

MICROCAPITAL BRIEFS | TOP STORIES

WestBridge Buys 20% of India's Aptus Value Housing for \$16m

Please see page 5 for coverage of this "MicroCapital Deal of the Month."

FMO Syndicates \$70m for BRAC of Bangladesh

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch public-private development bank, recently syndicated a five-year loan of USD 70 million for BRAC, an NGO that was formerly known as the Bangladesh Rehabilitation Assistance Committee and serves 11 countries. The loan is meant to support small and medium-sized enterprises in Bangladesh and is reportedly the largest syndicated loan ever issued to a bank in the country. FMO is providing USD 13.7 million of the principal, and other shares include USD 15 million from the Austria-based OPEC (Organization of the Petroleum Exporting Countries) Fund for International Development; USD 10 million from Austrian development bank Oesterreichische Entwicklungsbank; USD 10 million from the Belgian Investment Company for Developing Countries, which is backed by the government of Belgium; USD 3.8 million from Actiam, a Dutch investment fund; and USD 2.5 million from Switzerland's responsAbility Investments. BRAC reports total assets equivalent to USD 1.4 billion. January 13. 2015

ADB Loans \$200m to Yes Bank for Women in Self-help Groups, Farmers in India

The Asian Development Bank (ADB), a multilateral development finance institution based in the Philippines, has approved a loan of up to USD 200 million to Yes Bank Limited, an Indian commercial bank, for on-lending to "2.5 million rural, low income women" who are members of self-help groups and "up to 37,000 small-scale farmers." The loan agreement also includes USD 1 million for technical assistance for financial literacy training and product development. Todd Freeland, the director general of private sector operations at ADB, said that his organization "is proud to partner with Yes Bank in promoting rural financial inclusion in India... [I]n addition to income generation via female self-help groups, the project targets small farmers to allow them to benefit from agricultural value chains and enhance their productivity through better access to markets and investment finance." Yes Bank reports assets equivalent to USD 16 billion, return on assets of 1.5 percent and return on equity of 25 percent. January 10. 2015

EFSE, Green for Growth Loan \$24m to Macedonia's Halkbank

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle, and Green for Growth Fund, Southeast Europe (GGF), a Germany-based fund that invests in energy efficiency and renewable energy sources, each recently disbursed a euro-denominated loan worth USD 12.1 million to Macedonia's Halkbank AD Skopje. The loan from EFSE is intended to support loans to individuals for purchasing and improving their homes as well as expand the bank's service to micro- and small enterprises. The GGF loan is for on-lending to projects expected to reduce annual energy usage by as much as 44,000 megawatt-hours and carbon dioxide emissions by 13,770 tons. Halkbank reports a gross loan portfolio of USD 270 million, total deposits of USD 28 million, return on equity of 4.2 percent and return on assets of 0.2 percent. December 30. 2014

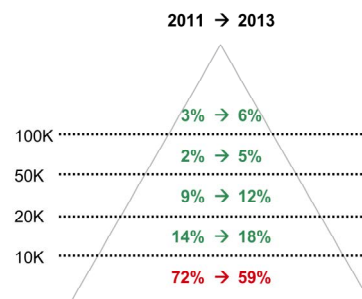
Ghana MFIs Network Members Adopt Code of Conduct

The Ghana Microfinance Institutions Network, an association of 80 microfinance institutions serving 60,000 clients, recently announced that it plans to adopt a code of conduct to be implemented by all of its members. The code was developed in conjunction with the Small Enterprise Education and Promotion Network, a US-based group of microenterprise practitioners, with the objective of increasing transparency. December 25. 2014

INSIDE	Page
MicroCapital Briefs	2
Microfinance news	
Field Notes	7
(Re-)finding the Mojo in Microfinance	
Market Indicators	8
Courtesy of MIX	
Upcoming Events	9
Industry conferences	
Paper Wrap-ups	10
Latest research and reports	
Subscribe to the Monitor	11



EASTERN EUROPE & CENTRAL ASIA PERCENT OF MFIS IN MARKET BY SIZE



MARKET INDICATORS: PAGE 8



MICROCAPITAL BRIEFS

FinMark to Help Swaziland Develop Credit Sharing

The Ministry of Finance of Swaziland reportedly will launch a program to share credit information among credit providers, including retailers, with the support of FinMark Trust, a South African NGO. The program is intended to protect consumers from over-indebtedness and, according to Principal Secretary Bheki Bhembe of the Ministry of Finance, “increase access to affordable credit among the under-served market segments.” It is also part of a government strategy to increase financial inclusion in the country from 50 percent in 2011 to 75 percent by 2022. January 16, 2015

CDC Places \$14m in Equity in Utkarsh, Advans

The Commonwealth Development Corporation (CDC), the UK government’s development finance institution, has announced that it made an equity investment of USD 11 million to take a stake of unspecified size in Utkarsh, an Indian microlender. CDC also placed USD 3.5 million in Advans SA, a Luxembourg-based organization that builds and supports microfinance institutions in Africa and Asia. The investment in Utkarsh was part of its fourth round of funding, in which Utkarsh raised a total of USD 21 million from CDC, Mauritius-based venture fund Lok Capital and other investors. Utkarsh reports total assets of USD 77 million, a gross loan portfolio of USD 59 million, 320,000 borrowers, 224 branches, return on assets of 2.4 percent and return on equity of 11 percent. Advans reports a consolidated gross loan portfolio equivalent to USD 270 million serving 353,000 loan clients in eight countries in Africa and Asia. January 16, 2015

