

MICROCAPITAL BRIEFS | TOP STORIES

MBK Ventura of Indonesia Borrows \$4m from Standard Chartered

Please see page 3 for coverage of this "MicroCapital Deal of the Month."

Cameroon, UN Seek to Consolidate Microfinance Sector; 63 MFIs Losing Licenses

Cameroon's Ministry of Finance recently announced that it has revoked the licenses of 33 microfinance institutions (MFIs) due to fraud and regulatory noncompliance. As a result of the investigation, which began in 2012, an additional 30 MFIs reportedly are set to lose their licenses. In a related move, the government of Cameroon has partnered with three agencies of the UN in an effort to promote mergers among MFIs. The UN Development Program, the International Fund for Agricultural Development and the UN Capital Development Fund are supporting the strategy to counteract what has been deemed an oversupply of MFIs that has led to looser risk standards and lower profit margins. A similar effort in South Africa during the first decade of the 2000s reduced the number of MFIs in that country from 3,500 to 1,200. An estimated 450 MFIs in Cameroon serve 1.5 million people and hold savings totaling the equivalent of USD 800 million. July 27 and August 2, 2013

EIB Loans \$92m to Tanzania's National Microfinance Bank

The European Investment Bank, an instrument of the EU, recently loaned the equivalent of USD 92 million to the National Microfinance Bank (NMB), which is 30-percent owned by the government of Tanzania, to support micro-, small and medium-sized enterprises in that country. The transaction is described as a long-term loan intended to enable NMB to provide medium-term loans to its 55,000 customers. Further information on the loan is unavailable. NMB reports total assets of USD 1.54 billion, a gross loan portfolio of USD 774 million, return on assets of 4.7 percent and return on equity of 36 percent. July 26, 2013

India's Bandhan to Go Commercial, Signals Rate Cut

Bandhan Microfinance of India has applied for a license to convert into a commercial bank, a move intended to allow the institution to accept deposits and expand into serving corporate customers. Bandhan will aim to keep 60 percent of its lending placed with unbanked rural people, and lending deposited funds rather than borrowed funds offers Bandhan the potential to reduce retail lending rates from 22 percent per year to as low as 12 percent. Bandhan reports total assets of USD 833 million, 4.4 million active borrowers, return on equity of 38 percent and return on assets of 6.4 percent. July 23, 2013

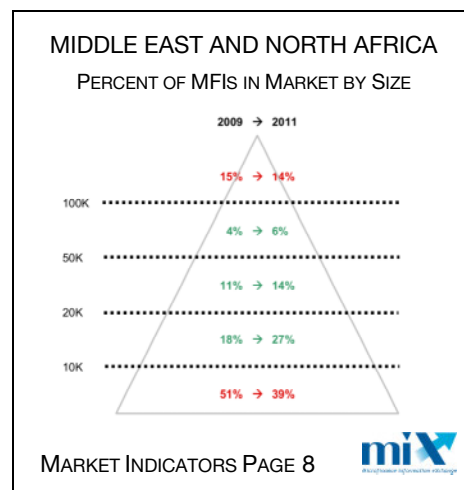
IFC Loans \$1m to BancoSol of Bolivia

The International Finance Corporation, a member of the US-based World Bank Group, recently notified MicroCapital that it will loan up to USD 1 million to Banco Solidario (BancoSol), a Bolivian commercial bank that provides microfinance services, in an effort to improve financial access in rural areas as well as in the cities of La Paz, Oruro and Potosi. BancoSol will also provide technical assistance to farmers and entrepreneurs with the aim of improving their productivity. BancoSol reports total assets of USD 960 million, return on assets of 1.4 percent and return on equity of 18 percent. July 16, 2013

EFSE Loans \$33m to UniCredit for Business, Home Loans in Serbia

The European Fund for Southeast Europe, a government-backed microfinance investor, recently announced that it has provided loans totaling the equivalent of USD 33 million to UniCredit Serbia, a unit of the UniCredit Group, an Italian financial group with operations in 22 countries. Forty percent of the funds are allocated to the bank's microcredit and small enterprise initiatives, and the remainder is earmarked for home-improvement lending. UniCredit Serbia reports total assets equivalent to USD 2.8 billion. July 13, 2013

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MICROCAPITAL BRIEFS

ResponsAbility Boosts Exposure to Kenya's Chase Bank to \$15m

ResponsAbility Social Investments of Switzerland recently notified MicroCapital that funds it manages have increased their aggregate senior debt exposure to Chase Bank of Kenya from USD 10.5 million to USD 15 million. Chase Bank, which is privately owned, focuses on serving small and medium-sized enterprises. Its gross loan portfolio stands at USD 391 million. Chase also owns Rafiki Deposit Taking Microfinance, which seeks to empower youth in the country to make both social and economic gains. August 12. 2013

EFSE Loans \$7m to Patria Credit of Romania

Germany's Finance in Motion, fund advisor to the government-backed European Fund for Southeast Europe (EFSE), recently informed MicroCapital that during July EFSE loaned the equivalent of USD 6.6 million to Romanian microlender Patria Credit, which reports assets of USD 69 million and 12,000 active borrowers. August 11. 2013

