

Annual Report 2012



International Cooperation
Projects and Partners

2012

Finanzgruppe 2012

423 Sparkassen (savings banks)

Balance sheet total	1,106 billion €
Customer deposits	799 billion €
Loans to customers	696 billion €
Branch offices (incl. self-services)	15,295
Employees	244,862
Trainees	19,076
ATMs ¹	25,700

Profitability of Sparkassen (savings banks)* at end-2012

Earnings before tax	4.7 billion €
Cost-income ratio	64.5 %
Return on equity before tax ²	10.7 %

Market share of Sparkassen (savings banks) + Landesbanken (regional banks)

Liabilities to customers	
total	38.4 %
of which savings deposits	50.0 %
Loans to customers – total	38.3 %

¹ Including ATMs of Landesbanken

² Modified return on equity

* Source: Results of savings banks' inter-company comparison, converted to the German Commercial Code (HGB)/ classification scheme of the German Bundesbank (central bank)

International Cooperation, Projects and Partners Annual Report 2012

Sparkassenstiftung für
internationale Kooperation e. V.
(Savings Banks Foundation for
International Cooperation)

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Foreword



Georg Fahrenschon
Chairman of the Board of Trustees

The Sparkassenstiftung für internationale Kooperation advocates the German Sparkassen (savings banks) philosophy of 'help for self-help' on a global scale. Since it was founded in 1992, Sparkassenstiftung has already conducted more than 150 projects in some 60 countries, deploying around 2,000 Sparkassen employees to all four corners of the globe.

During this time, more than EUR 100 million have been invested. This is money well spent, because Sparkassenstiftung's work is as sustainable as it gets. For example, in recent years it has helped many developing and emerging economies to set up microfinance institutions. Time and again, we see that the best way forward in terms of promoting national economic development is to mobilise domestic savings. But this is something that can only be done if there is a financial system on hand within the country to provide support.

On the occasion of its 20th anniversary, Sparkassenstiftung organised a thematically fitting conference at the Head Office of the Deutscher Sparkassen- und Giroverband (German Savings Banks Association) in October 2012 under the

motto: 'Together we are strong – Poverty reduction through decentralised financial institutions'. As the conference progressed, it became clear just how contemporary the 200-year-old Sparkassen concept still is. And how today it is helping to foster the development of local citizen-driven communities that are now taking a lot of decisions themselves. This constitutes a vital step on the road to poverty reduction.

It is also encouraging for Sparkassenstiftung to see that so many developing and emerging countries recognise the opportunities that a decentralised financial system has to offer. And with Sparkassenstiftung, they have an extremely competent and professional partner.

Thanks to its unique profile, Sparkassenstiftung has secured itself a key position in international development cooperation. It has the ability to set up precisely customised Sparkassen-like banking structures that are enduringly successful. In the meantime, some of these start-ups have actually gone on to provide support themselves for other new projects in yet more countries.

Thus the experience and know-how of Germany's Sparkassen are also bearing fruit and nurturing partnerships abroad. With Sparkassenstiftung now in its 20th year, I am looking forward to continuing along my predecessors' path in my capacity as Chairman of Sparkassenstiftung's Board of Trustees.

A handwritten signature in black ink, appearing to read 'Georg Fahrenschon'. The signature is stylized and written in a cursive script.

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Overview 2012



Heinrich Haasis
Chairman of the Board

2012 was a year of change and continuity for Sparkassenstiftung. In comparison with the previous year, our project volume increased by almost 40 percent. In all, some 33 projects were conducted in 30 countries in the year under review.

Know-how transfer has been at the heart of our work for some 20 years now. And so a major highlight in 2012 – alongside our successful project activities – was Sparkassenstiftung's 20th anniversary. Furthermore, change-overs took place at the head of the Board of Trustees and at the top of our Management Board, ushering in changes within Sparkassenstiftung and generating fresh impetus.

CONTINUITY AND CHANGE

On 15 May 2012, Heinrich Haasis retired from his position as President of the Deutscher Sparkassen- und Giroverband (German Savings Banks Association – DSGV). This also marked the end of his term as Chairman of the Board of Trustees. His successor in both positions is Georg Fahrenschon. At the end of June, Sparkassenstiftung said farewell to Dr. Holger Berndt after 13 years as Chairman of its Management Board. Dr. Berndt

successfully steered his ship through new fields of responsibility and new areas of activity. Indeed, under his management, Sparkassenstiftung's project volume almost quadrupled. We wish to thank him most sincerely for his perspicacity and his untiring commitment. His successor as of 1 July is Heinrich Haasis.

New faces mean a new perspective – but they also stand for continuity and demonstrate how Sparkassenstiftung is firmly rooted within the German Sparkassen-Finanzgruppe (Savings Banks Finance Group). Being part of this larger whole facilitates access to the wealth of practical experience on hand in German Sparkassen. This constitutes a unique selling point that Sparkassenstiftung brings to all its project activities.

Sparkassenstiftung continued and even expanded its successful project work in 2012. For example, it has now doubled the number of its projects in Africa and launched new projects in Algeria, Myanmar, Burundi, Turkmenistan and Zambia. It co-orchestrated the roll-out of World Savings Day in Burundi and Rwanda as well as in Azerbaijan, Georgia and Ukraine and was inundated with demand for its microentrepreneur game. All these activities always share the same objective however: to empower our partner institutions to operate independently by the end of the project term – professionally, profitably and in line with a social mandate.

This year's Annual Report has a new format: The projects are no longer listed by country but grouped according to one of the six thematic areas of Sparkassenstiftung's activities:

- Retail banking
- SME lending
- Microfinance
- HR development and training
- Financial sector development



Niclaus Bergmann
Managing Director

→ Basic financial literacy and savings mobilisation

Each thematic area starts off with an introductory text that discusses cross-project trends and introduces new developments. This is then followed by the actual project reports. Our new format helps highlight the commonalities and differences between the projects more clearly.

CONFERENCE: TOGETHER WE ARE STRONG

Sparkassenstiftung celebrated its 20th anniversary in October with a conference in Berlin. Under the motto 'Together we are strong – Poverty reduction through decentralised financial institutions', representatives from politics, business, academia and society debated to what extent the criteria that have made Germany's Sparkassen (savings banks) and cooperative banks so successful can be harnessed for the development of inclusive financial systems in developing and emerging economies. A scientific study is currently ongoing into this matter in order to make this topic accessible to other groups of people. The conference showed that decentralised financial institutions can make a valuable contribution to the economic and social growth of developing

and emerging economies provided key success factors are in place, such as direct customer contacts, decentralised systems, networking and an understanding of the importance of savings.

OUTLOOK

At national level, Sparkassenstiftung contributes its experience via the Microfinance Platform Germany which, since the start of 2012, has Niclaus Bergmann as its spokesman. Sparkassenstiftung also supports the German-language website MikrofinanceWiki (www.mikrofinanzwiki.de).

Basic financial literacy is becoming increasingly important in project work. Knowing how to use financial products is particularly important for young people but also for small enterprises. At the same time, partner banks are assisted to provide adequate financial products for these target groups.

One area that will be of greater importance in future is the financing of investments in energy efficiency and the use of renewable energies. Sparkassenstiftung is backing the development of corresponding models of financing.

We wish to thank Sparkassenstiftung's staff members at home and abroad, as well as all the experts who have taken up assignments in our name. Without your passion and flexibility, Sparkassenstiftung would not be so successful. We would also like to thank all member institutions of the Sparkassen-Finanzgruppe that have supported us so steadfastly throughout last year. Sparkassenstiftung's firm roots in the Sparkassen-Finanzgruppe constitute the basis for our success.

At the same time, we wish to thank all German and international institutions whose financial support has made our work possible. Our success shows that working together is worth the effort – for the benefit of the people at the heart of our work.

The importance of the private sector in development cooperation



Dirk Niebel
German Federal Minister for Economic Cooperation
and Development

20 YEARS OF SPARKASSENSTIFTUNG

Today, somewhere in the region of 2.3 billion people are still without access to formal financial services. And people who live in rural areas are particularly hard hit. However, we aim to remain steadfast in our efforts to change this situation for the better. With its projects that also help professionalise financial institutions in rural regions, Sparkassenstiftung is an important partner of the German Federal Ministry for Economic Cooperation and Development (BMZ) in this field.

Sustainable and successful work demands a professional approach and efficient organisation. For the past 20 years, Sparkassenstiftung has been dedicated to sharing this knowledge – which is central to the success of German Sparkassen – with its project partners around the globe. With BMZ's assistance, it has been supporting financial institutions in developing nations, emerging economies and transformation countries since 1992. By cooperating with Sparkassenstiftung, these institutions learn how to give their customers permanent access to

financial products. To date more than 100 Sparkassen (savings banks) and other members of the German Sparkassen-Finanzgruppe (Savings Banks Finance Group) have taken part in over 150 projects in more than 60 developing and transformation countries.

