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Incofin's RIF Acquires 15% Stake in Paraguay's El Comercio from Accion's Gateway
Please see page 2 for coverage of this "MicroCapital Deal of the Month."

BIO, DID, KfW, Lundin Commit \$41m to AfricInvest Financial Sector Fund

AfricInvest-TunInvest Group, a private equity firm based in Tunisia, recently announced that it raised the equivalent of USD 41 million in a third round of funding for its AfricInvest Financial Sector Fund, which invests in financial institutions that lend to small and medium-sized enterprises in Africa. The infusion includes investments of unspecified size from the Belgian Investment Company for Developing Countries, a Belgian public-private partnership known by its Dutch acronym BIO; Developpement International Desjardins, a subsidiary of Canadian cooperative Desjardins; German development bank Kreditanstalt für Wiederaufbau; Liechtenstein's Adolf H Lundin Charitable Foundation; and other private investors. This final close brings the fund's committed capital to USD 83 million. AfricInvest-TunInvest manages 13 funds with a total of USD 750 million in assets. April 8. 2014

OPIC, Citi to Share Risk on \$220m in Loans for Financial Inclusion

The Overseas Private Investment Corporation (OPIC), an instrument of the US government, has entered agreements with Citi, a US-based financial services corporation, to share credit risk on USD 220 million in loans to be disbursed by Citi to support financial inclusion. OPIC reports a total portfolio of USD 16 billion, and Citi reports total assets of USD 1.9 trillion from operations in 160 countries. April 1. 2014

IFC Places \$14m in Equity in Philippine Resources Savings Bank

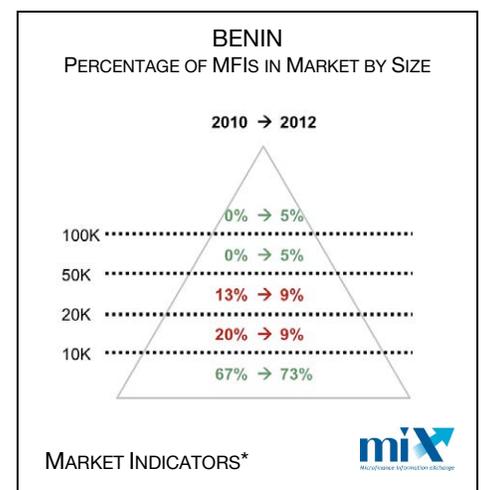
The World Bank Group's International Finance Corporation (IFC) recently announced an equity investment equivalent to USD 14 million in Philippine Resources (PR) Savings Banking Corporation. The investment is intended to expand the rural bank's lending to small and medium-sized rural enterprises. The size of the stake transferred to IFC has not been disclosed. As of 2010, PR Savings had 92 banking offices and reported total assets of USD 140 million and a total loan portfolio of USD 110 million. March 27. 2014

Jamaica Launches Registry of Movable Collateral

The government of Jamaica is implementing the Security Interests in Personal Property Registry to facilitate financial access for micro-, small and medium-sized enterprises by recording the use of non-real estate assets as collateral and allowing financial institutions to verify such use. Examples of collateral to be tracked by the system include cars; refrigerators; computers; agricultural products; and intellectual property such as copyrights, patents and trademarks. March 20. 2014

(For more top stories, please refer to the subscriber edition)

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Satin of India Raises \$4.7m in Equity from Norwegian MF Initiative

Satin Creditcare Network, an Indian microlender, recently raised the equivalent of USD 4.7 million from the Norwegian Microfinance Initiative, a public-private partnership that invests in and offers technical support to microfinance institutions. Satin intends to use the capital to expand of its branch network in northern India and to develop new products in the health and sanitation sectors. Satin reports total assets of USD 137 million, a gross loan portfolio of USD 107 million, 485,000 borrowers, return on assets of 0.9 percent and return on equity of 4.8 percent. April 10, 2014

Grameen Credit Agricole Lends \$4m in East Asia, Tajikistan

The Grameen Credit Agricole Microfinance Foundation, a Luxembourg-based investor in microfinance, recently announced that it disbursed the first tranches of the following loans: a 36-month loan equivalent to USD 2.17 million to Thaneakea Phum (Cambodia) Limited (TPC), which operates in rural areas; a 54-month loan of USD 1.43 million to Arvand, a lender to low-income individuals in Tajikistan; and a 36-month loan of USD 833,000 to Bina Artha Ventura Limited, which lends to women operating micro- and small enterprises on the Indonesian island of Java. Arvand reports total assets of USD 12 million, Bina Artha Ventura reports total assets of USD 4 million, and TPC has total assets of USD 95 million. April 10, 2014

