GiveWell
REAL CHANGE FOR YOUR DOLLAR

Search

- Top Charities
- RESEARCH

- Credibility
- Mistakes
- Blog
- About

About GiveWell

GiveWell is an independent, nonprofit charity evaluator. We find the best charities we can and publish the full details of our analysis to help donors decide where to give. (More about GiveWell)

See our main site for charity reviews and recommendations.

- Top charities
- Giving 101
- Sign up for email updates on our charity research

Keep up

- Blog posts (RSS 2)
- Comments (RSS 2)
- Subscribe to the blog via email

Recent Comments

- - **Nick Beckstead** on Accountability in philanthropy

- - **eyelid** on How the American Cancer Society and Susan G. Komen for the Cure spend their money
- - **Nicolas** on Who should I help: My friend or my pet?
- - **sai rao** on Give Now or Give Later?
- - **sai rao** on Give Now or Give Later?
- - **sai rao** on Give Now or Give Later?
- - **Ian Turner** on Give Now or Give Later?
- - **Ian Turner** on Evaluation of American Red Cross Haiti response
- - **Alexander** on What I learned in my first 6 months at GiveWell
- - **Holden** on Please Don't Give Me a Goat for the Holidays
- - **Jonah S** on What I learned in my first 6 months at GiveWell
- - **Holden** on Give Now or Give Later?
- - **Cathy Watson** on Please Don't Give Me a Goat for the Holidays
- - **Steve** on Give Now or Give Later?
- - **Andy Rowe** on Please Don't Give Me a Goat for the Holidays
- - **Jane Dale** on My Favorite Cause for Individual Donors: Global Health and Nutrition
- - **Elliot** on How Tax Deductions and Processing Fees Make it Harder to Give Well
- - **April** on Errors in DCP2 cost-effectiveness estimate for deworming
- - **Holden** on Why We Can't Take Expected Value Estimates Literally (Even When They're Unbiased)
- - **Jonah S** on Why We Can't Take Expected Value Estimates Literally (Even When They're Unbiased)

Recent Posts

- Accountability in philanthropy
- What I learned in my first 6 months at GiveWell
- Evaluation of American Red Cross Haiti response
- Trading off upside vs. track record
- How Tax Deductions and Processing Fees Make it Harder to Give Well
- Update on GiveWell's money moved and web traffic in 2011
- Last-minute donations
- Mega-charities
- The Risks of Giving
- Guest post from Cari Tuna

Archives

- List of all blog posts
- February 2012 (1)
- January 2012 (5)
- December 2011 (13)
- November 2011 (4)
- October 2011 (4)
- September 2011 (4)
- August 2011 (5)
- July 2011 (6)
- June 2011 (4)
- May 2011 (6)
- April 2011 (10)
- March 2011 (5)
- February 2011 (6)
- January 2011 (6)
- December 2010 (6)
- November 2010 (4)
- October 2010 (4)

- September 2010 (5)
- August 2010 (5)
- July 2010 (7)
- June 2010 (8)
- May 2010 (6)
- April 2010 (7)
- March 2010 (11)
- February 2010 (9)
- January 2010 (9)
- December 2009 (33)
- November 2009 (26)
- October 2009 (18)
- September 2009 (5)
- August 2009 (4)
- July 2009 (5)
- June 2009 (4)
- May 2009 (15)
- April 2009 (9)
- March 2009 (8)
- February 2009 (11)
- January 2009 (5)
- December 2008 (9)
- November 2008 (8)
- October 2008 (11)
- September 2008 (12)
- August 2008 (16)
- July 2008 (11)
- June 2008 (4)
- May 2008 (5)
- April 2008 (6)
- March 2008 (5)
- February 2008 (4)
- January 2008 (4)
- December 2007 (10)
- November 2007 (12)
- October 2007 (12)
- September 2007 (19)
- August 2007 (14)
- July 2007 (15)
- June 2007 (11)
- May 2007 (9)
- April 2007 (11)
- March 2007 (14)
- February 2007 (10)
- January 2007 (16)
- December 2006 (4)