Moreover some 2,000 or more Sparkassen staff members have rendered valuable services as advisors and speakers in projects through the BMZ-backed Chambers and Associations Partnership Programme (KVP). It is this focus on savings – one that German development cooperation has pursued from the outset – that is particularly instrumental in improving people's economic and social situation in our partner countries. With this approach, we specifically give poorer population groups the opportunity to deposit their savings safely. Through to 2012, BMZ commitments to Sparkassenstiftung projects in developing countries amounted to around EUR 44 million.

Before I continue, may I take this opportunity to express my sincere gratitude to Sparkassenstiftung for its consistently close cooperation based on mutual trust.

VISITING A PROJECT IN MYANMAR

Last year I was able to see for myself what a Sparkassenstiftung project looks like. In February 2012 I was on site in Myanmar to attend the signing of the project agreement between Sparkassenstiftung and its local partners Myanmar Egress and Mingalar Myanmar. Together with these two non-governmental organisations, microfinance institutions are to be set up on site as part of Myanmar's recently adopted microfinance law.

This project's launch impressed on me the special character of Sparkassenstiftung's projects in which enduring partnerships and friendships are forged that will continue even after financial support has run its course. Again, I wish you, our

partners in Myanmar and indeed everywhere else around the globe, all the very best.

Strengthening local financial systems is a core task of German development cooperation. We are consistently pursuing a holistic financial approach, our 'multi-level approach'. Germany owes its credibility as a partner in this sector to its own history and to the way its financial sector is structured.

PIONEERS OF MICROFINANCE

The history of Germany's financial system reminds me of the global success story behind microfinance whose origins are to be found in Germany, too. Indeed German Sparkassen and cooperative banks can be regarded as having pioneered the microfinance sector. When the first Sparkassen were established around 200 years ago, they represented an innovative way forward in terms of improving the economic and social situation of 'ordinary' people. Indeed, the idea was to give poorer population groups the opportunity to deposit their savings securely.

A decentrally organised financial sector like Germany's with its Sparkassen and cooperative banks does offer certain substantial advantages. First and foremost, this system allows for excellent access across the board and cultivates close customer-bank relations. These framework conditions are the success factors that drive financial inclusion – in our partner countries, too. The fact that these factors not only foster inclusion and development, but also increase the overall stability of the financial sector is borne out by Sparkassen statistics. This has to do with the fact that the Sparkassen form part of Germany's economic backbone and make up a substantial share of our economic fabric. They stand for concrete, people-driven economic action. Now that is a truly impressive success story.

THERE ARE NO BLUEPRINTS

Of course we know that neither our decentralised financial system nor any other success stories 'made in Germany' can be transferred to our partner countries without any further ado. But we harness the experience that you, and indeed all of us have made in Germany – be it in Sparkassenstiftung projects or in programmes by KfW Entwicklungsbank and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). It is precisely our wealth of experience that makes us attractive for our partners. Exactly which model ultimately gives disadvantaged households and companies better access to financial services depends, however, on the given regional and economic context.

Whatever the solution looks like – we aim to combine economic efficiency with our social mandate. Our work always revolves around people – the customers of today and those of tomorrow. And this is something we should never forget. It falls to us to support their creative drive and thus to empower them to overcome and eradicate poverty on their own terms. Ultimately, this is our joint objective – to strengthen people's self-help potential and reduce poverty worldwide.

PRIORITY AREAS OF GERMAN DEVELOPMENT COOPERATION

We aim to sustainably empower our partners to resolve their development issues on their own. For this reason, we strive to combat the causes of poverty instead of just alleviating the symptoms in the short term. The six priority areas of German development cooperation are all primed to meet this target:

- We want to mobilise more people, encourage them to develop their initiative and free up their innovative capacity. We aim to expand our cooperation with civil society and advocate greater citizen participation.

- We create jobs and value chains through more education and vocational training.
- We strengthen democratic processes and the rule of law. We advocate a human rights-based approach to development cooperation.
- We have made German development cooperation more effective and, by founding GIZ, have done away with duplicate and triple structures.
- We are making German development cooperation more visible. People have to be able to understand what BMZ is doing. Development policy works on the assumption that it has the support of the German people. After all, EUR 6.3 billion is a lot of tax payers' money. And so it is incumbent on us to make the case for our work – day in, day out – both with the general public and also in the German Bundestag's budget committee.
- We are doing more to harness private-sector engagement for development purposes. We are forging development-cooperation partner-

ships between government and the private sector. We do this because we know that people only have a fair chance of leading a self-determined and prosperous life, if they live in a stable economic environment. And so that is the major objective of our policy.

THE OIL THAT KEEPS THE MOTOR RUNNING

Stable economic development is not something the state can prescribe – neither here in Germany nor in any of our partner countries. We need the power and expertise of business to achieve this. A strong and competitive private sector is the foundation for growth and prosperity. And small and medium-sized enterprises (SMEs) in particular promote a healthy economy by fostering inclusive economic growth. The money they generate is the oil that keeps the motor running in industrialised nations as well as in developing and emerging economies – which is why access to financial services is so immensely important for our partner countries.



Start of the Sparkassenstiftung project in Myanmar

The private sector needs capital for investment, production and growth and thus for job creation. In many of our partner countries however SMEs find it hard to access loans.

Financial institutions are often reticent to take on the risk they associate with this business sector. Microfinance institutions do not have the appropriate range of products to supply SMEs with loans. This is why Sparkassenstiftung – also with BMZ’s assistance – gears its projects precisely to this issue: it assists local banks to develop products and to roll out suitable lending procedures.

But it is not just businesses that need adequate access to financial services; private households at the lower end of the income pyramid do, too. This includes loans, savings, deposits, insurance and payment transactions. Thus, they are enabled to improve their economic and social situation and to take their lives into their own hands. We know that microfinance is not a miracle cure for poverty. However, by creating access to financial services, we can do something to better the economic and social situation of low-income households.

FUTURE-MAKERS

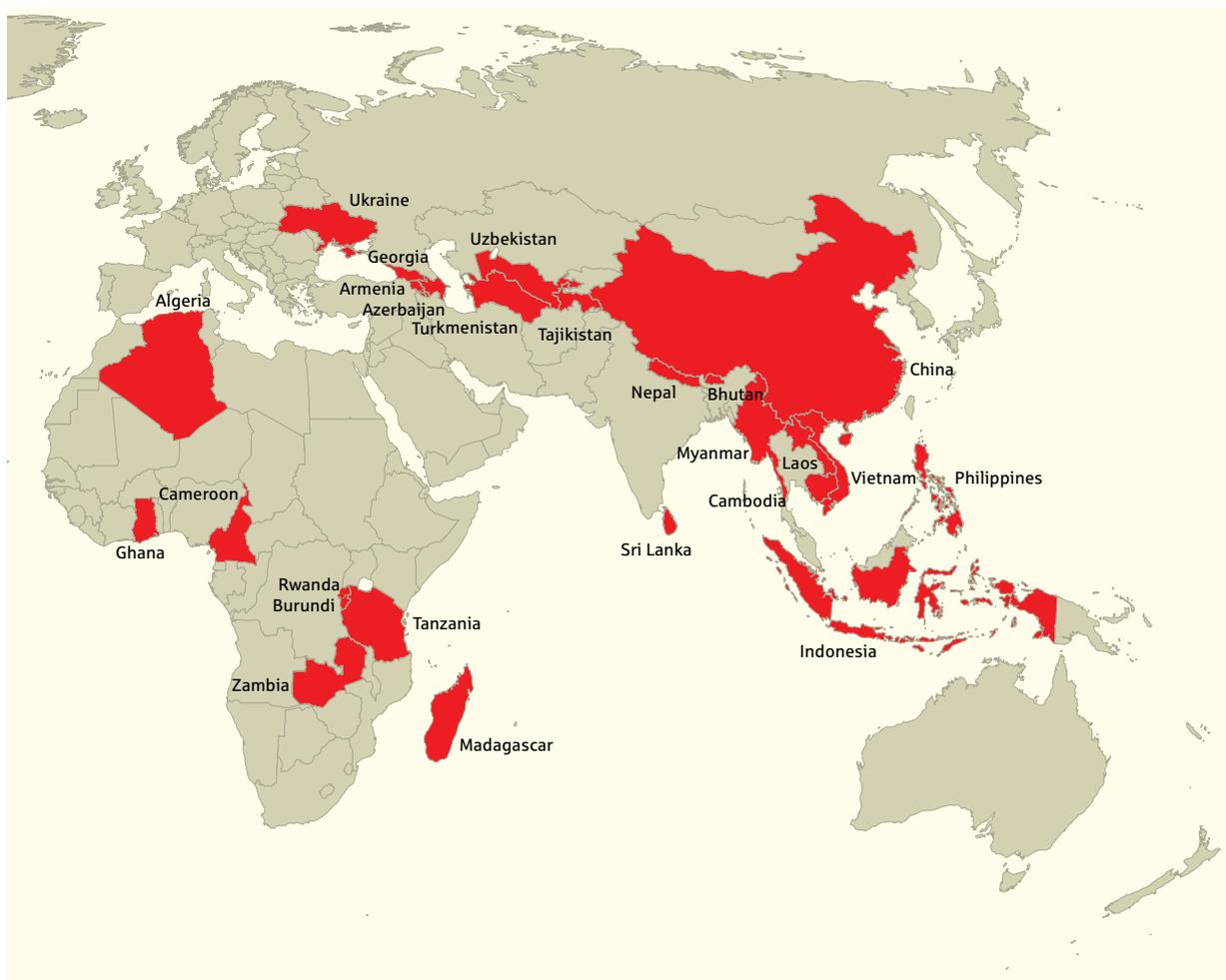
Some 1.3 billion people are still affected by extreme poverty. Around 22 percent of the global population subsists on less than USD 1.25 a day. In 1981 over half of the world’s population shared this fate. This means we have made progress. Poverty has dropped off most noticeably in those regions that have experienced economic growth. However, the figures show that there is still a great deal to do.