Triodos Invests in Tunisia’s Enda Inter-Arabe, Uganda’s EFC

Triodos Investment Management, a subsidiary of Netherlands-based Triodos Bank, recently disbursed loans of unspecified size to Enda Inter-Arabe, a Tunisian financial services provider, and Entrepreneurs Financial Centre (EFC) Uganda, which is operated by Canadian NGO Développement international Desjardins. This is the first time that Triodos Investment has invested in Tunisia. Enda Inter-Arabe, which reports a gross loan portfolio of USD 106 million and 231,000 active clients, is a unit of Enda Third-World, an NGO based in Senegal that operates various programs in 14 countries worldwide. EFC Uganda, which was founded in 2012, has total assets equivalent to USD 3.5 million. January 15, 2015

Nestlé, MIF, ADOPEM Arrange Franchises in Dominican Republic

The Multilateral Investment Fund (MIF), a member of the US-based Inter-American Development Bank, recently announced that it has partnered with Asociación Dominicana para el Desarrollo de la Mujer (ADOPEM), a microfinance institution in the Dominican Republic, and Nestlé Dominican Republic, a unit of the Switzerland-based food and beverage company, to support low-income women in opening micro-franchises to distribute Nestlé products. To fund the effort, Nestlé will provide USD 450,000, MIF will contribute USD 400,000 and ADOPEM has committed USD 250,000. Nestlé has a market capitalization of USD 230 billion. January 14, 2015

Egypt Sets \$2m Capital Requirement for MFIs

The Egyptian government’s Financial Supervisory Association has issued a resolution regulating microfinance companies, encompassing topics such as anti-money laundering provisions, corporate governance, customer protection, investment criteria and credit portfolio regulations. The resolution also requires microfinance companies to be licensed as joint stock companies with minimum promulgated capital equivalent to USD 2 million. As was reported in the December 2014 issue of this newspaper, Egypt recently passed a law that allows non-bank entities to offer microcredit. January 13, 2015

Triodos Fund Opens \$2m Line for Ag Firms in Thailand, Uganda

The Triodos Sustainable Trade Fund, which provides trade finance loans to co-operatives and private companies operating in “sustainable” agricultural value chains, recently opened a credit line for Urmatt Limited, a Thai company producing and processing organic rice, and ICAM Chocolate Uganda Limited, a subsidiary of the Italian firm Industria Cioccolato e Affini Morbegno (ICAM) that sources organically grown green cocoa beans directly from local farmers. The funding, which is capped at USD 2 million, is intended to enable the borrowers to improve cash flow management and pay “fair” prices to farmers. The Triodos Sustainable Trade Fund is managed by Triodos Investment Management, a unit of the Netherlands’ Triodos Bank. Financial data on the investees is not available. January 13, 2015

EBRD Loans \$114m for Women in Turkey, MSMEs in Kazakhstan

The multilateral European Bank for Reconstruction and Development (EBRD) recently lent the euro-equivalent of USD 59.2 million to Finansbank, a Turkish subsidiary of the National Bank of Greece Group, and the local-currency equivalent of USD 54.5 million to Kazakhstan’s Bank CenterCredit. The loan to Finansbank is intended for on-lending to small and medium-sized enterprises (SMEs) managed by women. The loan to CenterCredit is intended to support micro- and SMEs (MSMEs), mostly outside the larger cities of Almaty and Astana. This loan is the first in EBRD’s Kazakhstan MSME Framework, which is slated to provide USD 200 million in “medium-term” funding. CenterCredit has 20 branches and assets worth USD 5.5 billion. Finansbank reports assets of USD 32 billion and 5.3 million customers. January 13, 2015

Absolute’s Vision Funds Invest \$8.5m in MFIs in Cambodia, LatAm

Absolute Portfolio Management, an arm of Austria-based asset management group C-Quadrat, recently informed MicroCapital that it disbursed credits totaling the equivalent of USD 8.5 million from its two funds, the Dual Return Fund-Vision Microfinance and the Dual Return Fund-Vision Microfinance Local Currency, to unspecified microfinance institutions (MFIs) in Cambodia, Costa Rica, Ecuador and Peru. Of the total, USD 1 million was disbursed to an MFI that was founded in 1996 in the Costa Rican capital, San Jose. It dedicates a portion of its income to provide member benefits such as services for the elderly, financial training, medical assistance and scholarships. C-Quadrat reports total assets of USD 6.3 billion under management. January 13, 2014

Bangladesh to Designate “Lead MFIs” to Align Anti-poverty Work

The Microcredit Regulatory Authority (MRA) of Bangladesh reportedly is planning the launch of a Lead Microfinance Institution (MFI) System to coordinate and reduce overlap among international and domestic poverty-reduction programs operating in the country. MRA Director Sazzad Hossain offered the following example: “Suppose, 200 people are eligible for credits in an upazila, but under the existing system 150 people are getting the credit facilities. The lead MFI will find out why the rest are not under MFI credit programme.” January 13, 2015

MicroCapital Monitor - © 2015 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital

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Please refer to <http://MicroCapital.org> for information sources for all briefs. MicroCapital recognizes the individuals at CGAP, the Microfinance Gateway and the Microfinance Information Exchange for their outstanding work disseminating information on microfinance. Thank you!

