

## MICROCAPITAL BRIEFS | TOP STORIES

### Lok Sextuples Investment in Partial Exit from India's RuralShores

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

### Myanmar Allocates \$52m for Agricultural Microfinance

The Myanmar Ministry of Cooperatives reportedly has budgeted the equivalent of USD 51.8 million to support the country's agricultural sector with microloans with monthly interest rates of 1.5 percent. The funds are being sourced from a loan of USD 697 million that Myanmar received from the government of China in 2013. May 30. 2014

### Lok, Creation Invest \$13m in India's Equitas

Lok Capital, a Mauritius-based investment vehicle, and US-based Creation Investments Capital Management reportedly have invested the rupee-equivalent of USD 8 million and USD 5.6 million, respectively, in India's Equitas Holdings, bringing the total equity of the microlender to USD 82 million. Equitas reports total assets of USD 443 million and earned after-tax profits of USD 12.7 million during the quarter ending March 2014. Lok Capital I and II, which place equity and equity-linked investments in social enterprises in India, closed in 2006 and 2012, respectively, with investments totaling USD 87 million. Creation manages Social Ventures Funds I and II, which closed in 2010 and 2013, respectively, with combined assets of USD 97 million. May 28. 2014

### Green for Growth Loans \$5m to Partner of BiH for Energy Projects

Partner Microcredit Foundation, a nonprofit microlender in Bosnia and Herzegovina, recently borrowed the euro-equivalent of USD 5.5 million in the form of a senior loan from Green for Growth Fund, Southeast Europe, a Luxembourg-based investor in renewable energy and energy efficiency. The funds are to be on-lent by Partner to rural families for energy efficiency measures, such as improved insulation and upgraded heating systems. Partner, which was founded by US-based NGO Mercy Corps, reports USD 74 million in assets, a gross loan portfolio of USD 61 million, 36,000 active borrowers, return on equity of 4.6 percent and return on assets of 1.8 percent. May 21. 2014

### Philippines to Issue \$46m in Microloans to Boost Recovery from Typhoon

The government of the Philippines is establishing a fund worth USD 46 million to lend to 415,000 microentrepreneurs to facilitate their recovery from typhoon Haiyan (Yolanda), which hit the country in 2013. The loans will be distributed by microfinance institutions, which will access the funds via the government's Land Bank of the Philippines. May 15. 2014

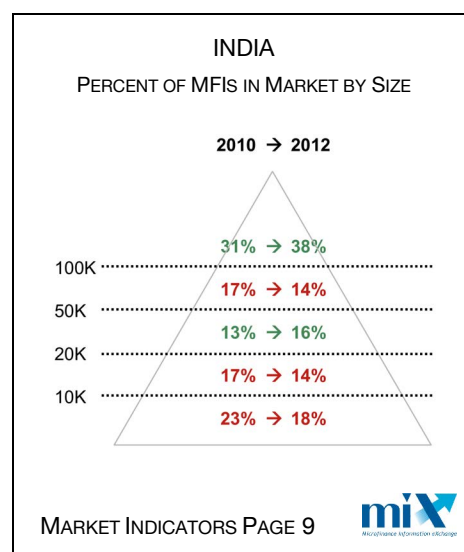
### Zimbabweans Warned of Illegal Deposit-taking by MFIs

The executive director of the 68-member Zimbabwe Association of Microfinance Institutions, Godfrey Chitambo, reportedly has cautioned the Zimbabwean public regarding microfinance institutions (MFIs) that are taking deposits illegally. None of the 147 MFIs registered by the Reserve Bank of Zimbabwe are licensed to accept deposits. May 13. 2014

### Depositors of 5 Troubled MFIs in Fiji to Be Reimbursed

The Trade and Investment Ministry of Fiji has announced that it has identified approximately 1,000 people who lost savings they had deposited with five microfinance institutions (MFIs) and has started reimbursement of their claims. In February, a total of USD 712,000 belonging to an estimated 9,200 rural residents was discovered missing from the unidentified MFIs. This has prompted a review of laws regulating the microfinance sector and an audit of all MFIs in the country. May 8. 2014

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## MICROCAPITAL BRIEFS

### Absolute's Vision Funds Loan \$5m in Eurasia, El Salvador

During May, the two Vision Microfinance funds managed by Absolute Portfolio Management, which is a member of Austrian fund management group C-Quadrat, issued credits totaling the approximate equivalent of USD 5 million to microfinance institutions (MFIs) in Azerbaijan, El Salvador and Tajikistan. While the investees have not been named publicly, the MFI in Azerbaijan borrowed USD 1 million to support its efforts to bring financial services including insurance and savings to rural areas. The Vision funds hold assets totaling approximately USD 310 million. June 6. 2014

### CBA, Vodacom Tanzania Launch Mobile Money Service "M-Pawa"

The Commercial Bank of Africa (CBA), which operates in Kenya, Tanzania and Uganda, and Vodacom Tanzania, a subsidiary of UK-based telecommunications company Vodafone Group, recently announced the launch of M-Pawa, a mobile banking service that enables customers to use mobile phones to borrow money and save amounts as small as TZS 1 (USD 0.0006) with no fees or minimum balances. The product is built on M-Pesa, a mobile money service developed by Vodaphone that is used by 27 million people in four African countries and India. CBA reported total assets equivalent to USD 880 million as of 2010. As of 2013, Vodafone served 400 million people in 80 countries. June 5. 2014

### Dahabshiil to Launch E-Dahab Mobile Money in Somaliland

Dahabshiil, a money transfer firm based in the Somali region of Somaliland that has operations or agents in 150 countries, reportedly is introducing a mobile money platform called E-Dahab, which will permit customers to upload funds to mobile devices and use the credit to pay for purchases and send money to individuals in other countries. Dahabshiil employs 5,000 people and has international offices in London and Dubai. Telesom, a mobile service provider in Somaliland that has offered the Zaad mobile money service since 2009, recently moved to expand its international remittance offerings by striking deals with money transfer companies WorldRemit, which is based in the UK, and Tawakal, which is based in the United Arab Emirates. June 5. 2014

