

MICROCAPITAL BRIEFS | TOP STORIES

BRAC, LOLC Buy Sri Lanka's Nanda with Eye on Downscaling

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

Ghanaian Microbanks Cite Heavy Withdrawals

Amid reports of liquidity crunches at unspecified microfinance institutions in Ghana, depositors have been withdrawing their funds from microbanks in "huge" amounts, according to a statement attributed to Collins Amponsah Mensah, the national chairman of the 350-member Ghana Association of Microfinance Companies. July 13. 2013

AG Finance of the Philippines to Raise Up to \$3.5m via IPO

AG Finance, a provider of microenterprise and consumer loans to Filipinos at home and in 20 other countries, reportedly has received regulatory approval to raise up to the equivalent of USD 3.5 million via an initial public offering of one quarter of the firm's shares during July and August. USD 850,000 of this amount is slated to repay wholesale loans to China Bank. One third of the funds to be raised are set to be lent overseas by the end of 2014. AG Finance offers unsecured loans of up to USD 1,100 with terms of up to 18 months. Founded in 2011, AG Finance reports USD 7.9 million in assets and 4,000 active borrowers. July 13. 2013

FMO Syndicates \$60m for AccessBank of Azerbaijan; OeEb, PROPARCO Participate

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, a Dutch development finance institution, recently notified MicroCapital that it has arranged a USD 60 million syndicated loan facility for AccessBank, a for-profit microfinance institution in Azerbaijan. Oesterreichische Entwicklungsbank, the development bank of the Austrian government, and Societe de Promotion et de Participation pour la Cooperation Economique, a French public-private development finance institution, have committed unspecified amounts of funding to the package, which will support AccessBank's lending to micro- and small businesses in rural areas. AccessBank reports total assets of USD 704 million and is minority-held by AccessHolding, a German company that holds stakes in microfinance institutions in Tajikistan and four African countries. June 25. 2013

Creation Fund Closes with \$75m, Places Equity in Mexico, India

Creation Investments Social Ventures Fund II, a US-based private equity fund managed by Creation Investments Capital Management, has completed its final closing with USD 75 million in committed capital. The fund has placed 35 percent of this amount as equity in Grupo Finclusion, a Mexican microfinance institution (MFI); Sonata Finance Private Limited, an Indian non-banking microfinance company; and Grameen Financial Services Private Limited, an Indian MFI also known as Grameen Koota. The sizes of each investment and the stakes taken in each firm have not been disclosed. Sonata reports total assets of USD 45 million, and Grameen Koota reports total assets of USD 99 million. Financial information for Grupo Finclusion is not available. June 16. 2013

Seeing "No Improvement at All" in AP, Indian MFIs Seek Extension

Wholesale loans covering the equivalent of USD 944 million in Indian microloans reportedly are at risk of becoming classified as "non-performing" if microfinance institutions do not begin making payments on the loans by September. Banks must make 100-percent provision for non-performing loans, whereas the loans are now classified as standard assets, carrying a provisioning requirement of 2.75 percent. The funds are owed to approximately 40 banks by Asmitha Microfin, Share Microfin, Spandana Sphoorty Innovative Financial Services and Trident Microfin. According to Kishore Kumar Puli, the managing director of Trident Microfin, "when we opted for a debt restructuring [in 2011], we assumed that there will be some improvement in the collection rate [in Andhra Pradesh]. But there has been no improvement at all." June 13. 2013

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Courtesy of MIX

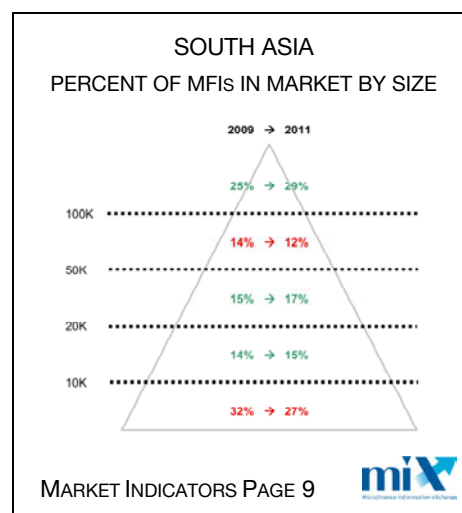
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MICROCAPITAL BRIEFS

Bangladeshi Government Proposes Takeover, Split of Grameen

A paper commissioned by the Bangladeshi government proposes a government takeover of Grameen Bank, a Bangladeshi microfinance institution founded by Nobel Laureate Dr Muhammad Yunus, or a split of the institution into 19 entities. The paper recommends that the Bangladeshi government increase its stake from 25 percent to 51 percent of the bank. In a statement attributed to Dr Yunus, the proposal is “unworkable and deserved no consideration.” He also argued that “the government takeover of a sound financial institution owned by 8.4 million poor women would be a case of an extreme abuse of government power.” July 12, 2013

Germany's KfW Loans \$130m to SIDBI for Indian MSMEs

Kreditanstalt für Wiederaufbau, a German development bank, recently loaned the equivalent of USD 130 million to the state-owned Small Industries Development Bank of India to disburse loans of USD 820 to USD 16,000 to micro-, small and medium-sized enterprises in India. July 12, 2013

Gray Matters Invests Equity in Unitus Capital

Unitus Capital, an India-based affiliate of US-based NGO Unitus Labs, recently accepted an equity investment of undisclosed size from Gray Matters Capital, a US-based foundation. Between 2008 and 2013, Unitus Capital reports having raised USD 800 million for 40 clients in Asia indirectly impacting 32 million poor people while seeking to earn financial returns. Financial information on Gray Matters is not available. July 11, 2013

