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**EFSE to Fund 5-year Loans to Armenian MSEs via Araratbank**
Please see page 2 for coverage of this “MicroCapital Deal of the Month.”

**FINCA Raises $30m in Debt in 9 Local Currencies**
The Foundation for International Community Assistance (FINCA International), a US-based nonprofit microfinance network, recently raised debt funding equivalent to USD 30 million in nine local currencies from unspecified investors through its Local Currency Microfinance Note III. The funds have been on-lent as senior, unsecured loans to subsidiaries of FINCA in Azerbaijan, Georgia, Guatemala, Jordan, Kyrgyzstan, Mexico, Nicaragua, Tanzania and Uganda. FINCA International reports total assets of USD 1 billion and 1 million clients served by 22 subsidiaries in Africa, Eurasia, Latin America and the Middle East. July 1, 2014

**Nepali Board Sidestepping Cabinet to Allow Traditional Firms into Microinsurance**
Beema Samiti, the regulator of the insurance market in Nepal, reportedly has approved the issuance of microinsurance by Nepalese insurance companies after waiting fruitlessly for the country’s Cabinet to approve a similar proposal submitted in 2013. The move allows insurance companies to offer life and accident insurance coverage of up to the equivalent of USD 260 and health insurance up to USD 365. Such insurance is already available from cooperatives, microfinance institutions and NGOs. Insurance companies may also employ NGOs and other community groups as agents. According to a statement attributed to Sriman Karki, the director of Beema Samiti, “[a] lot of promotional work will have to be done to ensure that lower-income people understand the importance of micro-insurance.” June 26, 2014

**IFC Loans $18m to Financiera Confianza of Peru**
The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has announced that it is loaning USD 18 million to Financiera Confianza, a Peruvian microbank. The loan is intended to support the expansion of the firm’s operations in low-income and rural areas. Confianza is one of the eight entities associated with Fundacion Microfinanzas BBVA, an NGO founded by the Banco Bilbao Vizcaya Argentaria (BBVA) Group of Spain. IFC holds a 13.1-percent stake in Confianza, which reports total assets of USD 635 million, a gross loan portfolio of USD 517 million outstanding to 97,000 borrowers, USD 200 million in deposits from 46,000 depositors and 150 branches. June 16, 2014

(For more top stories, please refer to the subscriber edition)
Zimbabwe’s Capital Bank Loses License, Owner Plans New MFI

The Reserve Bank of Zimbabwe reportedly has canceled the operating license of Capital Bank Corporation Limited due to insufficient liquidity. The capital requirement for commercial banks in Zimbabwe is USD 25 million. The National Social Security Authority (NSSA), the manager of pension, workers’ compensation and other programs for Zimbabwe, purchased an 84-percent stake in the bank for USD 24 million in 2012. NSSA reportedly is seeking approval to establish a new microfinance institution, although details of these plans are not available. As of 2012, Capital Bank reported total assets of USD 63 million, loans of USD 26 million, deposits of USD 7.5 million, return on assets of 7.1 percent and return on equity of 28 percent. July 2, 2014

BNP Paribas, Orange Offer Interoperability in Côte D’Ivoire

BNP Paribas, a French bank with operations in 84 countries, and Orange, a French telecommunications provider, have announced that their customers in Côte D’Ivoire will now be able to transfer money between BNP bank accounts and Orange Money, Orange’s mobile money service. BNP and Orange plan to extend this new interoperability to Senegal by December. Previously, customers in Côte d’Ivoire were required to visit agents to upload fund to their Orange Money accounts. BNP Paribas reported total assets of USD 2.7 trillion as of 2011, the most recent date for which such information is available. Orange serves 239 million customers in 27 countries. July 1, 2014

Absolute’s Vision Funds Loan $9m in Asia, Peru, Tanzania

Absolute Portfolio Management, an arm of Austrian asset group C-Quadrat, recently informed MicroCapital that it distributed credits worth USD 9.4 million through its two Vision Microfinance funds to unspecified microfinance institutions in Armenia, India, Kazakhstan, Kyrgyzstan, Mongolia, Peru, Sri Lanka and Tanzania. Of this amount, USD 2 million went to an institution in Rajagiriya, Sri Lanka, that was established in 2008 to serve rural areas. The Dual Return Fund-Vision Microfinance and Dual Return Fund-Vision Microfinance Local Currency hold combined assets of USD 323 million. June 30, 2014