### Confecamaras, Colombia, IFC Facilitate Use of Movable Collateral

The Superintendence of Corporations of Colombia; Confecamaras, the Colombian Federation of Chambers of Commerce; and the International Financial Corporation, the private-investment arm of the World Bank Group, have partnered to launch a framework intended to facilitate borrowing by micro-, small and medium-sized enterprises in the country by tracking movable assets for use as loan collateral. It has been reported that 104 financial institutions have registered with the network, disbursing the equivalent of USD 5 billion in loans since the framework debuted in March 2014. June 5. 2014

### EBRD May Loan DemirBank \$55m for MSMEs in Azerbaijan

The London-based European Bank for Reconstruction and Development (EBRD) is considering syndicating an A/B loan of USD 50 million to provide capital to Azerbaijan-based, "socially oriented" DemirBank to increase its lending to micro-, small and medium-sized enterprises in the country. If EBRD's board approves the transaction, the institution would direct USD 13 million to the "A" portion of the loan, while the "B" portion of the loan would be funded by third parties. EBRD may also loan USD 5 million to DemirBank to fund business and residential energy efficiency investments. This would be supplemented with technical cooperation and end-borrower incentives funded by the government of Austria and the Neighborhood Investment Facility of the EU. DemirBank reports total assets of USD 484 million, a gross loan portfolio of USD 361 million and 67,100 borrowers. June 4. 2014

### CIDR, IFC to Expand Health Microinsurance in Senegal

The World Bank Group's International Finance Corporation and the Centre International de Développement et de Recherche, a French NGO, recently agreed to deliver health microinsurance to 108,000 people over three years through Pool Micro Assurance Santé, a health services provider in Senegal. Additional details, such as which health services will be covered, are not available. June 4. 2014

### Kazakhstan Moves to Tighten Financial Oversight

The Senate and Parliament of Kazakhstan reportedly have approved a law to expand government oversight of financial services and prohibit the use of anonymous bank accounts. According to a statement attributed to Bakhyt Sultanov, the Deputy Prime Minister of Kazakhstan, "To comply with the international standards, Kazakhstan needs to embrace a system of financial monitoring of all entities and persons providing financial services." If approved by the President, the law would require bank and microfinance institution staff to undergo training to identify efforts to launder money or engage in terrorist financing and to verify customers' identities before serving them. June 3. 2014

### CAU of Zimbabwe Offers Tracking Software for Mobile Money

Cash Application Universal, a technology firm in Zimbabwe, reportedly has released Capu, a "Windows-based mobile money management software" product that allows corporate and individual users to track and manage mobile money transactions. June 2. 2014

### Dominican Republic's FONDESA Borrows \$4.8m from IFC

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has disbursed a three-year, local-currency loan equivalent to USD 4.8 million to Fondo Para el Desarrollo (FONDESA), a nonprofit microfinance institution in the Dominican Republic. The wholesale loan is expected to enable 15,000 retail microloans, primarily in rural areas. FONDESA reports total assets of USD 50 million, a gross loan portfolio of USD 39 million and 49,000 active borrowers. June 1. 2014

### Orange Offers \$80k via African Social Venture, Partner Awards

French telecommunications firm Orange is accepting applications for its 2014 Partner Award and African Social Venture Prizes through September 19 via <http://www.starafrika.com>. The four awards, which aim to honor services that promote "health, agriculture, education, energy, industry and trade" in Africa, include prize money ranging from the equivalent of USD 13,500 to USD 34,000 in addition to six months of business and technology consulting services. May 31. 2014

### Mikrofin Banja Luka of BiH Borrows \$4m from EFSE

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, has disbursed a senior loan equivalent to USD 4.1 million to microfinance institution Mikrofin Banja Luka of Bosnia and Herzegovina to expand loan services to 2,000 micro- and small enterprises in the country. Established in 1997, Mikrofin reports total assets of USD 126 million, a gross loan portfolio of USD 96 million, 64 branches and 44,700 customers. May 30. 2014

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### Nettcash of Zimbabwe Launches Mobile Money Service

Nettcash Zimbabwe, which is owned by Nigeria's Coporeti Services, reportedly has started a service in Zimbabwe that allows customers to send and receive funds to and from users of multiple mobile network providers through the internet, a voice-based telephone system and short message service (also known as text messaging). The company also plans to expand its service offerings to include international remittance services. Financial data on the firms are not available. May 30. 2014

### Mambu Sells Software in Africa, China

Mambu, a German firm offering cloud-based banking software, has struck deals to provide banking software for the following institutions: Mão Solidária Microfinança, a microfinance institution in Angola; One Credit, a consumer finance company in Nigeria; Opportunity China, an arm of US-based microfinance NGO Opportunity International; and financial services provider Premier Kenya. Established in 2009, Mambu serves 100 financial institutions in 30 countries through offices in England, Romania and Switzerland. May 16 and May 29. 2014

### EBRD Considers \$27m Balkan "Women in Business" Program

The European Bank for Reconstruction and Development, a multilateral funder, is considering committing the equivalent of USD 27 million to start a "Western Balkans Women in Business Financing Program" in Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia. Partially funded by the governments of Sweden and Luxembourg, the four-year program would include loans disbursed by local lending and leasing institutions as well as business support and advisory services for micro-, small and medium-sized enterprises managed by women. May 28. 2014

### Amret Borrows \$10m from KfW for MSMEs in Cambodia

Cambodia's Amret Microfinance reportedly has borrowed USD 10 million from German development bank Kreditanstalt für Wiederaufbau (KfW) to boost its lending to small businesses in the country. Amret reports total assets of USD 251 million, return on assets of 4.9 percent and return on equity of 27 percent. The institution has a gross loan portfolio of USD 203 million outstanding to 286,000 borrowers and USD 94 million in deposits in 130,000 active accounts. KfW reports total assets of USD 651 billion. May 28. 2014

