting a picture

Microfinanza Rating is yet to set up a Manila office. Planet Rating has, which also serves as its regional headquarters for Asia. A third rater, Microfinance Innovation Center for Resources and Alternatives (MICRA) Philippines, Inc., is a local organization.

Planet Rating, in a presentation during the annual convention of rural banks in mid-May, said ratings would help investors make up their minds whether to invest in a microfinance institution or not. Wholesale funders, on the other hand, would get a sense of this institution's creditworthiness.

Investments, loans, even grants would beef up a microfinance firm's resources for lending. MICRA Philippines, in a

presentation during the same convention, said microfinance institutions get a diagnosis of where they are weak and need to make improvements.

### Independent ratings culture

Tomas S. Gomez IV, outgoing president of the Rural Bankers Association of the Philippines (RBAP), said the organization had begun to promote an 'independent ratings culture' among its members. Rural banks are among the most active players in the microfinance industry; others are nongovernment organizations (NGOs) and cooperatives. Central bank data showed that 230 rural, thrift and cooperative banks lent a total of P6.46 billion to around 800,000 borrowers last year — a 13% increase from the year before.

'We all know that any firm that subjects itself to the scrutiny of an international rater is a cut above the rest,' Mr. Gomez, the president and chief executive of Nueva Ecija-based GM Bank Inc., said. GM Bank will undergo assessment by Planet Rating next month.

While attracting foreign investments is the main goal of securing a rating, Mr. Gomez said independent scrutiny of banks' operations would help them improve their services to clients. These clients are often poor and without jobs. They apply for microfinance loans, which are small loans that don't require the collateral normally asked by banks. Borrowers, mostly women, use the funds to start small businesses.

The Arroyo administration regards microfinance as a poverty-reducing tool. Loans are usually short-term, and repayments are often made on a daily or weekly basis. Defaults are very low — rural banks boast of a 98% repayment rate — since a black mark will effectively cut the poor borrowers' access to the quick-disbursing funds.

Joselito S. Almario, deputy executive director of the National Credit Council, said before international rating firms came in, microfinance institutions — notably NGOs — were assessed based on the 'PESO' standards. These were used by wholesale lenders such as the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines before committing funds. PESO stands for portfolio quality, efficiency, sustainability and outreach.

### A step forward

For the central bank, ratings present another step forward for microfinance players. Pia B. Roman, head of the inclusive banking advocacy group of the Bangko Sentral ng Pilipinas, said the Philippines' highly-profitable microfinance sector could emerge as a new asset class for international investors, at a time when what were thought safe bets have turned toxic.

'It's another indication of the commercialization of microfinance because when [firms] get rated, they can get access to funds,' Ms. Roman said. Many investors had expressed interest in the country's microfinance sector, she claimed, but this was before the crisis. They had backed out, wary of assets in emerging economies including the Philippines.

Planet Rating, for its part, noted that microfinance institutions' loan portfolios had grown at an annual average of 44% to over \$345 million in 2007 from under \$30 million at the start of the decade.

'We made a strategic decision to locate our East Asia office in the Philippines, where microfinance continues to commercialize, professionalize, and innovate in ways that have captured the attention and imagination of the rest of the microfinance world,' said James Soukamneuth, Planet

Asia director for Asia, in an e-mail to *BusinessWorld*.

'With the continuing commercialization and professionalization of the microfinance industry, ratings promote sound, sustainable, and transparent development of the sector,' he said.

### RP catching up

Other Asian countries took to ratings earlier than the Philippines, he noted. Cambodia, for instance, needs ratings because its microfinance institutions depend largely on international investors.

Not the Philippines, where microfinance players generally tap wholesale loans from large banks such as DBP and Landbank for lending to their clients. Yet this also means that the potential for investments from abroad and, therefore, growth is strong, Mr. Soukamneuth said.

The RBAP's Mr. Gomez said that while attracting investments take a back seat to improving operations for microfinance players for now, the time will come when they will have to deal with investors knocking on their doors. When economic conditions improve, then surely investors' risk appetites will return, he added.

'[Getting funds] is not the main reason why banks want to get rated because there is ample liquidity in the market,' he said. [But] in a couple of years, [microfinance] should attract foreign investments both in the form of debt and equity.'

Mr. Soukamneuth agreed: 'Once international investors learn more about the microfinance sector here in the Philippines, we are confident that a rating culture will evolve in ways that make microfinance institutions more attractive to a wider array of market participants.'

## Job Opportunities

### **Fellow, The Centre for Financial Regulation and Inclusion, South Africa**

The Centre for Financial Sector Regulation and Inclusion (CENFRI) is a non-profit thinktank based in Cape Town and operating in collaboration with universities in the region. CENFRI's mission is to support financial sector development and financial inclusion through facilitating better regulation and market provision of financial services. The Microinsurance Innovation Facility, established by the International Labour Organization (ILO) with support from the Bill & Melinda Gates Foundation, promotes decent work by facilitating the emergence of valuable insurance coverage to protect the working poor in developing countries. The Microinsurance Fellowship Program is part of its technical assistance activities.