Standard Chartered Loans \$13m to India's Janalakshmi, Ujjivan

UK-based Standard Chartered Bank recently notified MicroCapital that it disbursed local-currency loans totaling the equivalent of USD 13 million to Indian microlenders Janalakshmi Financial Services Private Limited and Ujjivan Financial Services Private Limited for on-lending to microenterprises. Janalakshmi, which borrowed USD 7.4 million, has partnered with Standard Chartered since 2007 and reports total assets of USD 196 million, return on assets (ROA) of 2.0 percent and return on equity (ROE) of 8.6 percent. Ujjivan, which borrowed USD 5.5 million, has been associated with Standard Chartered since 2010 and reports total assets of USD 249 million, ROA of 3.4 percent and ROE of 12 percent. August 8. 2013

Austria's Absolute Loans \$4m in Asia, Honduras

During July, Austria's Absolute Portfolio Management loaned a total of USD 4 million to microfinance institutions in Azerbaijan, Cambodia, Georgia, Honduras and Indonesia through its microfinance funds, Dual Return Fund - Vision Microfinance and Dual Return Fund - Vision Microfinance Local Currency. While details on the other loans have not been disclosed, the disbursement in Honduras was a renewal of a local-currency loan of unspecified amount to Cooperativa Mixta Mujeres Unidas Limitada, which provides 26,000 female microentrepreneurs with credit, savings, educational and medical services. August 8. 2013

Yunus, Grameen, Brazil Foods to Invest in Poultry in Haiti

Nobel Peace Prize winner Dr Muhammad Yunus reportedly has announced a partnership among the US-based Grameen Foundation; the Grameen Bank, a Bangladesh-based microfinance institution founded by Dr Yunus; and Brazil Foods, a Brazilian food processing company, to support small businesses in Haiti that grow genetically engineered poultry. Brazil Foods will build a processing center for the poultry with the profits earmarked for the "development of the productive chain" in Haiti. Grameen Bank will provide an unspecified amount of funds for the project via the Grameen Foundation. Grameen Bank reports total assets of USD 1.63 billion, and Brazil Foods reports net sales of equivalent to USD 13 billion from operations in Argentina, Brazil and Europe. August 7. 2013

WorldRemit, Telesom Offer Mobile Remittances in Somaliland

WorldRemit Limited, a UK-based online money transfer service that serves 100 countries, reportedly has partnered with the Zaad mobile-banking service of Telesom, a communications company based in the Somaliland region of Somalia. The partnership will enable WorldRemit customers in 30 countries in the Americas, Europe and East Asia to send amounts up to USD 2,500 to Zaad users. August 6. 2013

Ghana's MLAG to Distribute Microinsurance to Moneylenders

The 350-member Money Lenders Association of Ghana reportedly has partnered with Star Microinsurance Services Limited of Ghana to facilitate its members in providing coverage for funerals, healthcare and children's education. August 6. 2013

Nepal Amends Microfinance Regs in Effort to Boost Inclusion

The Nepal Rastra Bank (NRB), Nepal's central banking authority, has announced that it will require the 33 financial NGOs in the country to become Class D financial institutions, increasing the level of scrutiny they will receive from NRB. Compared with financial NGOs, Class D institutions may undertake more and larger transactions. The stated purpose is to bring financial services to the 10 districts - out of 75 in the country - that have none. However, Bhagwati Chaudhary, chairman of the Forward Community Microfinance Development Bank, reportedly cautioned that the tighter regulatory requirements could lead to the closure of some of the institutions. To encourage Class D banks to open branches in designated districts, NRB will provide interest-free loans up to the equivalent of USD 20,400. In addition, NRB has raised the microloan ceiling to USD 1,500 for borrowers without collateral and USD 4,100 for those with collateral. August 6. 2013

Jamaica National Raising Funds via "I Support Jamaica" Website

Jamaica National Small Business Loans Limited (JNSBL), a microlender established in 2000, in partnership with the Jamaica National Foundation, a development organization in the country, recently announced the launch of <http://www.isupportjamaica.com>, a website raising funds for on-lending to those seeking to start micro- and small businesses. The website includes video profiles of microentrepreneurs and allows visitors to donate funds in increments of USD 25. The website is slated to begin accepting loans in the future. As an incentive to list their plans on the website, borrowers are being offered a rebate on their last loan payment. JNSBL reports total assets of USD 11 million, a gross loan portfolio of USD 7.4 million, return on equity of 15 percent and return on assets of 6.9 percent. August 5. 2013

Uniform Microfinance Software System Proposed in Nigeria

The Central Bank of Nigeria and the National Association of Microfinance Banks, a trade group of 820 microfinance banks (MFBs) in the country, have partnered to propose that MFBs adopt a uniform software system in an effort to reduce costs through "economies of scale" and to facilitate regulatory auditing. The move would reportedly cut annual maintenance charges for each MFB to the equivalent of USD 310 from as high as USD 6,200. August 5. 2013

Rwandan MFIs to Support Entrepreneurial Education in Schools

The 62-member Association of Microfinance Institutions in Rwanda recently partnered with Child Savings International, a Dutch NGO also known as Aflatoun, and the UK's Department for International Development to launch a program to train 500 teachers in 100 schools in Rwanda to deliver entrepreneurial and financial skills to youth. The effort also will facilitate participating students in opening microsavings accounts. August 4. 2013