German development cooperation has an annual spotlight. This year it is ‘Future-makers’. If there were a medal to go with it, Sparkassenstiftung would surely have earned one – just as it has deserved one for the past 20 years. And that is



Dirk Niebel congratulates Sparkassenstiftung on its 20th anniversary

precisely why I invite you to join with us in the years ahead to continue to ‘make the future’ together!



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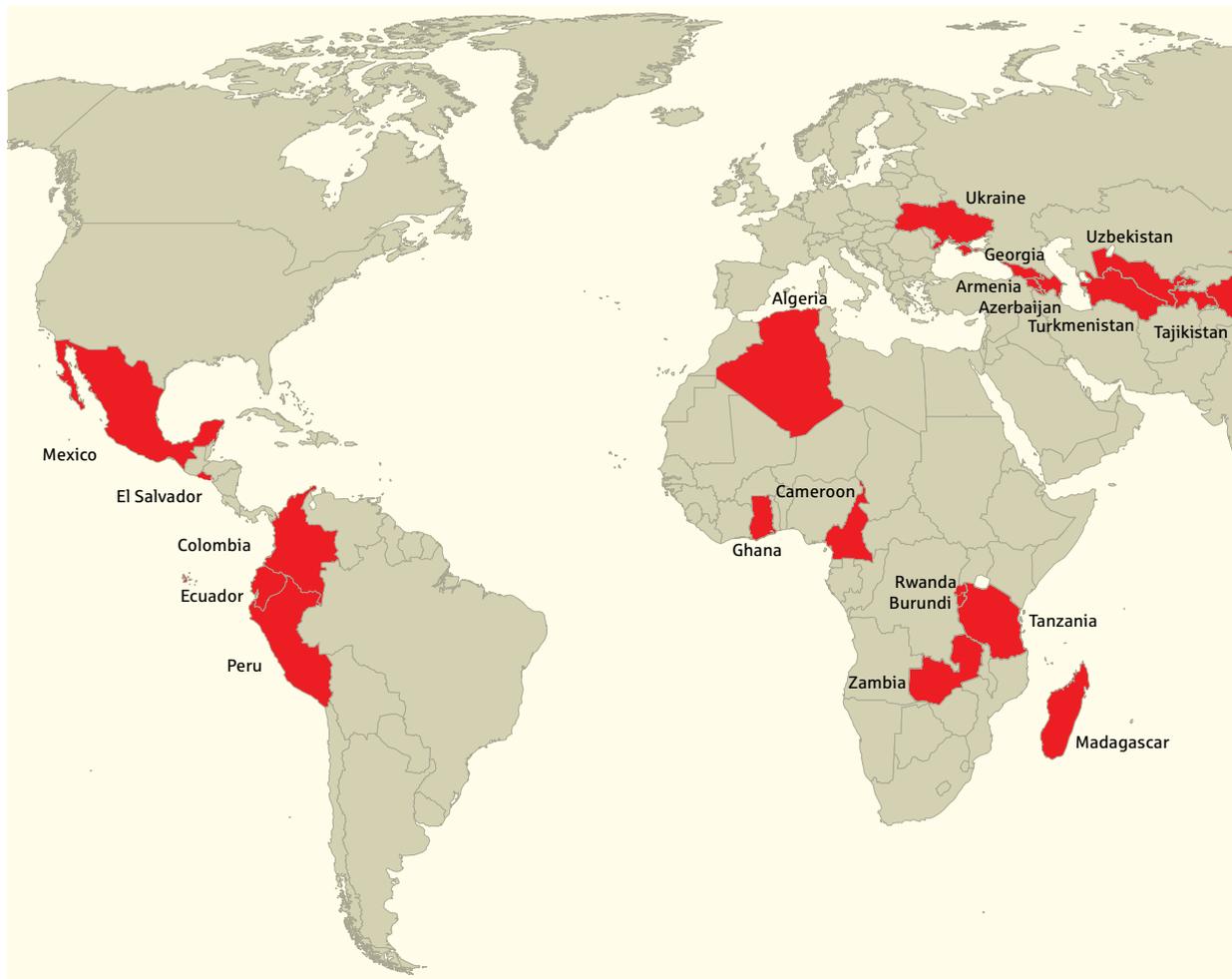
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Developing retail banks

Retail banking is of great value for the economy. For banks it equates with a consistent level of earnings and has, with a few exceptions, proved to be virtually inured to cyclical fluctuations and market fads. For this reason, as a standardised business model for the mass market, retail banking is regarded as a safe bet.

German Sparkassen (savings banks) have evolved from traditional savings institutions into the most efficient, state-of-the-art retail banks in the country. Sparkassenstiftung makes this expertise and experience available to its partner institutions around the globe. Its projects deal with topics such as product development, credit risk management, workflows and procedures and even corporate governance standards.

PRACTICAL PARTNERSHIPS

Our partner countries also recognise retail banking's significance. Partnership-based, practice-oriented cooperation with savings banks has proved a successful project approach. Support is not only geared to actual savings banks however, but to like-minded institutions; i.e. financial service providers that are distinguished by their close proximity to their customers and by the delivery of services to all customer groups.

In institutional terms, making these financial institutions stronger is essentially about empowering them to provide adequate banking services that will improve local people's lives. It is not just lending that is at the forefront here, but a holistic approach that encompasses savings, lending and other financial services.

One of the outstanding features of retail banks is their direct customer contact. Project activities emulate this by opening new branch offices in rural areas and by introducing efficiency-enhancing steering methods. Many Sparkassenstiftung projects have been able to draw on the experience of German Sparkassen in this context. For

example, in Tajikistan and Uzbekistan, where the Sparkassen branch-office efficiency programme has been rolled out in an adapted form.

LONG-TERM INVESTMENTS – ADAPTED CONCEPTS

Frequently our work in our partner countries is about convincing partner institutions that investments in human resources and branch offices will eventually result in a stable earnings and business situation. The basis of every business transaction is the customer. Often though it is not primarily a question of adhering to strict organisational models, but of aligning existing recipes for success to the given needs and specific conditions of the country concerned. For example, in many countries, it goes against tradition to have central customer advisors. The work involved in getting people to accept this set-up can take years – and this is where Sparkassen partnerships prove absolutely essential. In transformation countries (such as Uzbekistan and Tajikistan, for example) this brings to mind the wide range of products on offer which customers and advisors sometimes have trouble understanding. In this case, cooperation does not aim to launch any new products, but essentially to standardise and align those products that are already there.

Introducing and creating model branch offices, e.g. in Uzbekistan, has had a very positive effect, too.

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Project Reports

CHINA – VIBRANT PARTNERSHIPS

Sparkassenstiftung's projects often lead on to further activities which, in turn, allow the partnerships to live on. The Bank of Weifang, a Sparkassen-like regional bank, and the Shandong City Commercial Bank Alliance, an association of banks with certain savings-bank features, have kept in touch with Sparkassenstiftung in a variety of ways.

As part of this ongoing relationship, Sparkassenstiftung organised seminars and exchanges of experience in both China and Germany in 2012, along with targeted consultancy. Furthermore, the Bank of Weifang provided staff for Sparkassenstiftung's project work with other Chinese banks. Thus the Bank of Weifang has evolved from a beneficiary to an advisor.

Consultancy and training measures in China were financed by the local project partners.

MADAGASCAR – DRIVING FORWARD DEVELOPMENT AT THE CAISSE D'EPARGNE DE MADAGASCAR

In 2012 the Sparkassen partnership project with the Caisse d'Epargne de Madagascar (CEM) was again affected by the country's difficult political situation. Nonetheless, in the field of vocational education in particular, it was possible to build on the large-scale project successes from previous years.

For the first time the dual training course leading to qualification as a bank clerk was not only implemented in the capital city but also rolled

out in three other provinces. Almost 25 percent of employees at the Caisse d'Epargne have since undergone the ten-month training course; and other banks are now taking part in the programme, too.

To facilitate long-term development and the introduction of new products, the Caisse d'Epargne has submitted an application for licensing as a bank. CEM has also made a large number of operational improvements in a bid to satisfy licensing requirements.

Hamburger Sparkasse is partnering project activities while Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is providing funding.

MEXICO – FINANCIAL SERVICES IN RURAL AREAS

Sparkassenstiftung has been implementing the PATMIR III project since early 2012. Its objective is to improve access to financial services in poor, rural regions in Mexico. These activities follow on from PATMIR II, a project Sparkassenstiftung executed successfully between 2008 and 2011.

