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MIF Loans \$6m to Peru's Abaco, Fortalecer

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

Financiera Edyficar Launches Encumbra in Colombia

Financiera Edyficar, a microbanking subsidiary of Peruvian holding company Credicorp, recently launched a microfinance institution (MFI) named Encumbra in the Colombian city of Medellin to provide loans up to the equivalent of USD 7,700 to micro- and small enterprises in the country. Credicorp, which has total assets of USD 41 billion, reportedly plans to invest USD 78 million in Encumbra over eight years. Edyficar has total assets of USD 1.1 billion, 430,000 customers, return on assets of 4.2 percent and return on equity of 41 percent. May 5, 2014

Raiffeisen Arranges \$60m Loan to AccessBank of Azerbaijan

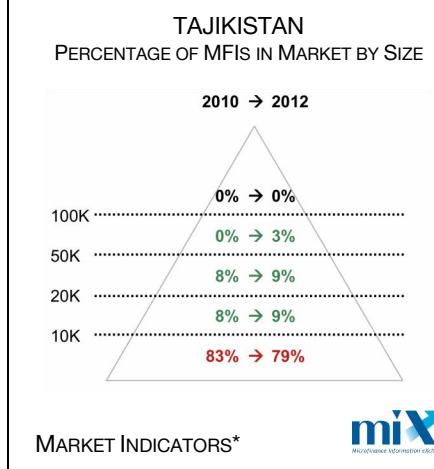
Raiffeisen Bank International, which has subsidiaries in 15 countries, recently syndicated USD 60 million from 16 banks to lend to AccessBank, a microfinance institution in Azerbaijan. The term of the loan is one year with an interest rate of 3.25 percent. AccessBank reports total assets of USD 656 million, a gross loan portfolio of USD 581 million and deposits of USD 240 million. Germany's Access Microfinance Holding holds stakes in AccessBank and similar institutions in Tajikistan and four African countries. Raiffeisen Bank is majority-owned by Austria's Raiffeisen ZentralBank Group, which reports assets equivalent to USD 202 billion. A list of the banks participating in this deal, which are located in East Asia, Europe and the Middle East, may be found at <http://microcapital.org>. April 25, 2014

Bandhan of India Wins Preliminary Banking License Approval

The Reserve Bank of India (RBI), the country's central bank, recently granted "in-principle" approval to Bandhan Financial Services Private Limited, a microfinance institution based in Kolkata, to acquire a banking license. Bandhan was one of two institutions selected from a pool of 25 applicants, and it now has 18 months to fulfill a range of requirements to receive the license, which will allow it to accept deposits. The institution reportedly will reduce its growth targets, refrain from expanding into new states and focus on staff training as it prepares to offer this service. RBI has not granted a banking license since 2004. It is expected that collecting deposits will reduce Bandhan's cost of funds, allowing it to reduce the interest it charges for microloans. Bandhan reports total assets of USD 860 million, a gross loan portfolio of USD 826 million and 5 million female borrowers. April 14, 2014

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

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Mutual-Aid Credit Cooperative of Bulgaria Finalist for \$69k Award

Fondazione Giordano Dell'Amore, an Italian foundation that supports microfinance, in partnership with the Belgian nonprofit European Microfinance Network (EMN), recently announced the finalists for its Microfinance Good Practices Europe Award, which this year is focused on employment: Spain's Association for Self-Funded Communities, the Association pour le Droit à l'Initiative Economique of France and Bulgaria's Mutual-Aid Credit Cooperative for Private Farmers for its product that aims to assist gypsy communities in building agricultural businesses. The winner will receive cash equivalent to USD 69,000 on June 19 at the annual EMN conference in Portugal. April 28. 2014