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World Bank Group Gives \$20m for Yemeni Financial Infrastructure

The World Bank Group's International Development Association recently agreed to donate USD 20 million to a "Financial Infrastructure Development Project" that aims to improve the transparency and efficiency of Yemen's financial system as well as increase financial inclusion. Elements of the program include capacity building for the Central Bank of Yemen, shifting government payments to electronic means and establishing a credit bureau. August 4. 2013

Kenya's CardPlanet Helps Parents Send Money to Kids in School

Kenyan firm CardPlanet Solutions recently launched an electronic wallet service called "Pesacard" intended to enable parents to transfer money via mobile phones to their children in boarding school. The Pesacards, which are protected by a personal identification number, can be used to withdraw money from point-of-sale terminals located in schools. Financial data on CardPlanet are unavailable. August 2. 2013

Aeon of Japan Launches Consumer Credit Subsidiary in Myanmar

Japan's Aeon Financial Service Company Limited recently announced that it has launched Aeon Microfinance (Myanmar) Company, a consumer-lending subsidiary based in the Myanmar state of Yangon. Aeon Microfinance reportedly will offer loans in connection with purchases from 100 appliance and furniture stores. In the future, the company hopes to issue credit cards. Aeon Financial reports total assets equivalent to USD 26 billion and 32 million cardholders. Aeon also has operations in nine other Asian countries. August 1. 2013

Tanzania Postal Bank Launches Branchless Banking

The government-owned Tanzania Postal Bank (TPB), with logistical support from Switzerland's World Savings Banks Institute and an unspecified amount of funding from the US-based Bill and Melinda Gates Foundation, is launching a mobile banking service called "TPB Popote" that aims to increase financial inclusion in rural Tanzania. TPB has total assets equivalent to USD 106 million and 28 branches. August 1. 2013

Proposed Microinsurance Tax Moves Forward in Brazil

The lower house of the National Congress of Brazil recently approved a new tax of approximately 1 percent on microinsurance sales. Microinsurers would also be eligible for a "special tax regime" unifying the payment of corporate income and social welfare taxes at a reduced rate. The upper house has not yet decided when it will consider the act. The microinsurance industry in Brazil covers 100 million people and is estimated to be worth the equivalent of USD 3 billion. August 1. 2013

KfW Takes 30% Stake in Invest India Micro Pension for \$3.3m

Kreditanstalt für Wiederaufbau Entwicklungsbank (KfW), a German development bank, recently paid USD 3.3 million to take a 30-percent stake in Invest India Micro Pension Services (IIMPS), a New Delhi-based provider of micropension and long-term micro-savings products. Also as part of the firm's Series-B funding round, IIMPS raised USD 450,000 from the US-based Michael & Susan Dell Foundation and an undisclosed amount from Indian journalist Swaminathan Anklesaria Aiyar. IIMPS intends to use the funding from KfW to expand its services to reach 5 million low-income households over the next three years. Financial information on IIMPS is unavailable. July 31. 2013

African Insurance Organization Launches Microinsurance Group

The African Insurance Organization (AIO), which is based in Cameroon, recently inaugurated a Microinsurance Committee chaired by Nelson Kuria, CEO of Kenyan microinsurance provider Cooperative Insurance Company (CIC), with the goal of stimulating market interest in microinsurance and sharing knowledge of the market segment. AIO's 356 private- and public-sector members hail from 53 countries, including 46 in Africa. July 31. 2013

MicroCapital Deal of the Month

MBK Ventura of Indonesia, ASA Philippines Foundation Borrow \$6m from Standard Chartered

UK-based Standard Chartered Bank recently informed MicroCapital that it disbursed local-currency funds for on-lending to microborrowers of Mitra Bisnis Keluarga (MBK) Ventura of Indonesia and ASA Philippines Foundation. MBK Ventura, which Standard Chartered has worked with since 2010, borrowed the equivalent of USD 3.9 million, and ASA, which Standard Chartered is working with for the first time, borrowed the equivalent of USD 1.8 million. MBK Ventura, which does not accept deposits, reports total assets of USD 33 million, a gross loan portfolio of USD 29 million, 342,000 borrowers, return on assets (ROA) of 1.6 percent and return on equity (ROE) of 10 percent. ASA reports total assets of USD 57 million, a gross loan portfolio of USD 55 million, deposits of USD 32 million, 601,000 customers, ROA of 5.3 percent and ROE of 29 percent.