Etisalat, Axiata Partner on “eZ Cash” Mobile Money in Sri Lanka

Dialog Axiata, a Sri Lankan mobile communications subsidiary of Malaysia’s Axiata Group Berhad, reportedly will partner with Etisalat Lanka, a cellular network owned by Emirates Telecommunications of the United Arab Emirates, to extend Axiata’s “eZ Cash” mobile payment service to Etisalat customers in Sri Lanka. EZ Cash users, even those without bank accounts, can load money into an account they can access via mobile phone to send money to other users, pay bills and purchase retail items. Etisalat reports 167 million subscribers in 16 countries in Africa and Asia, and Axiata Group Berhad reports 200 million customers in 10 Asian countries. April 9, 2014

ResponsAbility Loans \$4m to Opportunity of Malawi

ResponsAbility Investments AG, a Swiss company with a focus on microfinance, recently notified MicroCapital that it loaned USD 4 million to Opportunity International Bank of Malawi Limited, a commercial banking member of Opportunity International, a US-based NGO that has a gross loan portfolio of USD 515 million and provides financial services and training to 5 million people in 24 countries. The loan is intended to support the growth of the firm’s lending to microentrepreneurs and farmers in Malawi. Opportunity Malawi employs 610 staff at 37 branches and reports total assets equivalent to USD 43 million. April 9, 2014

TriLinc Impact Invests in SMEs in Brazil, Chile, Indonesia, Peru

TriLinc Global Impact Fund, a US-based private investor in companies deemed to contribute positively to socioeconomic development in emerging economies, recently disbursed a total of USD 5.7 million in loans to unidentified small and medium-sized enterprises (SMEs), some of which include: (1) USD 500,000 to a sugar producer in Brazil; (2) USD 415,000 to a Chilean producer of sustainable timber; (3) USD 1 million to an Indonesian electronics retailer that caters to low-income consumers; (4) USD 576,000 to a Peruvian food processing company that supports smallholder farmers; and (5) USD 1.5 million to a Peruvian manufacturer of disposable diapers that targets low-income clients. The interest rates on the loans range from 9.85 percent to 14.5 percent per year. Founded in 2008, TriLinc invests in SMEs primarily through collateralized debt instruments. April 1, 2014

MicroCapital Deal of the Month

Incofin’s Rural Impulse Fund Acquires 15% Stake in Paraguay’s El Comercio from Accion Gateway Fund

Rural Impulse Fund (RIF) II, which is managed by Belgium’s Incofin Investment Management, recently acquired a 15.3-percent stake in Financiera El Comercio (FIELCO), a microfinance institution focused on rural markets in Paraguay, for an undisclosed price from Accion Gateway Fund, which is managed by US-based NGO Accion. FIELCO expects to harness Incofin’s expertise to “strengthen its governance [and] focus on social performance and overall structure” in order to expand its lending services. With 59 branches, FIELCO reports total assets of USD 163 million, return on assets of 2.3 percent and return on equity of 15 percent. The microbank has a gross loan portfolio of USD 127 million outstanding to 93,000 borrowers and deposits of USD 101 million collected from 42,000 depositors. Incofin manages eight facilities with outstanding investments in 39 countries worth a total equivalent to USD 479 million.

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Banks Undercut Microlenders in India

Traditional banks in India reportedly are offering loans equivalent to USD 250 to USD 415 with tenures between 1 and 3 years at interest rates from 20 to 24 percent per year, as compared with 26 to 27 percent charged by microfinance institutions. Indus Industrial Bank increased its microlending book by a factor of five to USD 83 million over the last three years, and the government-controlled Industrial Development Bank of India doubled its microlending portfolio to an unspecified amount during this same period. March 31, 2014

IDB to Loan \$30m for MSMEs in Dominican Republic

The US-based Inter-American Development Bank (IDB) recently announced that it will create a credit fund of USD 30 million for retail lenders in the Dominican Republic seeking to expand financing deemed “medium- and long-term” for micro-, small and medium-sized enterprises (MSMEs). Loans from the fund will have terms of 25 years; a grace period of 5 years before the initial payment; and a variable interest rate tied to the London Interbank Offered Rate. The fund will be supported by an auxiliary guarantee fund of an undisclosed amount and technical assistance from IDB to train MSME managers and coordinate support from public agencies. March 30, 2014