LuxFLAG Issues New Environment, Microfinance Labels

The nonprofit Luxembourg Fund Labeling Agency (LuxFLAG) recently approved an environment label for Parvest Green Tiger Fund, an environmental investment vehicle domiciled in Luxembourg, and microfinance labels for the EU Microfinance Platform Fund and Symbiotics SEB (Skandinaviska Enskilda Banken) Microfinance Fund. The labels, which are renewable annually, are subject to requirements such as compliance with the supervision of EU authorities or similar foreign bodies and having certain percentages of assets invested in environment-related sectors or microfinance institutions rated by approved third parties. Twenty-seven microfinance funds hold the LuxFLAG Microfinance Label, representing assets of approximately USD 4 billion, and 10 hold its Environment Label, representing assets of approximately USD 713 million. April 28. 2014

EBRD, EFSE to Loan \$16m to FINCA Azerbaijan for Ag, MSMEs

The Azerbaijan-based subsidiary of the US-based Foundation for International Community Assistance (FINCA International) has borrowed the local-currency equivalent of USD 10 million on a "long-term" basis from the European Fund for Southeast Europe, a government-backed microfinance investment vehicle based in Luxembourg, to fund loans to 5,000 new agricultural customers. FINCA Azerbaijan also borrowed USD 6 million from the UK-based European Bank for Reconstruction and Development to support "medium-term" lending to micro-, small and medium-sized enterprises. FINCA Azerbaijan, which does not accept deposits, reports assets of USD 167 million, a loan portfolio of USD 153 million, return on assets of 8.0 percent, return on equity of 38 percent and 137,000 borrowers served through 66 offices. FINCA International has assets of USD 841 million. April 26. 2014

Kenya Issues Mobile Money OK to Finserve, Tangaza, Zioncell

The Communications Commission of Kenya (CCK) recently granted mobile virtual network operator (MVNO) licenses to Finserve Africa Limited, a subsidiary of Kenya's Equity Bank, and two Kenyan mobile money transfer services, Tangaza Mobile Pay Limited and Zioncell Kenya Limited. The firms plan to host mobile money services on the network of Airtel Kenya, a subsidiary of Indian telecommunications company Bharti Airtel, which serves 287 million subscribers including 4 million in Kenya. April 25. 2014

EFSE Supports Association of Professional Risk Managers in BiH

The European Fund for Southeast Europe, a Luxembourg-based microfinance fund, recently provided an undisclosed amount of technical assistance funding to the Association of Professional Risk Managers in Bosnia and Herzegovina, which was founded in 2013 by 17 bank representatives to deliver risk management assistance to banks and provide a network for regulatory agencies and risk managers. April 24. 2014

MicroCapital Deal of the Month

MIF Loans \$6m to Abaco, Fortalecer of Peru

The Multilateral Investment Fund (MIF), a member of the US-based Inter-American Development Bank Group, has disbursed loans to Peruvian credit unions Cooperativa de Ahorro y Crédito (COAC) Abaco and COAC Fortalecer to expand financial services via intermediaries, including credit unions, private firms and NGOs that provide retail lending to rural clients. MIF disbursed a subordinated loan of USD 5 million to Abaco to boost its capital with the goal of accessing USD 20 million in further funding. MIF loaned USD 1 million to Fortalecer for on-lending to its member credit unions and microfinance institutions, which will provide women-led enterprises with "long-term" investment capital, technical assistance and increased market access. Fortalecer reported total assets equivalent to USD 5.7 million as of 2013, and Abaco reported total assets of USD 145 million as of 2008. More recent financial data on Abaco is unavailable.

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7 Lenders Launch Council on Smallholder Agricultural Finance

The Council on Smallholder Agricultural Finance, an alliance seeking to create a transparent and "sustainable" financial market for small agricultural businesses in low- and middle-income countries, recently was launched by the following lenders at the 11th Skoll World Forum on social entrepreneurship in the UK: Alterfin of Belgium, Oikocredit of the Netherlands, the Rabo Rural Fund of the Dutch Rabobank Foundation, Switzerland's responsAbility Investments, US-based Root Capital, UK-based Shared Interest Society and Dutch Triodos Bank's Triodos Investment Management. April 24. 2014

Pakistan, World Bank Collaborate on Financial Inclusion Strategy

The State Bank of Pakistan, the nation's central bank, and the World Bank reportedly have announced a partnership to develop a National Financial Inclusion Strategy for Pakistan. The plan is to include goals for financial inclusion and monitoring mechanisms as well as differentiated roles for various governmental and private stakeholders. April 24. 2014