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"Mobile Money School Fees Payment Service" Offered in Liberia

Ecobank Transnational Incorporated, a Togo-based company with operations in 33 African countries, and Lonestar Cell Mobile Telecommunications Network (MTN), a member of the South Africa-based telecommunications company MTN Group, reportedly have launched a service in Liberia intended to allow mobile phones and the internet to be used to pay school fees, which are often paid in person by waiting in line for hours. The service also allows for funds to be uploaded, withdrawn, transferred or spent on retail purchases. July 30. 2013

Three-tier Regulatory System Proposed *Again* in Sri Lanka

A proposal first floated in 2011 has been reintroduced by the government of Sri Lanka whereby a three-tier regulatory and supervisory framework would apply to microfinance institutions (MFIs) that accept deposits. The Central Bank of Sri Lanka would oversee MFIs exceeding an unspecified first tier threshold. Audit firms would supervise smaller scale MFIs in a second tier. The third tier would encompass various exempt community-based organizations. The act would ban entities that do not fall into any of the above categories from accepting deposits. July 30. 2013

ADB Loans \$50m to AccessBank of Azerbaijan for Rural MSMEs

AccessBank, a for-profit microfinance institution (MFI) in Azerbaijan, recently notified MicroCapital that the Asian Development Bank will provide a five-year senior loan of USD 50 million to support micro-, small and medium-sized enterprises in rural areas. AccessBank, which reports total assets of USD 704 million, is one-sixth owned by Access Microfinance Holding, a German joint stock company that also has stakes in MFIs in Tajikistan and four African countries. July 29. 2013

Ghana to Raise Minimum Capital Requirement for MFIs to \$240k

The Bank of Ghana (BOG), the country's central bank, recently announced an increase in the minimum capital requirement for microfinance institutions from the equivalent of USD 48,000 to USD 240,000. The new policy has been described as an attempt to address "liquidity crises, too many branches scattered across the country, clients coming in for loans and not paying" as well as the prevalence of "incompetent staff." Dr Yaw Gyima-Larbi, head of microfinance at BOG, reportedly stated that "of the 228 licenced MFIs, only about 50 report accurately and regularly to the Central Bank." An anonymous representative of the Ghana Microfinance Institution Network reportedly warned that the new policy will "encourage a lot of underground, unregulated and illegal microfinance operations...." July 26. 2013

Nigeria, Gates Map Financial Institutions in Nigeria

The Central Bank of Nigeria reportedly has partnered with the US-based Bill and Melinda Gates Foundation to carry out a "Geospatial Mapping of Financial Institutions" that aims to help low-income Nigerians find "every microfinance institution, every [public transportation] motor park, post offices and off-site automated teller machines," either online or via mobile phone. July 25. 2013

Unit Trust of Tanzania Breakup to Create UTT Microfinance

Unit Trust of Tanzania (UTT), a government-owned fund established in 2003, reportedly will split into three firms: UTT Microfinance, UTT Asset Management and Investor Service, and UTT Project and Infrastructure Development. UTT Microfinance will hold capital equivalent to USD 3.3 million. July 25. 2013

AfDB Loans \$17m to Sonibank of Niger

The African Development Bank (AfDB), a multilateral institution that provides loans and grants to governments and private companies in Africa, recently approved a credit line equivalent to USD 17 million for Societe Nigerienne de Banque, a commercial bank in Niger also known as Sonibank, with the aim of improving access to long-term funding for private firms in the country. The latest available data indicate that, as of 2005, Sonibank had total assets equivalent to USD 77 million. July 25. 2013

Malawi Looks to Boost E-payments, Joins Better Than Cash

The government of Malawi recently joined the Better Than Cash Alliance (BTC), a US-based nonprofit, as part of an effort to expand the use of electronic payments. In a first phase, the government will convert social welfare and salary payments to electronic means, which will "reach 21,000 people with payments of [USD] 3 million." BTC has been involved with similar initiatives in Afghanistan, Colombia, Kenya, Peru and the Philippines. July 25. 2013

Nigerian Government Promotes 19 MFBs

The Nigerian government reportedly has financed the establishment of 19 microfinance banks (MFBs) and offered assistance in implementing them in an effort to expand credit to more poor households in the country. The banks will be located in the capitals of 19 Nigerian states. In announcing the effort, Commissioner for Investment, Commerce and Cooperatives Alhaji Hassan Abdullahi reportedly stated that the government is considering the establishment of six additional MFBs by December. July 25. 2013

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Since the launch of MFTransparency on July 28th 2008 we have collected, analyzed, and disclosed microloan pricing data from over 500 microfinance institutions across the world on loans going to more than 48 million clients. We have produced a wide range of education materials and tools on transparent pricing and trained hundreds on the calculation of prices.



MFTransparency would like to thank all of its partners, donors, and MFIs who have supported the organization over the past 5 years and helped make microfinance the first industry to practice global voluntary pricing disclosure. We look forward to continuing our work with stakeholders to further industry discussion on transparency and client protection. Together, we hope that our collective efforts will move us closer towards *a microfinance industry that operates with healthy market conditions where consumers and other stakeholders can make informed decisions.*



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Sanad Loans \$6m to Enda Inter-Arabe for Tunisian Youth, MSMEs

The Sanad Fund for MSME (micro-, small and medium-sized enterprises), a European-backed initiative that invests in financial institutions in the Middle East and North Africa, recently loaned the local-currency equivalent of USD 6 million to Enda Inter-Arabe, a Tunisia-based microlending arm of Senegal-based NGO Enda Third World, to support services including those aimed at young people, women of all ages and anyone living in rural areas. Enda Inter-Arabe reports total assets of USD 95 million. July 24. 2013