Absolute Loans \$9.5m in Eurasia, Latin America

Absolute Portfolio Management, an Austria-based firm that invests in microfinance and other sectors, recently informed MicroCapital that during June it issued a total of USD 9.5 million in unspecified portions to microfinance institutions in Colombia, Ecuador and six Eurasian countries through its two Vision Microfinance funds. The only beneficiary that was named was Ecuadorian NGO Fundacion Alternativa, which supports small-scale entrepreneurs with microcredit and technical assistance and reports USD 14 million in loans outstanding. July 11, 2013

Profits of Nepal's Microfinance Institutions Called “Massive”

Microfinance institutions in Nepal have been criticized recently as their profits have grown 21 percent in one year, while interest rates range up to 25 percent per year and the issuance of multiple loans to the same people has been reported. Bhaskar Mani Gyanwali, a spokesperson for the central Nepal Rastra Bank, reportedly stated that microcredit interest rates are “not sustainable” for borrowers or the lending institutions. July 11, 2013

Fairtrade Access Fund Loans \$1.8m to Coops in Latin America

The Fairtrade Access Fund, an affiliate of German NGO Fairtrade International that provides loans to farmers in developing countries, recently loaned USD 600,000 to Cooperativa Agrícola Cafetalera San Antonio Limitada, a cooperative of 700 Honduran coffee producers, to purchase coffee previously grown by its members; USD 500,000 to Union de Cooperativas de Servicios Múltiples, an association of 14,000 coffee-producer cooperatives in Nicaragua, to prepare for the 2013-2014 season; and the local-currency equivalent of USD 700,000 to Cooperativas de Servicios Múltiples Norandino to support its 7,000 Peruvian coffee-, cacao- and sugar-producer members. All of the producers have been certified as having met certain environmental, labor and development standards. July 9, 2013

EBRD Loans \$145m in Turkey for Rural Firms, Energy Projects

The multilateral European Bank for Reconstruction and Development (EBRD) recently loaned USD 80 million to Yapi Kredi, a Turkish commercial bank, for on-lending to small and medium-sized enterprises (SMEs) in Turkey to improve their energy efficiency and invest in renewable energy sources. Yapi Kredi reports assets equivalent to USD 67 billion. EBRD also loaned USD 65 million to Turk Ekonomi Bankasi (TEB), another Turkish commercial bank, for on-lending to micro-enterprises and SMEs in an effort to boost agribusiness. TEB, which is controlled by French bank BNP Paribas and Turkish construction group Colakoglu, reports assets of USD 20 billion. July 9, 2013

EBRD, EU Offer \$3m in Technical Aid to Small Firms in Egypt

The UK-based European Bank for Reconstruction and Development recently launched a Small Business Support facility with the equivalent of USD 3 million from the EU to fund local and international advisory services for 50 small and medium-sized enterprises in Egypt in areas including management, marketing and engineering. July 9, 2013

Creditinfo Group's Credit Reference Bureau Licensed in Tanzania

The Bank of Tanzania, the country's central banking authority, has granted an operating license to Creditinfo Tanzania, a subsidiary of Iceland's Creditinfo Group. The service will compile borrower data from bank and non-bank financial institutions, savings and credit schemes, microfinance companies and other firms. Creditinfo Group has operations in 15 countries in Europe and Africa. July 9, 2013

Uganda Considers 10% Tax on Mobile Money Fees

The Ugandan government is considering a 10-percent tax on the fees paid by the 8.9 million Ugandans using mobile wallets. The anticipated USD 12 million in annual tax revenues reportedly will be used to offset international aid reductions predicated on government corruption. David Holliday, the managing director of Uganda Telecom, reportedly cautioned that the mobile money industry “is still too young in Uganda to be taxed.” MTN (Mobile Telecommunications Network), a South African firm with 120 million subscribers in Africa and the Middle East, and Uganda Telecom, which has 2 million subscribers in Uganda, already have increased their rates in anticipation of the levy. July 9, 2013

IsDB, Punjab Plan \$196m Microfinance Program in Pakistan

The Islamic Development Bank (IsDB), a multilateral institution based in Saudi Arabia, recently announced that it will loan the equivalent of USD 146 million at an annual interest rate of 0.5 percent to the government of the Pakistani province of Punjab to provide interest-free loans to small enterprises in the province, which is home to 90 million people. The Punjabi government has budgeted USD 50 million for the facility, which is modeled on a program of Akhuwat, a Pakistan-based microlender that provides interest-free loans of up to USD 500. July 9, 2013

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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!

2013 CGAP Photo Contest Accepting Entries Through October 2

CGAP (Consultative Group to Assist the Poor), a US-based nonprofit research center that aims to improve the provision of financial access to poor people, has opened its annual photography contest. Until October 2, CGAP is accepting images that capture the impact of microfinance. Prizes range in value up to USD 2,000. Additional information is available at <http://cgaphotocontest.strutta.com/>. July 8. 2013

Etisalat, NBE, MasterCard to Launch Mobile Money in Egypt

The Egyptian subsidiary of Emirates Telecommunications Corporation (Etisalat), a United Arab Emirates-based telecommunications services provider, recently partnered with the government-owned National Bank of Egypt (NBE) and MasterCard, a US-based payment services firm, to launch a mobile commerce service known as “Flous,” which means “money” in Arabic. The first phase of the effort will allow mobile phone subscribers to transfer money to other Flous users and to load cash onto and withdraw cash from their Flous accounts at 100 Etisalat outlets and 405 NBE branches in Egypt. The second phase will allow subscribers to pay bills and make purchases by mobile phone. MasterCard, which has 1.2 billion payment cards in circulation worldwide, has initiated 30 similar efforts outside of Egypt. Etisalat operates in 15 countries in the Middle East, Africa and Asia. July 6. 2013