### Uruguay Mandates E-payments, Cuts Taxes, Caps Interest Rates

The Uruguayan Parliament reportedly has approved a law mandating that salaried workers and retired people start receiving their wages and benefits through bank accounts or electronic money services within four years. The action also cuts taxes by 4 and 2 percentage points on purchases made with credit and debit cards, respectively, with a further reduction of 1 percentage point on these taxes for the first year. In addition, banks and cooperatives now must allow salaried workers to repay loans directly from their pay with a cost of around 39 percent per year, down from a prior cap of 92 percent. The payments on these loans cannot exceed 20 percent of a worker's salary. May 27. 2014

### Vodafone, ICICI of India Send Gov't Health Subsidies via M-Pesa

Vodafone Group, a British mobile network operator, and India's ICICI Bank reportedly have launched a pilot service in the city of Ranchi, India, to use Vodafone's M-Pesa mobile money system to deliver subsidies to individuals for Janani Suraksha Yojna, a government scheme to boost maternal delivery and post-delivery care. May 27. 2014

### Cable and Wireless Panama Unveils "Movilcash" Mobile Money

Cable and Wireless (CW) Panama, a subsidiary of London-based CW Communications, reportedly has launched "Movilcash" to allow users to transfer money and make purchases from mobile devices without bank accounts. CW Communications has revenue of USD 1.9 billion and 3.4 million customers in the Caribbean, Eurasia and Panama. May 26. 2014

## MicroCapital Deal of the Month

### Lok Sextuples Investment in India's RuralShores

Lok Capital, a Mauritius-based venture fund focused on social businesses in India, reportedly has sold part of its equity stake in RuralShores Business Services, an Indian company offering business process outsourcing to clients in the finance and technology sectors. The Lok Capital Fund I acquired the holding, which is of undisclosed size, for an undisclosed price in 2009. Following the sale, Lok retains an undisclosed share of RuralShores owing to a follow-on equity investment of USD 3 million made in 2011 through Lok Capital Fund II. While the identity of the buyer was not disclosed, "The exit is highly profitable... generating six times the initial investment (in rupee terms)," according to a statement attributed to an unidentified Lok representative. RuralShores operates 17 branches and employs 2,500 employees, primarily rural youth. Through its two funds, Lok manages assets valued at USD 87 million.

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### WorldRemit to Enable Payouts to MTN MobileMoney in Uganda

WorldRemit, a UK-based online money transfer service, recently expanded its services in Uganda to enable remittances to be delivered through mobile phones via Mobile Telecommunication Network's (MTN's) MobileMoney service. Prior to this expansion, WorldRemit only allowed Ugandans to accept transfers via in-person cash pickup, bank deposits or airtime top-up. South Africa's MTN reports 120 million subscribers in 21 countries in Africa and the Middle East. MTN Uganda serves 6 million customers through 20,000 MobileMoney agents. WorldRemit facilitates 1.3 million money transfers per year from 35 sending countries to 100 receiving countries. May 26. 2014

### 3 Indian Microlenders Get Reprieve on Capital Requirements

The Reserve Bank of India has given two-year extensions to the three microlenders as they work to attain the equivalent of USD 850,000 in net owned funds and capital-to-risk asset ratios of at least 15 percent: Spandana Sphoorty Innovative Financial Services, which provides microcredit and "credit-plus" services; and Share Microfin Limited and Asmitha Microfin Limited, both of which loan primarily to women and reportedly plan to merge. Since 2011, Spandana cut its debt from USD 717 million to USD 299 million. Share and Asmitha paid off wholesale loans totaling around USD 68 million during the same time period, leaving USD 444 million owed. Spandana, Share and Asmitha report total assets of USD 359 million, USD 300 million and USD 165 million, respectively. May 26. 2014

### MIX Offers Financial Inclusion Data Analysis via "FINclusion Lab"

The Microfinance Information Exchange, a US-based nonprofit, recently announced the launch of FINclusion Lab, an online platform offering visual interpretation of data pertaining to financial services in Africa, Asia and Latin America. Currently in its "beta" testing stage, the service draws on data collected since 2012 and can be accessed at <http://finclusionlab.com/>. May 25. 2014

**Acumen, AH Lundin Invest \$1.5m in Info Service Esoko of Ghana**

The US-based nonprofit Acumen Fund and Liechtenstein's Adolf H Lundin Charitable Foundation have invested an aggregate sum of USD 1.5 million in equity and debt in Esoko Networks of Ghana, which connects African farmers with markets and development organizations via mobile phones, with the aim of helping Esoko expand into East Africa. According to a statement attributed to Godfrey Mwindaa, West Africa Director at Acumen, Esoko closes "...the information asymmetry gap between commercial, well-endowed farmers and the rural, one-acre farmer." May 25, 2014

**Partner Microcredit of BiH Borrows \$4m from EFSE**

Bosnia and Herzegovina's Partner Microcredit Foundation (PMCF) recently borrowed the euro-equivalent of USD 4.1 million as a senior loan from the European Fund for Southeast Europe (EFSE), a Luxembourg-based investor in social enterprises, to finance 5,000 loans to micro- and small enterprises. Monica Beck, the Board Chair of EFSE, said that, "its strong presence in the rural areas of Bosnia and Herzegovina especially makes PMCF an ideal partner for the EFSE...." PMCF, which was founded by US-based Mercy Corps, reports a loan portfolio of USD 61 million, 36,000 borrowers, return on equity of 4.6 percent and return on assets of 1.8 percent. May 25, 2014