Categories

- (RED) Campaign (2)
- Acumen Fund (2)
- Against Malaria Foundation (3)
- Agriculture Charity (6)
- Antiretroviral Treatment (1)
- Asking the right questions (14)

- Site visits (7)
- Smile Train (7)
- Social enterprise investment (2)
- Stop TB Partnership (3)
- Toms Shoes (1)
- Top charities (12)
- Transparency (4)
- Tuberculosis Charity (2)
- Uncategorized (400)
- UNICEF (4)
- US Education Charity (12)
- Vaccine charity (1)
- VillageReach (9)
- Why good giving is hard (7)
- World Health Organization (1)
- Worldwide Fistula Fund (2)

Meta

- Register
- Login

The GiveWell Blog

Prev/Next Posts
« More on charity ratings and GiveWell's mission | Home | Engineers Without Borders earns "Notable" distinction »

Wednesday, October 13th, 2010 at 9:03 am

LAPO: case study on due diligence by microfinance funders

By Holden | |

***Updated 10/19/10** to reflect new information, submitted by a Grameen Foundation representative, regarding encouraging developments on LAPO since mid-year. To be clear, we stand by the main message of this post, which is not about LAPO's current situation but about its funders' and partners' behavior over the last several years, prior to the public controversy that occurred in late 2009 and early 2010.*

We've recently released research aiming to identify microfinance institutions (MFIs) with a strong focus on social impact. We have chosen to focus on finding individual MFIs largely because of our concerns about large microfinance-funding charities - specifically, that their due diligence seems focused on financial performance to the exclusion of social impact - i.e., on scale and revenue rather than effects on borrowers' lives.

A controversy from earlier this year, over a Nigerian MFI called Lift Above Poverty Organization (LAPO), provides a good example of what we're concerned about. LAPO has been funded and celebrated by many of the big names in microfinance, yet for years there have been many causes for concern about its social (as opposed to financial) performance. From what we've seen, it is not clear that these concerns have been on the radar screen of LAPO's funders and partners.

LAPO's funders/partners

LAPO's funders/partners have included:

- Grameen Foundation, which has partnered with LAPO since 2003 and gave it its 2006 Excellence in Microfinance Award.
- UNDP, Ford Foundation, and USAID, all of which have provided grant funding (Planet Rating 2009, Pg 2).
- The Oxfam Novib fund, a member of Oxfam International (see LAPO's Partners page).
- Deutsche Bank (according to the New York Times)
- Two "giving marketplaces": Kiva and Microplace (again see LAPO's Partners page).
- LAPO's founder also received the Schwab Foundation's Regional Social Entrepreneur of the Year award.

Controversy and reaction

In August 2009, MicroRate was the first to hint at concerns about LAPO, stating in a press release: "MicroRate notes that the integrity of the information provided to it by LAPO, as well as LAPO's financial disclosures since the rating, have come into question. As a result, MicroRate's rating of LAPO is no longer valid." (MicroRate 2009)

In December 2009, Planet Rating released a "C+" rating report for LAPO that raised substantial concerns about LAPO's legal licensing, governance, and data integrity, as well as noting an effective annual interest rate in excess of 100%. (Details below.)

In April 2010, The New York Times published an article citing the Planet Rating report on LAPO's licensing issues and interest rates, while also noting the expiration of the MicroRate rating. Within weeks of this article's running, both Kiva and MicroPlace had suspended their relationship with LAPO. (See Kiva's page on LAPO, which discusses the suspension - Kiva's loans through LAPO appear to have ended in early May - and Microplace's discussion.) However, the Schwab Foundation award came after the article.

