

MICROCAPITAL BRIEFS | TOP STORIES

Advans Raises \$27m in Third Round of Fundraising

Please see page 6 for coverage of this "MicroCapital Deal of the Month."

Kenya OKs Equity Bank Mobile Money Over Safaricom Objections

The Communications Authority of Kenya and the Central Bank of Kenya recently gave their approval to Equity Bank, a microfinance bank that operates in Kenya, South Sudan and Uganda, to roll out a one-year pilot of its mobile money services using "Thin Sim technology," in which a thin film is laid over a standard SIM card, the chip inside a mobile phone that identifies the phone to the network. Safaricom, a Kenyan mobile service provider that operates the mobile money service M-Pesa, has objected to the technology, arguing that the Thin Sim could "steal data from the main SIM, including the secret personal identification numbers and pass them to a third party." Equity Bank reports USD 2.8 billion in total assets, 700,000 borrowers and 7.4 million depositors. M-Pesa serves 16 million clients in Kenya in addition to operating elsewhere in Africa, Asia and Europe. October 28, 2014

Hatton National Bank of Sri Lanka to Buy Controlling Stake in Prime Grameen

Hatton National Bank, a commercial bank in Sri Lanka, reportedly has agreed to acquire a 51-percent stake in Prime Grameen Micro Finance, a Sri Lankan microfinance institution. Hatton CEO Jonathan Alles was quoted as stating, "Micro finance will play a key role in the development of rural Sri Lanka and in distributing the dividend of economic growth more evenly among society." Hatton reports total assets equivalent to USD 3.9 billion, deposits of USD 2.9 billion, gross receivables of USD 2.8 billion and return on assets (ROA) of 1.5 percent. Prime Grameen, which is licensed to accept deposits, reported total assets of USD 25 million, ROA of 19 percent and return on equity of 42 percent as of July 2011, the most recent date for which financials are available. October 20, 2014

Global Innovation Fund Raises \$200m from Omidyar, Australia, Sweden, UK, US

The Global Innovation Fund, a UK-based nonprofit, was recently launched to fund "social innovations" worldwide that have the potential to impact "large" groups of people. The fund has raised USD 200 million from investors including the Omidyar Network, a US-based socially responsible investment firm, and units of the Australian, Swedish, UK and US governments. October 13, 2014

IFC Arranging \$60m in Loans to BBVA Paraguay for SMEs

The World Bank Group's International Finance Corporation (IFC) recently announced that it will disburse two five-year loans totaling USD 60 million to Banco Bilbao Vizcaya Argentaria (BBVA) Paraguay, a subsidiary of Spanish financial servicer Grupo BBVA, under the IFC-managed Co-Lending Portfolio Program. Although this program generally engages in syndications, no information regarding funding committed by other investors is available. The funding is expected to support export-oriented small and medium-sized enterprises. Grupo BBVA reports total assets equivalent to USD 779 billion. October 13, 2014

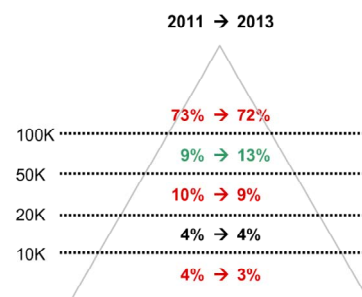
EFSE Loans \$19m in Serbia for Housing

Komercijalna banka Beograd, a Serbia-based bank, recently borrowed the equivalent of USD 19 million as a senior loan from the European Fund for Southeast Europe, a Luxembourg-based, government-backed microfinance investment vehicle, for on-lending for housing purchases and home improvements. Komercijalna banka Beograd, which is 40-percent owned by the government of Serbia, also has operations in Bosnia and Herzegovina as well as Montenegro. Komercijalna banka Beograd reports total assets of USD 4.6 billion. October 16, 2014

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MICROCAPITAL BRIEFS

Absolute's Vision Microfinance Funds Loan \$1.5m in Ecuador

During October, the two Vision Microfinance funds of Absolute Portfolio Management, a member of Austria's C-Quadrat, issued credits totaling the equivalent of USD 1.5 million to an unspecified micro-finance institution in Ecuador. Offering both financial and non-financial products, the institution seeks to protect clients from over-indebtedness through rigorous due diligence. The Vision Microfinance Dual Return Funds together hold assets of USD 264 million. November 9. 2014