Accel Invests \$40m in Equity in UK-based WorldRemit

WorldRemit, a UK-based money transfer service, recently announced that it received an investment of USD 40 million from Accel Partners, a US-based venture capital firm, in exchange for an undisclosed stake in the company. The investment is intended to help WorldRemit expand into additional international markets and support the development of new products and services. In 2013, the company processed 1.3 million phone-based, online and traditional money transfers to 100 countries. March 25, 2014

MasterCard Donates \$23m to Opportunity to Finance Ag in Africa

Canada's MasterCard Foundation, which was founded by US-based payment processing company MasterCard, has donated USD 22.7 million to US-based NGO Opportunity International to launch the "Africa Growth and Innovation Initiative" to deliver agricultural financial services to 7 million low-income people in Ghana, Malawi, Rwanda, Tanzania and Uganda. The five-year initiative will focus on both mobile and branch-based banking with the aim of increasing crop yields and household incomes while facilitating a transition to commercial farming. Opportunity reports a gross loan portfolio of USD 515 million with operations in 22 countries in Africa, Eurasia and South America. March 25. 2014

Manappuram of India Acquires Milestone Home Finance

Manappuram Finance Limited, an Indian provider of loans, money transfers and foreign exchange, recently agreed to acquire Milestone Home Finance Company from Jaypee Hotels of India for an undisclosed sum. Manappuram operates 3,300 branches and reports total assets equivalent to USD 2.1 billion, return on assets of 1.6 percent and return on equity of 7.9 percent. Milestone reports total assets of USD 700 million, and Jaypee has USD 76 billion in assets. March 25. 2015

Entrepreneurial Finance Lab Offers Psychometric Credit Scores

Entrepreneurial Finance Lab, a US-based company, is employing psychometric analyses to assess the creditworthiness of micro- and small enterprises in emerging economies. The service, which employs a survey that can be taken on a desktop or mobile device, attempts to assess default risk by asking borrowers questions that probe their character, ethics, intelligence, beliefs and attitudes. The software is available in 26 languages in as many countries in Africa, Asia and Latin America. Lenders have used the system in considering loans sized from USD 150 to USD 50,000. March 25. 2014

IFC Cap Fund Invests \$170m in Banco CorpBanca Colombia

The International Finance Corporation (IFC) Capitalization Fund, which is managed by an arm of the World Bank Group's IFC, has announced a subordinated bond investment of USD 170 million in Banco CorpBanca Colombia (CBC), a unit of Brazil's Itau Unibanca. The investment is intended to "strengthen the...bank's capital structure and...support its capacity to lend to small and medium enterprises." The terms of the bonds have not been released. CBC, which operates 87 branches, reports total assets equivalent to USD 4.8 billion, return on assets of 2.5 percent and return on equity of 25 percent. March 24. 2014

EBRD to Loan \$7m to Enda Inter-Arabe for Tunisian MSEs

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral financial institution, is lending the local-currency equivalent of USD 7 million to Enda Inter-Arabe, the Tunisian microlending arm of Senegal-based NGO Enda Third World. Enda Inter-Arabe plans to use the proceeds for on-lending to Tunisian micro- and small enterprises. The loan also includes a technical assistance program funded with the euro-equivalent of USD 317,000 for the development of new financial products for rural borrowers. Enda Inter-Arabe reports a gross loan portfolio of USD 106 million and 231,000 active clients. Enda Third World is active in 14 countries in Africa, Eurasia and Latin America. March 23. 2014

Bank of Ghana Licenses 394 MFIs, Supports Trade Associations

The Bank of Ghana, the country's central banking authority, has issued licenses to 394 microfinance institutions, including 344 classified as microfinance companies, 45 as money-lending companies and the remainder as financial NGOs. Additionally, the Bank of Ghana granted three trucks and an undisclosed number of laptops and printers to three microfinance bodies including the 560-member Ghana Association of Microfinance Companies. March 21. 2014



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FIELD NOTES

Landing on the Moon: New Frontiers in Rural Peru

This week, I've been bouncing around in the back of a pickup truck visiting loan clients in rural Peru. Sometimes it feels like I am on the moon, driving through miles of mountainous desert, rock and ash with almost no vegetation. It is humbling. Even more humbling is when I see large patches of farmland, some in valleys by natural rivers and others where the government has stepped in to promote irrigation. In an instant, expanses of barren land turn into green pastures. Small towns pepper the scene, and larger towns serve as fertile centers for agricultural commerce and other trading. For financial service providers in Peru, the "moon" - the new frontier - appears to be farming and the growth of these rural markets. The popularity of cash export crops like quinoa and improvements in road access for large dairy businesses such as Gloria have propelled this landscape to develop with new housing, schools, services and jobs.

