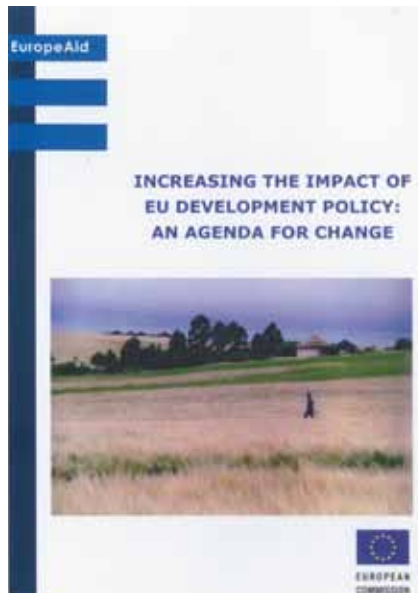


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newsLETTER

NEWSLETTER #3 | MARCH 2012



[Read the "Agenda for Change"](#)

ACP/EU MICROFINANCE

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the ACP Secretariat



EDITORIAL

Microfinance and the EC 'Agenda for Change'

The European Commission recently presented the "Agenda for Change", which sets out its strategic framework to reducing poverty. Among the key focal areas is the generation of inclusive and sustainable growth for human development. It raises the importance of a competitive private sector and a conducive business environment, and calls for a more active engagement with private sector actors in order to better leverage expertise and funding for development. Yet, the Agenda for Change is not only about *growth* rates; *growth patterns* need to be inclusive, i.e. people need to be able to participate in job and wealth creation. Furthermore, development is not sustainable if it damages the environment and increases the vulnerability to natural disasters.

The EU support to microfinance has to be seen in this perspective. Microfinance is one of the instruments which can help delivering inclusive and sustainable growth, e.g. by supporting livelihoods for the poor, helping them manage their financial resources or facilitating small scale energy-saving investments. Yet, in order to be an effective tool, microfinance actions need to keep a clear focus on the expected development outcomes. Keeping in mind this overall direction is vital for the success of any microfinance support action, whether at policy, meso, MFI or client level. This can be achieved through a strong focus on clients' needs and monitoring systems to trace development outcomes.

ACP/EU MICROFINANCE fits this approach particularly well. First, the programme has a strong client-orientation: it supports the introduction of social performance management, the development of new products and services at MFI level and contains specific actions geared at consumer empowerment. Furthermore, through its support to innovative financing mechanisms such as Regmifa, which blends grants with additional public and private funding, it effectively leverages private capacities and funding sources for development, while ensuring a proper balance between the social and financial missions of financial institutions.

ACP/EU MICROFINANCE is an exciting programme in this respect. The lessons we will be learning from it are likely to shape future EU assistance in this field.

Stefaan Pauwels

EU Microfinance Focal Point, DG Devco, European Commission

ACTION

MFI capacity building in Ghana



Training of 100 FASL staff through the REGMIFA TA Facility

Created in 1995 as a non-bank financial institution, FASL (First Allied Savings and Loans) nowadays is among the 3 largest Savings and Loans Institutions in Ghana, with over 14,500 borrowers. The targeted clientele of the institution are micro and small entrepreneurs receiving individual, group, consumer and educational loans provided by the mobilization of savings from the retail public. FASL has expanded geographically - holding 20 branches by the end of 2011 - and in terms of staff, starting off with 14 employees and now counting 532.

FASL has received a senior loan from REGMIFA in the amount of USD 1 million in September 2010. Furthermore, in order to continuously ensure good quality reporting and mitigation of operational and reputational risk, the Regmifa TA Facility approved a Management Information System (MIS) training project for the FASL.

The chosen consultant for the training project was Craft Silicon Kenya. The overall objective of the MIS training was to improve the FASL end users' skills in using the MIS software, thus reducing the risks of errors. The administrators were supposed to improve their ability to administer, maintain and support the functions of the Bankers Realm MIS platform plus being able to train new users being hired for FASL themselves.