Symbiotics Issues \$9m in Bonds to Benefit Azerbaijan, Cambodia

The Swiss, for-profit Symbiotics Group recently issued two new tranches of existing bond deals: USD 4.7 million for AccessBank of Azerbaijan, bringing its total to USD 11 million, and USD 4.6 million on behalf of Cambodian microfinance institution Prasac, resulting in a total of USD 11 million issued. AccessBank, an affiliate of Access Microfinance Holding of Germany, reports USD 1.2 billion in assets. Prasac has assets of USD 637 million. November 8. 2014

Spain's Gawa Launches Global Financial Inclusion Fund

Gawa Capital Partners, a Spain-based investment firm specializing in microfinance funds, recently announced the launch of its Global Financial Inclusion Fund, which is slated to invest in microfinance institutions. Its target size is the euro-equivalent of USD 62 million. Gawa co-CEO Agustin Vitorica stated, "In addition to the Spanish market, we are also actively fundraising in other European countries and in the US." Gawa Capital reports total assets of USD 25 million. November 6. 2014

Hivos-Triodos Fund Loans \$3m to India's Intellegrow for SMEs

The Hivos-Triodos Fund, a Dutch microfinance investment vehicle, recently loaned the equivalent of USD 3.1 million to Intellegrow, an Indian provider of collateral-free loans to small and medium-sized "social enterprises" in the agriculture, clean energy, education, finance, healthcare, sanitation and water sectors. Since it was founded in 2012 by Indian consultancy Intellegrow, Intellegrow has disbursed approximately 60 loans totaling USD 9.8 million. November 6. 2014

Microfinance Enhancement Facility Raises \$25m

Gemeinschaftsbank für Leihen und Schenken, a German bank that focuses on socially responsible investing, recently raised USD 25 million from unspecified private investors for the Microfinance Enhancement Facility (MEF), a Luxembourg-based fund that invests in microfinance institutions in developing countries. The funding is expected to support 7,000 loans to micro- and small enterprises. MEF, which has total assets of USD 503 million, was founded by the World Bank Group's International Finance Corporation and German development bank Kreditanstalt für Wiederaufbau Entwicklungsbank. November 6. 2014

IBEX Seeks to Mitigate Effects of Ebola on Businesses in Liberia

The Liberia Investing for Business Expansion (IBEX) program, a project of the US Agency for International Development that focuses on improving access to financial services for small and medium-sized enterprises, provided clients in the agriculture, construction and trade sectors with access to loans totaling USD 860,000 from July to September 2014. The credit, which was provided via local banks, and advice and mentoring provided directly by IBEX, were intended to assist businesses affected by the spread of the Ebola virus in the region. IBEX is also seeking partners in the construction and sanitary sectors that can help establish Ebola treatment centers. Financial information on IBEX is not available. November 4. 2014

DID Loans \$1m to Arnur of Kazakhstan

Through the Desjardins Fund for Inclusive Finance, Développement international Desjardins (DID), a Canadian nonprofit that provides technical support and investment to community financial institutions, recently loaned USD 1 million to Arnur Credit, a microlender that serves agribusinesses and individuals in rural Kazakhstan. Arnur has a loan portfolio of USD 37 million. DID is a member of the Desjardins Group, which has total assets of USD 186 billion. November 4. 2014

Grameen Crédit Agricole Lends to Oxus DR Congo, Uganda's Encot

The Grameen Crédit Agricole Microfinance Foundation, a Luxembourg-based provider of financial services to microfinance institutions (MFIs) and other social businesses, recently informed MicroCapital that it has issued euro-denominated loans worth USD 788,000 over two-years to Oxus DR Congo, an MFI launched in 2013 in the Democratic Republic of the Congo, and USD 321,000 over three years to Encot, a rural microlender in Uganda that was established in 2006. Oxus DR Congo is one of four members of the Oxus Group, which was created by the Agency for Technical Cooperation and Development, a French NGO. Oxus DR Congo, which plans to provide deposit services beginning in 2015, has 12,000 borrowers and a gross loan portfolio of USD 3.1 million. Encot has total assets of USD 352,000 and a gross loan portfolio of USD 178,000. November 4. 2014