Standard Bank, SAP Seek to Reach Unbanked in South Africa

Standard Bank, a South Africa-based financial services company, recently partnered with Systemanalyse und Programmentwicklung, a German software firm also known as SAP, to launch AccessBanking, a service that enables low-income people in South Africa to open accounts with Standard Bank through the mobile phones of "AccessAgents" deployed in tents and stores in rural areas. The account options, all of which require proof of residence, include an account with no monthly fees and debit cards that can be used at 5,000 locations. With total assets equivalent to USD 66 billion and operations in 18 countries, Standard Bank has approximately 3.5 million customers using the AccessBanking service. July 24. 2013

NGOs to Offer Health Services to Microborrowers

Two US-based NGOs, microfinance fund manager MicroCredit Enterprises and relief organization Freedom from Hunger, are collaborating with unspecified microfinance institutions to offer "health-related education, loans, savings, insurance and linkages to local healthcare providers" in an effort to reduce loan defaults caused by health problems. MicroCredit Enterprises operates based on USD 80 million in loan guarantees. Freedom from Hunger, serves 5.1 million clients in 24 countries in Africa, Asia and Latin America. July 22. 2013

FMO, IFC, KfW Invest \$5.4m in Rwandan Arm of AccessBank

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, a Dutch development bank; the World Bank Group's International Finance Corporation; and Kreditanstalt für Wiederaufbau Entwicklungsbank, a German development bank, have invested the local-currency equivalent of USD 5.4 million in AccessBank Rwanda, the eighth member of Germany's Access Microfinance Holding. AccessHolding plans to provide 51 percent of the startup capital of the new bank, which aims to provide microloans and other business services to low- and middle-income Rwandans beginning in the fourth quarter of 2013. AccessHolding reports the euro-equivalent of USD 838 million in assets. July 22. 2013

MasterCard, Nigeria to Distribute "National Identity Smart Cards"

MasterCard, a US-based payments firm, recently announced a partnership with the Nigerian National Identity Management Commission to produce 13 million "National Identity Smart Cards" that can be used for identification as well as electronic payments. Each card issued via the pilot program will hold the user's fingerprints, photo and digital signature and is to be used for depositing funds, receiving social benefits, effecting retail payments and withdrawing cash from automated teller machines. MasterCard reports assets of USD 13 billion. July 21. 2013

IFC, Siddhartha Invest Over \$800k in Nepal's RMDC via IPO

During a July IPO, the World Bank Group's International Finance Corporation paid the equivalent of USD 1.87 per unit for 300,000 shares in the Rural Microfinance Development Center (RMDC), a Nepali wholesale microcredit lender. Nepal's Siddhartha Bank Limited also purchased 140,000 shares at rates of up to USD 3.27 per unit. The offering of 1.6 million shares was managed by Ace Capital, a subsidiary of Nepal's Ace Development Bank. RMDC reports outstanding loans of USD 25 million disbursed to 95 institutions as of 2011. July 19. 2013

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Ugandan, European Groups to Support MFI Clients Affected by HIV

The 122-member Association of Microfinance Institutions in Uganda recently announced partnerships with British NGO Agency for Co-operation in Research and Development and the following Dutch NGOs in an effort to support clients affected by HIV: the Global Network of People Living with HIV; Stop Aids Now; and Hivos, the Humanist Institute for Development Cooperation. The project, which involves 20 microbanks and 15 networks of people living with HIV, will seek to target microfinance services for HIV-infected entrepreneurs, improve access to information about HIV and develop workplace programs within MFIs to prevent the spread of HIV. July 19, 2013

Pasha Bank Underwrites \$13m Bond Issue to FINCA Azerbaijan

Pasha Bank of Azerbaijan recently underwrote a three-year bond issue equivalent to USD 12.7 million for the Azerbaijani microlending subsidiary of the US-based Foundation for International Community Assistance (FINCA) International. The bonds are being traded on Azerbaijan's Baku Stock Exchange. Pasha Bank reports total assets of USD 918 million. As of 2011, FINCA Azerbaijan reports total assets of USD 128 million. FINCA International has total assets of USD 719 million and serves 1 million clients in 22 countries. July 18, 2013

Old Mutual Group Acquires Faulu Kenya

Old Mutual Group, a provider of insurance and banking services with administrative offices in South Africa and the UK, reportedly has paid an undisclosed sum to acquire a majority stake in Kenya's Faulu Company, a deposit-taking microfinance company founded in 1992. Faulu reports total assets of USD 89 million, a gross loan portfolio of USD 63 million, 78,000 active borrowers, USD 55 million in deposits from 268,000 depositors, return on assets of 2.4 percent and return on equity of 28 percent. Old Mutual manages funds equivalent to USD 420 billion, serving 14 million customers in 20 countries. July 17, 2013

EBRD Loans \$2m to Kreditimi Rural i Kosoves of Kosovo

The UK-based European Bank for Reconstruction and Development recently loaned the euro-equivalent of USD 2 million to Kreditimi Rural i Kosoves Limited Liability Company (KRK), a microlender that serves rural Kosovo, for on-lending for the energy efficiency and renewable energy projects of small and medium-sized enterprises as well as homeowners. The loan is provided under a framework intended to channel USD 16 million in energy investments into the country. The EU and Norway have donated USD 4.4 million to the umbrella effort to cover administrative fees, incentives for end-borrowers and technical assistance. KRK reports assets of USD 14 million. July 16, 2013