Econet of Zimbabwe to Offer Microloans in Informal Sector

The Zimbabwean subsidiary of South Africa-based Econet Wireless Group recently announced that it will launch a microloan program targeting entrepreneurs in the informal sector in Zimbabwe. The loans will be offered to phone subscribers who are registered with Ecocash, the company's mobile payments service. Each loan can range up to USD 500 with a 5-percent monthly interest rate and a maximum term of one month. The loans will be underwritten by Steward Bank, which Econet acquired in 2013. Econet, which has operations in Africa, East Asia, Europe and South America, serves 8 million customers in Zimbabwe. Steward Bank reports total assets of USD 128 million. April 24. 2014

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EBRD Loans \$8m to Tutunska of Macedonia for Energy, Safety

The UK-based European Bank for Reconstruction and Development (EBRD) has approved euro-denominated loans totaling the equivalent of USD 8.3 million to be disbursed from two EU-funded programs to Macedonian commercial bank Tutunska Banka. Half of the money will be issued through the Western Balkans Sustainable Energy Financing Facility II to finance energy projects for small and medium-sized enterprises (SMEs) and municipalities. The other half will be channeled via the Private Sector Support Facility for Western Balkans to support SMEs in complying with EU health and safety regulations. The loans have five-year terms with two-year grace periods. Tutunska is a member of Slovenia's Nova Ljubljanska Banka Group, which operates in 16 European countries and has assets of USD 15 billion. April 23. 2014



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EBRD to Loan \$7m to Elana of Bulgaria for Land Lease Financing

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral development bank, recently announced that it will loan the euro-equivalent of USD 6.9 million to Elana Agrocredit, a Bulgarian financial institution that provides lease financing to agricultural producers for farmland purchases. According to Daniel Berg, EBRD country director for Bulgaria, the loan will help Elana Agrocredit "...in strengthening an important sector of the country's economy...[by] overcoming land fragmentation and giving farmers greater opportunities to own and develop their own land...." Elana Agrocredit, which operates through 70 agents in the country, is a subsidiary of Elana Group, a Bulgarian nonbank financial services company that provides commercial and investment services to retail and business clients. Financial data for the companies are not available. April 23. 2014

IFC Loans \$15m to Nicaragua's Banco de Finanzas

The World Bank Group's International Finance Corporation recently announced that it will invest USD 15 million via subordinated bonds in Nicaragua's Banco de Finanzas, a unit of Panama's Grupo ASSA. The investment is intended to "...strengthen the bank's capital base and support growth in its portfolio for lending to small and medium enterprises." Grupo ASSA reports assets of USD 1.9 billion. April 21. 2014

Macedonia's Aspekt to Supply Software to Georgia's Credit Plus

Aspekt, a Macedonia-based technology company, recently signed a deal to provide its Microfinance Software Solution to Credit Plus, a lender in Georgia. The software package tracks individual and group lending, savings, deposits, social performance metrics, purchases, payments, sales, collections, human resources, payroll and credit scoring. Credit Plus was founded in 2009 and has eight offices in Georgia through which it offers loans collateralized by real estate or gold. Financial details are not available on the transaction or either firm. April 18. 2014 (For more briefs, please refer to the subscriber edition)

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FIELD NOTES

Financial Integration in Brazil: Expanding Beyond Credit

I arrived in São Paulo Monday morning, and by the afternoon I was glad to get out of the traffic to stroll through the low-income neighborhood of Heliópolis (population 100,000) with a young loan officer from Itaú Unibanco's microcredit program. A vibrant, growing district, Heliópolis is a microfinance service provider's dream: there is a lot of economic activity with virtually no competing microfinance providers. But this doesn't mean that people are unbanked. I met with small businesses that use transactional bank accounts because they are often paid for their services by bank transfer. One business owner explained that she, in turn, deposits employees' salaries directly into their accounts rather than paying them in cash (and one employee was her mother!). A truck driver showed me his monthly bank statement, which was about 2 inches wide by 20 inches long because it had been printed from an automated teller machine. Through their relationships with banks, customers can also access credit cards, which seem to be ubiquitous.