In the first year of operations, the project partners have already acquired 60,000 new customers who have either opened a savings account or taken out a loan. Overall during the three-year project term, it is planned to financially integrate some 155,000 people.

Sparkassenstiftung works with 40 cooperatively organised savings banks, helping them to





Tenerías, Mexico. The development of retail banks is intended to help the local people. A savings bank employee comes to the village once a week to advise residents, take savings deposits and disburse loans.

expand their branch network in rural areas in order to better meet the needs of marginalised population groups.

Experts appointed by Sparkassenstiftung advise project partners, for example, on further training for their employees and on ways to enhance efficiency. They also back the development of new, market-oriented savings and lending products. This provides an excellent basis for the roll-out of appropriate marketing strategies. Making staff and customers aware of the importance of savings, both from the point of view of the bank and that of the saver, is yet another field of activity. The project also promotes financial literacy.

Through its PATMIR programme (Programa de Asistencia Técnica a las Microfinanzas Rurales), Mexico's national development bank BANSEFI is supporting savings and cooperative banks in rural areas. Programme activities are funded by the World Bank via BANSEFI.

PHILIPPINES – CARD

The Philippines-based Center for Agriculture and Rural Development (CARD) is a long-standing partner of the Sparkassenstiftung. Together with Sparkasse Essen, Sparkassenstiftung has helped CARD to develop from a small, informal NGO with fewer than 7,000 customers into an officially licensed bank. With 1.9 million customers and over 1,400 branch offices, CARD is today the largest microfinance institution in the country. To enable its customers to access its financial services once they have evolved into successful small and medium-sized companies, CARD has

purchased a small regional bank and converted it into a bank for small and medium-sized enterprises (SMEs). One of CARD SME Bank's major assets is that it often already knows its customers very well.

The project strengthens SMEs and gives them long-term access to financial services. CARD SME Bank is being fitted out with professional and efficient organisational structures and workflows that will enable it to support its customers on a sustainable basis.

The project has many sides to it. In addition to its focus on operational structures and procedures, it is also concerned with the SME Bank's strategic orientation. Other aspects include risk management, product development, HR development and loyalty as well as consultancy at the management and supervisory board levels.

Sparkasse Rothenburg ob der Tauber is partnering the project and seconds the majority of the short-term experts. The project is promoted financially by Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

TAJIKISTAN – TOJIK SODIROT BANK

Sparkassenstiftung has been assisting Tojik Sodirot Bank (TSB) in Tajikistan with savings mobilisation and loans for micro, small and medium-sized enterprises (MSME) since 2009. The project's main objective is to empower TSB to provide adequate banking services in a bid to improve people's living conditions. The project aims to extend the branch network and make it more efficient. It also aims to design





market-oriented banking services for MSMEs and the Uzbek people; set up an in-house training system at TSB's own training centre; encourage people throughout the country to save; and stabilise the financial sector.

In 2012 project activities focused on extending the branch network and expanding the range of products. In addition, staff training also took place.

Lending operations with small businesses in the new pilot region of South Tajikistan are of a high quality standard. Using its own funds, TSB disbursed around 500 SME loans averaging EUR 1,290 in 19 branch offices in 2012. The greatest challenge at present concerns savings mobilisation and thus the provision of sufficient refinancing funds.

Saalesparkasse in Halle is partnering activities; the German Federal Ministry for Economic Cooperation and Development (BMZ) is funding them.



SME Financing

SMES AS ENGINES OF GROWTH

Small and medium-sized enterprises (SMEs) are major engines of economic growth and drivers of technological progress. Indeed, they are regarded as job-creating powerhouses and so contribute significantly to the fight against poverty.

However, in many developing and emerging economies, SMEs are generally underrepresented in the business landscape. As a result, their potential contribution to general economic growth is not being harnessed in full. The reasons these countries have such poorly developed SME sectors are many and varied: Besides the poor administrative, legal and fiscal framework conditions, the lack of access to adequate financial services is widely regarded as a major obstacle to SME start-up and expansion. Banks and microfinance institutions are either not in a position to lend money to SMEs, or they are not willing to do so. The bottom line is that lending to SMEs is considered to be time-consuming, risky and not particularly lucrative. What is more, most of the countries concerned lack the know-how they need to roll out SME lending operations, i.e. sufficiently well-trained staff, suitable organisational structures and favourable refinancing sources. This reticence to engage in business lending with SMEs is further aggravated by a lack of local competition.

SPARKASSEN BUSINESS MODEL – A GOOD EXAMPLE OF SUCCESSFUL FINANCING

For decades now, Germany's Sparkassen (savings banks) have focused successfully on SME financing. As the principal bank for regional craftspeople and medium-sized business, the Sparkassen already played a key role in Germany's 'economic wonder' back in the 1950s. Today, with over 40 percent of the market, they are the undisputed market leaders in Germany's SME segment.

Sparkassenstiftung harnesses this extensive experience and know-how in SME funding to help microfinance institutions and banks setting up and expanding professional SME operations. Its focus here is on the roll-out of new credit products, the re-organisation of business structures, the regional expansion of credit operations, staff training, stronger risk management and the monitoring of partner institutions.

STAFF TRAINING IS A CORE TASK

Successful SME lending operations stand or fall on the quality of staff. For this reason, training, including practical sessions, constitutes a core component of nearly every SME project. Sparkassenstiftung has at its disposal a proven theoretical and practical training concept that prepares new staff members for their tasks. Furthermore, train-the-trainer measures are also employed to enable partner institutions to conduct training on their own. In the SME projects in Azerbaijan alone, Sparkassenstiftung has trained and certified more than 800 customer advisors as well as branch-office and departmental managers, trainers and agricultural specialists in the course of the past two years.

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ALGERIA – DEVED

The DEVED programme (Développement Economique Durable) by Germany's GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH) aims to strengthen the competitive capacity of the Algerian private sector, and specifically to promote SMEs. As GIZ's partner on this project since mid-2012, Sparkassenstiftung is assisting the Caisse Nationale d'Épargne and the bank Al Baraka to introduce a suitable SME financing product. This new service has managed to develop so successfully thanks to the extensive needs and market analyses conducted up-front. Following the evaluation of the results, products were developed together with project staff at the two pilot banks. A train-the-trainer programme was also devised to enable the Institut des Hautes Études Financières (IAHEF) to train future loan officers itself in future.

AZERBAIJAN – EBRD

The European Bank for Reconstruction and Development (EBRD) has been active in the Azerbaijanian finance sector for several years now and has concluded loan contracts with eight partner institutions. The programme is essentially geared to micro, small and medium-sized enterprises (MSMEs). At the heart of this project that Sparkassenstiftung is conducting on EBRD's behalf lie comprehensive measures designed to strengthen the institutional fabric of each of the partner banks involved, along with training for loan officers. The catalogue of measures is geared to the needs of the respective partner bank. In addition to the positive impacts in terms of our partners' performance capacity, the programme has also helped secure a large number

In Azerbaijan agricultural loans have secured a large number of jobs and also helped create new ones.



of jobs in smaller and medium-sized enterprises. This applies in particular to rural areas, as Sparkassenstiftung is using this programme to extend agricultural loans nationwide.

AZERBAIJAN – GAF

The German-Azerbaijani Fund (GAF), which was set up by the Federal Republic of Germany, awards long-term loans to six local commercial banks. These resources are earmarked for long-term SME financing. Sparkassenstiftung is responsible for managing the credit line. As the fund manager, its remit includes selecting partner institutions, entering into loan agreements with the banks and extending GAF resources as credit. GAF has succeeded in raising its overall volume of funds quite substantially in recent years. One of the project's biggest successes is that individual partner institutions now employ the credit technology introduced by Sparkassenstiftung to invest considerable sums of their own resources in SME financing.



Microfinance

The terms microfinancing or microfinance* refer to a spectrum of financial services for wide sections of the population, especially for the poor. In addition to micro and small loans, this also includes savings products, insurance and money transfers.

The idea behind microfinance is to facilitate access to financial services and, by doing so, to achieve social objectives in an economically sustainable way. Microfinance institutions thus have to find a balance that allows them to fulfil their social mandate while maintaining their professional integrity as banks. By demonstrating how a social remit can be reconciled enduringly with banking expertise, Germany's Sparkassen serve as a role model for MFI in developing and emerging economies.

SUSTAINABLE APPROACHES

Many MFIs fail to achieve sustainability, disappearing from the market as soon as donor funding and subsidies stop. Sparkassenstiftung's work, however, shows that a professional approach and a social mandate do not have to be mutually exclusive.

Indeed, this is why Sparkassenstiftung assists the start-up of new MFIs and the development of microfinance associations. Moreover, working with its partners, Sparkassenstiftung helps professionalise offers by existing MFIs. In the medium to long term, the objective is always to empower local partners to run their business operations without external intervention.