The training was aimed at providing a good understanding of the MIS to two groups of users: the administrators of the system - i.e. the IT manager and 2 IT assistant managers - and the end users (tellers, credit officers, branch managers, etc.). The 6 days training to the administrators included practical demonstrations, discussions and group exercises. The training for the end users was conducted during 2 weeks by a training consultant from Craft Silicon, assisted by the trained administrators of FASL in order to ensure knowledge transfer. The training was delivered in 3 different branches, covering 3 regions: the Adum branch gathering a total 50 people from different branches in its region; the Takoradi branch gathering 20 people and the Accra branch with a total of 30 people, making up a total amount of 100 people being trained. The mode of training was the same as for the administrators: classroom based instructor led training with practical demonstrations.

The project got approved by the Regmifa TA Facility in the 2nd quarter of 2011 and was completed by the end of 2011. The overall objectives of the training were reached and the cooperation between Craft Silicon, FASL and the TA Facility Team was satisfactory. The costs of the project accrued to a total amount of EUR 32,385 of which a substantial portion was co-financed by FASL.

* REGMIFA: Regional MSME Fund for Sub-Saharan Africa. ACP/EU MICROFINANCE supports the REGMIFA TA Facility, through a Delegated Agreement with KfW (www.regmifa.com).

THE OBSERVATORY OF MICROFINANCE

East Timor

INSTITUTIONS

- 1 Government owned microfinance bank and 2 NGOs under transformation
- About 25 credit Unions

OUTREACH

- Population: 1,089,000 people
- Active borrowers: 14,580 clients
- Total portfolio: EUR 3.9 million

REGULATORY FRAMEWORK

- The Central Bank of Timor Leste (CBTL) and the Banking and Payment Authority (BPA) have issued new regulations for consumer protection and the mobilisation of savings

MAJOR CHALLENGES

- Successful transformation of former MFIs into Non-Bank Financial Institutions (NBFIs)
- 87% of people with no access to financial services
- Growing demand for financial services (estimated market size: 275,000 to 400,000 clients)

Sources: BPWP, Industry Update, June 2010; MIX Market

FIGURE IT OUT

71%

ACP Member States gather 79 countries for a total population of 800 million people.

71% of the adult population of these countries still do not have an account at a financial intermediary.

Source: World Bank, *Finance for All?*, 2008

INTRODUCING

Yolanda Gomez, General Manager of LICU, Belize

La Inmaculada Credit Union (LICU) is a 62-year-old Credit Union, and one of the largest cooperatives in Belize. LICU is a beneficiary of Carib-Cap*, ACP/EU MICROFINANCE's action in the Caribbean. Yolanda Gomez has been at the forefront of the Credit Union for the last 20 years, as its Manager and, since 2010, as its General Manager.

Since your arrival at LICU, the cooperative has experienced a major growth.

What main changes did it take?

Y.G.- Dedication and commitment are the two words that come to mind when I look back at it: when people see that you seriously and genuinely want to help them, you gain their loyalty and confidence. However, I must say that at that time, the board members were not afraid to take the bull by its horn and make the urgent decision needed to change management (at which point I was recruited). Without them, LICU would have gone bankrupt: there was literally no liquidity, no net surplus, no dividends being declared after 43 years, and no confidence.

Education of our members was another key factor: the need for their investments and their direct contribution to growing the institution versus obtaining costly credit from the banks was easily appreciated with relevant explanation and coaching.

Democracy was immediately put into practice and it was obvious that members appreciated this by the confidence that was being regained.

What are the typical profiles and needs of LICU's members?

Our membership is comprised mostly of farmers, teachers, government employees and self-employed individuals. A few years ago, we had almost 50/50 urban to rural membership. Today, it is approximately 30/70 urban to rural membership. We are an agriculturally based region; however, there is a great dependency on the sugar industry that is currently facing quite some challenges, including the lack of liquidity of manufacturers, especially since the industry is not stable. The financiers are hesitant to invest in

them by offering further credit lines.

How and why did LICU enter Microfinance and the Carib-Cap Programme?