MasterCard Labs Land \$19m from Gates for East Africa

MasterCard, a US-based global payments and technology company, has announced that it is launching the MasterCard Labs for Financial Inclusion to generate ideas and financial tools to promote financial inclusion in East Africa via a three-year grant of USD 11 million from the US-based Bill and Melinda Gates Foundation. An additional USD 8 million is earmarked to develop ideas generated at the labs from prototypes into commercial products. MasterCard reports total assets of USD 14 billion. January 12. 2015

IFC Loans \$7m to TuranBank of Azerbaijan for Rural MSMEs

The International Finance Corporation (IFC), a member of the US-based World Bank Group, recently announced that it will loan USD 7 million to Azerbaijan's TuranBank Open Joint Stock Company. The proceeds will be on-lent to micro-, small and medium-sized enterprises (MSMEs) in rural areas. Nazim Sadigov, the chairman of TuranBank, said that "with support from IFC, the bank's MSME lending capacity will expand, contributing to sustainable development and helping reduce the country's dependence on the oil and gas sector." TuranBank reports total assets equivalent to USD 312 million, a loan portfolio of USD 227 million and deposits of USD 138 million. January 12. 2015

JD.com Crowdfunding to Support Grameen China

JD.com Incorporated, an Internet retailer in China with annual sales equivalent to USD 11 billion, has agreed to use its crowdfunding platform to raise money for Grameen China, which operates under Grameen Trust, the nonprofit arm of Bangladesh's Grameen Bank. JD.com CEO Richard Liu said, "[W]e look forward to drawing on the expertise of Grameen Trust to strengthen JD.com's microfinance and crowdfunding efforts to more effectively empower people living in rural areas of China." JD.com's lending program funds couriers to operate JD.com delivery stations in their hometowns. January 12. 2015

IDB Loans \$30m to Paraguay for SMEs

The multilateral Inter-American Development Bank recently approved a loan of USD 30 million to the government of Paraguay. The loan term is 25 years, including a grace period of 5.5 years on repayments and an interest rate pegged to the London Interbank Offered Rate. The package consists of a technical assistance component to support end-borrowers, USD 20 million for lending to small and medium-sized enterprises (SMEs) and USD 8 million in guarantees for SMEs seeking credit from third-party lenders. January 11. 2015

Access Bank, Airtel to Launch Mobile Money Service in Nigeria

Access Bank Plc, a Nigerian institution with branches in nine African countries and the UK, and the local subsidiary of Indian mobile service provider Airtel Limited are launching a mobile money service called Access Money, which will allow users in Nigeria to pay bills, transfer money, and deposit and withdraw cash via mobile phones. Herbert Wigwe, the Group Managing Director of Access Bank, said, "[W]e will be providing financial access to more and more people and small businesses...also making it easier for [the] government to receive taxes and deliver welfare payments." As of 2012, Access Bank had total assets equivalent to USD 11 billion, and Airtel had 287 million subscribers in Africa and Asia as of 2013. January 9. 2015

Digicel Invests \$5m in Bima for Mobile Microinsurance

Digicel, a Bermuda-based cellular network provider that has 13 million customers in the Caribbean, Central America and the Pacific, recently invested USD 5 million in Bima, a mobile microinsurance provider that operates in three continents, to expand microinsurance product offerings in the Caribbean and the Asia-Pacific region. The companies previously partnered to launch microinsurance projects in Haiti and Papua New Guinea through which Digicel customers can purchase life insurance from Bima. With assets equivalent to USD 7.5 million, Bima is majority-held by Swedish holding company Kinnevik. January 8. 2015



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Investview Acquires Gate Global Impact

For an undisclosed price, US-based Investview has purchased Gate Global Impact (GGI), a regulatory-compliant marketplace that focuses on impact investing. The deal includes Gateway 2.0, a website created by GGI that enables small and medium-sized enterprises listed on the UN's Global Compact Social Enterprise Hub to access financing for projects intended to produce a financial return while addressing challenges of "human rights, labor, environment and anti-corruption." Investview, which is traded over-the-counter using the ticker symbol INVU, has a market capitalization of USD 20 million and total assets of USD 327,000. January 8. 2015

\$42m Bond Purchase by IFC to Boost Rural Lending in Colombia

The World Bank Group's International Finance Corporation recently announced that it purchased the entire recent issuance of ordinary bonds by Bancamía SA, a Colombian microbank. The local-currency, five-year bonds are valued at USD 42 million. Bancamía Executive President María Mercedes Gómez said, "[T]his transaction will enable us to balance the cash flow of customers in the rural sector, whose crop and livestock operations have a medium- or long-term horizon, which is our institution's main line of business." Bancamía, which reports total assets of USD 650 million, was created in 2008 by Corporación Mundial de la Mujer - Colombia, Corporación Mundial de la Mujer - Medellín and Fundación Microfinanzas BBVA. January 8. 2015

EFSE Loans \$8.3m Each to Romania's Patria Credit, Agricovert

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, recently announced that it will disburse two senior loans each equivalent to USD 8.3 million for on-lending to the agriculture sector in Romania. Patria Credit, whose loan is denominated in leu, reports total assets of USD 89 million and is partially held by the Romanian American Investment Foundation and the Balkan Accession Fund. Agricovert Credit, which is to use its euro-denominated loan to fund micro- and small businesses, is an arm of Romania's Agricovert Group, which is active in grain sourcing and logistics and reports annual turnover of USD 357 million. January 6 and January 7. 2015