MFI are tasked with operating sustainably and with ensuring price transparency. Based on this premise, they have to disclose their business practices to local customers and international partners alike. Results analyses and the concept of social impact assessment (SIA) will continue to gain ground as part of efforts to establish and assure long-term transparency in the MFI sector. Results analysis and SIA can also help strengthen the wide-ranging issue of consumer protection, because ultimately it is all about the customer and his/her access to financial services – which has to be fair, considerate and local – just as it is at German Sparkassen.

COOPERATION

The Sparkassenstiftung first started operating in the microfinance sector back in the 1990s. Over the years it has successfully helped transform a number of unregulated MFIs into formal microfinance banks, including Philippines-based CARD and Mexico's Cajas de Ahorro y Crédito, where hundreds of thousands of new customers now have access to financial services. In China, Cambodia, Laos and Vietnam, existing MFIs are being professionalised while in Bhutan, Laos and Myanmar new ones are being launched together with local partners. Furthermore, support also targets sustainability efforts by local microfinance associations in Burundi, Laos and Rwanda. On top of this, the partner institutions in the given countries engage in a lively exchange. This not only takes place within the regional projects but is also promoted on a cross-project basis.

* In English 'microfinancing' is used as a synonym for 'microcrediting'. In German, too, the term financing generally implies lending. However, since microcredit is only part of microfinance, the term 'microfinance' is employed in the following.

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Project Reports

CHINA – MICRO AND SMALL LOANS BY THE BANK OF HANDAN

With Sparkassenstiftung's support, the Bank of Handan successfully launched small-scale lending operations in Handan in the years 2011 and 2012. A similar project was completed towards the end of 2012 at the bank's second location in Shijiazhuang. Amongst other things, Sparkassenstiftung assisted the bank with the recruitment and training of 40 young employees. The future development of this new line of business is to be secured by coaching a group of mentors, group leaders and trainers.

The Bank of Handan funded project activities with its own resources.

CHINA – MICRO AND SMALL-SCALE LENDING BY QILU BANK

At the end of 2012, Qilu Bank commissioned Sparkassenstiftung with the implementation of a project designed to build up credit facilities for micro and small enterprises. Sparkassenstiftung has since analysed the context and conducted a workshop. The new business sector, which is to be up and running by mid-2014, involves the design of new products, the recruitment and training of new staff members as well as marketing measures.

Qilu Bank, which is similar to a savings bank, is paying for the project measures itself.

Decentralisation. In Laos, WFD customers and advisors meet at centre meetings. Since most villages do not have branch offices, the meetings are often held in temples. Here people can pay money into their savings accounts.



LAOS – MAKING VILLAGE BANKS MORE PROFESSIONAL

Sparkassenstiftung is already engaged in Laos through its regional project activities in former Indochina and Myanmar. In a new project, it is assisting the Lao Women's Union to professionalise village banks in order to make them into sustainable financial service providers. Plans include the establishment of a network support organisation which can deliver services to those member banks that are unable to develop and offer them on their own.

Another project objective concerns financial literacy for the general public in order to raise awareness about basic savings and lending projects. Customers are to be empowered to better evaluate and harness the various offers. Following an analysis of the actual situation and the needs and expectations of the pilot village banks, a concept was devised in 2012 to make village banks more professional. Initial training courses have already been held on the monitoring and steering of village banks.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is promoting project activities.





Budget plan. This is one way of teaching financial literacy in more remote areas. Getting to customers can be long and arduous.

REGIONAL PROJECT HIMALAYA – ESTABLISHING AND STRENGTHENING THE MICROFINANCE SECTOR

Sparkassenstiftung started supporting the Rural Micro Finance Development Centre (RMDC) in Nepal towards the end of 2011. RMDC provides refinancing funds to microfinance institutions along with training and consultancy services. Sparkassenstiftung’s support is helping the microfinance sector meet the challenges it finds itself up against. These include poor financial literacy, which results in large numbers of over-indebted customers. Another issue is the lack of training for MFI staff members.

Bhutan initiated a new microfinance institution in 2012. In the meantime, some 2,700 women are now saving at 74 centres spread across three regions – often undertaking long journeys to get there. At the centre meetings, the women can also get help with budget planning and with the realisation of their business concepts. Loan extension was started at the end of 2012. Working together with RENEW (Respect, Educate, Nurture and Empower Women), its partner in Bhutan, Sparkassenstiftung aims to assist the nascent institution to undergo further expansion and consolidation in 2013.

Sparkasse Allgäu is supporting activities in Nepal while Sparkasse Germersheim-Kandel is partnering activities in Bhutan. The project is promoted financially by Germany’s Federal Ministry for Economic Cooperation and Development (BMZ).

RWANDA, BURUNDI – SUPPORT TO MICROFINANCE ASSOCIATIONS

The project’s objective is to make the microfinance sector in Rwanda and Burundi more professional. To this end, support is being provided to two associations – AMIR (Association of Microfinance Institutions in Rwanda) and RIM (Réseau des Institutions de Microfinance, Burundi). Key project contents include ensuring systematic communication between the associations and their members; honing the associations’ business consultancy skills; promoting financial literacy and managing association work. While cooperation with AMIR has been ongoing for five years, project activities in Burundi only got underway in the year under review. The savings banks’ association in the German federal state of Rhineland-Palatinate – Sparkassenverband Rheinland-Pfalz – is partnering the project; BMZ has provided the financial resources.

SPARKASSEN-RECONSTRUCTION FUND FOR SOUTH ASIA

In the wake of the December 2004 tsunami, the Sparkassen-Finanzgruppe (German Savings Banks Finance Group) set up a Sparkassen Reconstruction Fund for South Asia which channelled reconstruction aid to more than 8,500 small-scale enterprises. Promotion was based on low refinancing rates for partner institutions in local currency coupled with intensive consultancy by experts from the Sparkassen-Finanzgruppe.

The final refinancing tranche was repaid in 2012, thus successfully winding up the project. All partner institutions continue to make loans



Hands on. Many of the customers of Sparkassenstiftung's partner institutions are microenterprises. They package soil containing papaya seeds, make baskets or grow and sell flowers.



available to small enterprises. The project was financed by the Sparkassen-Finanzgruppe.

REGIONAL PROJECT IN FORMER INDOCHINA AND MYANMAR

Regional project activities in Indochina and Myanmar are helping to craft a sustainable network of microfinance organisations that enables the eight partner institutions to learn from one another, strengthen each other and benefit from international experience. The project pursues the following goals:

- Strengthen low-income households in the region by giving them long-term and customer-oriented access to financial services.
- Make partner institutions' organisational structures more professional, thus enabling them to operate more efficiently.

The project focus is on empowering microfinance institutions to build up sustainable structures and offer professional services. Savings are just as much a priority as loan extension for productive purposes. Alongside TYM in Vietnam and the Women & Family Development DTMFI (WFDF) in Laos, two Cambodia-based institutions – SAMIC and Seilanithih – are also receiving support. Since the beginning of the year, Sparkassenstiftung has been working with two non-governmental organisations in Myanmar – Myanmar Egress/Myanmar Development Partners and Mingalar Myanmar – to help roll out microfinance operations in the country.

At the same time, other organisations in the microfinance sector are also being supported. The Microfinance Center (MFC) for example, which provides training and consultancy services for the microfinance sector in Laos, is receiving specialist expertise. It has had financial assistance with some of its training sessions, too. The Microfinance Working Group (MFWG) is the national umbrella organisation of the Laotian microfinance sector. Its inputs are geared to sector representation, knowledge management, basic and further training and organisational development.

Consultancy services are provided by four long-term experts from Sparkassenstiftung as well as by experts seconded by the partner savings bank Sparkasse Essen and by CARD (Center for Agriculture and Rural Development) in the Philippines. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is backing project activities in Indochina and Myanmar.



Human Resource Development and Training

INTEGRAL COMPONENT OF ALL PROJECTS

Communicating knowledge while honing new behavioural responses and translating these into targeted, responsible action are central tasks in most Sparkassenstiftung projects. HR development and training are therefore virtually always integral components of our project activities.

In addition, we also run a series of projects focusing exclusively on HR development and training. Examples here include the creation of banking and microfinance academies; the development of curricula and training courses (e.g. bank management games); the organisation and implementation of seminars and conferences; on-the-job training and multiplier coaching.

The backbone of the German banking system, the Sparkassen-Finanzgruppe (Savings Banks Finance Group) boasts a most highly differentiated system of basic and further training. This foundation puts Sparkassenstiftung in an excellent starting position with regard to project work targeting HR development and training.

COACHING MULTIPLIERS

One approach to crafting new structures for the basic and further training of experts and managers relies on cooperation between experienced experts from the academies and specialist departments within the German Sparkassen-Finanzgruppe and partner institutions overseas. Microfinance and banking associations, central banks and various government bodies often act as local partners here.

Another key approach involves engaging with the local partners in order to assess which of the materials and organisational models that already exist are basically useable and how they can be aligned with the specific context. Joint work on customised concepts and coaching for multipliers on site – local trainers and lecturers – promotes

the sustainability of educational measures in a particularly effective way.