Sudan's Northern Darfur State to Boost Microfinance for Women

According to a statement attributed to Abu Daoud Suleiman, the Minister of Finance, Economy, and Civil Service of the Sudanese state of North Darfur, the state will seek to increase rural women's access to microloans because “women demonstrate commitment to repaying installations on time.” Neither the scope nor nature of the effort has been released. July 5. 2013

Standard Chartered Loans \$5m to Andara for MFIs in Indonesia

Standard Chartered Bank of the UK recently announced that it will loan the local-currency equivalent of USD 5.7 million to Bank Andara, an Indonesian institution that provides wholesale services to microfinance institutions (MFIs) and retail savings services to individuals. According to Bank Andara President David H L Yong, the loan “will be used mostly to improve the distribution of lending to MFIs” in Indonesia. Bank Andara, which is controlled by foreign NGOs and government-backed institutions, reports total assets of USD 125 million and 745,000 depositors. July 4. 2013

FINCA International Starts Operations in Pakistan

The Foundation for International Community Assistance (FINCA) International, a US-based microfinance network, recently announced that it will launch operations in Pakistan. FINCA International CEO Rupert Scofield said that, “by offering financial services to hundreds of thousands of Pakistanis in the coming years...we can help create an environment that is more conducive to peace in Pakistan, the region and the world.” FINCA International serves 1 million clients through subsidiaries in 22 countries. July 3. 2013

IFC Loans \$4m to FINCA Georgia for Micro-, Small Businesses

The International Finance Corporation (IFC), a member of the US-based World Bank Group, recently announced that it will loan USD 4 million to the Georgia-based subsidiary of the Foundation for International Community Assistance (FINCA) International, a US-based microfinance network, for on-lending to micro- and small businesses, with a focus on rural areas. Thomas Lubeck, the IFC Regional Manager for the South Caucasus, argued that the loan will “encourage other investors to enter this sector.” FINCA Georgia, which does not accept deposits, reports total assets of USD 60 million, a gross loan portfolio of USD 49 million, return on assets of 7.7 percent, return on equity of 35 percent and 42,000 borrowers. FINCA International serves 1 million clients through subsidiaries in 22 countries. July 1. 2013

MicroCapital Deal of the Month

BRAC, LOLC Buy 90% of Sri Lanka's Nanda with Eye on Downscaling

BRAC, an NGO that serves 11 countries and was formally known as the Bangladesh Rehabilitation Assistance Committee, has bought 57 percent of the shares of Nanda Investments and Finance Public Limited Company, a Sri Lankan firm offering deposits, loans and leasing services, for an undisclosed price. Lanka Orix Leasing Company (LOLC) Micro Investments, an affiliate of Orix, a Japanese conglomerate with the equivalent of USD 8 billion in annual revenue, also acquired a 33-percent stake in Nanda. BRAC and LOLC plan to downscale Nanda from providing traditional financial services to delivering microfinance services to poor people. Nanda reports the equivalent of USD 4 million in assets, and BRAC reports total assets of USD 790 million. LOLC, the member of Orix that owns LOLC Micro Investments, reports total assets of USD 446 million.

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Silatech, Partners to Support SMEs, Youth in Morocco

Silatech, a Qatar-based social enterprise that seeks to promote youth entrepreneurship and employment in Arab countries, recently announced seven new partnerships seeking to support small and medium-sized enterprises (SMEs) and youth in Morocco. The partners include the Petites et Moyennes Entreprises Croissance Fund, which seeks to provide USD 53 million in capital and support services to SMEs; Jaida, a private fund that provides refinancing to microfinance institutions; Afif, a development program of the Qatar-based Al Asmakh Charity Foundation; the Moroccan Ministry of Tourism; the US-based International Youth Foundation, a US-based charity aiming to improve the lives of young people worldwide; and the Agence Nationale de Promotion de l'Emploi et des Competences, the Moroccan national employment agency. For details on the programs, please refer to <http://microcapital.org>. July 1. 2013

EBRD May Loan \$85m to DeltaCredit of Russia for Home Loans

The UK-based European Bank for Reconstruction and Development is considering loaning up to the equivalent of USD 85 million in a mix of US dollars and Russian rubles to DeltaCredit Bank, a commercial bank in Russia that specializes in residential mortgages. Among other goals, the loan is intended to expand the Russian mortgage market into additional regions of the country. DeltaCredit reports total assets equivalent to USD 2.1 billion. June 27. 2013

Kanbawza to Offer Microinsurance in Myanmar

The government of Myanmar reportedly has granted the first five operating licenses to insurance companies under its new financial reform policy. Of these five, International Kanbawza Insurance, a subsidiary of Kanbawza Bank of Myanmar, is the first to have started operations. It is offering both standard insurance and microinsurance in the city of Yangon. International Kanbawza Insurance reports capital equivalent to USD 72 million. June 27. 2013