SIDBI Launches Website on Indian Microfinance

The state-owned Small Industries Development Bank of India, in cooperation with the World Bank, has launched an effort to provide quarterly financial information on all of the microfinance organizations in India at <http://www.microfinanceindia.org/>. The website also offers video and photo galleries, a blog, news, reports and information on the winners the annual Microfinance India Awards. July 16, 2013

MXF Solutions Launches Risk Management Initiative

MXF Solutions, a US-based hedger of currencies for the microfinance industry, recently launched the Risk Management Initiative in Micro-finance (RIM), which will support microbanks in building risk management strategies, provide training to consultants in risk management and promote related information sharing. The effort, which will involve the promotion of global microfinance risk management standards, was launched in partnership with Appui au Developpement Autonome, a Luxembourg-based NGO; Calmeadow, a Canadian NGO; the Center for Financial Inclusion of US-based nonprofit Accion; Mennonite Economic Development Associates, a Canadian NGO; Microfinanzas, an Italian consulting firm; Oikocredit, a Dutch cooperative fund; and Triple Jump, a Dutch microfinance investment firm. July 15, 2013



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FIELD NOTES

A Call for a New Wave of Better - Not Just Cheaper - Financial Services

Recently in this space, I have been discussing the need for microfinance institutions to innovate. For decades, there has been a consensus that competition among microfinance institutions (MFIs) would stimulate better financial access and more sophisticated options for poor people. Yet despite growing competition, subsidies for new projects and the support of many smart people, innovation in microfinance has been slow, especially in terms of improving products and services so they better meet clients' needs.

The famed economist Joseph Schumpeter, who coined the phrase "destructive innovation," theorized that rather than competition, it is the promise of monopoly that spurs innovation: the potential profits from being a first mover and market leader may attract the most investment. I have seen this take place in many microfinance markets, especially where large institutions dominate. These MFIs have often made the greatest investment in new technologies, new market segments and new products while smaller institutions have lagged. Although few of these large MFIs have true monopolies, many have some monopolistic qualities, and some benefit from what Schumpeter calls "waves," during which they dominate the market for some time, then lose traction when competitors enter the market, before innovating again to attempt to regain a dominant position.

Where is there space now for a first mover to innovate and secure a foothold? Penetrating new market segments is one interesting area. In a recent exercise that EA Consultants worked on with US-based nonprofit CGAP (Consultative Group to Assist the Poor), we interviewed some market leaders that offer savings for youth clients in developing and

developed countries. Throughout our research, we found that innovators were often leaders in their industries. They were typically large players and often started out with a stronghold in the youth market relative to their competition. Some leaders, such as Sparkassen in Germany, have been able to hold this first-mover advantage for decades.

We have also been looking at lending to small businesses - those one step larger than microenterprises - and asking if this may be another segment where first movers can reap some benefits. One MFI leader that I interviewed in Bolivia noted that the first-mover advantage was critical to establishing a foothold in this market. But that advantage has been declining as more competition comes into the market offering larger loans. Additionally, MFIs are not developing *new* products for this segment, so innovation has stagnated somewhat. Why? Competition may be the reason, not the solution. Microfinance practitioners often note that products can be easily and quickly copied by competitors, eroding the first-mover advantage from new products. Perhaps it is time for a new Schumpeterian wave of creative destruction and innovation that considers the specific product and service needs of small businesses. If clients are to be served by more appropriate - not just cheaper - products, we may need such a wave in many countries. I, myself, would put money on large and leading microfinance players driving this change in hopes of gaining a monopolistic advantage.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has 18 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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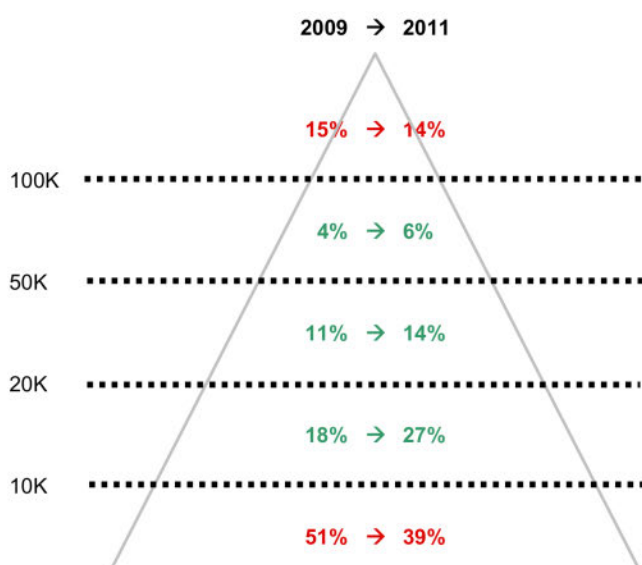
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**MICROCAPITAL MARKET INDICATORS | MIDDLE EAST AND NORTH AFRICA**59 MICROFINANCE INSTITUTIONS (MFIs) REPORTING¹**TOP TEN MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2008	2010
Fondation Banque Populaire for MicroCredit	Morocco	24,073,545	18	125,748,797	173,895,887
Family Bank	Kenya	16,663,573	46	29,729,373	63,056,518
Al Rafah Bank	Palestine	15,879,352	46	36,481,202	68,239,906
Enda Inter-Arabe	Tunisia	14,138,956	32	41,355,997	72,404,123
Development Local et le Partenariat Micro-Crédit (FONDEP)	Morocco	13,828,499	23	57,347,909	85,004,906
Development and Employment Fund	Jordan	9,643,291	14	81,915,758	62,629,176
Alexandria Business Association	Egypt	6,826,058	15	44,203,770	57,855,885
Tamweelcom	Jordan	6,113,888	39	13,218,348	25,446,123
Lebanese Association for Development (Al Majmoua)	Lebanon	5,355,001	32	14,446,416	25,156,417
Palestine for Credit and Development (FATEN)	Palestine	4,943,931	26	17,169,469	27,057,330