Update 10/19/10: *between May 2010 and the present, several encouraging changes at LAPO are reported by a Grameen Foundation representative (via this comment and a followup email on the specifics of dates):*

- *May 2010: LAPO "hired Deloitte and Touche to audit its 2010 financials and review the audit that was conducted in 2009."*
- *June 2010: LAPO "received its license from the Nigerian Central Bank and also hired a new Chief Financial Officer, with extensive experience in microfinance management, through the UNDP Africa Management Services Company (AMSCO)."*
- *June-September 2010: LAPO "reconstituted its Board of Directors, which now comprises seasoned microfinance, banking and economics professionals from Nigeria and Benin."*
- *October 2010: LAPO "retained the services of consulting firm MicroFinance Transparency (headed by noted expert Chuck Waterfield) to review its interest rates and related policies."*

Below we discuss some details of the concerns, and why we feel they are relevant to our concerns about the due diligence done by LAPO's funders/partners.

Forced savings and savings without the appropriate license

These issues were a major focus of the Times article, which stated:

> LAPO, considered the leading microfinance institution in Nigeria, engages in a contentious industry practice sometimes referred to as "forced savings." Under it, the lender keeps a portion of the loan. Proponents argue that it helps the poor learn to save, while critics call it exploitation since borrowers do not get the entire amount up front but pay interest on the full loan.
>
> LAPO collected these so-called savings from its borrowers without a legal permit to do so, according to a Planet Rating report. "It was known to everybody that they did not have the right license," Ms.

> Javoy said.

It appears to us that LAPO has been putting off getting the appropriate license for several years and that its funders have not held it accountable in this regard (though to be clear, it seems possible to us that this failure did not literally constitute breaking the law - we are not sure based on the information we have).

- The 2005 MicroRate report stated that LAPO was planning to (and should be planning to) become licensed as a Microfinance Bank: "by law, [Community banks] will have to transform into a Microfinance Bank ('MFB') by December 2007 … As yet there is no deadline for the transformation of NGOs. However pressure from the central bank is expected and LAPO will have to transform sooner rather than later … The MFI is fully committed to doing so and plans are in place to convert into a private company by the proposed deadline" (page 3). Thus, at this point LAPO appears to have been targeting **December 2007** for obtaining its license.

- A letter from the Calvert Foundation concerning its investment in LAPO says the license is hoped for by year-end 2009: "we have been working with the Creditor Taskforce to encourage the transformation of LAPO into a depository institution regulated by the Central Bank as soon as possible. LAPO has received initial approval by the Central Bank for their application to transform into a 'Microfinance Bank.' Their goal is to secure the banking license by **year-end 2009.**"
- The Planet Rating report, in December 2009, is clear that LAPO still did not have the license at that time, and that it planned to get one in **January 2010**, a plan that Planet Rating did not find realistic (Planet Rating 2009, Pg 7). Planet Rating stated that "LAPO does not have the appropriate legal structure to … disburse credit or collect savings … Although illegal, this has been so far tolerated by the [Central Bank of Nigeria]" (Pg 7).
- LAPO still apparently did not have the license as of Kiva's **April 2010** update. This is the most recent discussion we can find of this issue.

High interest rates

The other point emphasized in the Times article is the high rates of interest charged by LAPO, which seem to contradict the stated goals of some of its partners:

> Under outside pressure, LAPO announced in 2009 that it was decreasing its monthly interest rate, Planet Rating noted, but at the same time compulsory savings were quietly raised to 20 percent of the loan from 10 percent. So, the effective interest rate for some clients actually leapt to nearly 126 percent annually from 114 percent, the report said. The average for all LAPO clients was nearly 74 percent in interest and fees, the report found.
>
> …
>
> Until recently, Microplace, which is part of eBay, was promoting LAPO to individual investors, even though the Web site says the lenders it features have interest rates between 18 and 60 percent, considerably less than what LAPO customers typically pay.
>
> …
>
> At Kiva, which promises on its Web site that it "will not partner with an organization that charges exorbitant interest rates," the interest rate and fees for LAPO was recently advertised as 57 percent, the average rate from 2007. After The Times called to inquire, Kiva changed it to 83 percent.

