

Zemen Bank SC is to offer parts of its loan funds to micro finance institutions (MFIs) through an agreement signed with KfW Entwicklungsbank, a developmental bank owned by the government of Germany, on Tuesday, July 6, 2010.

KfW, through its Capital Link Project, will provide 50pc of the guarantee for the loans that Zemen will provide to MFIs, who will then lend to their clients.

Banks in Ethiopia who enter into an agreement with KfW will get up to 30pc of 5.69 million dollars which KfW promised to provide to banks as a guarantee in a deal it signed with the Ethiopian government. Banks will also get training funded by 1.9 million dollars set aside as part of the agreement.

KfW signed this agreement with the Ethiopian government to breach the resource gap between MFIs, who usually do not have the collateral required, and banks.

The deal between Zemen and KfW took almost a year and a half to complete. The 50pc guarantee that KfW provides banks, which is less than the 75pc that banks are provided by others to give loans to MFIs, was the reason cited for the delay in the signing of the agreement.