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# newsLETTER

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## EDITORIAL

### The river of microfinance

Microfinance is like a river. A river that flows within its banks provides life and livelihoods to all the communities it passes through. But a river that overflows its banks can leave destruction and devastation in its wake.

Last year microfinance institutions reached 137.5 million of the world's poorest families, according to the reports submitted to the Microcredit Summit Campaign. The number of clients reached has grown steadily since 1997, when microfinance institutions reported reaching 7.6 million of world's poorest. What started as a small stream in the 1970s has now turned into a mighty river.

Yet we have also seen the river overrun its banks in some places. Markets in Bosnia, Pakistan and Morocco have both gone through repayment crises fueled by rapid growth of MFIs, market saturation and the erosion of lending disciplines. Last year in Andhra Pradesh over-lending and harsh collection practices led to strict controls from the state government that have virtually closed the microfinance market in that state, collapsing a source of finance for more than 6 million families.

A strong river needs firm banks that can control the force of the flow. At the Microcredit Summit we share ACP/EU MICROFINANCE's concerns and have joined the Smart Campaign Principles for Client Protection and are working with the Social Performance Task Force to develop universal standards for social performance. We are also working with others to develop the Seal of Excellence for Poverty Outreach and Transformation in Microfinance. Working together on these initiatives we can build strong banks for the river of microfinance, harnessing its power in ways that enable millions of families to lift themselves out of poverty.

Larry Reed  
Director, Microcredit Summit

#### ACP/EU MICROFINANCE

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## ACTION

# Financial education in the Pacific



## ACP/EU MICROFINANCE and PFIP\*: introducing financial education within the Fijian school curriculum

While the Pacific region is still considered as one of the least-banked regions in the world, it is becoming a forerunner in terms of financial education, particularly to its youth: in 2009, at the Pacific Islands Forum, the Forum Education and the Forum Economic Ministers' Meetings agreed on working to expose all school children to financial education by 2020.

"The wellbeing of rural households can be quantifiably improved if one person in that household attends financial literacy training and has a savings account", says a study on Financial Capability, Financial Competencies and Wellbeing in Rural Fijian Households, conducted by PFIP in 2009. In the framework of its work on the subject, PFIP, together with the Fiji Ministry of Education, is managing the Fiji Financial Education Curriculum Development (FinED Fiji) Project, to introduce financial education within the school core curriculum by the 2013 school year.

FinED Fiji will bring knowledge, skills and confidence in money-handling to Fijian kids, by embedding financial education within the school curriculum: from Maths, English, Social Studies subjects (Primary), to Commerce Studies, Maths, English, Accounting and Economics subjects (Secondary). Its success is based on a strong involvement of the Ministry of Education, FinEd regional champion teachers and schools across Fiji, and funding by the Australian Aid Bilateral Program in Fiji.

Since its launch in January 2011, FinED Fiji has achieved its framework development phase and has started developing learning and teaching materials. The selection and training of champion teachers has been achieved and planning for school testing and teacher training capacitation has started. Last November, regional primary and secondary school teachers, Ministry of Education officers and staff from the Ministry's Curriculum Advisory Services Team underwent two four-day workshops in Suva, to learn innovative methods to impart knowledge to students through educational lessons and games designed to teach children how to manage their money and their investments.

Through their years at school, children will progressively learn what money is, how to save, budget and spend wisely, how to generate and manage income and wealth, how to plan for the future and manage financial risks, etc. From 2013 on, 910 schools (735 primary, 175 secondary) gathering 197,000 students (40% of whom are female), will receive financial education on an annual basis.

\* PFIP (Pacific Financial Inclusion Programme) was developed in 2008 to provide sustainable financial services to low-income households. It is funded by UNDP UNCDF, AusAid and the European Union (through ACP/EU MICROFINANCE).

## THE OBSERVATORY OF MICROFINANCE

# Dominican Republic

## INSTITUTIONS

- 3 formal regulated microfinance banks (providing credit, savings, insurance, remittances)
- 10 NGOs (credit services to micro business and individuals)
- Network of local MFIs: REDOMIF

## OUTREACH

- 3.5% of the population : more than 360,000 clients on a total 10,000,000 people.
- Total portfolio: EUR 450 million

## REGULATORY FRAMEWORK

- Micro, Small and Medium Enterprises (MSME) Law since 2008
- PROMIPYME, public institution promoting MSMEs

## MAJOR CHALLENGES

- Only 1 out of 10 MSME have access to formal financial services
- Large portions of population (urban, remote) remain unserved
- Few financial education programmes.

Sources: Microfinance Gateway, MIX Market

## FIGURE IT OUT

# 2012

"Cooperative Enterprises Build a Better World". With that theme, the United Nations have declared 2012 "International Year of Cooperatives", highlighting the contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration.

We wish you all a happy new year!

## INTRODUCING

# Jasson Bennet Bagonza, Principal Economist in Tanzania

Jasson Bennet Bagonza has been working for the Ministry of Finance and Economic Affairs of Tanzania since 2000. From Senior Planning Officer, Senior Economist to Principal Economist, he now holds the position of Principal Economist in the Financial Sector Development section of the Policy Analysis department. As such, ACP/EU MICROFINANCE awarded him with a scholarship to the Boulder microfinance training programme\* in July 2011.