**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 2009 and 2011 to the Microfinance Information Exchange (MIX) Market

UPCOMING EVENTS

Oikocredit USA Summit 2013

September 5 - September 6, 2013, Washington, DC, USA

This networking event will include discussions of the trends in socially responsible investing, combining faith and money, and an update on the work of Dutch cooperative fund Oikocredit in West Africa and South America. The cost to attend is USD 200 with discounts of up to USD 140 available for certain categories of registrants. For additional information, you may email [usa\[at\]oikocredit.org](mailto:usa[at]oikocredit.org), call +1 202 728 4140 or visit <http://oikocreditusa.org/oikocredit-usa-summit-2013>.

Global Youth Economic Opportunities Conference

September 10 - September 12, 2013, Washington, DC, USA

The themes of technology and rural youth will be discussed at this event. The cost per person is USD 695. For additional details, you may visit <http://www.youtheconomicopportunities.org/conference/>, call +1 202 783 4090 or email [conference\[at\]makingcents.com](mailto:conference[at]makingcents.com).

6th World Forum Convergences 2015

September 17 - September 19, 2013, Paris, France

This event will focus on strategies for attaining the UN's Millennium Development Goals by 2015. The fee to attend is EUR 300, with a rate of EUR 100 available for representatives of NGOs. Group discounts are also available. More details may be had via +33 1 42 65 78 84, [contact\[at\]convergences2015.org](mailto:contact[at]convergences2015.org) or: <http://c2015.org/presentation>.

Asia-Pacific Housing Forum 4

October 2 - October 4, 2013, Manila, the Philippines

Themed "housing as a foundation for breaking the poverty cycle in Asia Pacific," this event will cover issues relating to financing housing for poor families including climate change, disaster relief, private-sector impact and housing policy. The cost of the event is USD 250 with discounts of up to USD 200 for certain groups. For additional information, you may email [secretariat\[at\]aphousingforum.org](mailto:secretariat[at]aphousingforum.org), call + 63 (2) 553 4455 or visit <http://www.aphousingforum.org/>.

MORE DETAILS COMING SOON ON...

Social Enterprise World Forum

October 2 - October 4, 2013, Calgary, Alberta, Canada

Third Global Islamic Microfinance Forum

October 6 - October 8, 2013, Dubai, United Arab Emirates

Partnerships Against Poverty Summit

October 9 - October 11, 2013, Manila, the Philippines

Fourth Pacific Microfinance Week

October 21 - October 25, 2013, Nadi, Fiji

Financial Inclusion 2020 Global Forum

October 28 - October 30, 2013, London, UK

Conference on Sustainable, Responsible, Impact Investing

October 28 - October 30, 2013, Colorado Springs, Colorado, USA

European Microfinance Week

November 12 - November 14, 2013, Luxembourg

9th International Microinsurance Conference

November 12 - November 14, 2013, Jakarta, Indonesia

TBLI Conference

November 14 - November 15, 2013, Zurich, Switzerland

First African Microfinance Week

December 2 - December 6, 2013, Arusha, Tanzania

Microfinance India Summit

December 9 - December 10, New Delhi, India

CTN Africa: Improving Rural Livelihoods and Food Security

NEW DATES: January 13 - January 15, 2014, Kigali, Rwanda



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PAPER WRAP-UPS

From Blueprint to Scale: The Case for Philanthropy in Impact Investing

By Harvey Koh, Ashish Karamchandani and Robert Katz; published by Monitor Group and the Acumen Fund; April 2012; 68 pages; available at: http://www.mim.monitor.com/downloads/Blueprint_To_Scale/From%20Blueprint%20to%20Scale%20-%20Case%20for%20Philanthropy%20in%20Impact%20Investing_Full%20report.pdf

This paper summarizes the findings of research into 700 impact-oriented businesses in Africa and India and a three-month study of companies invested in by the US-based Acumen Fund. The authors also solicited the observations of other impact investors, grant funders and academics.

The report explores the gap between what the authors deem the high aspirations and disappointing reality of impact investing, which is intended to generate social impact as well as financial returns.

Despite potential investments of USD 1 trillion over the next decade - according to a November 2010 report - the authors find that in practice, impact investing is still a young,

unproven field. Hype about the industry may be obscuring the difficulties faced by investors in the field such as:

- (1) Lack of efficient intermediation resulting in high research and transaction costs as well as low and volatile net operating margins;
- (2) Lack of enabling infrastructure caused by the notion that poor people need charity instead of investment; and
- (3) Insufficient absorptive capacity for capital, as illustrated by Acumen Fund investing in 65 of more than 5,000 companies researched over the past ten years. The US-based Monitor Group studied 439 “inclusive” African firms and deemed one third commercially viable and 13 percent as having achieved scale, meaning they could efficiently optimize their resources.