It is tempting - and perhaps exciting - to attribute some of this amazing growth to the simultaneous expansion of credit and savings options in the region. At an MFI I visited this week, dairy farmers were lined up in droves to collect on their bi-weekly payments for their milk. Financial services are a part of daily life, even in the smallest towns. Agent banking is starting to take off, and more financial institutions are moving in. But here, where cell phone connections can be spotty and sanitation continues to be a challenge, I have counted about seven financial institutions in a town with 5,000 inhabitants. You do the math: the opportunities are there, but there is also a large risk of over-indebtedness.

Competition is good, but I am wary of the approach these institutions appear to take. Savings clients are completely distinct from credit clients; cross sales are rare. One savings officer told me, "If they save, they don't need a loan." Client prospecting seems to be similar to that in urban

areas. Although loan officers are told not to lend to anyone who already has three outstanding loans, they can refinance outstanding loans. Many of the clients I have spoken to in recent days have worked with more than three institutions already. Paying off old loans with new ones is now commonplace.

Poor women with small shops are particularly easy targets for MFIs trying to grow market share. These shops may seem a lot like their urban counterparts; but if you look beyond the shelves of evaporated milk, crackers and laundry soaps, you will find a different reality. The owners lack the financial "sophistication" of urban clients. Information flows more slowly here, and the loan officer is often the only source of guidance on financial products and how to use them. The clients I met had never heard the term "interest rate."

Once there are three grocers in a neighborhood, it is much harder for one to stand out by offering copy services, internet access or takeaway lunches. When loan officers are trained to take the same approach in rural areas as they would in cities, MFIs are missing opportunities to educate clients on financial matters and provide marketing and other business training.

Here on the moon, linking farmers to markets has had a great impact on their financial lives. Financial institutions have stimulated this process, but these pioneers could do a lot more to develop services that are tailored more closely to the needs of their communities and to bring the economic development of this new frontier to a higher level.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).



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PAPER WRAP-UPS

**Water, Sanitation and Microfinance
Toolkit 1: Introduction to Opportunities in
Water, Sanitation and Hygiene Finance**

*Published by Water.org and MicroSave, 2013,
75 pages, available at <http://washmicrofinance.org/>*

This document is intended for financial institution leaders to learn about products used to improve water and sanitation access such as toilets and water storage devices as well as business models through which microfinance providers can deliver Water, Sanitation and Hygiene (WASH) facilities.

The authors estimate that 768 million people lack access to “improved sources of water” - such as from indoor plumbing or protected wells - and 2.5 billion lack access to “improved sanitation facilities” such as ventilated pit latrines. The report blames a range of factors for these conditions, namely a lack of investment from local governments, a lack of land ownership that limits household investments in WASH facilities and water shortages caused by environmental changes and faulty infrastructure.

The authors argue that microfinance providers, which are experienced in lending for entrepreneurial endeavors, can provide loans for WASH facilities while making a profit. WASH loans can be used to establish facilities

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such as household water connections, toilet construction, water filtration systems, ventilated pits and septic tanks. Such technologies may be managed and financed through municipalities, community groups or individuals. In India, toilet installations cost USD 250, and WASH loans provided by microfinance institutions generally range in size from USD 100 to USD 1,000. One study values global demand for microfinance for WASH facilities at USD 12 billion for the period 2004 through 2015.

Traditional financial institutions, microfinance providers, private investors and partners such as non-financial NGOs can collaborate to provide WASH facilities. One business model includes the following steps: (1) a client applies for a WASH loan from a microfinance provider; (2) a WASH product... *(Continued in the subscriber edition)*

Literature Review on the Impact of Microinsurance

Published by the Microinsurance Innovation Facility, October 2013, 15 pages, available at <http://www.microinsurancefacility.org/publications/rp35>

This document offers an overview of 60 studies of the impact, effectiveness and challenges of providing microinsurance in developing nations. Microinsurance is a financial instrument that helps low-income individuals hedge against various risks.

Most of the studies conclude that microinsurance increases overall financial protection for poor people. The body of evidence about other aspects of the impact of microinsurance is inconclusive, however. Several of the research papers indicate that health insurance reduces... *(Continued in the subscriber edition)*

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