Green for Growth, FMO, Fibabanka to Invest in Energy Efficiency

The Green for Growth Fund, Southeast Europe, a Luxembourg-based funder of environmentally sustainable enterprises, along with Dutch development bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), recently agreed to open a credit line equivalent to USD 50 million for Turkish bank Fibabanka, whose recently launched energy-efficiency program focuses on lending in the tourism and manufacturing sectors. Fibabanka has set a goal of reducing energy consumption by 84,000 megawatt-hours and carbon dioxide emissions by 18,600 tons per year. The bank has 50 branches and as of 2011 - the latest date for which such data are available - held USD 908 million in total assets. November 4. 2014

SatADSL's Satellite to Boost Financial Access in Rural East Africa

SatADSL, a Belgian company that provides internet services in Sub-Saharan Africa, recently announced that it plans to provide micro-finance institutions and money transfer firms with "very small aperture terminal" (VSAT) equipment for automated teller machines (ATMs) and money transfers. Michel Dothey, the business development director at SatADSL, reportedly stated that, "VSAT equipment linked to the satellite will increase financial services penetration by being connected to ATMs in rural areas in Kenya and Uganda. This will be expanded to Tanzania and Ethiopia soon." The VSAT equipment, including a dish that is linked to SatADSL's satellite, costs the equivalent of USD 500. SatADSL operates in 15 countries in Africa. November 3. 2014

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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!

WWF Establishes Credit Unions for Fishing Industry in Senegal

The World Wide Fund for Nature, a US-based NGO formerly known as the World Wildlife Fund, recently established two credit unions targeting the fishing industry in the Senegalese villages of Cayar and Popenguine. The credit unions are intended to provide small loans for fishing, fish processing, wholesale fish trade, gardening and agriculture. The effort is part of the Go-WAMER (West African Marine Eco-Region) project, which addresses poverty reduction, governance, food security and policies for managing coastal resources. November 3, 2014

FMO Loans \$9.5m to Nigeria's Lift Above Poverty Organization

Dutch development bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO) recently agreed to provide a five-year, local-currency loan equivalent to USD 9.5 million to Lift Above Poverty Organization, a Nigerian microfinance institution with total assets of USD 208 million, a gross loan portfolio of USD 176 million outstanding to 721,000 borrowers, USD 107 million in deposits from 1.2 million depositors, return on assets of 11 percent and return on equity of 47 percent. November 1, 2014

EcoBank to Accept MasterCard at ATMs, PoS in 28 African Nations

MasterCard, a US-based payment solutions company, recently partnered with EcoBank Transnational, a Togo-based institution with operations in 28 African countries, to enable its customers to use MasterCard debit, credit and prepaid cards at Ecobank's 10,000 point-of-sale terminals and 2,500 automated teller machines. According to a statement attributed to EcoBank Group Executive Director Patrick Akinwuntan, "The combination of a rapidly expanding middle class and steadily improving financial literacy, supported by robust technology, is increasing the appetite for card usage in Africa. Governments are rapidly driving the conversion from cash to electronic payments as they too realize the benefits of a cashless society...." October 30, 2014

IFC Loans \$5m to KazMicroFinance of Kazakhstan for Small Firms

The World Bank Group's International Finance Corporation recently announced that it will loan the local-currency equivalent of USD 5 million to KazMicroFinance (KMF), a for-profit microlender in Kazakhstan, as well as providing it assistance regarding "foreign currency and interest rate risks." KMF CEO Shalkar Zhussupov stated that, "[W]e plan to expand into areas where the need for microfinance is highest." KMF reports total assets of USD 129 million, a gross loan portfolio of USD 118 million, 98,000 active borrowers, return on assets of 4.3 percent and return on equity of 21 percent. October 30, 2014

EBRD, Turkey Offer Funding, Advice for Women Businessowners

The UK-based European Bank for Reconstruction and Development (EBRD), the EU Delegation to Turkey and the government of Turkey recently launched a "Finance and Advice to Women in Business" initiative. EBRD will loan up to the equivalent of USD 380 million to local institutions for on-lending to women-owned businesses. The other parties will provide USD 48 million in credit enhancements, business advice for end-borrowers and technical assistance for participating banks, which are expected to include Finansbank, Garantibank, Isbank, Sekerbank, Turk Ekonomi Bankasi and Vakifbank. October 29, 2014