**MF Banka Banja Luka of BiH Borrows \$7m from EFSE**

The European Fund for Southeast Europe (EFSE) of Luxembourg has disbursed a senior loan equivalent to USD 6.8 million to MF Banka Banja Luka, which is majority-held by Mikrofin, a microfinance institution in Bosnia and Herzegovina. MF Banka Banja Luka intends to use the funds to expand its "long-term" lending to micro- and small enterprises. Established in 1997, Mikrofin reports assets equivalent to USD 126 million, a loan portfolio of USD 96 million, 64 branches and 44,700 customers. While Mikrofin does not offer deposit accounts, MF Banka Banja Luka does hold an undisclosed amount of deposits. May 23, 2014

**Bandhan of India Reduces Annual Lending Rate to 22.4%**

Bandhan Financial Services, a lender to Indian women, reportedly has reduced its annual lending rate by 50 basis points to 22.4 percent. The MFI recently began receiving bank loans at 12.1 percent, down from the 12.6-percent rate it was paying in 2013, and the Reserve Bank of India requires lenders to offer lower lending rates when their financing costs decline. As was reported in the May issue of this newspaper, Bandhan recently received "in-principle" approval to raise funds by accepting deposits, which is expected to lead to Bandhan lowering its interest rates even further in the future. Bandhan reports total assets of USD 860 million and 5 million active borrowers. May 20, 2014

**Airtel, Ghana Post to Expand "Airtel Money" to 350 Post Offices**

Airtel Ghana, a subsidiary of Indian telecommunications company Bharti Airtel, and Ghana Post, the country's postal service provider, reportedly will expand the availability of the Airtel Money service to all 350 Ghana Post outlets nationwide, an increase from the current 150 branches served. The outlets will handle cash for customers that transfer funds by short message service (text messaging) to or from other individuals and companies with or without bank accounts. Bharti Airtel has 287 million users in 20 countries in Africa and Asia. May 20, 2014

**India Allows Children to Save Money, Use Debit Cards at Age 10**

The Reserve Bank of India reportedly is reducing the minimum age for using a range of banking services from 12 years to 10. The move allows - but does not require - financial institutions to offer children savings accounts and debit cards as well as access to internet banking and automatic teller machines. Permission from a guardian is not required. Soumya Kanti Ghosh, chief economic advisor at the government-owned State Bank of India, reportedly stated that "This is a positive step and is directed towards enabling more people to have bank accounts, with an objective of financial inclusion.... This will help banks get more accounts into their fold." May 19, 2014



## 5<sup>TH</sup> EUROPEAN MICROFINANCE AWARD

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### Skoll Awards Fundación Capital of Colombia, 6 Others \$1.2m Each

The US-based Skoll Foundation, which supports enterprises that serve poor people in developing countries, recently presented awards of USD 1.25 million each to seven organizations, including Fundación Capital of Colombia for its work in inclusive finance. The other winners are listed at <http://microcapital.org>. May 19. 2014

### EBRD May Syndicate \$25m for Minsk Transit Bank of Belarus

The UK-based European Bank for Reconstruction and Development (EBRD) is considering investing in Minsk Transit Bank of Belarus to support its lending to micro-, small and medium-sized enterprises (MSMEs). If the deal is finalized, EBRD would provide USD 5 million as part of a syndicated loan, with other financial institutions providing an additional USD 15 million. Separately, EBRD is considering a local-currency loan equivalent to USD 5 million for Minsk Transit to increase its working capital and on-lend to MSMEs. Minsk Transit reported total assets of USD 212 million as of 2011. In 2013, EBRD invested the euro-equivalent of USD 11 billion in 392 projects across 34 countries. May 18. 2014

### State Bank of India Taps Reliance as Business Correspondent

The government-owned State Bank of India (SBI) reportedly has finalized an agreement with Mumbai-based Reliance Money Infrastructure Limited, a service provider to banks, under which Reliance will function as a business correspondent on behalf of SBI identifying potential borrowers; collecting, processing and submitting loan applications; and monitoring credits and credit recovery processes. Furthermore, Reliance will engage with SBI clients to collect small-scale deposits; sell microinsurance, mutual fund and pension products; and receive and deliver small-scale remittances. The definition of "small" for these purposes has not been disclosed. Reliance is a member of India's Reliance Group, a conglomerate with 100 million customers on five continents. May 15. 2014

### Advans Pakistan, MicroEnsure, EFU Life to Insure Loan Payments

Advans Pakistan Microfinance Bank, a member of the Advans SA group that offers financial services to micro-, small and medium-sized enterprises in Pakistan, has joined with the Pakistani subsidiary of UK-based MicroEnsure and Pakistan's Eastern Federal Union Life to provide its borrowers with "Enhanced Credit Cover." This insurance covers loan payments for borrowers in the event of the borrower's hospitalization, disability, death or spouse's death during the repayment period. It is unclear whether the coverage is voluntary or a condition of borrowing. Advans Pakistan is 70-percent held by Advans SA, which is managed by Horus Development Finance of France, and 30-percent held by Dutch public-private partnership Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden. With combined assets equivalent to USD 45 million, the units of Advans SA serve 360,000 clients in seven countries. May 14. 2014

### IFC, MFC Hire Cultural Expert for Financial Literacy in Azerbaijan

The International Finance Corporation, the private-investment arm of the World Bank Group, and the Microfinance Center for Central and Eastern Europe and the New Independent States, a 110-member network based in Poland, are partnering on an effort to improve financial literacy in Azerbaijan that includes hiring a culturologist to customize services to the regional cultural context. Meanwhile, a proposed bill would address collateral-based lending and other forms of financial inclusion in the country through the "development of the legislative framework on secured transactions, working with financial institutions lending to small and medium-sized businesses and financial literacy improvement." May 13. 2014

### Sweden, EBRD Fund Energy-saving Advice for SMEs in Moldova

The government of Sweden is funding a program whereby the European Bank for Reconstruction and Development (EBRD), a UK-based multilateral financial institution, is arranging for local consultants to advise 100 Moldovan small and medium-sized enterprises on energy efficiency. During 2013, EBRD invested the euro-equivalent of USD 11 billion in 392 projects in 34 countries. May 13. 2014