PROPARGO Loan to Societe Generale Ghana to Support SMEs

Societe de Promotion et de Participation pour la Cooperation Economique (PROPARGO), a French public-private development finance institution, reportedly has signed a seven-year, USD 10 million loan agreement with Societe Generale Ghana, a banking subsidiary of Groupe Societe Generale of France, for on-lending to businesses in Ghana. An unspecified portion of the funds is intended to support small and medium-sized enterprises. PROPARGO CEO Claude Periou reportedly stated that, “the credit facility would increase the availability of long-term financial resources in the country...” Groupe Societe Generale has operations in 85 countries and reports USD 1.7 trillion in total assets. June 28. 2013

Advans to Create Microfinance Institution Advans Tunisie

Advans, a microfinance investment vehicle managed by Horus Development Finance of France, plans this year to launch a microfinance institution (MFI) in Tunisia, Advans Tunisie, which will offer loans ranging from the equivalent of USD 610 to USD 1,220. Advans will hold the majority of the firm’s shares, and Advans Tunisie will have an unspecified operational partnership with private-sector bank Amen Bank, which will also hold an equity stake in the MFI. Other minority shareholders in Advans Tunisie include the Germany-backed Sanad Fund for MSME (Micro-, Small and Medium-sized Enterprise) and Tunisia-based social enterprise Inaam. The Swiss Capacity Building Facility also provided an unspecified amount of financial support. Advans holds stakes in microbanks in seven Asian and African countries. June 26. 2013

ResponsAbility Loans \$9.5m to MicroCred Nanchong of China

ResponsAbility Social Investments, a Swiss company with a focus on microfinance, recently notified MicroCapital that it disbursed a local-currency loan equivalent to USD 9.5 million to Chinese microlender MicroCred Nanchong, a member of the France-based MicroCred Group, to support the growth of the firm’s portfolio in the province of Sichuan. MicroCred Nanchong has total assets of USD 35 million, a gross loan portfolio of USD 32 million, return on assets of 7.3 percent, return on equity of 14 percent and 7,300 active borrowers. With total assets of USD 142 million, MicroCred Group also has operations in four African countries and is a member of PlaNet Finance Group, a French social enterprise. June 26. 2013

EBRD May Loan \$125m in Kazakhstan, Mongolia for MSMEs

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral institution, is reviewing a proposal to invest the equivalent of USD 100 million in the Kazakhstani subsidiary of Sberbank, which is owned by the government of Russia, to on-lend to micro-, small and medium-sized enterprises (MSMEs) in Kazakhstan. Sberbank reports total assets of USD 470 billion. EBRD is also reviewing a proposal to invest USD 25 million in Khan Bank of Mongolia to provide funding for MSMEs in that country. With total assets of USD 2 billion, Khan Bank classifies 51 to 60 percent of its operations as microfinance. During 2012, EBRD invested USD 11.4 billion in 34 countries. June 21 and June 25. 2013

IFC Loans \$18m to Ficensa of Honduras for SMEs

The International Finance Corporation (IFC), a member of the World Bank Group, recently announced that it will provide a USD 10 million senior loan and a USD 8 million trade-finance credit line to Banco Financiera Centroamericana (Ficensa), a Honduran financial institution, for on-lending to small and medium-sized businesses. IFC also plans to provide advisory services to improve the bank’s risk management. Ficensa reports total assets equivalent to USD 382 million. June 21. 2013

EBRD Loans \$106m to Banca Comerciala Romania for SMEs

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral institution, recently agreed to loan the equivalent of USD 106 million to Banca Comerciala Romania (BCR), a member of Austria-based financial service provider Erste Group Bank, to support small and medium-sized enterprises in Romania. BCR plans to disburse the money in a mix of euros and Romanian leu via “investment loans, revolving credit facilities, loans for working capital, financing for leasing, factoring and other appropriate financing instruments, with a special focus on the agriculture and agribusiness sectors.” The loan is part of a two-year, USD 40 billion facility funded by EBRD, the World Bank Group and the European Investment Bank Group that is intended to respond to the “impact of eurozone problems on the economies of emerging Europe.” BCR reports total assets of USD 23 billion. June 19. 2013

EBRD to Guarantee \$664m for Russia’s Vnesheconombank for MSMEs

The European Bank for Reconstruction and Development, a UK-based multilateral institution, is reviewing a proposal to guarantee loans equivalent to USD 664 million to be disbursed by Vnesheconombank, a development bank owned by the government of Russia, to micro-, small and medium-sized enterprises through partner banks. Center-Invest Bank and Nizhny Novgorod Banking Center, two Russian banks that serve small and medium-sized enterprises, are expected to be the first beneficiaries of the guarantee. June 18. 2013

Jamaican MFIs Blocked from Accessing Wholesale Funds

Members of the Jamaica Micro Financing Association (JaMFA), a committee of eight microfinance institutions (MFIs) that was formed in 2008, reportedly have had their access to wholesale funds from the state-owned Development Bank of Jamaica (DBJ) blocked due to delays by the Ministry of Finance in renewing their exemptions from the Money Lending Act. The Ministry of Finance reportedly has stated that MFIs do not need exemptions from the act, which is intended to protect borrowers by limiting lending rates. However, DBJ and other unspecified wholesalers have refused to loan to the microbanks without the certificates. The members of JaMFA report a combined loan portfolio equivalent to USD 61 million. June 17. 2013

EFSE Loans \$9m to Banja Luka, MF Banka of BiH for Rural MSEs

The European Fund for Southeast Europe, a government-backed investor in microfinance, has loaned the equivalent of USD 9.3 million to Mikrofin Banja Luka, a microlender based in Bosnia and Herzegovina, and its subsidiary, MF Banka, for on-lending to micro- and small enterprises in rural areas of the country. Mikrofin Banja Luka reports total assets of USD 127 million, a gross loan portfolio of USD 103 million, return on assets of 1.1 percent, return on equity of 4.2 percent and 37,000 active borrowers. June 17. 2013