This has been done successfully in Uzbekistan, Mexico and various African partner countries, for example, using the business game for microentrepreneurs ('Get to know your numbers'). This game, which was designed in a Sparkassenstiftung project, has managed to generate a very positive response in just a very short time. More than 4,000 players have learned the vital basics they need to manage their businesses thanks to this instrument and thanks also to the local multipliers who showed them how to use it.

But there is also another principle that serves to promote sustainability, namely efficient economic action and this is required for education work, too. All measures should, as far as possible, be rolled out in a way that will enable them to do without subsidies, either right from the outset or in the near future.

Examples of cooperation with local partners that leads to the creation and widening of educational facilities include the projects in Ghana and Rwanda. Our longstanding and successful work in the field of business game seminars was continued in 2012 and a separate business game homepage has been launched (s-simulations.de).

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AZERBAIJAN – KREDAQRO

Sparkassenstiftung first started advising banks, microfinance institutions and training centres in Azerbaijan in 1999. Our long-serving staff members have vast expertise in the field of basic and further training and in rural financing, too. And it is ultimately thanks to this comprehensive experience that KfW commissioned Sparkassenstiftung to implement train-the-trainer measures at KredAqro. KredAqro is a microfinance institution with an extensive branch network that spans Azerbaijan's rural areas. The project's objective is to strengthen KredAqro by building up its internal trainer capacity. This will enable KredAqro to train new staff itself at various locations. Coaching on strategic management and internal auditing is being implemented in parallel.

Germany's KfW is coordinating the training measure which forms part of a BMZ credit programme designed to promote rural SMEs.

GHANA – CUA

Together with the Rhineland savings banks association 'Rheinischer Sparkassen- und Giroverband', Sparkassenstiftung is assisting the Ghana Cooperative Credit Unions' Academy that was founded in 2010. Nearly 300 participants have benefited from three new courses devised jointly with the credit unions. The project's team of internal, part-time instructors has proved its worth.

The academy's economic sustainability has improved thanks to an increasing number of course participants and the pleasing fact that external demand for classroom hire is also

HR development. This topic is at the core of project activities in Ghana. Once they have been trained, staff are better able to provide customers with advice and the products are better quality too – not just in the long term but immediately after the project has ended.



strong. In addition to the training rooms, library and internet café, the academy also offers participants board and accommodation.

This project is part funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

OPTIMISING AND IMPLEMENTING BUSINESS GAMES – MANAGEMENT TRAINING

For the past three years, Sparkassenstiftung has been able to offer six different business games. These are used to train financial-sector experts and managers as well as microentrepreneurs. Demand is impressive: More than 300 training courses with over 5,000 participants of both genders have since been conducted. A particular focus here is on the business game for small and microentrepreneurs, which is generally performed by local trainers. Sparkassenstiftung deploys its experts to coach multipliers and provides the training materials required. Training takes place worldwide – for example in China, Ghana, Mexico, Rwanda, Uzbekistan and South-east Asia. Sparkassenstiftung's business games comprise the following:

- Bank management game
- Risk management for banks
- Sales and market penetration game for banks
- Microfinance game
- MFI risk management game
- Micro business game

All games were revised and optimised in 2012. Furthermore, Sparkassenstiftung has also developed an educational card game and an internet





Insights. In the microbusiness game, players run a shop selling orange juice. Here customers and staff from MFIs in Rwanda are playing together– this allows them to see things from the other's perspective.

platform where trainers can exchange their experience.

Business games are often employed in Sparkassenstiftung's longer-term projects. However, partner institutions frequently commission them as one-off measures.

The German Federal Ministry for Economic Cooperation and Development (BMZ) financed the games' overhaul.

RWANDA – SETTING UP A MICROFINANCE ACADEMY IN EAST AFRICA

In this new project, Sparkassenstiftung cooperates with several institutions from the public and private sector in Rwanda: This not only includes the Association of Microfinance Institutions in Rwanda (AMIR), but the Rwanda Cooperative Agency, the Banque Nationale du Rwanda – Rwanda's central bank – and the Rwandan Ministry of Trade and Industry. The project aims to systematise vocational training in the microfinance sector, to improve its quality and make it available to more people.

Training services first got underway with seminars for MFI managers in Rwanda and Burundi. In addition, the premises were also prepared for training. In future, a 'mobile academy' will enable training to be provided decentrally across the board.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is backing the project financially.

TANZANIA – PROMOTING BASIC VOCATIONAL EDUCATION

A fact-finding mission by Sparkassenstiftung in Tanzania identified basic and further training for employees as the joint challenge facing virtually all actors in the local microfinance sector. This led to a project that cooperates with the Tanzania Postal Bank and the Tanzania Association of Microfinance Institutions (TAMFI).

The project's main objective is to develop and market a range of basic vocational training services specifically for the microfinance sector.

The first months of the project, which got off the ground in October 2012, were given over to coordinating project contributions and objectives with the partners. Furthermore, in cooperation with TAMFI in Dar es Salaam and Arusha, Sparkassenstiftung conducted computer-based microfinance business games which allowed initial contact to be made with the MFIs taking part.

A long-term advisor is in place to support project work. The German Federal Ministry for Economic Cooperation and Development (BMZ) is financing project activities.

TURKMENISTAN – DUAL VOCATIONAL TRAINING COURSE FOR BANK SPECIALISTS

As part of a self-financed fact-finding mission, Sparkassenstiftung has mapped out the cornerstones of a new project together with the Central Bank of Turkmenistan and several other banks. The central bank had asked for Sparkassenstiftung's support with the introduction of a dual vocational training course for bank specialists,



Target groups. Sparkassenstiftung is promoting basic financial training for MFIs in Tanzania as an indirect means of improving people's living conditions. Activities target the customers, traders and suppliers on this market.



suggesting that it be rolled out in cooperation with the central bank's own banking college. The central bank is making its training facilities available to the project.

The project objective centres on the design of a concept and curriculum for a ten-month training course leading to qualification as bank specialist. Around 40 percent of the course is to focus on theory and 60 percent on hands-on training in the respective departments of the participating banks. Training aims to produce a future generation of bank advisors with a strong customer orientation so as to significantly improve the quality of customer advisory services.

Germany's Saalesparkasse in Halle is supporting work on site in Turkmenistan. The German Federal Ministry for Economic Cooperation and Development (BMZ) is providing financial support.



Financial Sector Development

Besides core duties such as the regulation and supervision of financial institutions, actual cooperation between institutions is itself a key aspect of financial sector development. Particularly micro and small enterprises and low-income earners often make use of small formal, semi-formal or even traditional institutions, such as microfinance institutions, savings and credit cooperatives or traditional systems like the tontines* in Africa, for example. Very often, these institutions are all in close contact with their customers. However, opportunities for further development and for satisfying the demands of supervisory bodies are mostly very limited.

COOPERATION BETWEEN SMALLER FINANCIAL INSTITUTIONS

One way of getting round the restricted amount of resources is to cooperate. In contrast to mergers and the push for ever more growth, this means that financial institutions retain their advantages in terms of their decentrality and closeness to their customers. In many countries, financial institutions cooperate through microfinance associations. Cooperation is generally informal, with few financial and HR resources and an unclear mandate. Moreover, services that do not measure up to members' needs, together with high costs and the aspiration as a national association to issue binding instructions often combine to erode the system. A limited range of services makes people less willing to cooperate or pay member fees.

From a commercial point of view, members still expect value for money even with general association services such as political representation. Furthermore, a decision has to be made in each case as to whether an association should out-

source an order, render the services itself or whether the members should set up a joint company for this purpose (for example an academy). The outcome ultimately depends on the purpose of cooperation, but it remains up to the association to co-design the development process. This includes organising cooperation by large-scale urban banks with small rural financial institutions.

EXPERIENCE AND EXCHANGE OF EXPERIENCE

Sparkassenstiftung supports a wide variety of different cooperation models in various countries. In most cases, the focus is on making cooperation sustainable. An association has to generate value added for each of its members. For this reason, it has to offer the kind of services that each member can use in line with his or her individual needs. The experience of Germany's Sparkassen group often serves as a role model here, whereby the discussion process itself is just as important for initiating cooperation as the actual structures of cooperation that ensue.

At the same time, transregional cooperation repeatedly invites us to rethink the mandates and business models used for national-level cooperation. In Africa, for example, food for thought comes from the cross-border cooperation recently started by microfinance associations in countries belonging to the East African Community. Another example concerns the Africa-wide cooperation by microfinance institutions in the African Rural and Agricultural Credit Association (AFRACA) and by savings and credit cooperatives as part of the African Confederation of Cooperative Savings & Credit Associations (ACCOSCA).

* Tontine is the name given to a traditional, collective savings scheme used in local savings and credit groups in African countries.

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Project Reports

ECUADOR – STRENGTHENING A SAVINGS AND CREDIT COOPERATIVE

The project's prime objective is to strengthen the association UCACSUR by widening the range of services offered by the affiliated savings and credit cooperatives and by helping them to become more professional.

In 2012, the project focus was on (further) developing and implementing a jointly developed internal rating instrument to evaluate risk management and the cooperatives' financial and social parameters. This facilitates comparison with other cooperatives and allows individual recommendations to be made that can help professionalise specific sectors.