The fellow will provide structural enhancement to the host organization, rather than simply one-off technical assistance. The host organization is expected to be in a much stronger and operationally sustainable position at the conclusion of the fellowship. The fellow will be placed at the CENFRI in Cape Town, South Africa and is expected to contribute to the content and management of CENFRI's microinsurance research during the fellowship.

Closing date is 31 July 2009. Interested candidates can send their resumes to:

#### **Anja Smith**

anja@cenfri.org

<http://www.cenfri.org/documents/careers/Cenfri%20MIF%20Fellowship.pdf>

### **Microfinance Intern, Riverbank Credit and Savings Limited, Kenya**

Riverbank Credit and Savings Limited is a thriving microfinance organization, founded in Kenya in June 2008. Originating from the Riverbank Crescent Self Help Group, it aims to confront the poverty and lack of resources that hides so much human potential in some of the world's poorest people. Through microcredit, group loans, education loans, micro housing loans, emergency loans, savings, and insurance services, it provides affordable financial intermediation to those who would otherwise remain overlooked. Rather than issuing loans on the basis of collateral, Riverbank creates an exit from the cycle of poverty by focusing instead on character of the client, cash flow of the business, and conditions of the loan.

The closing date is 1 January 2010. Interested candidates can send their applications to: Sam Odhiambo riverbank.credit@yahoo.com For more information on he responsibilities and qualifications fo rhtis job, visit the web site at <http://www.riverbankcredit.com>

### **Chief Executive Officer and Chief Financial Officer/Deputy CEO, MicroCred, Nigeria**

MicroCred is an investment company in microfinance, created in July 2005 by Planet Finance, established in Paris. MicroCred's mission is to provide financial services and savings products to entrepreneurs unserved or underserved by the traditional financial sector by building a

group of leading microfinance banks and finance companies in at least 15 countries by 2015.

Within the framework of the development of its activities, MicroCred is looking for two people to fill the posts of chief executive officer and chief financial officer/deputy CEO to be based in Nigeria.

The closing date for both positions is 30 October 2009. Interested candidates can send their resume and cover letter to: Maria Faouzi staff@microcred.org

Reference: MC/COO/MF(for the CEO postion) and

Reference: MC/CFO/MF (for the chief financial officer/deputy CEO)

For more information on the qualifications and tasks and responsibilities for the two posts go to [http://www.microcredgroup.com/documents/EN/Pos-desc-CEO-MCI\\_EN.pdf](http://www.microcredgroup.com/documents/EN/Pos-desc-CEO-MCI_EN.pdf) and [http://www.microcredgroup.com/documents/EN/CFO\\_Nigeria\\_MFB\\_170309.pdf](http://www.microcredgroup.com/documents/EN/CFO_Nigeria_MFB_170309.pdf)

### **Regional Risk Specialist, ACCION International, Ghana**

ACCION International is a US non-profit organization whose mission is to bring commercially viable, market-driven financial services to the working poor and their families. Over the past 25 years, ACCION's technical assistance teams have helped build and strengthen some of the most successful microlending institutions (MFIs) in the world. ACCION has championed a market-based approach that enables MFIs to become profitable, permanent parts of the financial

systems in the countries where they operate. ACCION works with more than 25 partner MFIs in Latin America, the Caribbean, India and Africa and is expanding into other regions in Asia and the Middle East.

The objective of risk management is to define methodologies to ensure that the risks originated in the MFI operations and expenses associated with the credit cycle (credit initiation, account maintenance and collections) can be predicted and are acceptable to the business. In alignment with this objective, the Regional Risk Specialist will be responsible to support the risk unit in assisting the MFIs in the following two areas: portfolio risk analysis by supporting the MFIs in developing performance tracking and analysis methodologies and transactional risk by contributing to document and roll out, in the assigned MFIs, the tools designed in the risk unit to support new client acquisition, portfolio growth, account maintenance and recoveries.

The closing date is 30 September 2009. Interested candidates should check the details and apply online at: ACCION International, <http://www.accion.org>

#### **Head – Risk Management, HASAL Microfinance Bank Limited, Nigeria**

HASAL Microfinance Bank Limited was incorporated in 2003 as RIL-GWARI Community Bank Limited but commenced business as a fully licensed microfinance bank on 2 October 2008 with a shareholders fund in excess of N300 million. The bank is wholly owned by private citizens from diverse professional and ethnic divides of Nigeria. The risk management function is a significant role in the operations and risk management directorate of the bank. The

role entails overall credit risk management and supervision of 3 teams consisting of about 24 employees charged with the task of credit administration, loan disbursement and monitoring, remedial assets and restructuring, and loan product development.