EFSE, EBRD Loan \$4m to Mi-Bospo of BiH

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, recently notified MicroCapital that it has opened a credit line worth the euro-equivalent of USD 1.9 million for Mikrokreditna Fondacija Mi-Bospo, a microlender in Bosnia and Herzegovina that exclusively serves women. The UK-based European Bank for Reconstruction and Development will facilitate an additional loan of the same amount to Mi-Bospo. Both lenders also will provide Mi-Bospo with technical assistance relating to product development, marketing and operational efficiency. Mi-Bospo reports total assets of USD 21 million, a gross loan portfolio of USD 19 million, 14,700 active borrowers, return on assets of 1.3 percent and return on equity of 2.7 percent. June 17. 2013

EBRD Mulls \$100m Loan for National Bank of Egypt

The UK-based European Bank for Reconstruction and Development (EBRD) recently revealed the pending approval of loans totaling up to USD 100 million for the government-owned National Bank of Egypt (NBE). If approved by EBRD, half of the money would be available for on-lending to micro-, small and medium-sized enterprises on a basis described as “medium-term,” and half would be for trade-finance activities including guarantees and cash advances intended to promote economic development in Egypt and nearby countries. EBRD, which would provide technical assistance to support the loans, began operations in Egypt in September 2012. NBE reports total assets equivalent to USD 46 million. June 17. 2013

Sberbank Opens in BiH with \$13m from EFSE for Housing, MSEs

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, recently agreed to loan the euro-equivalent of USD 13.3 million to Sberbank BH, which was recently launched in Bosnia and Herzegovina by government-owned Sberbank of Russia. About one third of the funds are slated to launch a housing loan program, and the remainder are to be on-lent to micro- and small enterprises. Sberbank reports the ruble-equivalent of USD 470 billion in assets. June 14. 2013

Sanad Fund for MSME to Loan \$2m to Al Majmoua of Lebanon

The Sanad Fund for MSME (micro-, small and medium-sized enterprises), an investor in financial institutions in the Middle East and North Africa, recently agreed to issue a senior loan of USD 2 million to Al Majmoua, a nonprofit Lebanese microenterprise lender. Al Majmoua, which is also known as the Lebanese Association for Development, reports an outstanding loan portfolio of USD 33 million and 39,000 active borrowers. Sanad was founded in 2011 with funding from the German government and the EU. June 13. 2013

Caterpillar Donates \$19m to Opportunity for Africa, Asia, Brazil

Opportunity International, a US-based nonprofit that provides financial services to poor people in 24 countries, recently announced that the Caterpillar Foundation, the philanthropic arm of US-based equipment manufacturer Caterpillar, has committed to donate USD 19.2 million to Opportunity. A three-year, USD 10 million donation is intended to establish small-business lending, savings services and financial training in nine countries in sub-Saharan Africa. A three-year, USD 9.2 million donation is for developing new strategies to serve people in Indonesia and Brazil and expand existing initiatives in China, India and the Philippines. The commitments are intended to provide financial services to a total of 16.7 million poor people. Opportunity has a gross loan portfolio of USD 515 million. June 13. 2013

Microsavings for Home Improvement in Thailand

The Bank for Agriculture and Agricultural Co-operatives, which is owned by the Thai government, and Habitat for Humanity (HFH) Thailand, a branch of US-based NGO HFH International, have agreed to establish the “Microsavings Program for Home Improvement,” which is targeted at people living in flood-prone areas. The program will be funded by the Citi Foundation, the charitable arm of US-based financial services firm Citigroup. While few details have been released, a similar program launched by Citi and HFH in the Philippines in 2012 offers training sessions as well as unspecified incentives for saving money for efforts such as roof repair and cementing floors. June 12. 2013

MasterCard Offers Nigerian SMEs Internet Payment Option

US-based payment solutions company MasterCard reportedly has introduced a service called “SME Online” allowing small and medium-sized enterprises (SMEs) in Nigeria to accept payments via the internet from approximately 145 countries. The service includes tools to assist businesses owners in implementing their own websites. June 12. 2013

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UN's MicroLead Gives \$2.5m to Liberian Credit Unions

The World Council of Credit Unions, a US-based association of credit union trade groups operating in 54 countries, recently received a four-year, USD 2.45 million grant from the UN Capital Development Fund's MicroLead program that it will direct to its new member organization, the Liberia Credit Union National Association (LCUNA), a network of 300 credit unions serving 36,000 individuals. The money is intended to "establish new credit union savings products, build credit union capacity and strengthen LCUNA's ability to establish and maintain a network of safe and sound credit unions." Four LCUNA members will also be designated to serve as models for other credit unions across the country. MicroLead, which provides loans and grants to financial institutions in developing countries, has disbursed USD 22.5 million to 15 projects since its inception in 2009. June 12. 2013

Vodafone Brings M-Pesa Mobile Money to India, Mozambique

Vodafone Group Private Limited Corporation, a British multinational mobile network operator, has partnered with ICICI Bank, a commercial bank in India, to expand Vodafone's M-Pesa cash transfer service to India. Vodafone's South Africa-based Vodacom unit is bringing the same service to Mozambique. M-Pesa allows users to send and receive funds using mobile phones. Funds can be deposited to and withdrawn from M-Pesa accounts at 8,300 authorized outlets in the Indian states of Bihar, Jharkhand and West Bengal. The number of outlets in Mozambique has not been released. M-Pesa is also available in Afghanistan, the Democratic Republic of the Congo, Kenya, South Africa and Tanzania. Vodafone reports a customer base of 403 million people in 80 countries. June 10 and June 12. 2013