We don't have much to add on this point. The Planet Rating report specified an effective annual interest rate of 123.9% (Planet Rating 2009, Pg 6).
We have argued against reading too much into high interest rates, but funders and partners ought to be clear on what these rates are and whether the rates are consistent with their own values. We feel it is very important that anyone funding or partnering with an MFI do the full due diligence required to understand the true effective interest rate, from the beginning of the relationship.

The two issues raised by the Times article - concern over LAPO's license and over its interest rates - are both valid issues, and both issues could be easily identified years before the controversy came up.

Other concerns

We note other concerns about LAPO's impact not mentioned in the Times article:

- **Integrity of governance and audits may be compromised by family relationships and other issues.** The 2009 Planet Rating report states,
  - "Although the Memorandum of Association states that BOD [Board of Directors] members are to be reelected every year renewed every two years (three years for the chairman), all BOD members have been in the BOD for at least four years" (Pg 4)
  - "One of the [Board of Directors] members is related to the external auditor, creating a risk of lack of transparency. Family relations within the management team create another conflict of interests that have not yet been mitigated by appropriate policies" (Pg 7)
  - "External auditors are not sufficiently independent and do not have enough knowledge on the risks specific to microfinance" (Pg 10)
- **Data is unreliable.**
  - "Loan tracking and accounting systems are not integrated and the system is prone to error" (MicroRate 2005, Pg 2)
  - The Planet Rating report stated that information management left room for mistakes and manipulation (Pg 8-9), and that "A sample of six branches by Planet Rating resulted in inconsistencies of up to a 6% difference in the amounts of PAR, arrears and number of clients (as of September 2009)" (Footnote 22). The report warned that "Due to insufficient data reliability, Planet Rating's opinion on LAPO's credit risk and credit risk coverage is subject to reserves" (Pg 11).
- **LAPO may lack the tools to assess, and create incentives based on, its social as opposed to financial performance.** The Planet Rating report states:

  > Group discipline is generally sufficiently ensured. However, for Regular Loans, the evaluation of the borrower's capacity is not always complete and the actual use of the loan rarely formally monitored. Moreover, LAPO has not defined clear rules for the use of identification papers, which will be necessary to prevent multiple lending as the microfinance market matures and given the multiplication of MFBs … Moreover, the incentive system for Credit Officers mostly relies on their caseload, which creates a risk of excessive disbursements at the expense of portfolio quality. (Page 11)

- **High dropout rates.** This is the issue that most worried us when we expressed concern about LAPO in December 2009. We cited its 49% dropout rate; as early as 2005, MicroRate stated, "client attrition remains unacceptably high at around 27%" (MicroRate 2005, Pg 5).

Bottom line

We aren't sure whether/to what extent

- LAPO's funders/partners have been largely unaware of/indifferent to the concerns raised above (in some cases, possibly due to prioritizing financial over social returns).
- LAPO's funders/partners have been aware and concerned, but have had other, positive information on LAPO's social impact that they have felt outweighs the concerns.
- LAPO's funders/partners have been aware and concerned, but have made a strategic decision to prioritize building sustainable, profitable financial institutions over focusing directly on social impact.

We feel there is at least some evidence for the first possibility. Two partnerships were suspended in the immediate wake of the Times article, whose major concerns could easily have been identified years ago; and the only public record of due diligence we're aware of, USAID's discussion from 2007 (see page 5), discusses only financial/"efficiency" indicators, with no mention of concerns like those listed above.

The possibility that social performance is essentially being overlooked seems strong and worrisome enough to us that, for the time being, we are more comfortable with the idea of giving directly to MFIs that are clearly focused on their social performance. We are open to changing this view, if and when major microfinance organizations become more open about what factors and concerns they are weighing and how they are conducting their due diligence.

