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MICROCAPITAL BRIEFS | TOP STORIES

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CCF of Sri Lanka Sells 25% Equity Stake to Creation for $12m

Please see page 2 for coverage of this "MicroCapital Deal of the Month."

India Unfixes Microloan Rate Cap to Vary Based on Cost of Funds

The Reserve Bank of India (RBI) has announced that it is removing the 26-percent annual interest rate cap established in 2011 on loans extended by microfinance institutions (MFIs). Instead, MFIs will have the flexibility to charge interest rates as high as the sum of their cost of funds plus the lower of: (1) 2.75 times the average "base rate" of the five Indian commercial banks with the largest asset levels; or (2) a 10-percent margin for MFIs with loan portfolios exceeding the equivalent of USD 16 million or a 12-percent margin for smaller MFIs. The base rate reportedly is approximately 10 percent. According to a statement attributed to Chairman Chandra Shekhar Ghosh of Indian MFI Bandhan Financial Services, "[The removal of the cap] is good news for the MFI sector. The RBI's decision will particularly help those with higher cost of borrowing." March 7. 2014

Central Bank of Nigeria Announces Closure of 83 MFBs

The Central Bank of Nigeria (CBN) has rescinded the licenses of 83 microfinance banks (MFBs) in the country. While details on grounds for the closures have not been announced, the quasi-governmental Nigeria Deposit Insurance Corporation has been tasked with the liquidation of the MFBs. CBN also has announced that reports suggesting the shutdown of additional 600 MFBs in the country are inaccurate. Some news outlets had reported that the larger group was being closed due to the MFBs' inability to comply with capitalization requirements established in 2011. March 3. 2014

EFSE Loans $20m to ProCredit Bank Serbia for SMEs

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle, has disbursed a euro-denominated loan equivalent to USD 20.4 million to ProCredit Bank Serbia, which is majority-owned by Germany's ProCredit Holding, for on-lending to small and medium-sized enterprises (SMEs). ProCredit Serbia, whose operations are roughly balanced between providing microfinance and serving SMEs, reports total assets of USD 796 million, return on equity of 17 percent and return on assets of 2.8 percent. ProCredit Holding reports that its 21 subsidiaries hold total assets of USD 7.6 billion, a gross loan portfolio of USD 5.6 billion and customer deposits of USD 4.7 billion. EFSE has an investment portfolio of USD 1 billion. February 27. 2014

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

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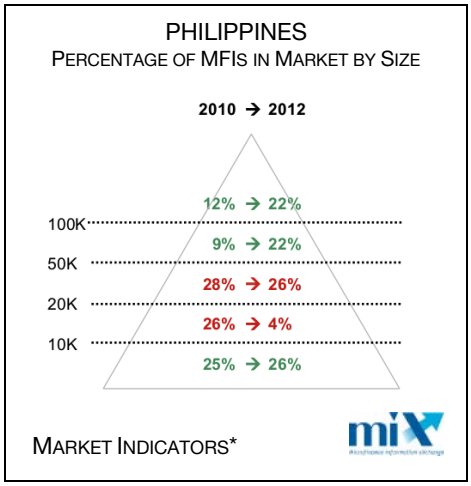

MICROCAPITAL BRIEFS

Mobile Telecom, MobiPay to Launch "MTC Money" in Namibia

Mobile Telecommunications Limited (MTC), a Namibia-based mobile network operator controlled by the government-owned Namibia Post and Telecommunications Holdings and privately-owned Portugal Telecom, reportedly has partnered with the mobile payment service MobiPay to launch MTC Money. MTC Money allows MTC subscribers to upload money and make withdrawals from their MTC Money accounts as well as transfer money to and from other users of MobiPay, which is a service of the Bank of Namibia, the country's central bank. MTC Money also allows subscribers to make point-of-sale retail payments, pay utility bills and buy mobile airtime. MTC serves 2 million customers in Namibia. March 6. 2014

ADB Approves $600k in Technical Assistance for MF in Azerbaijan

The Asian Development Bank (ADB), a 67-member multilateral finance institution based in the Philippines, has agreed to expend USD 600,000 for technical assistance to develop the microfinance sector in Azerbaijan. ADB will assist Azerbaijan's financial bodies, including the Central Bank of Azerbaijan, in seeking to expand access to banking services for low-income individuals and small enterprises. It will also help develop a framework for regulating the microfinance sector. The effort is also intended to attract investments in financial services such as microinsurance and branchless banking. March 5. 2014