China's Alibaba Launches Microfinance Arm: Ant Financial

Alibaba Group Holding, a Chinese e-commerce company, recently launched Ant Financial Services Group, which is being billed as a microfinance arm and will consolidate the following Alibaba affiliates: Alipay, an online payment tool; Alipay Wallet, a mobile payment application; Yu'e Bao, a money market fund with assets valued at USD 93 billion; Zhao Cai Bao, a peer-to-peer lending platform; Ant Micro, a microfinance provider; and My Bank, a banking arm. Ant Financial CEO Peng Lei reportedly commented that the company plans to target small businesses and banks. Alibaba raised USD 22 billion in its initial public offering in September. October 27, 2014



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IMF Releases 2014 Financial Access Survey

The UN's International Monetary Fund recently released the results of its 2014 Financial Access Survey (FAS), which includes data on basic consumer services, such as the number of automatic teller machines or bank branches per unit area; usage of financial services, including the number of outstanding deposits and loans; and the acceptance and usage of mobile money services. The FAS database now contains statistics from 189 countries over a 10-year period. This year's report concludes that mobile money services have increased financial inclusion, and it finds a positive correlation between financial inclusion and countries' gross domestic product. October 24, 2014

Project Concern to Target 250k More "Women Empowered"

US-based NGO Project Concern International recently announced that it plans to double - to approximately 500,000 - the number of women to whom it provides business tools and training through its Women Empowered program. Women Empowered also establishes savings groups of about 15 women each who pool their savings and invest in one another's businesses. Project Concern operates in 15 countries in Africa, the Americas and Asia. October 23, 2014

Uzima Health Microinsurance Launched in Kenya

The US-based Grameen Foundation; UK-based MicroEnsure; UK-based law firm Clifford Chance; and Penda Health, a Kenyan, for-profit chain of medical centers, recently launched the "Uzima Project" with the aim of providing "low-cost" health insurance in Kenya. Participants will also receive access to health financing options and messages promoting good health practices via their mobile phones. Penda Health owns and operates three medical centers in Nairobi, through which it has treated 30,000 patients since opening in 2011. October 22, 2014

EBRD Supports Advice for SMEs in Morocco

The European Bank for Reconstruction and Development, a UK-based multilateral institution that operates in Eastern Europe, Central Asia and North Africa, recently began funding advisory services to support small and medium-sized enterprises in Morocco with an unspecified level of budgetary support from the EU and the governments of Australia and several European countries. The goal of the program is to boost job creation, improve the managerial skills of employees and increase organizational productivity. October 22, 2014

Coop Groups Endorse Declaration on Food, Jobs, Healthcare

At the recent International Summit of Cooperatives, Développement international Desjardins (DID), a Canadian nonprofit that provides technical support and investment to community finance institutions in emerging economies; the International Co-operative Alliance, a Belgian nonprofit with 271 members in 94 countries; and members of the Proxfin Network, a group of 30 community finance institutions, endorsed a draft declaration to tackle the "challenges of food security," "employment crisis" and "access to health care." October 22, 2014

India's Ezetap Launches \$50 Mobile Point-of-sale Device

Ezetap Mobile Solutions, a Bangalore-based mobile payments service provider, recently announced the launch of a mobile point-of-sale device costing approximately USD 50. Merchants can insert the device into most mobile phones in order to accept money via payment cards. The device accepts personal identification numbers (PINs) and reportedly complies with global security standards. Ezetap co-founder Bhaktha Keshavachar stated, "Adding the PIN Pad will, for the first time, allow every debit card in India to be supported for mobile payments." Since its inception in 2011, Ezetap has raised USD 3.5 million in venture capital from undisclosed sources. October 20, 2014

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IFC Loans \$15m to Eskhata Bank of Tajikistan for SMEs