Sources

- MicroRate report on LAPO - December 2005
- USAID Nigeria Audit of Microfinance Activities - November 2007
- MicroRate press release on LAPO - August 2009
- Calvert Letter regarding LAPO - November 2009
- *Planet Rating report on LAPO* **-** *December 2009* (this report is not publicly available; we purchased one license and cannot post the document)

This entry is filed under Uncategorized, Microfinance charities. You can follow any responses to this entry through the RSS 2.0 feed. You can skip to the end and leave a response. Pinging is currently not allowed.
9 Responses to "LAPO: case study on due diligence by microfinance funders"

1
Microfinance_Africa says:
October 14th, 2010 at 5:24 am

Dear Holden, I always read the blogs on givewell with interest. However, I wondered as to why you are referring to reports as old as 2005 and 2007 in a blog towards the end of 2010? Does your blog have some other motives?

I checked on the internet about LAPO and on the website of Kiva, clients of LAPO seemed to be quite satisfied with the services of LAPO. In the list of microfinance banks on the site of CBN, LAPO appears as a microfinance bank – are you sure that LAPO has not received the licence of a microfinance bank?

While I haven't had chance to go through the reports/sources that you indicate in your blog, the SPM report on the MIXMARKET website indicates the social performance of LAPO.

Perhaps the partners of LAPO couldn't look on the issues as you have looked at! Are you or have you been, in any way, associated with LAPO?

2
Holden says:
October 14th, 2010 at 5:34 am

- We are not and have not been associated in any way with LAPO.
- We are not sure that LAPO has not yet received the appropriate license. The post gives all the information on this topic we are aware of; the last update we have is from April of this year.
- The reason we refer to so many old sources is to emphasize that information raising major concerns about LAPO - including concerns that appear to be behind two partners' suspensions of their relationships with LAPO in 2010 - has been easily available for a long time.

3
Camilla Nestor says:
October 14th, 2010 at 4:42 pm

Grameen Foundation remains committed to LAPO because it is one of the leading (and few) MFIs serving Nigeria's poorest people. We chose and continue to work with LAPO because we support its mission of providing affordable financial services to rural and urban poor in an efficient and sustainable manner. It is because of this shared commitment that we have chosen to support LAPO in addressing the concerns that have been raised.

Though you have done an excellent synopsis of the key issues, I think readers will benefit from having more current information. This past June, LAPO received its license from the Nigerian Central Bank and also hired a new Chief Financial Officer, with extensive experience in microfinance management, through the UNDP Africa Management Services Company (AMSCO). It has reconstituted its Board of Directors, which now comprises seasoned microfinance, banking and economics professionals from Nigeria and Benin. It has hired Deloitte & Touche to audit its 2010 financials and review the audit that was conducted in 2009. Finally, it has retained the services of consulting firm MicroFinance Transparency (headed by noted expert Chuck Waterfield) to review its interest rates and related policies.

Like many MFIs operating in the challenging environment of Sub-Saharan Africa, LAPO has a number of areas for improvement. We believe that it has made positive steps in that direction and we will continue to constructively engage its leadership, to ensure that it continues to serve its clients – Nigeria's poorest – fairly and responsibly.

-Camilla Nestor
VP, Microfinance Programs
Grameen Foundation

4
Holden says:
October 15th, 2010 at 2:03 am

Camilla, thanks for this information - it is very encouraging. We would like to edit this update into the post above; would you mind giving approximate dates for when LAPO reconstituted its Board of Directors, hired Deloitte & Touche and retained Microfinance Transparency?

5
Osa Edosomwan says:
October 17th, 2010 at 11:54 am

I live in Benin City (this is different from Republic of Benin) which the Head Office of LAPO is. I have known LAPO for over 15 years and how it has grown into a national organization providing loans to poor women mainly.
I do not know much about other issues raised by Holden, but I know that LAPO has obtained an approval from Central Bank of Nigeria as a microfinance bank. I feel this case study was done with out-dated information. Holden did you get in touch with the people at LAPO while preparing this rather detailed case study? I think it is only fair you consider doing an up-date fast
Osa Edosomwan

6
Holden says:
October 19th, 2010 at 5:50 am

Osa, the purpose of this post is not to discuss LAPO's current situation, but to discuss the extent to which its funders and partners have used available information to hold it accountable for its social impact over the past several years, prior to the NYT article.