Gemalto, Prime, Dipon Offer Biometric Cards in Bangladesh

Gemalto, a Dutch digital-security company with operations in 43 countries, has developed a smart-card system for two Bangladeshi firms: Prime Bank Limited, a commercial bank, and Dipon Consultancy Services Limited, a member of Bangladesh-based conglomerate Dipon Group. The system will support the branchless banking service known as Prime Cash, which was established by the two Bangladeshi firms in 2012. The smart cards allow 200,000 customers - whether literate or illiterate - to utilize 944 Dipon Group-ePay Service Points to access Prime Cash services such as deposits, withdrawals, account establishment, loan repayments and sending and receiving remittances. Prime Bank reports the equivalent of USD 3 billion in assets. Dipon Group owns 10 companies in Bangladesh, India, Malaysia, Singapore and the United Arab Emirates. June 11. 2013

EBRD May Loan \$118m to Fibabanka, Sekerbank of Turkey

The European Bank for Reconstruction and Development (EBRD), a multilateral institution headquartered in London, has announced that it is considering loaning the equivalent of USD 78 million in three tranches to Sekerbank of Turkey for on-lending to micro-, small and medium-sized enterprises (MSMEs) in the agribusiness sector in an effort to mobilize funds to rural areas and women-owned businesses. Sekerbank also would receive technical assistance funded by the EU. EBRD may also issue subordinated debt equivalent to USD 40 million in two tranches to Fibabanka of Turkey for MSMEs. With 35 offices, Fibabanka is owned by Fiba Holding, a Turkish investment company with assets of USD 18 billion. Sekerbank reports total assets of USD 7.7 billion. June 5 and June 10. 2013



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EBRD May Make \$33m Equity Buy into EFSE

The European Bank for Reconstruction and Development, a UK-based development finance institution, is reviewing a proposal to invest the equivalent of USD 33 million in equity in the European Fund for Southeast Europe (EFSE), a Luxembourg-based investment company, to support its funding of banks that serve micro-, small and medium-sized enterprises in 16 countries in and around southeastern Europe. The effort would include increased focus on local-currency lending. EFSE has USD 1.1 billion in assets. June 10. 2013

RBI Raises Margin Cap to 12% for Larger MFIs

For non-banking financial companies and microfinance institutions (MFIs) of all sizes, the Reserve Bank of India (RBI), the country's central banking institution, recently set the margin cap, the difference between the amount charged to the borrower and the institution's cost of funds, at 12 percent at least until April 1, 2014. In 2012, RBI removed the overall interest rate cap of 26 percent and imposed a 10-percent margin cap on MFIs with a loan portfolio larger than the equivalent of USD 18 million and a 12-percent margin cap for smaller MFIs. Some MFIs reportedly are concerned about operational issues that may be caused by changing margins mid-year. June 10. 2013

IFC Loans \$70m to Sberbank for SMEs in Kazakhstan

The International Finance Corporation, a member of the World Bank Group, recently announced that it would loan the local-currency equivalent of USD 70 million to the Kazakhstani subsidiary of government-owned Sberbank of Russia, in an effort to increase financial access for small and medium-sized enterprises in Kazakhstan. Sberbank reports total assets equivalent to USD 470 billion from operations in Belarus, Kazakhstan, Russia, Turkey and Ukraine. June 9. 2013

Itau Borrows \$470m for SMEs Owned by Brazilian Women

The International Finance Corporation (IFC), a member of the US-based World Bank Group, recently announced it will disburse a local-currency loan equivalent to USD 470 million to Itau Unibanco, a Brazilian bank, in an effort to increase financial access for women-owned enterprises in Brazil. The transaction, which is being channeled through IFC's Banking on Women Program, includes a USD 100 million loan from IFC and USD 370 million syndicated loan from Bank of America, Bank of Tokyo Mitsubishi, the National Bank of Abu Dhabi and the Development Bank of Japan. IFC also plans to advise Itau on developing products for women-owned small and medium-sized enterprises. Itau reports total assets equivalent to USD 514 billion. June 7. 2013

Small-business Center Launched in Honduras

The University of Texas at San Antonio (UTSA) International Trade Center, a US-based trade-assistance organization; El Centro para la Promocion de la Micro y Pequena Empresa en Centroamerica (CENPROMYPE), a Central American institution focused on small-business development; and the US Department of State Pathways for Prosperity Initiative, a policy dialogue effort linking 12 Western Hemisphere countries, has launched a Small Business Development Center (SBDC) in the city of Choluteca, Honduras. The center will seek to assist entrepreneurs in growing their businesses by offering services such as marketing, production, business strategy, financial planning and professional networking. As of 2013, 16 SBDCs affiliated with UTSA are in operation in Costa Rica, the Dominican Republic, Guatemala, Honduras and Panama. Nine more centers are planned for the region, including the one in Honduras. CENPROMYPE, which was launched in 2001, is supported by the US State Department's Pathways for Prosperity Initiative. June 5. 2013



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FIELD NOTES

Lending to Small Businesses? Are You Sure?