Closing date : 17 July 2009

Interested candidates can send their resume and cover letter to:

Head, Human Capital Development

[joyce@hasalmfb.com](mailto:joyce@hasalmfb.com) or to

[rogers@hasalmfb.com](mailto:rogers@hasalmfb.com)

<http://www.hasalmfb.com>

#### **Francophone SME Credit Specialist, ShoreBank International, Senegal, Benin, Cote d'Ivoire, Nigeria**

ShoreBank International Ltd (SBI) is the international consulting division of ShoreBank Corporation, a US\$2.4 billion US bank holding company that specializes in providing banking services in under-invested communities. Since 1990, SBI has worked with more than 80 financial institutions in 38 countries, developing micro and small business lending operations, training staff and overseeing the disbursement of over US\$500 million in micro & small business loans with a loss experience of less than percent. SBI operates core offices in Chicago, Washington and London, supporting a network of 100 professionals in the field.

ShoreBank International Ltd. is seeking French-speaking SME Credit Specialists for long-term consulting assignments in Francophone West Africa. Projects will focus on expansion of SME lending activities and operational efficiency enhancements in partnership with local commercial and development banks through various activities.

The closing date is 16 July 2009.

Interested candidates can send

their resume and cover letter expressing their interest in this position to: [lpawlak@sbksbi.com](mailto:lpawlak@sbksbi.com) Please mention 'SME Credit Specialist' in the subject line and make note of where you saw this ad in your email message.

#### **Treasurer, FINCA International - The Foundation for International Community Assistance, United States**

FINCA International, one of the world's leading MFI, provides financial services to more than 725,000 clients through 21 wholly-owned and operated subsidiaries in Africa, Eurasia, Latin America and the Greater Middle East.

The Treasurer reports to the Chief Financial Officer (CFO) and is in charge of all the institutions assets and liabilities, liquidity and investment of the company.

For more details about the job visit <http://www.microfinancegateway.org/p/site/m//template.rc/1.11.94093>

The closing date for this position is 1 August 2009. Interested candidates can apply online at: [www.villagebanking.org](http://www.villagebanking.org) (careers section).

# The Bookshelf

## Microinsurance overview

Few poor households have access to formal insurance that protects against risks such as the death of a family breadwinner, severe or chronic illness, or loss of an asset including livestock and housing. These shocks are particularly damaging for poor households that are more vulnerable and less able to absorb the financial consequences of such an event.

Definitions of microinsurance vary in their emphasis on process, product characteristics, price and the target population. The Churchill definition (2006) states microinsurance is 'the protection of low-income people against specific perils in exchange for regular monetary payments (premiums) proportionate to the likelihood and cost of the risk involved.' As with all insurance, risk pooling under microinsurance attempts to allow many individuals or groups to pool risks and redistribute the costs of the risky events within the pool.

Although life microinsurance products are becoming increasingly available, microinsurance is a new field and still in the experimental stage. As MFIs expand beyond credit to a broader array of financial products, there is increasing interest to offer their clients access to microinsurance products in partnership with insurance companies. While commercial insurers provide the majority of the world's products, mutual, cooperative and other community-based or community-led insurance organizations are emerging as providers of microinsurance. The

greatest challenge for microinsurance schemes is providing real-value for poor households: finding the right balance between adequate protection and affordability.

### Recommended reading for microinsurance

The following resources on micro insurance are available online at the CGAP website at <http://www.microfinancegateway.org/p/site/m/template.rc/1.11.49864/>

*Protecting the Poor: A Microinsurance Compendium* 2006, Churchill, C.

Review of microinsurance operations around the world

*Creating Insurance Markets for Natural Disaster Risk in Lower Income Countries: The Potential Role for Securitization* Skees, J., Barnett, B. & Murphy, A., GlobalAgRisk Inc., 2007  
Financing natural disaster risks using index-based risk transfer products

*Health Micro-Insurance Schemes: Feasibility Study Guide (vol 1 & 2).* International Labour Organization, 2005

A guide to assist health micro-insurance promoters to conduct sustainability and feasibility study.

*An Anatomy on Demand Side Perspectives of Microinsurance* Rengarajan, V., National Insurance Academy School of Management (NIAHM), 2009

Strategies for improving outreach of microinsurance products to the rural poor

*Assessing Opportunities for Agricultural Insurance and Risk Coping Strategies: In Dong Thap, Thai Binh and Vinh Phuc Provinces, Vietnam*

*Microfinance Opportunities*, 2007  
Summarizing opportunities and barriers to agricultural insurance in Vietnam

*Glossary of Microinsurance Terms* 2003, Churchill, C., Liber, D., McCord, M. & Roth, J., LO - International Training Centre, 2003  
Definitions of microinsurance terms

*An Enabling Regulatory Environment for Microinsurance* Wiedmaier-Pfister, M. & Chatterjee, A., ILO - Strategies and Tools against Social Exclusion and Poverty, 2006  
Insights on barriers to regulatory framework for microinsurance

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