### GSMA Backs Mobile Money Interoperability in Africa, Middle East

Global Systems for Mobile Association, a UK-based association of 1,000 mobile operators and associated companies, reportedly is coordinating the deployment of mobile money services by the following mobile network providers in an effort to maximize the interoperability of their services in Africa and the Middle East: Bharti Airtel of India; the Etisalat Group of the United Arab Emirates; Luxembourg-based Millicom, which operates under the brand name Tigo; the Mobile Telecommunication Network Group of South Africa; the Ooredoo Group of Qatar; Orange of France; the Saudi Telecom Company Group; the Vodaphone Group of the UK; and the Zain Group of Kuwait. May 13. 2014

### IsePankur's Bondora Acquires UK Peer-to-peer Lending License

Bondora, a website owned by Estonia's isePankur that allows individuals and enterprises to borrow from and lend to each other, recently obtained a peer-to-peer lending license from the Financial Conduct Authority (FCA), a regulatory agency of the UK. According to Pärtel Tomberg, CEO of Bondora, "The authorization and regulation are good news for our customers...[who] will greatly benefit from the supervision of the FCA as well as the additional requirements Bondora needs to comply with in order to maintain the authorization." These requirements cover areas such as dispute resolution, disclosures, liquidation planning and minimum capital requirements. From its inception in 2008 through May 2014, isePankur has issued loans totaling the equivalent of USD 22 million in amounts ranging from USD 7 to USD 14,000. The company serves 90,000 clients in 29 European countries. May 12. 2014



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**IFC to Advise Kenya's Gulf African Bank on MSMEs**

The World Bank Group's International Finance Corporation (IFC) has announced that the Gulf African Bank, which offers Shariah-compliant products and services in Kenya, has become a member of IFC's Africa Micro, Small, and Medium Enterprise Finance Program, through which the bank will receive advisory services in the areas of accessibility for customers, speed of service, new products and customer relationships. According to Islamic law, or Shariah, Islamic finance does not allow charging interest on loans, instead relying on the sharing of profit and loss. IFC holds a stake of undisclosed size in Gulf African, which reports total assets equivalent to USD 184 million. May 12. 2014

**Russian Payday Lender Bistrodengi Selects Diasoft's Flextera**

Bistrodengi, a Russian payday lender that offers loans equivalent to USD 30 to USD 450 for up to 16 days, recently agreed to purchase Flextera Loans, a core banking software system from Diasoft. Based in Russia, Diasoft serves 340 financial institutions from offices in five Eurasian countries. Bistrodengi has 530 offices in Russia. May 10. 2014

**MIF Allocates \$5m to Develop Social Impact Bond Market in LAC**

The Multilateral Investment Fund, a member of the US-based Inter-American Development Bank Group, recently announced that it has allocated USD 5.3 million to test, develop and implement social impact bonds in Latin America and the Caribbean. The bonds are to be structured as partnerships among private investors, governments and service providers that undertake development projects "developing and delivering services to low-income or vulnerable populations." In exchange for up-front capital from private investors, governments would commit to paying an undisclosed financial return over time contingent upon certain predefined "social outcomes...thereby transferring the performance risk of the program away from governments and taxpayers." May 8. 2014

**MFS Africa to Launch Mobile "Mjara" Loans**

Mobile Financial Services (MFS) Africa, which is based in South Africa, reportedly is launching a mobile money product called Mjara Loans, which will be available to users of Mobile Telecommunications Network (MTN), an arm of South Africa's MTN Group, with plans for expansion to include other mobile networks. Mjara Loans can be requested by short message service (text messaging), and the credit decision is almost immediate as is the disbursement of approved loans. For a registration fee equivalent to USD 10, users may apply for loans as small as USD 35 with per-loan fees starting at 4 percent and terms up to three months. MFS operates in 14 African countries. MTN serves 120 million subscribers in 21 countries in Africa and the Middle East. May 8. 2014

**AfDB Loaning \$9m to Moza Banco for SMEs in Mozambique**

The African Development Bank, a multilateral provider of loans and grants to governments and private companies, recently announced that it will issue a local-currency credit line equivalent to USD 9 million to Moza Banco, a financial institution in Mozambique that focuses on small and medium-sized enterprises. The funds are intended to support agriculture, manufacturing, trade, tourism and construction. Moza Banco reports total assets of USD 471 million. May 8. 2014

**EBRD Considers \$277m Investment in Western Balkans**

The UK-based European Bank for Reconstruction and Development (EBRD) is considering investing an additional amount equivalent to USD 277 million through its Western Balkans Financing Framework for technical assistance, leasing, mortgages, insurance, subordinated debt and on-lending to micro-, small and medium-sized enterprises. The funds will be disbursed by EBRD to retail institutions via debt, equity and guarantee facilities. As of December 2013, the framework has disbursed approximately USD 18 billion to 144 projects. May 6. 2014



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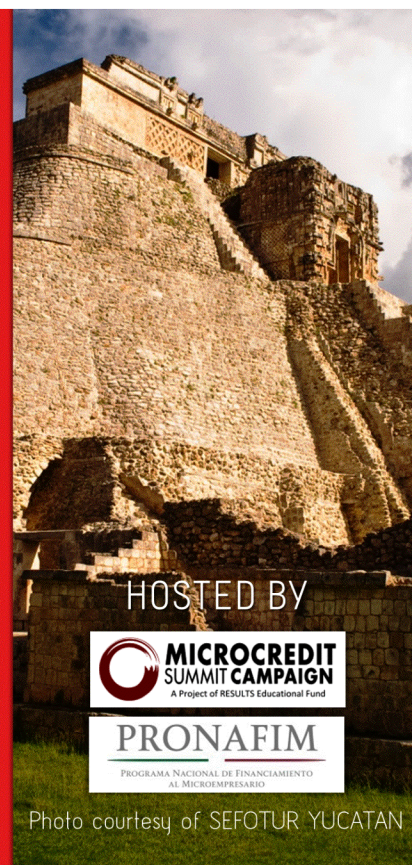


## 17<sup>th</sup> Microcredit Summit GENERATION NEXT: INNOVATIONS IN MICROFINANCE

September 3-5, 2014 | Merida, Mexico



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## FIELD NOTES

### Entrepreneurship in the Caribbean: Listening to Youth

I am writing from the Fifth Caribbean Microfinance Forum in Montego Bay, Jamaica, where I was introduced to three sweet young men who are competing for “entrepreneurship awards” at the Caribbean Microfinance Awards, presented by Citi and the Caribbean MicroFinance Alliance. The three are from Orange Walk, Belize, where they work with La Inmaculada Credit Union.