Match Maker Launches “SME Impact Fund” in Tanzania

Match Maker Fund Management, a member of Tanzanian consulting and financial services provider Match Maker Group, recently conducted the public launch of its SME Impact Fund, a loan facility serving small and medium-sized agricultural businesses in Tanzania. The fund offers loans ranging in size from the equivalent of USD 60,000 to USD 600,000, which are paired with consultation services on improving business practices. Since its quiet launch in July 2013, the fund has disbursed USD 1.9 million to 15 enterprises. June 27, 2014

JPMorgan Chase Commits $30m to “Financial Solutions Lab”

JPMorgan Chase, a US-based financial firm with assets of USD 2.4 trillion, has committed USD 30 million to establish a “Financial Solutions Lab,” in collaboration with the US-based nonprofit Center for Financial Services Innovation. The lab will host social-entrepreneurship competitions and seek to boost “financial capability” - tools and education for building assets and managing credit. June 24, 2014

Egypt Legalizes For-profit, Non-bank MFIs

The government of Egypt reportedly has passed a law enabling non-bank microfinance institutions to enter the formal microfinance sector, which had been restricted to banks and NGOs, under the supervision of a new unit of the Egyptian Financial Supervisory Authority. Loans up to the equivalent of USD 14,000 may be considered microloans, and the Cabinet may raise this limit by up to 5 percent per year. June 19, 2014

MicroCapital Deal of the Month

EFSE to Fund 5-year Loans to Armenian MSEs via Araratbank

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle, has announced that it is loaning USD 12 million to Araratbank Open Joint Stock Corporation, an Armenian provider of financial services to micro- and small enterprises. The loan will support sub-loans to be disbursed by Araratbank with annual interest rates of 10 to 11 percent and terms of five years. Simultaneously, Araratbank has begun offering interest rates as low as 9 percent per year for borrowers active in selected sectors, such as jewelry production. Araratbank reports total assets of USD 320 million and has 47 branches. EFSE has an investment portfolio equivalent to USD 1 billion.

GCAMF Invests $2.5m in Equity, Loans in Cambodia, Palestine

The Luxembourg-based Grameen Crédit Agricole Microfinance Foundation recently informed MicroCapital that it has disbursed a euro-denominated, three-year loan equivalent to USD 2 million to Angkor Mikroheranhvatho Kampuchea Company Limited (AMK), a microfinance institution in Cambodia. The foundation also invested USD 550,000 in the Arab Center for Agricultural Development (ACAD), a nonprofit micro lender in Palestine, in exchange for an equity stake of undisclosed size. ACAD, which primarily serves women working in agriculture, has 27 branches, 325,000 active clients, a loan portfolio of USD 84 million, a voluntary savings balance of USD 24 million, return on assets of 2.8 percent and return on equity of 14 percent. ACAD, which offers training and “community empowerment” services - as well as wholesale, retail and Islamic loans - has seven branches, a loan portfolio of USD 5.3 million and 3,300 active customers. June 17, 2014

3 Kenyan Mobile Money Providers Licensed to Use Airtel Network

The Communications Authority of Kenya reportedly has granted mobile virtual network operator licenses to Kenyan mobile money transfer service providers Finserve Africa Limited, Zioncell Kenya Limited and Tangaza Mobile Pay Limited. The firms plan to operate via the network owned by the Kenyan subsidiary of Indian telecommunications firm Bharti Airtel, which has 4 million subscribers in Kenya and 283 million in 19 other countries. While the numbers of customers of the mobile money firms are not available, Equity Bank, a Kenyan deposit-taking microfinance institution that operates in three countries with assets of USD 2.7 billion, is the parent company of Finserve Africa. Airtel Kenya’s services include Airtel Money, a money transfer service; prepaid and postpaid wireless plans; and Internet access. June 13, 2014