I have spent the last few weeks interviewing the leaders of some prominent microfinance institutions (MFIs) - primarily in Latin America - and have learned that many have been quite aggressively “upscaling” into serving small businesses, and even some medium-sized enterprises. Some readers may ask: Where are the lines between micro-, small and medium-sized enterprises? If I tried to answer this, I could take up all the space for this column. For example, the World Bank defines “small businesses” as those with 10 to 49 employees, with USD 100,000 to USD 3,000,000 in assets and annual sales, or needing loans of USD 10,000 to USD 100,000. But definitions are tricky: in practice, we find many small businesses with fewer than 10 employees borrowing much more than USD 100,000, for example. Thus many MFIs and some regulators stick to a definition bound only by loan size. This is easy, but it limits our ability to learn more about these small businesses.

To better understand the needs of small businesses, we must understand their internal motivations and dynamics. Within the universe of small business, we find that there are differences in the levels of dynamism and growth that can dictate how to best support each business’s growth and development. One study I am working on focuses on understanding MFIs upscaling in fast-growing countries, such as Bolivia, Colombia and Peru. When I interview the leaders of MFIs working in the small-business space in these countries, many explain that they moved into the space organically: They did not identify a new segment niche to move into, but were motivated primarily by the needs of their growing “micro” clients, and then increased loan sizes and modified loan methodologies to serve them better. Peru’s per capita gross domestic product (GDP) has nearly doubled since 2003. The GDPs of Bolivia and Colombia have grown about 55 percent. Perhaps not coincidentally, these represent some of the region’s leading markets for microfinance,

characterized by well-developed practices, tough competition and bountiful access to liquidity.

In countries where growth has stalled, small businesses look different. There are many “necessity-based” businesses, with owners apparently struggling to make ends meet rather than riding a wave of increasing prosperity. For example in the US, where my firm, EA Consultants, is currently working on a study of small-business needs, we find that high-school dropouts had the highest rates of business creation in 2011. Additionally, immigrants were twice as likely as native-born Americans to start businesses. Also, the construction industry, which had been hardest hit by the recession, had the highest rate of entrepreneurial activity among all sectors in 2011.

So while Europe and the US are talking about small business as a means to “grow” out of recession, more dynamic markets in South America and some other developing markets have barely felt the hit from the recession, and small business seems to have been a *reaction* to a boom. Understanding these characteristics of small businesses and having clearer definitions of them will be a first step in better understanding their needs as well as the risks and opportunities that MFIs face when adapting to serve them.

Next month, I will be addressing this issue from the perspective of MFIs scaling-up into both small and medium-sized enterprise lending. This story is just as diverse - and the business case just as difficult to define.

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](#).





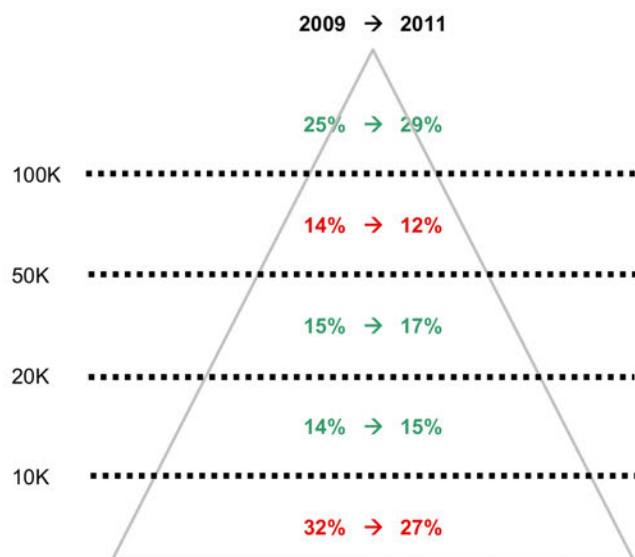
MICROCAPITAL MARKET INDICATORS | SOUTH ASIA

190 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
Bandhan	India	200,409,136	50	332,464,204	733,282,475
Shri Kshetra Dharmasthala Rural Development Project	India	92,626,467	54	136,728,666	321,981,599
ASA	Bangladesh	61,739,433	13	456,298,852	579,777,717
Grameen Bank	Bangladesh	51,648,043	6	817,389,833	920,685,919
Ujjivan	India	27,915,906	34	82,447,140	138,278,951
S E Investments Limited	India	27,574,900	26	117,983,989	173,133,789
Janalakshmi Financial Services	India	27,019,992	121	14,909,024	68,949,007
Sanasa Development Bank Limited	Sri Lanka	24,737,611	24	93,209,522	142,684,743
Share Microfin Limited	India	19,116,943	6	376,593,362	414,827,248
Tameer Micro Finance Bank	Pakistan	19,062,389	77	18,244,562	56,369,339

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

Source: MIX, July 2013

UPCOMING EVENTS

World Credit Union Conference

July 14 - July 17, 2013, Ottawa, Ontario, Canada

This event will cover technology, international development, governance, regulation, branding and combating fraud. The fee to attend ranges from CAD 1,195 to CAD 1,795, with various discounts available. More details may be requested from Allison McCarty via [amccarty\[at\]woccu.org](mailto:amccarty[at]woccu.org) or +1-608-395-2095 or by visiting <http://www.ottawa2013.org/>.

6th African Microfinance Conference

August 13 - August 15, 2013, Durban, South Africa

This conference will address agricultural finance, housing finance and financial regulation. The cost to register is ZAR 7,750. You may seek more information via +27 11 462 4014, [amc6\[at\]corecompetency.co.za](mailto:amc6[at]corecompetency.co.za) or <http://corecompetency.co.za/amc2013/index.html>.

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>.