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, recently agreed to issue a subordinated loan of USD 10 million and a local-currency, senior loan equivalent to USD 5 million to Eskhata Bank, a commercial bank in Tajikistan. The funds will be on-lent to small and medium-sized enterprises that operate in the agriculture and trade sectors in an effort to create jobs. Eskhata CEO Khurshed Nosirov said that “the private sector is the engine of growth, and it must have access to finance if it can fulfill its role.” Eskhata reports total assets of USD 280 million, a gross loan portfolio of USD 153 million disbursed to 46,000 borrowers, deposits of USD 77 million held for 88,000 depositors, return on assets of 4.6 percent and return on equity of 38 percent. October 21. 2014

IFC Loans \$2m to Lebanon’s Al Majmoua

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, recently announced that it will loan USD 2 million to Al Majmoua, a Lebanese nonprofit microlender also known as the Lebanese Association for Development. The loan is intended to help Al Majmoua “expand outreach to small business owners” and female entrepreneurs, particularly in rural regions such as the Bekaa Valley. James Gohary, the manager of the financial institutions group of IFC’s Middle East and North Africa division, said, “[W]e believe our investment will help encourage other investors, especially local banks, to fund Lebanon’s microfinance sector and help bridge the financing gap.” Al Majmoua reports assets of USD 41 million, a gross loan portfolio of USD 36 million, 44,300 borrowers, return on assets of 10 percent and return on equity of 19 percent. October 20. 2014

Morgan Stanley Offers “Investing with Impact” Portfolios

Morgan Stanley, a US-based financial services corporation, recently created two “Investing with Impact” portfolios as part of its goal to draw USD 10 billion in client assets into “sustainable” investing products. The new “equity portfolio” has a minimum investment of USD 400,000. The “balanced portfolio” has a minimum investment of USD 750,000 and invests 60 percent of its assets in equity and 40 percent in debt. Hilary Irby, the head of Morgan Stanley’s Investing with Impact Initiative, stated that the offerings, which seek to invest in companies that demonstrate success in solving social or environmental issues, allow customers to target “impact objectives, and not necessarily have to give up those financial goals.” Morgan Stanley has USD 3.5 billion in impact investments out of total assets of USD 832 billion. October 19. 2014

India’s NABARD Launches \$807m Long-term Rural Credit Fund

India’s government-backed National Bank for Agriculture and Rural Development (NABARD) recently announced the launch of the Long-term Rural Credit Fund, which will provide the equivalent of USD 807 million for refinancing agricultural loans disbursed by cooperative banks and regional rural banks (RRBs) over five years at an interest rate of 7.85 percent per year. NABARD will also provide technical assistance to the banks. The fund is expected to increase the 13-percent share of credit investments that cooperative banks and RRBs have directed to the agriculture sector. October 18. 2014

EBRD, Société Générale May Loan \$25m in Serbia

The European Bank for Reconstruction and Development, a UK-based multilateral institution, recently announced that it is likely to participate in a risk-sharing endeavor worth the equivalent of USD 25 million with the Serbian subsidiary of French financial institution Société Générale to finance rural microenterprises through AgroInvest Serbia, a microlender affiliated with US-based NGO VisionFund International. AgroInvest has total assets of USD 13.6 million, a loan portfolio of USD 10.9 million outstanding to 13,000 active borrowers, return on assets of -9.4 percent and return on equity of -46 percent. October 16. 2014

Oxus Raises \$4.2m in Equity to Expand in Africa, Asia

The Oxus Group, a French microfinance organization with subsidiaries in the Democratic Republic of the Congo and three Asian countries, recently raised the equivalent of USD 4.2 million in equity through its Oxus Holding arm by selling equity shares to three unnamed investors and the Agency for Technical Cooperation and Development, which remains the majority shareholder. Neither the amounts invested nor the sizes of the stakes acquired by each investor have been disclosed. Oxus Group has a loan portfolio of USD 41 million outstanding to 44,000 borrowers. As of 2012, Oxus Afghanistan was the only one of the group’s microfinance institutions accepting deposits, with USD 414,000 held for 9,000 depositors. October 16. 2014

UN, Gate Global Impact Launch Gateway 2.0 Funding Site

The UN Global Compact, which encourages businesses to adopt sustainable and socially responsible policies, and Gate Global Impact, a US-based, regulated electronic marketplace that focuses on impact investing, have launched Gateway 2.0, a website enabling small and medium-sized enterprises (SMEs) listed on the UN Global Compact Social Enterprise Hub to access financing via accredited investors, institutions and government agencies seeking to generate a return on investment from projects that “deliver positive societal or environmental outcomes.” SMEs can request USD 500,000 to USD 10 million in debt, equity or a combination of the two. October 16. 2014