Eliel Reynoso used to sell jewelry and then combined the savings he accumulated with a loan his parents received from La Inmaculada to start a snow-cone business. His are not just any icy treats slathered with artificial colors and flavors; they are drizzled with syrups concocted from locally made jams or fun combinations of fresh lime, fruits and spices. He struggles with the varying price of limes and has planted his own trees to reduce this risk. He also finds it hard to market his product, which is much more delicious but pricier than its competitors, so he relies on the support of his father, who is his closest advisor.


Eider Romero, who is only 17, realized that he could make popsicles more cheaply than foreign competitors and developed a “secret recipe” for a creamy mix. His popsicles stand out from his local competitors, so his biggest fear is copycats (thus the secret). Otherwise, he seems to own the popsicle market in Orange Walk - so much so that his parents have dedicated half of their home to manufacturing space and are now borrowing to build a second story on their house for living space.

Eved Jose Corado was tired of working construction under the hot sun after graduating from secondary school and watching friends move on to college without him. Skilled at computers, he borrowed USD 5,000 that his sister had saved at La Inmaculada, promising her that she would get

it all back within a year. She has, and he now runs a successful internet café for the students that he could not afford to join in college.

Beyond their personal resolve and self-confidence, what struck me about these young men is how critical their families were to the men’s success and the important role of La Inmaculada’s financial and non-financial services to their families. Yet the men believe that they still need further skills in marketing, packaging and branding: “Our elders don’t have these skills; the government doesn’t offer any training. The only help we get is from the credit union.”

The facilitator of the Caribbean Microfinance Forum, Leahcim Semaj, noted: “We send our children to school and tell them that when they get out they have to beg for jobs. And there are no jobs for them.” Instead, Mr Semaj suggested that schools and communities motivate and support youth to be entrepreneurial. In a country with a 37-percent rate of youth unemployment, this makes a lot of sense. Growth in gross domestic product and financial access are highly correlated - as was re-emphasized in the recent CGAP paper “Financial Inclusion and Development: Recent Impact Evidence.” But the Caribbean’s leaders realize that access alone won’t jumpstart their economies. Entrepreneurship will, but this requires a much deeper set of interventions than simply facilitating financial access.

*About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#). *



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## MICROCAPITAL MARKET INDICATORS INDIA



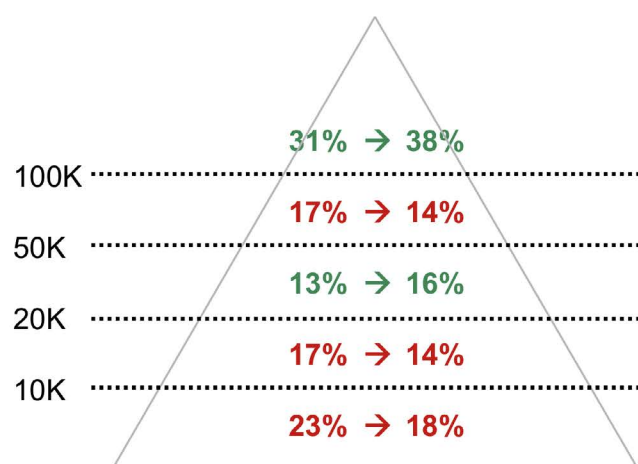
84 MICROFINANCE INSTITUTIONS (MFIs) REPORTING<sup>1</sup>

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

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2010	2012
Bandhan	124,873,890	20%	564,710,030	814,457,811
Shri Kshethra Dharmasthala Rural Development	83,879,416	33%	215,695,806	383,454,638
Janalakshmi	68,091,716	108%	40,829,504	177,012,936
Ujjivan	33,322,051	21%	140,798,300	207,442,403
Satin Creditcare Network Limited	27,570,413	44%	51,717,232	106,858,060
Muthoot	21,794,337	90%	16,638,055	60,226,730
Grameen Financial Services Private Limited	20,048,856	31%	56,420,124	96,517,838
Cashpor Microcredit	16,325,280	27%	53,636,380	86,286,941
Evangelical Social Action Forum Microfinance and Investment Private Limited	15,334,708	29%	46,996,355	77,665,772
Equitas Microfinance Private Limited	15,121,983	8%	178,794,487	209,038,455

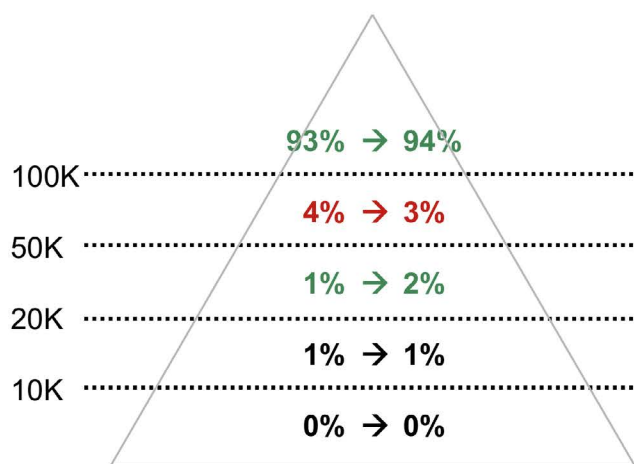
### PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)

2010 → 2012



### MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)

2010 → 2012



<sup>1</sup>Denotes only MFIs that reported data for 2010 and 2012 to the Microfinance Information Exchange (MIX) Market

Source: MIX, May 2014

## UPCOMING EVENTS

### **Making Finance Work for Africa Partnership Forum**

June 10 - June 12, 2014; Dakar, Senegal

This gathering will address financial intermediation gaps, rural finance, gender, long-term finance, insurance, cross-border banking, regulation and how to avoid the “curse” common to many countries rich in natural resources, as well as issues in financing agriculture, housing, and small and medium-sized enterprises. There is no fee to attend, but registration was requested by May 12. More information is available from Inna Lopes via +221 33 820 03 72 or [mfw4a.contact\[at\]gmail.com](mailto:mfw4a.contact[at]gmail.com), or you may visit <http://www.mfw4a.org/2014forum/about.html>.