Therefore, we wrote the post using as much publicly available information as we could find, but did not discuss with LAPO itself. We have now updated the post to reflect information about new developments at LAPO since mid-year (information which was submitted in a comment on this post), but stand by our concerns about the state of microfinance due diligence and the behavior of LAPO's funders and partners over the last several years.

7

Tony says:
October 25th, 2010 at 7:38 am

Holden, I will quickly make few declarations:
i. I sufficiently know LAPO, Nigeria enough to make some comments and observations, though I do not have specific data or the authority of the organization to speak for it.
ii. I am an active actor in the microfinance sector in Nigeria, first as a technical service provider and now as an observer.
iii. I have to a reasonable extent followed the controversy over microfinance in the recent times.
The assumption of yours in my understanding is that lenders and partners of LAPO had all along known about the gaps highlighted by New York Times and Planet Rating reports and they did not do anything about it (obviously they did not abandon LAPO) as some did after the reports. This also forms the basis of my comments
The issues you (Holden) harped on to make your case against LAPO's partners and supporters are mainly on high interest rate, savings mobilization with out final approval, integrity of data, conflict of interest and lack of concern for social performance. These I will comment on.
i. Various interest rates were presented by you with references to other reports, to make case against the MFI. Even level of cash collateral (savings) was used as the major element for the calculation. Neither Planet Rating nor NY Times gave prominence to (a) the cost profile of LAPO and (b) the prevailing rates in the local environment and why? These to my mind are critical to interest rate setting. Rates of interest are never universal and never static. If NY Times and Planet Rating (and user of their reports, including yourself had done the above, their findings would have been (i) LAPO has the lowest interest rates in the entire Nigerian microfinance market, (ii) that relative high interest rates in the local industry are linked to the challenging operating environment as absence of local portfolio financing opportunities (which are cheaper) and operating cost. Large MFIs like LAPO and others acquire and maintain electricity generate sets in all their branches.
Motive is also important in assessing interest rates. Planet Rating and NY Times did not provide much information on this. As a not-for-profit organization, I do not think anybody appropriates the surplus of the MFI privately. The exemplary life style of people at the MFIs especially the founder, is well known to every one in the sector (practitioners, technical assistance providers) and indeed anyone close enough to the LAPO.
ii. On savings mobilization, I doubt if Planet Rating and NY Times bothered to find out about the place of savings in community development microfinance practice in Nigeria and indeed West Africa. If they did, they would have found that:
(i) all non-profit community development MFIs require beneficiaries/members to make cash collateral (savings) in the absence of any form of security. This has been a part of the traditional microfinance practice dating back to over hundred years. This is very easy to verify.
(ii) (ii) LAPO requirement of 10% or 20% is the lowest in the entire industry. Some microfinance institutions and banks require 60% (this would have been easy for Planet Rating or NY Times to find out and mention in their reports). In the commercial banking sector, the required value of collateral is up to 150% of the request loan amount.
It appears it helped the NY Times and Planet Rating to validate their position (of 'forced savings') by LAPO to indicate that LAPO decreased its interest rates and at the same time increased its savings requirement from 10% to 20%. From my interaction with LAPO, this is not true. And you (Holden) used this blatant lie. The position, I know, is that ,when the international crisis started in 2008 and one or two lenders re-scheduled their planned visits to LAPO, the MFI reasoned that the crisis could have negative effect on their funding and plan and then decided through consultations with Branch Councils(by the way ,a branch council in LAPO is a body of all leaders of Credit Groups supervised a branch , it is led by a an elected client and it meets quarterly-this was an attraction to me when in 1996 I first visited LAPO) raised the requirement to 20% in April 2009 . When it was obvious that the impact would not be much, the MFI reduced the requirement to 10% and reduced its rates in October 2009. There are 5 clear months between April and October!
iii. Planet Rating attributed the time lag between provisional and final approval by the Central Bank to lack of seriousness on the part of LAPO. This is ridiculous. Most actors in the industry know that transformation could take long time and major causes are institutional review, legal consideration and