We felt the need to encourage more sustainable enterprising development, in order to create a shift from the sugar industry from which small farmers will be forced out. We believed there was an urgent need to diversify our portfolio and venture into new products such as productive lending and small and micro enterprise, but we were fully cognizant that we first had to engage in capacity building.

We were initially awarded with a grant from the EU, that created a learning curve for different operations and new operational procedures. Although the grant had its own limitations, it exposed us to an underserved segment of our community that was still excluded from the financial sector and proved that our people can work, produce and improve their standards of living with a little push.

Then, during the first phase of Carib-Cap, we launched a pilot project to deliver microcredit. The immediate initiatives resulted in reaching out to service providers such as, barbers, taxis, retailing, light processing...

LICU is the first Credit Union entering microcredit in Belize. What are the main achievements and the road map?

The microcredit window has brought new members, just by the awareness it has created, and we have been experiencing gradual increase in repeat borrowers. LICU is now considering conducting a market survey of a wider sampling and in a more commercial region to expand its microfinance services in central Belize.



FOCUS

La Inmaculada Credit Union (LICU)

Launched in 1949 with 12 members, LICU has been offering credit and deposit taking since then, but really started growing about 20 years ago, with the arrival of Yolanda Gomez.

The mission of LICU is to "provide innovative affordable financial services adapted to the needs of its members / owners by pooling their resources in a prudent manner towards achieving social and economic well being".

Today, LICU shows a total BZD 32.7 million (EUR 12.7 million) in assets, an average 5,000 active borrowers out of its 15,000 members, and a portfolio of BZD 27 million (EUR 10.5 million).

* The Caribbean Microfinance Capacity Building Project (Carib-Cap), is an IDB/MIF funded project aimed at strengthening the technical and financial capabilities of MFIs in the Caribbean. ACP/EU MICROFINANCE supports Carib-Cap through a contribution Agreement with IDB.

ON GOING

Boulder 2012: 20 scholarships available

In the framework of its partnership with the International Training Center of the International Labour Organisation (ITC ILO), ACP/EU MICROFINANCE will award 20 Boulder scholarships to microfinance policymakers from ACP countries. The Boulder Microfinance Training Programme will take place at the ITC ILO Campus in Turin, Italy, from July 16th to August 3rd. Applications must be made online before May 15th, 2012. For more information: www.euacpmicrofinance.org

Knowledge sharing on mobile money in the Pacific

NMB, an MFI licensed and regulated by the Bank of Papua New Guinea, launched a pilot of a Mobile Money service at the end of 2011. This is the first 'Bank led' model launched in Papua New Guinea. On January 29th, 2012, the Pacific Islands Working Group (PIWG) - a regional group initiated by the Governors of the Pacific Islands Central Banks to work through their financial inclusion priorities, and coordinated by Alliance for Financial Inclusion (AFI) and Pacific Financial Inclusion Program (PFIP) - met with NMB to find out more about their Mobile Money initiative. www.pfip.org

Call for proposals

The Evaluation Committee of ACP/EU MICROFINANCE gathered on January 24th, 2012, to proceed to select the provisional grantees of its Call for proposals. Each applicant was informed of the status of its application. The names of the final beneficiaries will be made public once the process is finalised.

Trends in cross-border microfinance funding

According to a CGAP survey based on the information reported by 60 private and public microfinance funders, cross-border funding has increased from USD 14 billion in commitment (in December 2007) to USD 24 billion in commitment (in December 2010). At the end of 2010, the 20 largest microfinance funders represented over 85% of total commitment in microfinance and public funders provided around 70% of total funding. The 10 Development Financial Institutions (DFIs) that participated to the survey reported direct funding to around 360 MFIs. Nonetheless, half of this funding was committed to only 30 recipients. More details on the survey: www.cgap.com

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For any comments, subscription or unsubscription: info@euacpmicrofinance.org



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ACP/EU MICROFINANCE PARTNERS

- CGAP Efficiency and transparency of local markets
- UNDP UNCDF PFIP in the Pacific
- IDB Carib-Cap in the Caribbean
- ITC ILO Boulder Microfinance Training Program and Making Microfinance Work
- KfW Technical assistance of REGMI-FA, Sub-Saharan Africa