The report also identifies problems with governmental regulation as well as firms selecting “push categories,” such as preventative healthcare, that require high levels of awareness-building, as opposed to “pull categories,” which include industries like mobile phones that customers already desire.

In order to overcome these challenges, the authors argue that impact-investment firms

must innovate on multiple dimensions simultaneously, often pioneering new business models that are tailored to the particular needs and constraints of their particular market. The authors offer firms the following strategies for “overcoming the pioneer gap:”

- (1) *Create a blueprint* connecting the firm’s innovation to customer or supplier needs;
- (2) *Validate* the commercial viability and scalability of the business model with market trials and financial feasibility tests;
- (3) *Prepare* the customers and suppliers for scaling up; and
- (4) *Scale up* with increased outreach to customers, suppliers and investors as well as entering new geographies, controlling costs and exploiting efficiencies.

The authors advocate for a greater role for “enterprise philanthropists” who support entire sectors rather than specific goods or services. The report argues that much like the early, unprofitable years of the microfinance industry, impact investment firms require subsidies in the form of grants, soft loans and below-market guarantees to allow pioneers to refine their models through trial and error.



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www.visionmicrofinance.com



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Symbiotics 2013 MIV Survey Report: Market Data and Peer Group Analysis

Published by Symbiotics Research and Advisory; 2013; 31 pages; available at: <http://www.microfinancegateway.org/p/site/m//template.rc/1.9.62223>

Symbiotics SA of Switzerland recently released the report from its seventh annual survey of microfinance investment vehicles (MIVs), drawing on responses from 84 MIVs, which together manage an estimated 93 percent of global MIV assets as of December 2012. The report includes analyses of both financial and social performance.

According to the survey, the MIV market recorded a 19-percent increase in total assets from 2011 to 2012, the third consecutive year of positive growth. The market is described as concentrated, with 44 percent of assets owned by the largest five MIVs and 15 percent held by the next five. Investments are also regionally concentrated, with 72 percent of funds being invested in Latin America, Eastern Europe and Central Asia. The fastest growth is occurring in the Middle East and North Africa, where investments grew by 167 percent from 2011 to 2012. South Asia, recorded 15-percent growth, the lowest percentage growth of the regions studied, rebounding from shrinkage recorded from 2010 to 2011.

Worldwide, the average MIV portfolio size is USD 73 million, of which 78 percent is directly invested in debt. The average retail loan size increased from the equivalent of USD 1,797 to USD 2,069.

For benchmarking and peer-group analysis, MIVs are segmented into fixed-income funds, mixed funds and equity funds. Of these, equity funds exhibited the highest annual growth rate at 66 percent, compared with 19 percent for mixed funds and 16 percent for fixed-income funds. Seventy-five percent of the MIVs' aggregate portfolio is invested in microfinance, with 9 percent in segments such small and medium-sized enterprises and fair-trade.

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On the funding side, institutional investors make up 61 percent of MIV funding, with public-sector institutions providing 21 percent, retail investors providing 10 percent and high-net-worth individuals accounting for the balance. Public-sector institutions direct the majority of their funds to fixed-income funds, while retail investors primarily support mixed funds and high-net-worth individuals favor equity funds.

Annual returns rebounded in 2012, ending a period of decline that had persisted since 2007. Euro-denominated returns rose to 4.3 percent from 2.5 percent in 2011 and USD returns hit 3.4 percent, up from 2.4 percent.

The authors conclude by reporting on the environmental, social and governance (ESG) standards of MIVs. The number of funds endorsing the Smart Campaign Client Protection Principles, a set of standards for the practices and ethics of microfinance businesses, was steady at 97 percent. On the environmental side, 73 percent of MIVs reported integrating environmental issues such as carbon emissions, air pollution and community displacement in their investment decisions.

Equity funds had the lowest ESG performance, with only 75 percent reporting their ESG standards to investors, down from 86 percent in 2011. The number of equity funds employing anti-corruption policies decreased from 93 percent to 81 percent.

Islamic Finance Manual: Operating Policies and Procedures

Published by the World Council of Credit Unions, June 2013, 305 pages, available at: http://www.woccu.org/documents/WORLD_COUNCIL_Islamic_Finance_Manual

This guide is intended to assist bankers with establishing Shariah-compliant credit unions in developing countries. As the Shariah, or Islamic law, prohibits interest payments and fees, Islamic banking is centered on the concept of joint venture and profit sharing. The manual was developed by Australia's Customer Owned Banking Association, based on its experience establishing Islamic investment and finance cooperatives in Afghanistan since 2004.

In addition to complying with Islamic law, the guide is intended to provide operating policies and procedures that meet traditional international standards for financial cooperatives. Topics include: "membership, shares and savings mobilization, Shariah-compliant financing and collection, provisions and allowances for bad debts, asset and liability management, capitalization and capital adequacy, accounting, cash operations, internal controls, human resources, procurement and information technology and security."

Each chapter includes a review of procedural requirements as well as sample contracts and forms. ■

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