Itaú may face little competition from other microfinance players, but it certainly faces competition from other formal financial service providers. Purveyors of microcredit products can compete with formal products by offering integrated financial services from the start, including savings. One lovely woman that we visited manufactures clothing for various suppliers. Hers is a cyclical business, and we discussed how she handles good months (she invests or spends more money at home) versus bad months (she cuts investment, cuts production and earns less). The truck driver's income was steadier, giving him less reason to put money aside for future purchases or unexpected needs. But he is unprepared for a possible shock such as an accident or his truck breaking down.

This got me thinking about my company's recent work with the nonprofit Corporation for Enterprise Development on small businesses and financial access in the United States. We interviewed over 900 small-business owners and found that cash-flow struggles are their most common financial difficulty. The resulting publication, "In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners," notes that few small businesses have sufficient savings to manage cash flow. And 71 percent of people with cash-flow problems had less than two months of savings, compared with only 35 percent of those without cash-flow problems. Few had access to tools to handle a small-business emergency costing just USD 1,000.

Saving money is hard, especially for micro- and small businesses that struggle to make ends meet. In many contexts, microcredit can offset a lack of savings, but monthly interest rates of 3 to 4 percent make it a costly one in Brazil. The clothing manufacturer noted that she would rather cut back than use credit when business is slow. It seems to me that setting aside savings during better times to manage the harder times is a more effective way to tackle this. Here in Brazil, banks are well positioned to offer this service, which could be so valuable to so many people, by integrating savings plans into existing microfinance products and services.

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@eac-global.com, or you may follow her on Twitter at [BarbaraatEA](#). 



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PAPER WRAP-UPS

Dynamic Effects of Microcredit in Bangladesh

Published by The World Bank, March 2014, 50 pages, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2417519

While microfinance institutions (MFIs) in Bangladesh have experienced rapid growth over the past two decades, their effectiveness in alleviating poverty has been debated for years. Using data gathered from 3,000 households in 87 villages in Bangladesh between 1991 and 2011, the authors of this report argue that microcredit programs have reduced the poverty rate in these communities by increasing household income and facilitating women's participation in the labor market.

Using a fixed-effects statistical model, the authors calculate that a 10-percent increase in the amount of credit accessed by men raises per capita household expenditures by 0.04 percent, male labor supply by 0.18 percent and net worth by 0.2 percent. The same increase among women raises per capita income by 0.06 percent, female labor supply by 0.46 percent and children's school enrollment by approximately 8 percent.

The authors also seek to address concerns that a glut of MFIs competing for the same clientele is... (Continued in the subscriber edition)

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Use of Mobile Financial Services Among Poor Women in Rural India and the Philippines

Published by the Grameen Foundation, 2013, 29 pages, available at <https://grameenfoundation.box.com/shared/static/29h4qjimnnkp0v5ty0c19.pdf>

The authors report similarities between the women studied in each country, such as having access to basic financial services but lacking the confidence to use formal financial services due to limited skills and fears of technology and losing money. However, the authors find that women in India have less knowledge of formal financial products than men; while in the Philippines women access the products in a larger proportion than men. The authors conclude by offering the following... (Continued in the subscriber edition)

Financial Capability in Colombia: Results from a National Survey on Financial Behaviors, Attitudes, and Knowledge

By Rekha Reddy, Miriam Bruhn and Congyan Tan; published by The World Bank; 2013; 87 pages; available at <http://documents.worldbank.org/curated/en/2013/07/18054984/financial-capability-colombia-results-national-survey-financial-behaviors-attitudes-knowledge>

This report analyzes a survey carried out in Colombia regarding "financial capabilities," including behaviors, attitudes and knowledge regarding financial products. The survey sampled 1,526 Colombians aged 18 and over, collecting data related to daily money management practices, financial planning, financial product information access and... (Continued in the subscriber edition)

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