EIB to Lend \$25m to Tunisia's Banque Tuniso-Koweitienne, Taysir

The EU's European Investment Bank has approved two euro-denominated loans worth a total of USD 25.2 million with the aim of funding small-scale entrepreneurs and start-up ventures in the poorest areas of Tunisia as well as serving to "contribute to the consolidation of Tunisia's banking sector." Banque Tuniso-Koweitienne, which was founded by the governments of Tunisia and Kuwait, will receive USD 24 million, with 10 percent of that amount to be on-lent to micro-enterprises at "preferential" interest rates. The Tunis Entrepreneurship Network, an affiliate of the French Réseau Entreprendre, will select candidates for the funding. Taysir, a microfinance institution, will receive a subordinated loan of USD 1.2 million, which will be on-lent to small-scale farmers, stockbreeders, young entrepreneurs and recent college graduates. January 6. 2015



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IFC Sells \$100m in "Inclusive Business Bonds" to Dai-ichi Life

The World Bank Group's International Finance Corporation (IFC) has announced that it has sold five-year "inclusive business bonds" valued at the equivalent of USD 100 million to Japan's Dai-ichi Life Insurance Company. The proceeds will support companies that employ and serve people in developing countries who earn less than USD 8 per day. Kazuyuki Shigemoto, the general manager of the global fixed income investment department of Dai-ichi, stated that "the Mexican peso-denominated bonds offer a solid and attractive investment opportunity." Dai-ichi reports total assets of USD 274 billion. January 5. 2015

Macedonia's Horizonti to Borrow \$600k from EFSE for Rural Loans

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle, recently announced that it will offer a senior loan equivalent to USD 600,000 to Macedonia's Foundation for Economic Development Horizonti - Skopje for on-lending to small-scale farmers and rural microentrepreneurs. EFSE will also provide Horizonti with "hands-on technical assistance" related to product development and financing procedures. Horizonti reports assets of USD 4.6 million, a gross loan portfolio of USD 4.2 million, 2,900 borrowers, return on assets of 2.6 percent and return on equity of 5.0 percent. January 5. 2015

EFSE Loans \$30m to Finansbank of Turkey to Support MSMEs

The Luxembourg-domiciled European Fund for Southeast Europe has announced that it will disburse a senior loan equivalent to USD 30 million to Finansbank, a Turkish subsidiary of the National Bank of Greece Group. The aim of the loan is to fund micro-, small and medium-sized enterprises in Turkey, with 50 percent of the funding to be directed to "priority development regions," which are mainly in the eastern and southeastern parts of the country. Finansbank reports total assets of USD 32 billion, loans and receivables of USD 21 billion, deposits of USD 18 billion and 5.3 million customers. January 4. 2015

West African Branchless Banking Projects Land \$900k

The MasterCard Foundation, a Canada-based nonprofit that aims to promote youth learning and financial inclusion primarily in Africa, and CGAP (Consultative Group to Assist the Poor), a US-based nonprofit that aims to facilitate the expansion of financial access, recently awarded a total of USD 900,000 to three organizations seeking to expand the availability of banking in West Africa: Advans Côte d'Ivoire, which provides banking services to micro-, small and medium-sized enterprises; Mobile Financial Services (MFS) Africa, a mobile payments firm based in South Africa, for a project serving Benin and Côte d'Ivoire; and Money Express, a money transfer company in Senegal. Advans Côte d'Ivoire, which is a member of Advans SA, a venture capital group managed by Horus Development Finance of France, will provide branchless banking services to cocoa cooperatives and farmers. MFS Africa will guarantee loans based on credit scores derived from customers' usage of mobile money. Money Express is to launch a mobile banking platform called Nafa. January 2. 2014

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WestBridge Buys 20% of India's Aptus Value Housing for \$16m

WestBridge Capital, an investment company with offices in India, Mauritius and the United States, recently paid the rupee-equivalent of USD 16 million to acquire 20 percent of Aptus Value Housing Finance, an Indian provider of housing finance, primarily for middle-income, self-employed customers. The investment was made through the WestBridge Crossover Fund, which has invested USD 450 million in approximately 20 companies over the course of three years. The India Financial Inclusion Fund and Granite Hill India own a total of 30 percent of Aptus. KP Balaraj, the managing director of WestBridge Capital India Advisors, said, "Affordable housing finance is a very large market, and essential for broader financial inclusion. We believe Aptus, with its very strong leadership and credit culture, will emerge as a market leader in this segment." Earlier in December 2014, the World Bank Group's International Finance Corporation invested USD 30 million in Shapoorji Pallonji and Company, an Indian construction firm, to support the development of "affordable" housing. December 31, 2014

RBI Enables "Small Finance Banks," Revises NBFC Regulations

The Reserve Bank of India (RBI) has issued guidelines for the licensing of "small finance banks," which are intended to provide credit and savings services to small businesses, small-scale farmers and other entities in the "unorganized sector." These banks must have minimum paid-up equity capital equivalent to USD 15.8 million, 40 percent of which must be invested by the organization's promoter during the first five years of operation. RBI also revised its regulations for non-bank financial companies (NBFCs), allowing for the resumption of issuances of Certificates of Registration to companies newly seeking to operate as NBFCs. The minimum amount of net owned funds (NOF) for existing NBFCs has been doubled to USD 316,000, which must be amassed by 2017. The cap on deposits now stands at the lower of USD 1.57 million or 1.5 times the company's NOF. December 23 and December 29, 2014