Furthermore, Sparkassenstiftung provided management training and train-the-trainer courses. The long-term objective is to build up a training academy together with UCACSUR.

The East German Savings Banks Association – Ostdeutscher Sparkassenverband – is engaged in project work in Ecuador. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is providing the financial resources.

INDONESIA – SUPPORT FOR REGIONAL DEVELOPMENT BANKS

Sparkassenstiftung has been helping regional development banks in Indonesia to expand their range of decentralised financial services since mid-2010. In addition to the successful cooperation to date with ASBANDA, the national association representing Indonesia's regional development banks, Sparkassenstiftung is now directly

Exchanges. Partner associations in Latin America are not only advised by Sparkassenstiftung. At annual meetings, they are able to pass on their experience and learn from each other.



promoting three of these development banks (BPDs).

At the fast-growing bank of BPD North Sumatra, the focus is on basic and further training for staff. In 2012, almost 500 new employees were recruited. In West Kalimantan, the project is helping the local BPD to develop a target-group-oriented range of products for microentrepreneurs. Sparkassenstiftung is also advising the bank on cooperation with the province concerning regional business promotion. The BPD in Yogyakarta Province will pilot mechanisms for project management, cooperation and horizontal knowledge communication by the BPD group. In doing this, it is taking the project's cooperation concept a step further.

The BMZ-funded project is being implemented by an experienced German Sparkassen expert located in North Sumatra and by a local long-term expert.

CAMEROON – FACT-FINDING MISSION

Together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Sparkassenstiftung conducted a fact-finding mission to analyse Cameroon's financial sector. The mission looked into supply and demand for financial services, inter alia with respect to micro and small entrepreneurs and poor or rural population groups.

The findings of the talks and analyses have provided a basis for the forthcoming discussion on cooperation between Germany and Cameroon. Thanks to the mission, it is now easier to deter-





Visit to the bank. Financial sector development sounds a bit abstract, but it has a very concrete objective: Professionalising the financial sector is intended to help those people who are reliant on financial services – like this kiosk owner, for example.

mine the role that the financial sector and private business could play in furthering the country's development by generating income and employment options. GIZ financed the mission.

COLOMBIA – CONSOLIDATING THE MICROFINANCE ASSOCIATION ASOMICROFINANZAS

The project objective is to strengthen the micro-finance association ASOMICROFINANZAS, so as to empower it to sustainably contribute to the development of its member institutions and thus foster a more professional financial sector in Colombia.

In 2012, ASOMICROFINANZAS devised a new organisational structure and adopted a financing model. Together with the association, Sparkassenstiftung designed a series of training materials and conducted seminars for the association members, inter alia on the topic of governance structures. ASOMICROFINANZAS continued to gain importance in 2012, with the number of members rising from 25 to 33. The East German Savings Banks Association – Ostdeutscher Sparkassenverband – is supporting activities in Colombia. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is providing financial support.

PROMOTING SAVINGS BANKS IN THE EU

As a result of the Eurozone's financial and economic crisis, Germany's Savings Banks Association – the Deutscher Sparkassen- und Giroverband (DSGV) – is backing various countries' efforts to strengthen existing decentralised financial institutions or to set up new ones.

Sparkassenstiftung is providing support, too. The project's objective is to achieve a concept for starting up savings banks in EU Member States, like Greece, for example.

In terms of its design, the project adheres to the basic principles that underlie the Sparkassen model. The matter of municipal trusteeship, and in particular the questions of governance and ownership structures, are to be worked out in dialogue with the project partners. Following on from a fact-finding mission in Greece in 2012, it is planned to ready two pilot savings banks for operation there in 2013.

DSGV is providing financial resources.

STUDY – ORGANISING DECENTRALISED STRUCTURES IN THE FINANCIAL SECTOR

Many developing and emerging economies do not have inclusive financial systems that offer financial services across broad sections of society (savings, loans, payment transactions). Microfinance institutions play a key role here, one that requires them to balance profitability with their social mandate.

Germany's Sparkassen (savings banks) and cooperative banks have been reconciling these two demands for more than 200 years. A study compiled by three leading professors explores the extent to which the experience and organisational models employed by Germany's Sparkassen and cooperative banks can be transferred to developing and emerging economies.



Sparkassen involvement. The project partners benefit from the experience and know-how of the Sparkassen-Finanzgruppe. Here an advisory centre is being opened in Uzbekistan. Attending the event is a delegation from the German partner institution, the Ostdeutscher Sparkassenverband.



Project financing is by Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and the Wissenschaftsförderung of the Sparkassen-Finanzgruppe (research promotion institution of the German Savings Banks Finance Group).

UZBEKISTAN – FINANCIAL-SECTOR PROMOTION

Sparkassenstiftung has been operating in Uzbekistan since 2003. Project activities there aim to:

- Promote micro, small and medium-sized enterprises
- Set up a microinsurance company
- Introduce dual vocational education for bank specialists

Sparkassenstiftung advises the Central Bank of Uzbekistan and three banks: Xalq Banki, Mikrokreditbank and Hamkorbank. It also supports the Women's Committee of the Republic of Uzbekistan and the first-ever Central Asian micro-insurance company Xalq Sugurta.

As part of the project, a rotating credit fund has been set up to refinance small enterprises. This has had a catalytic impact, so much so that in the meantime the banks have provided 45 times the original amount from their own resources. The default rate on these loans is zero percent.

The offer of financial services, and savings products in particular, has been improved and expanded. The banks' savings deposits rose by 30 percent in 2012. A team of international short-term experts and national professionals has developed a new training programme. The

partner institutions have asked Sparkassenstiftung to roll out the ten-month dual training course in another region of the country. The German Saalesparkasse in Halle is partnering the project. The Sparkasse im Landkreis Neustadt a. d. Aisch – Bad Windsheim is supporting project activities through expert assignments. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is financing project activities.



Financial Literacy and Savings Mobilisation

Knowing a little bit about the way money works really helps poorer people in particular to make better financial provisions and to protect themselves against unserious providers and excessive debt. At the same time, financial literacy measures in rural regions ensure there are enough customers on hand for financial institutions to operate there. Sparkassenstiftung is helping improve basic financial literacy in a wide range of countries.

In a great many developing countries that do not have a social security system, saving is the only way to make provisions for emergencies. In Sparkassenstiftung's project work, financial literacy and savings mobilisation do not therefore just constitute a project component, but a project objective in their own right.

PROVEN CONCEPTS, ADAPTED TO THE SITUATION ON SITE

In its work, Sparkassenstiftung often makes use of existing concepts and materials. For example, it uses the resources produced by the Sparkassen-Finanzgruppe's advisory service 'Geld und Haushalt' (Money and Private Households). The same applies to the Sparkassen School Service by the Sparkassen's very own publishing house, the Deutscher Sparkassen Verlag. Content and form are changed, however, and adjusted to the partner country concerned to ensure the materials are site-appropriate and accepted by the local people.

Sparkassenstiftung, for example, has taken the budget planner the 'Geld und Haushalt' advisory service originally devised for planning family budgets and adapted it to suit conditions in Uzbekistan and Mexico. This budget planner has since been used to support training on money management in households.

TARGETED SERVICES

Sparkassenstiftung targets children and young people in Mexico using comics in which the protagonists experience many different adventures, all with an educational message.

In Rwanda and Burundi, children and young people are taught financial literacy in savings groups at school. Teachers first undergo specific training and then pass on their knowledge to their students. However, know-how is often communicated at events outside of school too, such as football tournaments (see photos on the right).

In Bhutan, Vietnam, Laos and Myanmar, Sparkassenstiftung is cooperating with selected women's associations. The partner institutions capitalise on the groups' regular meetings to deliver training to their customers.

WORLD SAVINGS DAY – A TRULY GLOBAL EVENT

Germany has celebrated World Savings Day for almost 100 years. Until recently, this was all still very new for the Democratic Republic of Congo, which organised its first World Savings Day in 2011 – an event that inspired young and old to engage in savings. The upshot: large numbers of people who were formerly excluded from the financial sector are now able to access bank services.

Sparkassenstiftung has experienced similar outcomes in Azerbaijan, Burundi, Georgia, Rwanda and Ukraine following the introduction of World Savings Day – which is why it is planning to introduce this event in Armenia and Uzbekistan, too.

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Project Reports

ARMENIA – MOBILISING SAVINGS, CONSUMER PROTECTION, FINANCIAL LITERACY

In Armenia, Sparkassenstiftung's objective is to encourage more people to save. With this in mind, it promotes financial literacy and advocates financial consumer protection.

Frequently low-income earners here literally deposit their savings 'under the mattress', given that they are unable to access financial services. The project aims to empower banks to provide adequate products for small savers and also to process smaller deposits cost-efficiently. At the same time, the project strengthens consumers' capacity to save and to recognise suitable products.

In 2012, Sparkassenstiftung experts coached Armenian trainers on the topic of financial literacy. They also produced educational materials for training events with the rural population. At the same time, Sparkassenstiftung surveyed the rural population about their savings habits in a bid to improve and hone these measures.