meeting capital requirement rather than not being serious. It was a common knowledge that LAPO wanted to meet the initial minimum capital requirement from its own accumulated surpluses. I do not know if NY Times and Planet knew this or LAPO provided this information. It is obvious that when the capital requirement was met, LAPO got approval just after 7 months after Planet Rating's report of un-seriousness and 2 months after it was re-echoed by the media and 4 months before it was re-echoed by you (Holden). Meeting the requirement also influenced reduction in interest rates and charges by LAPO.
iv. There is obviously much ado about integrity of data, drop-out rates and governance. When a lending institution as large as LAPO is undergoing two major forms of transformation (i. from manual processing of over 10 years to automation ; ii. transformation from a community development non-profit institution to a regulated entity) there are bound to be some operational and management challenges. Data errors are not strange to situation of migrating manual operations in over 140 branches to automated processing mode. Client attrition is not also unusual.
I feel Planet Rating, NY Times and you (Holden) would have highlighted some of these challenges LAPO contended with during the transformation. For instance LAPO's board membership reported by Planet Rating was a) in transition, b) was not so before period of transition and c) has changed at the conclusion of the transformation/transition process. Planet Rating reports should have reported this. I am of the sense that the reports (NY Times and Planet rating's) which you relied on, took advantage of the challenges of LAPO's transition. To blame LAPO's partners for not recognizing the challenges of a particular period is to my mind unfair and mischievous.
v. On social performance, I feel this is the area LAPO has been most mis-represented from what I know and most supporters or lenders know or must have known about LAPO. I do not know if Planet Rating , NY Times or you (Holden) know that:
 There exists LAPO Development Foundation implementing the mandate of social empowerment of female clients of LAPO. Its activities go back to many years.
 LAPO has one of the most innovative HIV/AIDS prevention, care and support programmes in rural Nigeria. It serves its clients and others. LAPO forms support groups of persons infected or affected by the virus and provides supports (medication, food supplement and loans to members of these support groups.
 LAPO has a scholarship scheme for children of its clients for secondary/High education (a level many poor children always drop out). The seed fund for the scheme was the cash prize of an Award won by LAPO some years ago. I know the Scholarship Board is led by a respected female professor of economics
 LAPO organizes annual quiz competition for secondary /High school students for some years now.
 LAPO has a Legal Aid Unit which defends its female clients who are often victims of injustice. I know many women have benefited from this support
 LAPO delivers GELT (Gender , Environment and Leadership Training) which sensitizes rural women on customs and traditions which constrain women's actualization of their potentials
 LAPO produces and airs a 30-minutes television programme called ,
'Bridging the Gap' which creatively brings the issues of women especially gender inequity to public domain
 LAPO has LARDI(LAPO Agricultural and Rural Development Initiative) which provides loans and extension services to people in remote communities
In conclusion, I like Holden, feel microfinance must be made to work for the poor. I however want to note that:
 The continued support of donors and lenders for LAPO might be because they knew about the above and other strengths of LAPO which Planet Rating, NY Times and you (Holden) did not know or ignored to know. For instance going through Planet Rating report while space was giving to virus infested computers, no mention was made of the incredible and creative manner and structures by which the MFI reaches large number of poor clients in remote rural communities and urban slums of Lagos! Nothing was mentioned about the commitment of over 2,000 young Nigerians (staff) delivering billions of naira monthly to poor women.
 I do not think putting off donors or supporters for microfinance is the best way to make microfinance work for the poor. Those supporters that suspended support for the MFIs on the strength of Planet Rating and NY Times reports obviously acted in haste and in the face of sustained campaign to the point of blackmail. It is for this reason one and actors in the industry should salute the courage of the Grameen Foundation above. Others should demonstration such courage and follow suit. It is not about LAPO it is about the industry and the ultimate beneficiaries the poor.