This is a free preview of a complete report that is available by paid subscription at www.MicroCapital.org. ©2014 MicroCapital Affairs LLC
MicroEnsure Raises $10m in Equity
MicroEnsure, a for-profit microinsurer founded in the UK by US-based NGO Opportunity International, recently raised a total of USD 10.4 million from six investors including some of the company’s past investors: Opportunity International; the World Bank Group’s International Finance Corporation; Omidyar Network, a US-based social investment firm; and Telenor Group, a Norwegian telecommunications firm. In addition to its cash investment, Telenor “has taken equity in the MicroEnsure Group through a conversion of debt and by merging its 51-percent shareholding in the ‘MicroEnsure Asia’ Joint Venture with MicroEnsure Holdings Ltd.” The new investors in the firm are AXA, a Belgian asset manager, and Sanlam Emerging Markets, a financial firm in South Africa. MicroEnsure insures 10 million clients in Africa, Asia and the Caribbean. June 13, 2014

Rebtel’s Sendly App to Reach 50 New Countries via TransferTo
Swedish telecommunications company Rebtel recently partnered with Singapore-based TransferTo, which offers international transfers of mobile phone airtime, to expand by 50 the number of countries in which it offers remote “top-up” of mobile-phone credit to users of its app, Sendly. As a result, Sendly can be used on Android and Apple mobile phones to add airtime to prepaid mobile phones in 100 countries via TransferTo’s network of 350 mobile network providers. June 12, 2014

Australia Donates $13m to Pacific Financial Inclusion Program
The Australian Department of Foreign Affairs and Trade reportedly will give the equivalent of USD 13 million over three years to support the Pacific Financial Inclusion Program (PFIP), a UN effort to “bring more people into the financial sector and raise financial competency in the region.” Between 2009 and 2014, PFIP reached 600,000 Pacific Islanders, 50 percent of whom were women, with support from the EU and the governments of Australia and New Zealand. June 12, 2014

CoopCentral of Colombia Authorized to Convert into Bank
CoopCentral, a Colombian financial cooperative with assets equivalent to USD 321 million, reportedly has received approval to convert into a cooperative banking institution, a status that brings stricter government oversight as well as allowing CoopCentral to use the national clearing-house for transferring funds among domestic banks. June 11, 2014

Grameen Crédit Agricole Lends $1.2m in Burkina Faso, Cameroon
Grameen Crédit Agricole Microfinance Foundation, a Luxembourg-based investor, recently informed MicroCapital that it has granted a three-year, euro-denominated loan worth USD 1 million to the microbank Première Agence de Microfinance au Burkina Faso and USD 240,000 to Biotropical, a Cameroon-based fruit exporter that offers small farmers technical support and “fair” prices. Première has a gross loan portfolio of USD 3.4 million, deposits of USD 2.3 million, 8,500 customers and five branches. Financial information for Biotropical is not available. July 9, 2014

LuxFLAG Launches ESG Label for Investment Vehicles
The Luxembourg Fund Labeling Agency (LuxFLAG), a nonprofit that certifies the operations of investment vehicles that support microfinance and environmental initiatives, recently began offering a third category of fund label for investment funds that integrate environment, social and governance principles into their investment strategies. Twenty-seven microfinance investment vehicles hold the annual LuxFLAG Microfinance Label, representing total assets of USD 4 billion, and 10 funds hold its annual Environment Label, representing USD 713 million in assets. June 7, 2014

Vision Microfinance: Social Impact Investing
Vision Microfinance is an appeal to combat poverty in a meaningful and sustainable way. So far 444 m USD have been distributed in the form of 458 promissory notes to 184 microfinance institutions in 37 countries. Thanks to our investors the lives of over 1 m people in developing countries have been transformed.

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FIELD NOTES

Over-indebtedness: Inoculation vs. Treatment

I spent some time in the Bed-Stuy neighborhood of Brooklyn, New York, last week speaking to people who have been down on their luck. An interesting and quite relevant fact about Bed-Stuy is that its median household income is about 30 percent lower than New York City’s average, yet home prices are right about average thanks to the rows of gorgeous townhomes dating from the mid-1800s that have been bought by speculative buyers and rented out at high prices. While home purchase and rental prices rise, many local residents are still in low-paid jobs, and the unemployment rate is twice that of the city as a whole.