Project activities are backed financially by Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

AZERBAIJAN/GEORGIA – FINANCIAL LITERACY AND SAVINGS MOBILISATION

For a long time, savings were the forgotten half of development financing. While numerous donors promote job creation by providing credit lines, this project's objective lies in strengthening savings mobilisation. Project partners include the central banks in both countries along with

Épargnons pour demain
– saving for tomorrow: Under this motto, Sparkassenstiftung and its partners in Rwanda organised awareness-raising activities for children and young people.



banking associations and their affiliated training institutions.

Geared equally to the supply and demand side, the project helps financial institutions to set up a needs-oriented range of savings products. In terms of demand, the project addresses financial literacy and the generation of greater transparency in the financial sector. A particular focus here is on countering the culture of quick and indiscriminate lending that prevails in Azerbaijan and Georgia.

In 2012, thanks to the concerted support of various banks in both countries, Azerbaijan and Georgia celebrated World Savings Day for the first time ever.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is providing financial support.

CHINA – COACHING FOR MULTIPLIERS

In 2012, Sparkassenstiftung experts produced a study on financial literacy in China and, together with a Chinese central bank training institute, provided coaching for multipliers. The project remit was to find a viable way forward in terms of support for financial literacy in China.

The newly trained multipliers are now holding seminars for the owners of small enterprises. The focus here is on empowering entrepreneurs to sustainably manage their small-scale businesses while helping them to develop a basic understanding of purchasing, marketing, planning, cost control and financial management. The multipli-





Sparkassenstiftung's hero. Paco Pesitos is the name of the likeable little character whose adventures also teach children in Mexico about basic financial literacy.

ers employ the modern, participant-oriented training materials provided to the central bank. Thus, using state-of-the-art teaching methods, it is possible to generate an impetus for improved basic financial literacy.

The project is funded by the German Federal Ministry of Finance.

REGIONAL PROJECT LATIN AMERICA

Sparkassenstiftung has been engaged in a regional project in El Salvador, Mexico and Peru since 2009. Its aim is to make people more financially literate and to generate educational structures for experts and management staff in the microfinance sector. Sparkassenstiftung's project partners here are:

- Mexico: BANSEFI, CONDUSEF, PRONAFIM, Caja Morelia Valladolid
- Peru: ASOMIF, Banco de la Nación, Superintendencia de Banca, Seguros y AFP (government banking authority)
- El Salvador: FEDECRÉDITO, Ministry of Economic Affairs, ALPIMED

Partners in the Sparkassen-Finanzgruppe (Savings Banks Finance Group) include two savings banks associations: the East German Savings Banks Association (Ostdeutscher Sparkassenverband) and the Savings Banks Association of Baden-Württemberg (Sparkassenverband Baden-Württemberg).

In 2012, Sparkassenstiftung experts devised training materials and adapted them to the conditions on site in the partner countries. In El

Salvador the association FEDECRÉDITO has started piloting a project designed to set up a dual training system. The first training course for microfinance experts is scheduled to go ahead in October 2013.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is financing the measures.

ZAMBIA – STRENGTHENING BASIC FINANCIAL LITERACY

Following an intensive discussion process, the Zambian government adopted a national financial literacy strategy in 2012. This five-year programme aims to improve the general public's knowledge of financial products and to explain how financial institutions work. It is geared, inter alia, to small entrepreneurs and farmers and addresses all age groups.

Sparkassenstiftung has signed a project agreement with the Bank of Zambia and will continue to advise the central bank as it sets up the coordination mechanisms it needs to run this extensive, nationwide programme. Besides involving government entities, a major priority is on integrating existing educational service providers into the national strategy. Furthermore, Sparkassenstiftung is set to integrate training services specifically for micro and small entrepreneurs into existing offers of training.

An experienced Sparkassen expert took up his post as long-term advisor on site in Lusaka at the end of 2012. The German Federal Ministry for



Motivation. Following in the footsteps of German Sparkassen, savings banks in Ukraine handed out small gifts to their young customers on the country's first-ever World Savings Day.



Economic Cooperation and Development (BMZ) is providing funding.

UKRAINE – MSME CONFERENCE AND INTRODUCTION OF WORLD SAVINGS DAY

In spite of low monthly earnings, the savings rate in Ukraine is currently somewhere around 10 to 15 percent. However, only a small percentage of this is deposited in the banking sector. The rest is mostly invested in material assets or hoarded at home in foreign currency. The reasons for this include consumers' negative expectations and the current economic development trend.

The project aims to strengthen people's confidence in the financial sector and to improve access to financial services. To this end, Sparkassenstiftung is working with the National Bank of Ukraine (NBU) and a total of 18 other banks.

The project partners co-organised a conference for micro, small and medium-sized enterprises (MSME) and introduced World Savings Day in Ukraine. Furthermore, some new savings products have been rolled out.

Experts from two German savings banks – Saale-sparkasse in Halle and Sparkasse Marburg-Biedenkopf – have supported project activities. Financial support came from Germany's Kreditanstalt für Wiederaufbau (KfW).





Highlights

Poverty reduction through decentralised financial institutions

was the title of the conference held in Berlin on 18 October 2012 to mark Sparkassenstiftung's 20th anniversary.



Besides German Federal Minister Dirk Niebel, other well-wishers included the President of the DSGV (German Savings Banks Association), Georg Fahrenschon, the Chair of GIZ Management Board, Tanja Gönner, as well as KfW Management Board Member, Dr. Norbert Kloppenburg. The discussions centred on the extent to which German Sparkassen (savings banks) and cooperative banks could serve as role models for the creation of inclusive financial systems in developing and emerging economies. Around 200 participants came together at the Berlin-based Sparkassenhaus where they engaged in a lively exchange of opinions and experience.

Sparkassenstiftung's new Chairman of the Board since May 2012 – Heinrich Haasis: 'Throughout my term as DSGV President, my ambition was to form bonds with Sparkassen – irrespective of their legal status – and to rebuild structures in Europe that had previously been abandoned in some countries. In my function as President of the World Savings Banks Institute (WSBI) and Chairman of the Board at Sparkassenstiftung, I would like to continue these initiatives and forge a network between them. Savings banks are not just good for Germany. Local savings banks can play an important role in every country of the world.'



Heinrich Haasis and Dr. h. c. Helmut Geiger (right). Dr. Geiger was President of the DSGV (German Savings Banks Association) from 1972 to 1993 and the founding father of the Sparkassenstiftung in 1992. To this day, Dr. Geiger has remained a dedicated supporter of Sparkassenstiftung's work; his expert advice is still highly valued.



Georg Fahrenschon, Chairman of the Board of Trustees: 'Sparkassenstiftung has secured itself a key position in the international arena. It is in great demand as a contact and advisor whenever savings-banks structures are to be established or upgraded in other countries. In this way, the experience and know-how of Germany's Sparkassen can also bear fruit and nurture partnerships abroad – just as my predecessors foresaw. For this reason, I am especially pleased to be able to continue this work in my capacity as Chairman of the Sparkassenstiftung's Board of Trustees.'

From left to right: Dr. Holger Berndt, Chairman of the Board at Sparkassenstiftung from 1999 through to June 2012, Georg Fahrenschon, DSGV President, Tanja Gönner, Chair of GLZ Management Board, together with Heinrich Haasis and Dr. Helmut Geiger.



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the 1990s, the number of people in the world who are under 15 years of age has increased from 1.1 billion to 1.5 billion. The number of people aged 65 and over has increased from 200 million to 400 million. The number of people aged 15-64 years has increased from 2.5 billion to 3.5 billion.

There are a number of factors that have contributed to the increase in the number of people in the world. One of the main factors is the increase in life expectancy. This is due to a number of factors, including improvements in medical care, better nutrition, and a decline in infant mortality.

Another factor is the increase in the number of people who are surviving to old age. This is due to a number of factors, including improvements in medical care, better nutrition, and a decline in infant mortality.

The increase in the number of people in the world has led to a number of challenges. One of the main challenges is the need for more resources to support the growing population. This includes more food, water, and energy.

Another challenge is the need for more jobs to support the growing population. This is particularly true in developing countries, where the majority of the population is still dependent on agriculture for their livelihood.

The increase in the number of people in the world has also led to a number of environmental challenges. One of the main challenges is the need for more land to support the growing population. This has led to deforestation and the loss of biodiversity.

Another environmental challenge is the need for more water. This is particularly true in developing countries, where the majority of the population is still dependent on rainwater for their livelihood.

The increase in the number of people in the world has also led to a number of social challenges. One of the main challenges is the need for more education. This is particularly true in developing countries, where the majority of the population is still illiterate.

Another social challenge is the need for more healthcare. This is particularly true in developing countries, where the majority of the population is still without access to basic healthcare services.

The increase in the number of people in the world has also led to a number of economic challenges. One of the main challenges is the need for more resources to support the growing population. This includes more food, water, and energy.

Another economic challenge is the need for more jobs to support the growing population. This is particularly true in developing countries, where the majority of the population is still dependent on agriculture for their livelihood.