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

CTN Africa: Improving Rural Livelihoods and Food Security

October 14 - October 16, 2013, Kigali, Rwanda

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



EA Consultants is a consulting firm dedicated to supporting initiatives that facilitate access to finance, markets and social protection for low income segments of the world's population.

We combine research and practice to ensure that our work is informed by an analysis and understanding of markets and client needs. Our goal is to drive new ways of thinking and new practice that can be transformative to benefit all segments of society.

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PAPER WRAP-UPS

Audiovisual Mass Media Campaigns for Insurance Education: Stages and Lessons

By Sarah Bel and Mariana Pinzon Caicedo, published by the Microinsurance Innovation Facility and the International Labour Organization, 2013, 55 pages, available at: <http://www.ilo.org/public/english/employment/mifacility/download/mpaper21.pdf>

This paper presents an analysis of the potential role of mass media campaigns in allowing microinsurance sellers to provide cost-efficient programs offering information about insurance products and services to low-income households. Traditionally, efforts to provide such “financial education” have centered on face-to-face meetings and group workshops; however, the authors argue that mass media campaigns can be effective in supplementing these methods. The growth of the micro-insurance industry and the diversification of risk carriers have created a need for financial education programs to expand in scale and scope in order to reach a growing audience in a more cost-effective manner. The authors argue that mass media platforms, such as comic books and radio and video programs, can help meet this need.

In order to implement mass media campaigns, the authors suggest that microinsurance providers follow five steps: campaign planning, design, management, monitoring and evaluation. Planning involves establishing campaign goals, understanding the target audience, selecting media channels, determining and allocating necessary resources, and assessing risks. Designing mass media campaigns involves creating content, format and style; helping the audience identify with the campaign topic; creating an element of interactivity; and piloting the content and format of the campaign. Effective designs generally cater to the target audience and seek to personalize the material presented. Managing the campaign entails disseminating the program and connecting the campaign to the sales process. This requires that the campaign present audiences with a clear connection between its content and the products about which the campaign is intended to educate. Monitoring and evaluating the campaign involve selecting appropriate methodologies, analyzing the campaign effectiveness and outreach, and evaluating the campaign’s cost-effectiveness.

The authors conclude that mass media campaigns “have the potential to enable organizations to reach wide audiences in a cost-effective manner;” however, these campaigns “should not be viewed as replacements for classroom-based training, but rather as a supplement to expand the outreach of existing programs.”

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Final Impact Evaluation of the “Saving for Change” Program in Mali, 2009-2012

By the Bureau of Applied Research in Anthropology at the University of Arizona and Innovations for Poverty Action, published by Oxfam America and Freedom from Hunger, April 2013, 216 pages, available at: <https://www.freedomfromhunger.org/sites/default/files/SavingforChangeMaliResearchFullReportMay2013.pdf>

This study evaluated the impacts of Saving for Change (SfC), a savings-group (SG) program that was created in 2005 by Freedom from Hunger, Oxfam America and the Stromme Foundation. SGs are community-based savings programs that allow members to deposit small amounts of money on a predetermined payment schedule and to earn money by making loans from the shared pool of funds. At the end of a savings cycle (often one year), members receive their initial contribution, plus their share of the profits.

Economists from the US-based nonprofit Innovations for Poverty Action (IPA) took a quantitative approach, conducting a randomized controlled trial in 500 villages in Mali. Surveys measuring socioeconomic status were administered in 2009, prior to SfC being introduced, and again in 2012 after the program had been implemented in selected villages comprising 6,000 households.

The qualitative side of this research was undertaken by the US-based Bureau of Applied Research in Anthropology (BARA) at the University of Arizona, which conducted an anthropological study using tools such as interviews and focus groups. BARA conducted its investigations in 19 villages in Mali that were intentionally chosen to reflect diversity in ethnicity, location, accessibility, livelihood activities and the involvement of Malian NGOs in SfC. The villages in this part of the study were, on average, 23 kilometers from the nearest paved road. Seventy percent had a primary school; while 20 percent had a health center. The average size of the study villages was 1,000 inhabitants. The majority of households in SfC villages earn less than USD 1.25 per day per person.

The results indicate that - compared with those in control villages - women in SfC villages saved 31 percent more and took out twice as many loans. From an anthropological perspective, this finding is significant because it can be considered shameful to borrow money from friends and family in Malian culture.

According to BARA data, women who initially join SfC tend to be more socially connected, more financially active and older than women who do not join. Women who joined SfC six months after the program was implemented in their village were characterized as less socially engaged than those who became members initially. More women joined an SG in villages where formalized agent training took place (40 percent of women compared with 32 percent). BARA’s data indicate that village agents without formal training were perceived, particularly by risk-adverse women, to be less knowledgeable. Households in villages where agents were formally trained held an average of USD 61 more in livestock at the end of the study period and had a 45-percent chance of being food insecure compared with a rate of 50 percent in informally trained villages. As a volunteer agent can be trained for USD 40, the authors suggest that structured training be formally integrated into SfC.

Household livestock holdings were found to be worth an average of USD 120 more in SfC villages than in control villages. In Malian culture, livestock is considered a form of risk mitigation, as it can be sold in times of need.

The data indicate that women’s involvement in SfC is generally well-received by men. With regards to female empowerment, BARA found that SfC resulted in a perceived increase in solidarity and expanded social networks among women.

Even though measurable data indicate minimal to moderate results in the participating villages, the authors conclude that SfC is beneficial because it targets those at the very edge of society, women with limited literacy skills who live in remote areas where accessibility to even basic financial services is extremely restricted. ■