 I feel that a better way to achieve your objective is to reach out to these lenders and MFIs for the purpose of ensuring responsible practices. For instance, thousands of poor clients loose out in stances of suspension of support by donors or lenders.
 I feel LAPO should also join this conversation.
Obakpolor T

8
Holden says:
October 28th, 2010 at 12:49 pm

Tony, thanks for the thoughtful comments.

Broadly, my response is that you may be right about the ethicality and appropriateness of LAPO's actions, and its worthiness as a whole. As you note, we relied on the microfinance agencies' rating reports; we don't have enough information on context to know how LAPO's interest rates, savings-related practices, etc. relate to others' practices and to what is best for clients.

However, the focus of this post is not on LAPO but on its funders/partners, and it seems fairly clear that there are concerns here.

- Whether or not LAPO's behavior regarding savings was appropriate in context, there was a big gap between its funders' intentions and results in terms of getting the recommended license.
- Whether or not LAPO's interest rates are appropriate (and like you, we are against jumping to conclusions about interest rates until the full context is understood), these rates were misstated and/or not stated to donors who became quite upset when they found out about the true rates, leading to suspensions on the part of two LAPO partners.
- And whether or not LAPO's struggles with data integrity & dropout rates were excusable in the face of its transition, they seem to be a point of concern that LAPO's funders felt were worth major steps to address - but seem not to have been addressed prior to the press coverage.

There are a couple possible perspectives on the backlash against LAPO. One is that supporters jumped to conclusions and pulled their support without understanding the situation, and should have continued to support LAPO. The other is that supporters should not have been so strongly invested in the first place if they had so little understanding of the situation, context, and challenges. We lean toward the second view. Our point is not that people should not support MFIs, but that their ratio of research and due diligence to support ought to rise.

I agree with you that LAPO ought to join the conversation, and to reiterate, I find your arguments regarding LAPO's positive social impact to be plausible.

One question on a detail - what exactly are you saying is a "blatant lie" regarding forced savings? Are you saying that LAPO lowered its interest rate in October 2008, then raised its savings requirement in April 2009, or that it raised its savings requirement in April 2009 and then lowered its interest rate in October 2009?

9
LAPO says:
November 7th, 2010 at 12:45 pm

Many thanks Tony for the insights you provided into LAPO and her activities vis-à-vis the portrait by Holden. LAPO chose not to be involved in this 'conversation. As the French would say: Déjà vu; we have seen this already. We and most actors in the international microfinance community are familiar with this campaign against LAPO, Easily discernible in the case study , is the trademark of series of past attacks on LAPO which started with an irreverent question to our CEO at Amsterdam in April 2009, through the antics of street cred, blackmailing communications and telephone calls (to our partners); to the promise few months ago, of "more to come" and even a "documentary" is to follow soon. In such situation,

engagement is difficult. For example, the point you tried to make that Planet rating might have captured LAPO is transition was ignored in favour of ‘ supporters should not have been so strongly invested’
If Holden wanted LAPO to be involved, s/he would have reached us while preparing the detailed case study. As some one noted, this is likely to be the only case study on an institution without a reference to it, even if it is used to reach other targets or achieve some other objectives.
Tony, please be assured that the LAPO you know remains focused and more importantly many of our partners know LAPO much more beyond the portrait of street cred and now Holden.

Leave a Reply

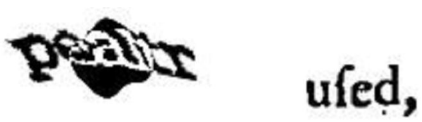
Name (required)

Mail (will not be published) (required)

Website

You can use (yourtext) for bold, <i>(yourtext)</i> for italic, <blockquote>(yourtext)</blockquote> to set off a quote, and (yourtext) to link.

Comments will be sent to the moderation queue.



Escribe las dos palabras:

Submit Comment

- Home
- Contact
- FAQ
- Get involved
- RSS
- Site map
- Jobs

GiveWell, aka The Clear Fund (a tax-exempt 501(c)(3) public charity) 320 7th Ave #232 - Brooklyn, NY 11215