FMO, OeEB Fund \$30m Syndicated Loan to FINCA Azerbaijan

FINCA Azerbaijan, a subsidiary of the US-based nonprofit microfinance network Foundation for International Community Assistance (FINCA International), recently received a multi-currency, syndicated loan worth USD 30 million from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch public-private partnership that aims to promote growth in developing economies, with the participation of Oesterreichische Entwicklungsbank, the development bank of the Austrian government. Each institution will invest the equivalent of USD 15 million, and additional commitments totaling USD 10 million are expected from other investors. Half of the loan, which has a term of five years, is denominated in local currency. FINCA Azerbaijan CEO Tim Tarrant explained that the loan proceeds will be focused "especially in the agricultural sector and across the regions of Azerbaijan." Linda Broekhuizen, FMO's chief investment officer, said, "[B]y supporting the non-oil related businesses in Azerbaijan the economy will grow, bringing wealth to a larger part of the population." FINCA Azerbaijan reports total assets of USD 235 million, and FINCA International serves 1.7 million clients through subsidiaries in 22 countries. December 27, 2014

DID, FADQDI to Offer Ag Microinsurance, Training in Colombia

Développement international Desjardins, a Canadian nonprofit providing technical support and investment for community finance institutions in emerging economies, and Financière agricole du Québec - Développement international, a Canadian nonprofit that aims to promote rural economic development, recently announced that they will launch a five-year project in Colombia that will include crop insurance, financial literacy programs and technical assistance. In addition to individual farmers, the project will target small and medium-sized enterprises as well as lenders that operate in the agricultural sector such as Banco Agrario, Coopcentral and Finagro. December 24, 2014

FINCA Launches Subsidiary in Nigeria

The Foundation for International Community Assistance (FINCA International), a US-based nonprofit microfinance network, recently launched the operations of FINCA Microfinance Bank in the Nigerian city of Owerri, Imo, following its receipt of an operational license from the Central Bank of Nigeria in October 2014. FINCA Microfinance will provide services including deposit and loan products for individuals and business owners. According to Mike Gama-Lobo, the regional director for FINCA, "FINCA enters this market with an unconventional approach to banking...delivered on the tenets of warmth, trust and responsible banking." FINCA International has total assets of USD 1.1 billion and serves 1.7 million clients through subsidiaries in 22 countries. December 23, 2014

EFSE Loans \$4.2m to ACBA Leasing for MSEs in Armenia

The European Fund for Southeast Europe, a microfinance investment vehicle, has announced that it is disbursing a senior loan equivalent to USD 4.2 million to Agricultural Cooperative Bank of Armenia (ACBA) Leasing, a subsidiary of ACBA, for on-lending to micro- and small enterprises. ACBA, which is partially held by French bank Crédit Agricole, reports assets of USD 656 million, a gross loan portfolio of USD 423 million and deposits of USD 265 million. December 19, 2014

DiD Establishes Member-run Data Center in Senegal

Développement international Desjardins, a Canadian NGO that supports community financial institutions, recently announced the completion of a five-year project to establish Groupement d'intérêt économique - Centre de traitement informatique du Sénégal, a member-run data center through which financial institutions in Senegal have been computerizing their operations. The Canadian Department of Foreign Affairs, Trade and Development funded the project, which now has 76 institutions participating. These institutions serve 197,000 individuals. December 17, 2014

CDC, Creation, DEG, IFC, FMO Buy 40% of India's Equitas for \$51m

The UK government's Commonwealth Development Corporation (CDC), US-based Creation Investments, the German government's Deutsche Investitions-und Entwicklungsgesellschaft (DEG), the World Bank Group's International Finance Corporation (IFC) and Dutch public-private partnership Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO) recently announced that they will invest a total equivalent to USD 51.4 million to acquire 40 percent of the shares of India's Equitas Holdings. IFC, CDC and FMO are existing shareholders and will increase their ownership stakes to 13 percent, 9 percent and 5 percent, respectively. DEG and Creation are new shareholders and will own a total of 11 percent of the firm. Edelweiss Financial Services of India managed the deal for Equitas. Equitas, whose subsidiaries offer loans for housing, vehicles and entrepreneurial activity, reports total assets of USD 443 million and USD 12.7 million in quarterly profit after tax. December 16, 2014



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FIELD NOTES

(Re-)finding the Mojo in Microfinance in 2015


Every year around this time, I try to think about what the “next big thing” will be for the coming year. I began 2015 without much inspiration. Microfinance is old news, and many smart minds are disassociating themselves from the word, instead talking about financial inclusion, mobile money, video games, recyclable plastics...anything but microfinance!

I will not go there. Instead, I will take this opportunity to think about how we can make microfinance better, rather than sweeping it aside for the next big thing. Why? Because ignoring it will not make it disappear. From a commercial perspective, microfinance is hotter than ever. India's Microfinance Institutions Network notes that the funding of microfinance institutions in that country increased 172 percent during 2014, and loan portfolio growth was up 47 percent year-on-year in the third quarter (versus a 23-percent increase in clients). Even countries with microfinance sectors going through tricky adjustments are resisting decline; Peru, for example, saw 5-percent annualized growth in November 2014 according to COPEME. Although microfinance is hot commercially, it has lost its “mojo” in policy circles. So I dedicate 2015 to finding it again, which will have to start with some serious deconstructing.

The first step is to stop looking at averages and understand that clients can be better served if we see them as segments - or better still, individuals! And with today's progress in technology, it can be done. Last year, I visited more than 20 countries and met with scores of clients, loan officers, microinsurance sales agents, managers, donors and policymakers. I believe that we can make microfinance outcomes better because for every over-indebted lady with a no-growth business there

is another lady expanding her shop and laying tile on the floor of her bathroom. For every old woman who would prefer not to be tied down to loan payments as she enters her golden years, there is a young one discovering that financial independence can mean reproductive freedom. And for every young man taking out a loan in desperation after struggling to find salaried work, there is a father supporting a family with his sacrifices, borrowing to smooth out the irregular cash flow of his business to put food on the table.