Omidyar Invests in Third Impact Fund from India's Elevar

Elevar Equity, an Indian private equity fund focused on "impact investing," is seeking to raise USD 75 million for its third fund by December. Elevar reportedly has received commitments of unspecified amounts from US-based investment firm Omidyar Network and another unidentified investor. Founded in 2006, Elevar manages two private equity funds with assets totaling USD 94 million, placed primarily in India and Latin America. In 2008, Elevar stopped investing in microfinance in favor of supporting other types of firms that seek to reduce poverty. Omidyar reports assets of USD 255 million. March 4. 2014

Orange, Banco Popular Launch M-Peso Mobile Payments in DR

Orange Dominicana, a subsidiary of Orange of France that offers prepaid mobile services in the Dominican Republic, and Banco Popular Dominicano, a commercial bank in the Dominican Republic, reportedly have launched the M-Peso mobile wallet and payment service in the Dominican Republic. M-Peso allows mobile customers to make payments, purchase airtime, pay bills, transfer money and access bank accounts and credit cards using mobile phones. GCS International, a Dominican Republic-based mobile payments systems provider, designed and implemented the service. Banco Popular Dominicano reports total assets of USD 5.3 billion. Orange Dominicana has 3.4 million customers, and Orange has 232 million customers in 166 countries. In 2013, Orange was bought by Altice, a France-based telecommunications provider. March 4. 2014

Zimbabwe Gives MFIs 6 Years to Boost Capitalization Levels

The Reserve Bank of Zimbabwe has issued new capitalization requirements for microfinance institutions (MFIs) that will become effective in 2020, increasing the minimum capital required to USD 10 million for deposit-taking MFIs and USD 50,000 for credit-only MFIs. Until then, deposit-taking and credit-only MFIs must maintain the existing capital requirements of USD 5 million and USD 20,000, respectively. March 3. 2014

MicroCapital Deal of the Month

Commercial Credit and Finance of Sri Lanka Sells 25% Stake to Creation for $12m

Commercial Credit and Finance (CCF) of Sri Lanka recently agreed to issue new shares amounting to a 25.15-percent stake in the firm for the equivalent of USD 12.4 million to Creation Investments Social Ventures Fund II, a private equity fund managed by US-based Creation Investments Capital Management. CCF plans to use the proceeds of the transaction, which remains subject to shareholder approval, to enhance its capital position, branch network and client base. CCF reports total assets of USD 140 million and loans of USD 70 million, of which USD 40 million are classified as microloans. Founded in 1982, CCF serves 535,000 customers with auto leases, education loans, microsavings and Islamic banking. Creation manages both the Social Ventures Funds I and II, which are worth USD 32 million and USD 75 million, respectively.

Safaricom, Changmka to Offer Mobile Health Coverage in Kenya

Safaricom, a telecommunications provider in Kenya, reportedly will partner with two other Kenyan firms, investment firm Britam and health insurer Changmka Microinsurance, to offer mobile health microinsurance. Following on a pilot program that attracted 8,000 customers during 2013, the companies aim to attract 1 million customers during 2014. Medical coverage worth the equivalent of USD 3,400 is offered for USD 140 per year, with premiums payable via Safaricom's M-Pesa mobile money service. Although financial information on Changmka is not available, Britam has assets of USD 27 million, and Safaricom has 17 million subscribers. March 3. 2014

Mobile Money Transfer Agents Association of Zimbabwe Formed

The Mobile Money Transfer Agents Association of Zimbabwe (MMTAAZ), a trade union representing handlers of in-person e-money transactions, reportedly has been formed to address the concerns of contractors to Econet Wireless Zimbabwe, a subsidiary of South Africa-based telecommunications provider Econet Wireless Group; Telecel Zimbabwe, a joint venture of Egypt-based telecommunications provider Global Telecom Holding and Zimbabwean business consortium Empowerment Corporation; and NetOne, a mobile services provider owned by the government of Zimbabwe. The union is seeking higher returns for agents in addition to more agent participation in corporate policy making. Membership in MMTAAZ entails a monthly fee of USD 2. While mobile money services allow customers to perform services such as transferring funds via their mobile phones, agents offer cash uploads and withdrawals. The number of customers served by NetOne is unavailable, but Econet Wireless and Telecel report serving a combined total of 10.5 million customers. February 28. 2014

FIELD NOTES

Announcing a Network for Women Leaders in Microfinance

Four years ago, I called a friend at BancoSol in Bolivia to invite him speak at a microinsurance conference in Panama. I learned he had left the bank, and I was connected to a young woman who knew a lot about BancoSol's microinsurance program, but refused to come and speak. She had never spoken in public, was nervous and couldn't see herself in that type of situation. This would be a huge missed opportunity, not only for her, but also for the conference participants…so I did not accept her "no." Eventually, she agreed to speak, and everyone at the conference was impressed.