### **FT/IFC Transformational Business Conference and Awards**

June 12, 2014; London, United Kingdom

This event includes sessions on themes such as urban design and energy solutions, with awards recognizing projects deemed to have “transformational” impacts in finance, “inclusive business,” and information and communication technology. The cost to attend both the conference and awards ceremony is GBP 780, with lower rates available for those attending only one of these. For additional information, you may visit <http://event.ft-live.com/chome/index.php?eventid=84026>, call +44 0207 873 or email [flive\[at\]ft.com](mailto:flive[at]ft.com).

### **Global Sustainable Finance Conference**

June 12 - June 13, 2014; Karlsruhe, Germany

This event offers topics in the areas of: (1) global issues reshaping financial services; (2) building a green, resilient financial industry; and (3) investing for a sustainable future. The conference will include the presentation of the Karlsruhe Sustainable Finance Awards and an optional excursion on June 14. Registration, which includes hotel and meals, costs EUR 1,160, with a rate of EUR 890 available for nonprofits, government agencies and academia. For more information, you may call +49 721 476 89 16, visit <http://eosd.org/en/gsfci-fi.html> or email [mail\[at\]eosd.org](mailto:mail[at]eosd.org) or [sustainability\[at\]etechgermany.net](mailto:sustainability[at]etechgermany.net).

### **Eleventh European Microfinance Network Annual Conference**

June 19 - June 20, 2014; Lisbon, Portugal

Themed “Employment: Challenges and Opportunities for Microfinance,” this conference will address youth unemployment, Europe’s economic downturn and the role microfinance can play in addressing these matters. The registration fee is EUR 450, with discounts offered to groups as well to members of the European Microfinance Network. For additional information, you may email [emn\[at\]european-microfinance.org](mailto:emn[at]european-microfinance.org), telephone +32 (0)2 227 27 07 or visit <http://www.emnconference.org/>.

### **AITEC Banking & Mobile Money West Africa**

July 9 - July 10, 2014; Accra, Ghana

July 15 - July 16, 2014; Lagos, Nigeria

These similar events will cover Islamic banking, microfinance, mobile money, regulation and other topics. The fee to attend each is USD 590, with group discounts available. More information may be sought via [info\[at\]aitecafrica.com](mailto:info[at]aitecafrica.com) or +44 (0)148 088 0774, or you may visit <http://aitecafrica.com/event>.

### **G20 Young Entrepreneurs’ Alliance Summit 2014**

July 18 - July 22, 2014; Sydney, Australia

This summit seeks to encourage youth entrepreneurship as a mechanism for “economic renewal, job creation, innovation and social change.” A registration rate of AUD 1,100 applies to entrepreneurs up to 40 years of age, and others may observe for AUD 1,500. For additional information, you may contact [info\[at\]g20yeasummit.mci-group.com](mailto:info[at]g20yeasummit.mci-group.com), +61 2 9213 4078 or <http://g20yeasummit.com/>.

### **Asia Microfinance Forum 2014**

August 4 - August 8, 2014; Shanghai, China

This event will address: the role of microfinance in developing small and medium-sized enterprises, creating demand-driven microfinance products, the opportunities and challenges of investing in Asia, the role of state-owned banks in financial inclusion, leveraging remittances for development and advancing youth entrepreneurship. Admission to the forum costs USD 565 for the general public, USD 465 for representatives of NGOs, and USD 265 for students and members of the Banking With the Poor Network. Registrations completed prior to June 13 are eligible for a discount of USD 100. For additional information, you may contact Cheryl Qian by telephone at +86 (21) 2312 3576 or email at [Cheryl.Qian\[at\]mci-group.com](mailto:Cheryl.Qian[at]mci-group.com). The event website may be found at <http://www.bwtp.org/amf2014.html/>.

### **Social Capital Markets: SOCAP14**

September 2 - September 5, 2014; San Francisco, California, USA

This forum aims to cover “social enterprise, strategic philanthropy, people-powered capital, technology for good, design for social innovation and the biosphere economy.” Admission to the event costs USD 847 through June and USD 1,405 thereafter. For more details, you may email [registration\[at\]socialcapitalmarkets.net](mailto:registration[at]socialcapitalmarkets.net), call +1 617 482 4826, or visit: <http://www.eventbrite.com/e/socap14-registration-10121647119>.