In a recent blog post on NextBillion.net, I joined in the criticism of the high level of client over-indebtedness, but I would like to respond to some strong reactions to my article that were seeking to discredit microfinance. Let's instead imagine a better model: one that is based on offering multiple financial services (not only loans) at various points in a client's life: a safe place to put money and a place where he or she can build wealth and borrow when needed. Let's imagine a model where longevity, not growth, is the goal: where clients don't move to competing institutions because they are well served where they are, and employees don't move to competing institutions because they are well compensated, respected and offered opportunities to grow. Let's imagine a place that builds communities instead of weakening them: a place where a man can learn that the women in his community are worthy of respect, and a woman can learn that she too can follow her dreams. To figure out if this is a model worth fighting for, we need to start imagining something better!

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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MICROCAPITAL MARKET INDICATORS EASTERN EUROPE AND CENTRAL ASIA

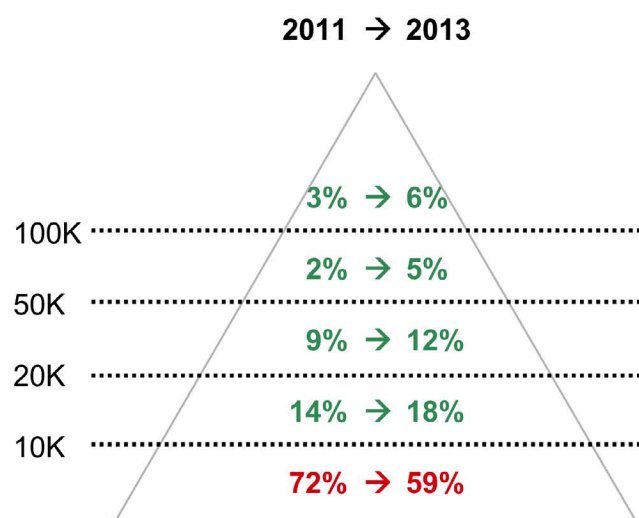


120 MICROFINANCE INSTITUTIONS (MFIs) REPORTING¹

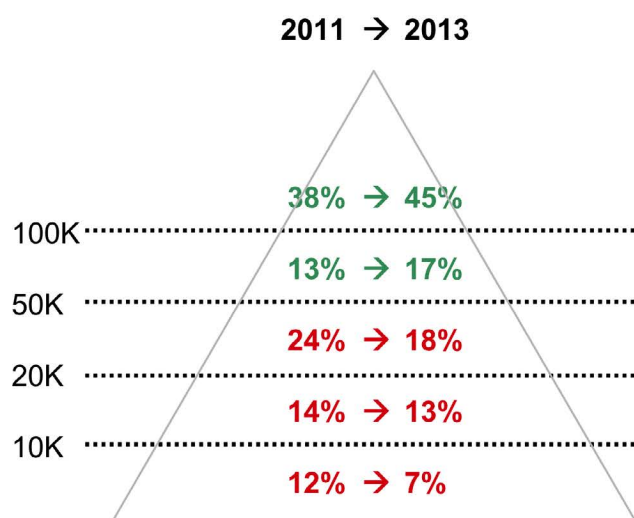
TOP 10 MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2011	2013
Khan Bank	Mongolia	251,005,631	22%	1,013,489,488	1,515,500,751
Fundusz Mikro Bank	Poland	221,154,860	111%	128,850,214	571,159,934
AccessBank	Azerbaijan	214,284,133	46%	376,398,734	804,967,000
XacBank	Mongolia	120,752,246	27%	393,175,423	634,679,914
Fund for Financial Support of Agriculture	Kazakhstan	56,828,161	45%	104,228,252	217,884,574
JSC Bank Constanta	Georgia	48,093,520	54%	70,873,653	167,060,694
FINCA Azerbaijan	Azerbaijan	47,439,052	35%	117,207,401	212,085,505
TuranBank	Azerbaijan	42,123,069	24%	156,898,734	241,144,872
ProCredit Bank Romania	Romania	41,411,974	15%	248,780,527	331,604,475
Credo	Georgia	39,197,141	56%	54,676,284	133,070,566

PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)



MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



¹Denotes only MFIs that reported data for 2011 and 2013 to the Microfinance Information Exchange (MIX) Market

UPCOMING EVENTS

Financial Inclusion: The Next Move Forward

January 19, 2015; London, United Kingdom

This event will cover topics such as technology, education and regulation relating to financial inclusion in the UK and worldwide. The fee to attend is GBP 595, with discounts available for government and NGO representatives. More details are available from Martin Price via +44 (0)1483 479331 or mprice@cityandfinancial.com. The event website is <http://www.cityandfinancialconferences.com/d/84qtl>.

Mobile Money and Digital Payments Asia

January 20 - January 22, 2015; Jakarta, Indonesia

This conference will address payments, interoperability, customer retention, regulatory issues and other topics. The cost to attend is USD 2,399, with various discounts available, including a **reduction of 20 percent for readers of MicroCapital** available via the code ASIA15MIC. For additional details, you may contact Michael Seaman at +44 (0) 20 7384 7986 or michael.seaman@clarionevents.com, or you may visit <http://www.mobile-money-asia.com/>.