High housing prices coupled with unstable employment are bad enough, but adding high levels of debt into the mix can be a recipe for severe household instability. I spoke to one woman who is working on repaying past-due loans while she lives in a homeless shelter with her young child. She was overwhelmed and spent more time regretting her past mistakes than thinking about the future she has little control over. I spoke to another who talked about eating ramen noodles and plain spaghetti for three years while struggling to repay student loans with low-paying jobs. One might say that she is “cured” from her financial crisis today, yet she is fearful about falling back into debt.

In most of the countries where we work, when people are over-indebted, they struggle with their own version of “ramen noodles” at best. At worst, they are cut off from their housing, communities and the financial system indefinitely, with no homeless shelters to fall back on. Concern about borrower over-indebtedness has caught the attention of microfinance institutions (MFIs), donors and investors worldwide: how it can be prevented, identified, monitored and reduced. The “prescription” is not simple, and the cure is slow and hardly linear. “Inoculation” seems like a good place to start. In medicine, it’s generally a cheap way to save lives.

Responsible lending is one inoculation that can prevent over-indebtedness. Our recent research suggests that targeting only those businesses that could grow with new investments could reduce over-indebtedness among MFI clients dramatically. However, financial institutions make money lending, not on holding back, so this idea can be somewhat difficult to implement. Last month in the Dominican Republic at REDCAMIF’s biannual Central American and Caribbean Microfinance Conference, our panel on over-indebtedness filled the house. MFI managers listened attentively but got prickly when they were told that the answer may be curtailing lending growth. A second inoculation should focus on giving clients tools and information to make their own good choices about when, how much and from what organization to borrow. Although costly, financial education seems a necessary “injection,” since the alternative could threaten the very structure of the household.

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Technical Guide: Performance and Social Indicators for Microfinance Institutions

By Sebastian von Stauffenberg, Damian von Stauffenberg, Maritza Rodriguez, Rebecca Spradlin and Antonio Bryant; published by MicroRate; 2014; 64 pages; available at http://www.microrate.com/media/downloads/2014/05/MicroRate-_Technical-Guide-20142.pdf

This guide provides an outline of how to assess the quality of microfinance institutions (MFIs). The authors present and evaluate 14 commonly used indicators of financial performance and introduce four others that measure social performance. The 18 indicators fall into five groups: portfolio quality, efficiency and productivity, financial management, profitability and social performance.

The authors state that the most widely accepted gauge of portfolio quality is the portfolio-at-risk ratio. This is calculated by dividing the sum of restructured loans and the outstanding balance of loans that are 30 or more days overdue by the gross loan portfolio. This indicator gives a conservative measure of risk for an institution and - as of 2012 - it ranged globally from 0.7 percent in South Asia to 4.5 percent in Latin America. In addition, the authors present write-off, risk-coverage and impairment-expense ratios as alternative indicators of portfolio quality.

Efficiency and productivity indicators measure the quality of an MFI’s operations. Productivity is measured as the output per unit of input, and efficiency is measured based on the cost of inputs relative to the price of outputs. According to the authors, the most accurate indicator of efficiency is the operating-expense ratio, which is calculated by dividing operating expenses by average annual gross loan portfolio. The other measure of efficiency discussed is the cost-per-borrower ratio, and the two indicators of productivity cited are the personnel-productivity ratio and the loan-officer-productivity ratio.

The section of the paper on financial management addresses how to assess the liquidity of an MFI - the likelihood that it will be able to continue distributing loans to borrowers while repaying its wholesale… (Continued in the subscriber edition)

Financial Inclusion and Development: Recent Impact Evidence

By Robert Cull, Tilman Ehrbeck and Nina Holle; published by CGAP (Consultative Group to Assist the Poor); April 2014; 12 pages; available at http://www.cgap.org/sites/default/files/FocusNote-Financial-Inclusion-and-Development-April-2014.pdf

The authors of this document argue that “financial inclusion is an important development priority” that helps poor people around the world improve their lives. They review evidence of the positive impact of financial inclusion and summarize evaluations of various interventions at the local, micro- and macroeconomic levels.

The authors begin by establishing that “a vast majority of poor households live and work in the informal economy” and cite… (Continued in the subscriber edition)