SolarNow Raises \$2.5m from Novastar, Acumen

SolarNow, a Ugandan company selling solar electric home systems, recently raised the equivalent of USD 2.5 million through the sale of equity shares to Novastar Ventures, a Mauritius-based fund investing in new, “innovative” businesses in Africa, and Acumen Fund, a US-based nonprofit venture fund. Neither the amounts invested by each fund nor the sizes of the stakes acquired have been disclosed. A portion of the investment is expected to help SolarNow expand to other East African markets over the next several years. SolarNow operates 45 branches from which it has sold 5,500 solar systems since 2011. October 16. 2014

EBRD Loans \$3m to Muganbank of Azerbaijan

The European Bank for Reconstruction and Development (EBRD), a multilateral institution headquartered in London, is loaning USD 3 million to Muganbank, a financial institution that offers retail and corporate banking services in Azerbaijan. The loan is slated for on-lending to corporations and individuals to finance energy efficiency and renewable energy projects such as “double-glazed windows, insulation, gas boilers, solar water heaters and rooftop solar panels.” Muganbank will also benefit from donations of unspecified size from the government of Austria, EBRD and the EU for “technical assistance and investment incentives for households.” Muganbank reports total assets equivalent to USD 425 million, loans to customers of USD 278 million and liabilities to customers of USD 194 million. October 14. 2014



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IFC, Gates to Advise Airtel Uganda on Mobile Money

The Bill and Melinda Gates Foundation, a US-based supporter of health and education, has agreed to provide USD 3.9 million to the International Finance Corporation, a member of the US-based World Bank Group, to provide advisory services to Airtel Uganda, a subsidiary of Indian telecommunications company Bharti Airtel, to help it improve “agent network management and product development” in an effort to increase the number of Airtel Uganda phone customers who use mobile money. Bharti Airtel serves 287 million subscribers in 20 countries in Africa and Asia, including 7.4 million in Uganda. October 12. 2014

Grameen Crédit Agricole to Loan \$1.7m in Malawi, Mali

The Grameen Crédit Agricole Microfinance Foundation, a Luxembourg-based foundation providing financial services to microfinance institutions (MFIs) and other social businesses, recently informed MicroCapital that it disbursed a three-year loan in local currency equivalent to USD 1.1 million to the Foundation for International Community Assistance (FINCA) Malawi, one of 22 members of the US-based, nonprofit FINCA International microfinance network. Grameen Crédit Agricole also provided a three-year loan in local currency equivalent to USD 580,000 to Réseau de Micro-institutions de Croissance de Revenus, an MFI in Mali with total assets of USD 5.7 million. FINCA Malawi reports a gross loan portfolio of USD 3.8 million and total deposits of USD 645,000. October 12. 2014

DID to Research Financial Inclusion in West Africa

Développement international Desjardins, a nonprofit subsidiary of Canadian cooperative Desjardins Group, recently secured the following contracts: an effort to identify the financial needs of subsistence farmers in Ivory Coast, funded by the UN's International Fund for Agricultural Development, and a national survey on financial inclusion in Senegal, financed by the Microfinance Directorate of that nation's Ministry of Women, Family and Children. October 11. 2014

Advans Raises \$27m in Third Round of Fundraising

Advans SA, the Luxembourg-based parent organization of eight microbanks in Africa and Asia, recently raised the equivalent of USD 26.8 million in its third round of fundraising. This capital, which was provided by its existing shareholders, brings Advans' committed capital to USD 85 million. As a result, the European Investment Bank now holds a 22-percent stake in Advans. Agence Française de Développement, the International Finance Corporation, CDC Group, Kreditanstalt für Wiederaufbau Entwicklungsbank, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden and Horus & affiliates hold smaller stakes. Advans Executive Director Claude Falgon stated, “These funds will help to reinforce the group's infrastructure and accompany the growth of our affiliates over the next few years, enabling Advans to reach out to a wider range of clients.” October 10. 2014