TBLI Conference @Booth/Kellogg

January 23, 2015; Chicago, Illinois, USA

This “triple bottom-line investing” session will include panels on green technology, structuring deals, impact measurement and challenges specific to working in emerging markets. The fee to attend is USD 700, with discounts offered to investors, NGO representatives and others. More details are available from Iris Bune via +31 (0)20 428 6752 or conference@tbligroup.com. The event web address is <http://www.tbligroup.com/tblconference/boothkellogg2015.html>.

Sankalp Africa Summit

February 5 - February 6, 2015; Nairobi, Kenya

Themed “accelerating innovation and entrepreneurship towards an inclusive Africa,” this event will include the presentation of awards to 10 social businesses working within the continent. Sankalp is a program of Intellect, an Indian firm that supports social businesses. The fee to attend is USD 500, with half-price admission offered to entrepreneurs. More details may be sought from Kanika Kumar via +91 22 61952750 or kanika.kumar@intellect.net. The event website address is <http://www.sankalpforum.com/summit/sankalp-africa-summit-2015/>.

Foro Latinamericano de Inversion de Impacto

February 24 - February 26, 2015; Merida, Mexico

This forum will focus on social investing in the education, financial services, housing and sustainable agriculture sectors through lenses such as recent history, technology and case studies. The price to register is USD 900, and additional information is available by visiting <http://www.inversiondeimpacto.org/>, calling +52 55 56 04 55 55 or emailing contact@inversiondeimpacto.org.

Microfinance and Microentrepreneurship: A Paradigm Shift for Skill Development

February 27 - February 28, 2015; New Delhi, India

Through January 20, 2015, researchers interested in presenting at this event may submit papers to 2015onepat@gmail.com under categories such as microcredit, social entrepreneurship, microinsurance, micro-guarantees, remittances, financing “slow food,” crowdfunding for microlenders, mobile banking, software for microbanks and client skills training. The fee for Indian attendees is INR 5,000, and the price is USD 250 those from other countries, with discounts available for those representing academic institutions. More details are available from Dr Surender Mor at +91 1263 283036 or surendermor71@gmail.com, or you may download this document: <http://www.bpswomenuniversity.ac.in/pdfnews/d0ab1ae1-55f9-4ace-ae11-98f517e700d6.pdf>. No website has been published for the event.

Cracking the Nut 2015: Expanding Rural and Agricultural Markets Amid Climate Change

March 2 - March 3, 2015; Lusaka, Zambia

This annual conference showcases best practices in strengthening rural and agricultural infrastructure, expanding financial services to rural areas and improving agricultural production. The fee to attend is USD 795, and a combined fee of USD 1,690 is available to those who also register for the Agricultural Value Chain Finance Training, which will take place on March 4 and March 5. For more information, you may contact Melissa Matlock at mmatlock@azmj.org or +1 703 914 5533, or you may visit <http://www.crackingthenutconference.com/>.

Mobile World Congress 2015

March 2 - March 5, 2015; Barcelona, Spain

This conference features keynote speakers representing various mobile operators, device manufacturers and vendors from around the world. Mobile money will be among the many topics covered. Prices range from EUR 740 to EUR 4,999 depending on the type of pass purchased, with discounts available for members of the Groupe Speciale Mobile Association. More details may be sought by calling +44 20 7356 0616, emailing sales@mobileworldcongress.com or visiting <http://www.mobileworldcongress.com/>.

African Conference on Remittances and Postal Networks

March 4 - March 5, 2015; Cape Town, South Africa

This conference will engage postal operators, policymakers and others involved in the remittance market, with the purpose of addressing challenges in the provision of financial services through postal networks. There is no fee to attend. For inquiries, you may call +39 06 5459 2711, email remittances@ifad.org or visit <http://www.ifad.org/remittances/events/2015/index.htm>.

MORE DETAILS COMING SOON ON...

Institutional and Technological Environments of Microfinance

March 17 - March 19, 2015; Lyon, France

6th Latin America Microinsurance Summit

March 23 - March 26, 2015; Miami, Florida, USA

5th Annual Africa Banking & Finance Conference

March 25 - March 26, 2015; Nairobi, Kenya

HBS-Accion Program on Strategic Leadership for Inclusive Finance

April 6 - April 11, 2015; Boston, Massachusetts, USA

TBLI Conference Asia 2015

April 29 - April 30, 2015; Singapore

4th European Research Conference on Microfinance

June 1 - June 3, 2015; Geneva, Switzerland

Global Conference on Sustainable Finance in Germany

June 11 - June 13, 2015; Karlsruhe, Germany

Global Forum on Remittances and Development 2015

June 16 - June 19, 2015; Milan, Italy

12th European Microfinance Network Annual Conference 2015

June 18 - June 19, 2015; Dublin, Ireland

European Microfinance Week

November 18 - November 20, 2015, Luxembourg 🇱🇺

PAPER WRAP-UPS

Exploring New Frontiers – The Potential of Impact Investments in Microinsurance

By Jeremy Leach, Sandisive Ncube and Anand Menon; published by the Microinsurance Network; 2014; 49 pages; available at http://www.microinsurancenetWORK.org/sites/default/files/MICRO_NetworkInvestor_PaperWEB.pdf

Microinsurance, a risk mitigation and management tool for people with low incomes, has grown from 78 million lives covered in 2005 to approximately 263 million lives in 2013, with a potential market estimated at 3 billion to 4 billion policies generating USD 30 billion to USD 50 billion in annual premium revenue. Total demand for microinsurance is growing approximately 10 percent per year, which points to increasing investment opportunities and a promising business case for investors, according to the authors.