## **MORE DETAILS COMING SOON ON...**

### **17th Microcredit Summit - NEW DATES**

September 3 - September 5, 2014; Merida, Mexico

### **7th Convergences 2015 World Forum**

September 8 - September 10, 2014; Paris, France

### **Small Enterprise Education & Promotion Network Conference**

September 22 - September 25, 2014; Arlington, Virginia, USA

### **5th Toronto International Microfinance Summit**

October 4, 2014; Toronto, Canada

### **Global Youth Economic Opportunities Conference 2014**

October 6 - October 8, 2014; Washington, DC, USA

### **Columbia Business School Social Enterprise Conference**

October 31, 2014; New York, New York, USA

### **XVII Foro Interamericano de la Microempresa**

November 4 - November 6, 2014; Guayaquil, Ecuador

### **Sustainable, Responsible, Impact Investing**

November 9 - November 11, 2014; Colorado Springs, Colorado, USA

### **10th International Microinsurance Conference**

November 11 - November 13, 2014; Mexico City, Mexico

### **European Microfinance Week**

November 12 - November 14, 2014; Luxembourg

### **African Microfinance Week**

December 1 - December 5, 2014; Ouagadougou, Burkina Faso

### **Cracking the Nut Africa: Expanding Rural and Agricultural Markets Amid Climate Change**

March 2 - March 3, 2015; Lusaka, Zambia 🇿🇲



## PAPER WRAP-UPS

### Spotlight on the Market: The Impact Investor Study

*Published by JP Morgan and the Global Impact Investing Network, May 2014, 52 pages, available at [http://www.jpmorganchase.com/corporate/socialfinance/document/140502-Spotlight\\_on\\_the\\_market-FINAL.pdf](http://www.jpmorganchase.com/corporate/socialfinance/document/140502-Spotlight_on_the_market-FINAL.pdf)*

This study details the findings of the publishers' fourth annual survey on "impact investments," which are defined as those made "with the intention to generate social and environmental impact alongside a financial return."

The survey was distributed to 125 institutional investors, each managing a portfolio of impact investments of at least USD 10 million. Eighty percent of participating organizations are headquartered in the United States or Europe. Seventy percent of all reported impact investments are deployed in emerging markets as opposed to developed countries. Approximately half of the investors targeted investment opportunities with "competitive, market rate returns," while the others expected returns below market rate. The respondents indicated their primary motivations for investing in impact projects were - in descending order - commitment to invest

responsibly, efficiency in meeting impact goals and response to client demand.

As of early 2014, the respondents collectively managed USD 46 billion in impact investments, including: 21 percent in microfinance, 21 percent in other financial services, 11 percent in energy and 8 percent in housing. With regard to the preferred development stage of companies in which to invest, 89 percent of respondents preferred "post-venture" investments rather than "venture stage businesses." Sixty-two percent of the capital invested in impact projects is in the form of debt instruments, including private debt, public debt and equity-like debt.

Ninety-eight percent of respondents stated that they use metrics to evaluate the environmental and social impacts of their investments. Twenty-seven percent deemed standardized metrics "very important" for industry development, 44 percent found them "important" and 27 percent deemed them "somewhat important."

Regarding satisfaction with the performance of their investments, 20 percent exceeded their impact expectations, and 16 percent reported outperforming financial return targets. Only 1 percent of respondents reported underperformance relative to impact expectations, and 16 percent experienced underperformance

compared with financial targets. The three most significant reported risks were "business model execution and management risk," "liquidity and exit risk" and "market demand and competition risk."

Two additional challenges identified by the respondents were a "lack of appropriate capital across the risk/return spectrum" and a "shortage of high quality investment opportunities with track record." Nonetheless, respondents found that the impact investment sector improved compared with 2013 in the areas of "collaboration amongst investors, usage of impact measurement standards, availability of investment opportunities and the number of intermediaries." Investors also noted that they would welcome government support in the form of policies that intended to improve the risk-return profile of target projects such as "credit enhancement or tax credits or subsidies."

The investors reported that they plan to increase their commitments to such impact projects to a total of USD 12.7 billion in 2014, up from USD 10.6 billion in 2013. In the future, the plurality of investors plans to increase its investments in Sub-Saharan Africa, East and Southeast Asia, and South Asia. The most sought-after sectors for impact investments are food and agriculture, healthcare and financial services other than microfinance.

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## Over-indebtedness: A Risk Management Approach

*Published by the Microfinance CEO Working Group, May 2014, 20 pages, available at <http://microfinanceceoworkinggroup.org/wp-content/uploads/2014/05/Over-Indebtedness-A-Risk-Management-Approach.pdf>*

Over-indebtedness - the inability of borrowers to repay debts fully or on time - is a looming issue for microfinance institutions. The primary policy recommendation offered by the authors is the establishment of a central credit bureau in countries that do not have one. This would allow borrowers to develop a credit history and help lending institutions determine which loan products to offer a client, if any.

One of the biggest causes of loan defaults is individuals borrowing from multiple lending institutions. When lenders consider expanding into new markets, the authors recommend that they be more wary of saturated markets. Regions with many sources of credit present challenges such as lending institutions that lack "credit discipline" and are thus apt to disburse loans to overly risky borrowers.

The report concludes with case studies from microfinance "crises" in Bolivia and India in an effort to demonstrate the urgency of the authors' recommendations.

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## FINCA Azerbaijan: Transforming Clients' Complaints into Loyalty for Life

*By the Azerbaijan Microfinance Association, FINCA Azerbaijan, the Microfinance Centre and the Social Performance Task Force; 2014; 8 pages; available at: [http://www.mfc.org.pl/sites/mfc.org.pl/files/FINCA\\_SP\\_Fund\\_ENG.pdf](http://www.mfc.org.pl/sites/mfc.org.pl/files/FINCA_SP_Fund_ENG.pdf)*

This case study addresses the development and implementation of a mechanism to handle client complaints by FINCA (Foundation for International Community Assistance) Azerbaijan within the "Universal Standards for Social Performance" of the Social Performance Task Force. A recurring theme of the effort is the reluctance of people to complain due to the fear of losing access to services.

The strategies include: (1) helping staff develop new attitudes toward complaints; (2) improving communication to clients about complaint procedures; (3) introducing a toll-free telephone hotline for complaints; and (4) creating complaint reports that facilitate analysis.

FINCA Azerbaijan plans to improve its complaints mechanism by: (1) visiting clients after complaint resolution; (2) broadening the organization's information system to track complaints; (3) using technology such as short message service (text messaging) to deliver responses to clients; (4) adding new categories of complaints as needed; and (5) assessing customer satisfaction periodically to serve as an early-warning signal of latent problems. 📧



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[www.visionmicrofinance.com](http://www.visionmicrofinance.com)



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