**Tanzanian microfinance is rather young (mid-1990's) and the National Microfinance Policy was implemented in 2001 only. What did the financial sector look like before that time?**

J.J.B. - Before 2001, the financial sector in Tanzania was mainly serving urban areas as it was only considering the segment of customers with collaterals. The financial infrastructure was not supportive to the growth of microfinance, there were no financial literacy strategies put in place and no consideration for customer protection mechanisms.

**Has this situation led to the late emergence of a modern, dynamic and innovative sector from 2001 on?**

The late emergence of microfinance delayed the development of the financial sector, stagnated the business activities of customers and in actual fact contributed to poverty among the people. On the other hand, the sector recent development allows the incorporation of the latest development.

**What were the major changes in the Tanzanian microfinance sector?**

The major positive change that we can clearly document is the increasing number of financial service providers and consumers. Savings and Credit and Cooperative Organisations (SACCOS), and mobile banking facilities are proliferating.

A Rural Financial Services Strategy was adopted and the Microfinance Policy was reviewed in order to respond to the needs of modern society in Tanzania. Such positive changes in the microfi-

nance subsector are the result of Tanzania embarking on the Second Generation of Financial Sector Reforms, but also of the creation of a special Unit called "Financial Sector Development section of the Policy Analysis department" at the Ministry of Finance. The formation of the Tanzania Association Microfinance Institutions (TAMFI) also shows the dynamism of the sector.

**Your responsibilities include the promotion and monitoring of microfinance in Tanzania. What are the main on-going projects or recent achievements in that area?**

Two main projects are currently on-going: the Rural Financial Services Programme, co-funded by the UN International Fund for Agricultural Development (IFAD), is being implemented in seven regions (21 districts) and plays a great deal in promoting microfinance in Tanzania ; the Housing Microfinance Programme, implemented with the World Bank, has so far led to an increased awareness on financial services and growing entrepreneurship skills among the small and medium projects in rural areas. In addition, the financial services infrastructure has expanded tremendously.

**What do you see as the major priority to work on in order to reach financial inclusion and a sound financial sector in your country?**

The major priority of my country in order to reach financial inclusion is the full operationalisation of the recently adopted Rural Financial Services Strategy (RFSS).



## FOCUS

# The Rural Financial Services Strategy (RFSS) in Tanzania

The RFSS aims at broadening and deepening rural financial services in Tanzania.

Its key components are :

- The creation of an enabling environment to encourage financial markets to include a greater proportion of potential suppliers and users of financial services,
- Improving the demand side of financial services through financial literacy and Business Development Services,
- Promoting the supply side (capacity building, best practice dissemination, support for product innovation...)

\* Each year, in the framework of its partnership with the International Training Center of the International Labour Organisation (ITC ILO), ACP/EU MICROFINANCE grants tuition scholarships to ACP policymakers.

## ON GOING

### 28 proposals under assessment

ACP/EU MICROFINANCE is moving forward with its Call for proposals process : 28 full application forms have been received and are currently under examination. The notification of award is planned for early February, 2012. Out of the 28 Applicants, 17 are registered in the European Union members while 11 are registered in ACP countries.  
[www.euacpmicrofinance.org](http://www.euacpmicrofinance.org)

### Technical assistance in Cameroon, Kenya, Tanzania, Ghana

The Technical Assistance Facility of REGMIFA (microfinance investment fund for Sub-Saharan Africa) has approved nine assignments. The assisted MFIs are Advans Cameroun, FASL (First Allied Savings and Loans, Ghana), Faulu Kenya, Finca Tanzania, Finca Uganda, Finca Zambia, Finadev Benin, SAT (Sinapi Aba Trust, Ghana), and Vital Finance Benin.  
[www.regmifa.com](http://www.regmifa.com)

### ACP member states



Angola - Antigua and Barbuda - Belize - Cape Verde - Comoros - Bahamas - Barbados - Benin - Botswana - Burkina Faso - Burundi - Cameroon - Central African Republic - Chad - Congo (Brazzaville) - Congo (Kinshasa) - Cook Islands - Côte d'Ivoire - Cuba - Djibouti - Dominica - Dominican Republic - Eritrea - Ethiopia - Fiji - Gabon - Gambia - Ghana - Grenada - Republic of Guinea - Guinea-Bissau - Equatorial Guinea - Guyana - Haiti - Jamaica - Kenya - Kiribati - Lesotho - Liberia - Madagascar - Malawi - Mali - Marshall Islands - Mauritania - Mauritius - Micronesia - Mozambique - Namibia - Nauru - Niger - Nigeria - Niue - Palau - Papua New Guinea - Rwanda - St. Kitts and Nevis - St. Lucia - St. Vincent and the Grenadines - Solomon Islands - Samoa - Sao Tome and Principe - Senegal - Seychelles - Sierra Leone - Somalia - South Africa - Sudan - Suriname - Swaziland - Tanzania - Timor Leste - Togo - Tonga - Trinidad and Tobago - Tuvalu - Uganda - Vanuatu - Zambia - Zimbabwe.

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