This growth is partially driven by innovation in distribution models. The use of mobile network operators (MNOs) in particular has facilitated the profitability of microinsurance. Such distribution models have contributed to growth - especially in the African market, which is described by some investors as the “next frontier” for growth.

Among the major investors in microinsurance are multilateral institutions such as the Inter-American Development Bank's Multilateral Investment Fund and development finance institutions such as the World Bank Group's International Finance Corporation. Other impact investors are also seeking to invest specifically in microinsurance or financial inclusion more broadly. The UK-based International Cooperative and Mutual Insurance Federation invests in its member cooperatives and mutuals, and LeapFrog Investments, a dedicated microinsurance fund based in Mauritius, accounted for 7 of the 23 investments identified in the study.

However, relatively few investors to date have made significant and dedicated investments in this space, and those that did so had to relax their typical criteria in order to make the investments. The majority of investees' funding is received from internal sources - original shareholders or parent companies. Investees cite both equity and donor funding as the most appropriate types of funding for microinsurance. The authors argue that there is a need for more investors in the sector to bring in capital that could support innovative ideas and bring scale to proven business models, hence enhancing the supply of microinsurance services.

Why aren't more investors getting involved in microinsurance? Microinsurance investments are considered to be quite risky, and investors are wary of numerous challenges such as the lack of proven business models. Costly due diligence processes were ranked as the most significant challenge facing microinsurance investors. Investors are also put off by regulation and a lack of identifiable and financially viable opportunities, as well as small ticket sizes, which might not prove profitable enough for private equity investors. Capacity is also an issue, as microinsurers are often not specialists in distribution, which the authors deem pivotal to achieving scale and profitability.

Despite these challenges, there are a number of investment opportunities related to the following developments:

- Insurance regulators and supervisory authorities are developing microinsurance-specific legislation, sometimes allowing for the development of a separate class of microinsurance operators with limited prudential and market-conduct compliance requirements.
- Investors could leverage existing financial inclusion investments, such as those in microfinance.

- As governments increasingly focus on microinsurance as a social protection mechanism, opportunities arise for private sector actors to roll out government-linked schemes.

- Insurers need expansion capital to replicate successful microinsurance operations across international borders.

- Greenfield operations that utilize established teams with previously honed skills and expertise may present less risk.

- Investors can participate in microinsurance indirectly through distribution and technical service providers. Consider Sweden's Bima Mobile (which raised USD 7 million in 2012 and USD 22 million in 2014), UK-based MicroEnsure (USD 7 million in 2012 and USD 10 million in 2014) and South Africa's MFS Africa (USD 2 million in 2011), which act as technical service providers for insurers, MNOs, and banks and other credit providers.

- Investing in a fund that supports microinsurance in multiple countries distributes risk more widely than committing to a service operating in a single country.

- Increased returns on investment may be achievable via improved advisory models providing investees with stronger technical support.

- Investors may benefit from leveraging donor and government partnerships.

In closing, the authors propose that microinsurance investing principles and standards should be adopted to strengthen the sector through greater accountability and improving the reputation of microinsurance.

This paper wrap-up was guest-written by Julia Graham of the Microinsurance Network.



Andares

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PAPER WRAP-UPS

Global Microscope 2014: The Enabling Environment for Financial Inclusion

Published by the Economist Intelligence Unit, 2014, 86 pages, available at http://www.eiu.com/latinamerica/en/community/data/2014_Global_Microscope-EN.pdf

This seventh annual edition of the Microscope ranks Peru as the top country in terms of enabling microfinance for the seventh consecutive year. The Latin American and Caribbean and East and South Asia tie this year for the highest regional scores, while the Middle East and North Africa region has the lowest score.

Peru's score of 87 out of 100 was attributed partially to strong leadership, institutional support, regulatory capacity, credit-reporting systems and supervisory capacity. Peru also is known for its prudential regulations for deposit-taking. Approximately 60 microfinance institutions (MFIs) in Peru report to the US-based nonprofit Microfinance Information Exchange (MIX) an aggregate gross loan portfolio of USD 10.9 billion with 4.9 million active borrowers and USD 9.1 billion in deposits from 4.7 million depositors.

The report ranks Colombia second with a score of 85. Colombia scored in the top five on

almost all of the indicators and is considered a leader in microinsurance regulation. Approximately 40 MFIs in Colombia report to MIX a total gross loan portfolio of USD 38.3 billion, 2.8 million active borrowers, and USD 34.5 billion in deposits held for 6.2 million customers.

The report ranks the Philippines third with a score of 79. The Philippines is also considered strong in microinsurance regulation and, unlike Peru and Colombia, has a formalized strategy for financial inclusion. Approximately 115 MFIs in the Philippines report to MIX a gross loan portfolio of USD 1.2 billion with 4.5 million borrowers and deposits of USD 787.8 million from 4.6 million depositors.

The report is based on data from 55 developing countries.

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Financial Liberalization and Rural Banking in India

Published by the Indian Statistical Institute, Kolkata; 2014; 29 pages; available at http://www.networkideas.org/feathm/dec2004/Conference_Papers/Financial_Liberalisation_Rural_Banking_India_VKR.pdf

This paper examines the effects of the recent trend of financial liberalization in India, including its impact on banking policy and the structure of rural economies in the country. The authors argue that financial liberalization has worsened regional inequalities in banking. Microcredit projects have failed to reduce transaction costs, instead transferring these costs to donors and borrowers. The authors propose large-scale public investment, better access to rural banks and the reintroduction of "loans-cum-subsidy" schemes. 📄



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