Three years ago, after a training we conducted at a microfinance institution (MFI) in Nicaragua, the MFI's project coordinator and I were reading the participants' evaluations. We came across two reviews that were mean-spirited, using inappropriate language about the coordinator's direct and authoritative management style. I then learned that two colleagues were consistently undermining her authority with personal attacks and petty tactics. I went to the CEO and explained that by failing to support the coordinator by addressing these inappropriate attacks, he was risking the loss of an effective, committed leader.

Two years ago, at an MFI in Honduras, I was told by senior management that women were not interested in loan officer jobs, which required riding motorcycles on rough roads for long hours. Instead, management believed that women preferred to be cashiers and operations support staff. So I asked the cashiers and operations support staff, and they said that in fact they would prefer the loan officer job. It paid more, and - apparently - motorcycles are not that hard to ride.

At many of the MFIs I visit in Latin America, women play important roles. They are administrators, loan officers and managers. While many of my own role models are female CEOs and senior managers in the region, most of these roles are taken by men. The lack of women in these positions cannot be attributed to a lack of skills and qualifications alone. This is not a new sector, and many of the women in these organizations easily have 10 or 15 years of experience. What may be keeping them from advancing is something recently discussed in a *Harvard Business Review* article by Ibarra, Ely and Kolb: second-generation bias. "Becoming a leader involves much more than being put in a leadership role, acquiring new skills, and adapting one's style to the requirements of that role. It involves a fundamental identity shift." What is missing for women, they posit, includes (1) role models; (2) promotions linked to leadership qualities such as collaboration and avoiding crises rather than more "male" traits such as risk-taking and heroism; and (3) access to women's networks and sponsors.

Last year, in a cafe in La Paz, Patricia Rojas (the woman from BancoSol I described earlier) and I decided that we ought to tackle these issues by creating a women's professional network for sharing, learning and mentorship within microfinance. This month, with Mariana Martinez of CGAP's Portal de Microfinanzas, Patricia and I are launching Andares Women for Microfinance with the aim of expanding the contribution of Latin American women to microfinance, including its customers who are often low-income women. These customers need our ears, they need our skills, they need our commitment to their wellbeing and they need our leadership. Join us, support us, print this out and share it with a colleague, and visit http://andaresmujeres.blogspot.com/. Thank you!

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, or you may follow her on Twitter at BarbaraatEA.

PAPER WRAP-UPS

Using Subsidies for Inclusive Insurance: Lessons from Agriculture and Health

By Ruth Vargas Hill, Gissele Gajate-Garrido, Caroline Phily and Aparna Dalal; published by the International Labour Organization; January 2014; 55 pages; available at http://www.microinsurancefacility.org/publications/mp29

This report analyzes nine case studies of subsidized insurance schemes to explore the dynamics of using public subsidies to support inclusive insurance products in the healthcare and agriculture sectors in developing countries.

Insurance, according to the authors, lies at the intersection of governments' efforts to promote financial inclusion and social protection. Thus well-developed insurance markets can contribute to a number of health and farm policy objectives, including promoting economic development, access to healthcare, food security and the development of agricultural systems adapted to the challenges of climate change. The authors argue that health insurance schemes are essential in promoting equitable access to basic healthcare coverage and promoting the general wellbeing and productivity of a society. Agricultural insurance schemes can smooth the income effects of variations in supply and demand, volatile input prices and climate-related externalities that are inherent to the sector. Increased stability in the agro-food industry can boost not only food security, but also improve the livelihoods of rural farmers, who often make up a considerable portion of the labor force in developing countries.

Having offered a public policy-based rationale for the use of subsidies, the authors provide guidance for the development of "smart" subsidies to maximize social benefits while minimizing market distortions. These subsidies should be tailored to a specific social concern or a market failure, account for negative impacts on market efficiencies and incentive structures, include a long-term financing plan and delineate a clear exit strategy. Furthermore, a system of monitoring and evaluation should be in place to track performance.

After defining potential subsidy structures, the authors offer two categories of recommendations for implementing… *(Continued in the subscriber edition)*

CRISIL Inclusix: An Index to Measure India's Progress on Financial Inclusion

Published by Credit Rating Information Services of India Limited, June 2013, 101 pages, available at http://crisil.com/pdf/corporate/CRISIL-Inclusix.pdf

Based on data from 2009 through 2011, this report gives an overview of the findings of the CRISIL Inclusix index, a tool for measuring progress in financial inclusion in India. The index measures financial inclusion based on the penetration of branches, deposits and credit.

Based on 200,000 data points from 165 banks, the results suggest that while there are clear signs of progress at all levels, there is an under-penetration of formal banking services in many parts of the country. The authors recommend that stakeholders should focus on expanding branch networks and… *(Continued in the subscriber edition)*