CFI, HelpAge Researching Elder Inclusion in Colombia

The Center for Financial Inclusion, an affiliate of US-based nonprofit Accion, and the US-based arm of British NGO HelpAge International have launched a research initiative on the financial inclusion of older adults in developing countries. The initiative will research expenses, income streams and financial services for older adults, with a focus on Colombia. October 9. 2014

Grameen Crédit Agricole Loans \$600k in Kenya

The Grameen Credit Agricole Microfinance Foundation, a Luxembourg-based investor in social enterprises, recently notified MicroCapital that it has disbursed a three-year, local-currency loan equivalent to USD 600,000 to Juhudi Kilimo, a for-profit microlender in Kenya. Juhudi Kilimo reports total assets of USD 9.4 million, a gross loan portfolio of USD 6.6 million outstanding to 18,000 borrowers, return on assets of -14 percent and return on equity of -89 percent. October 9. 2014



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SPECIAL REPORT

This sneak preview of European Microfinance Week is sponsored by the European Microfinance Platform (e-MFP), a 130-member network located in Luxembourg.

A Risk Management “Graduation Model” for Microfinance

MicroCapital: How does the state of risk management within microfinance fit in to the broader context of the industry?

Kevin Fryatt: In the last several years, we have seen a lot of focus on new technology and serving clients better through new product development, savings mobilization and agent networks, amongst other avenues. Similarly, institutions’ balance sheets are getting increasingly diverse in the types of funding they are sourcing. But within this, the conversation of risk management isn’t happening. There’s a sense of cynicism within the leadership of microfinance institutions (MFIs) toward risk management. It is often misunderstood and confused with the roles of internal audit or compliance. It is often very difficult to quantify the value of risk management.

If we look at the incentives for good risk management, what we generally see are institutions engaging in more formal risk management, number one, because it’s a requirement of the regulator to get a deposit-taking license, as opposed to thinking, “We are going to be taking deposits, and there are new and challenging risks from a funding and reputational perspective that go along with raising deposits.” The other piece is from funders, who may tell an institution, “Okay, we would like to see ABC in place, and we are actually willing to give you some financial resources to make that happen.” In order to get the financing, an institution will then engage in the technical build-out of a risk management function, yet there might not be the political will within the institution to really engage in this in a sustainable and effective way. Having an institution pay entirely out of its own resources to improve this function is quite rare.

MC: What do you consider the key elements of risk management for an MFI?

KF: The fundamentals that we consider first and foremost are institutional culture, risk management governance, internal control structures and having a management information system (MIS) in place that can collect data in a way that helps an institution quantify these risks. We see a lot of underperforming MISs that aren’t producing timely data or data that are of high enough quality for analysis. Without that, conducting formal risk management is very difficult.

MC: How do these fundamentals relate to the Graduation Model that the Risk management Initiative in Microfinance (RIM) is developing?

KF: There are relatively sophisticated approaches that are being proposed, and then there is the reality of where MFIs currently are. The idea behind the Graduation Model is that we need to develop formalized and appropriate risk management standards for institutions in different levels of development. Within the Graduation Model, we are developing a diagnostic process that can identify what “tier” the MFI is in, and then its staff will be able to score the institution’s adherence to the standards for its tier. This will help MFIs have conversations about the future and what their risk management requirements should be as they grow. Within the strategic planning process, this will allow them to start proactively allocating resources and getting staff skill sets prepared or hiring new staff as they prepare for the future.

In some instances, institutions that have fairly large balance sheets - and might be looked at as Tier-1 institutions from an asset standpoint - are living up to only Tier-3 standards from a risk management standpoint. Recently in Ghana, I have seen reports that anywhere from 50 to 60 microfinance institutions have collapsed since 2013. And some of that, fundamentally, has to do with risk management. In Uganda, the same thing is happening: I’ve had conversations with the association of microfinance institutions there, and risk management is one of its top concerns.

After MFIs use the Graduation Model to make strategic decisions about where they want to build out capacity, they can engage whichever technical service provider they wish to support them. Or they can approach technical assistance facilities to assist with co-financing and sourcing consultants. A lot of the skills in the risk management space come from the West and bring a fairly expensive price tag. To address this, RIM endeavors to facilitate the training of a pool of local talent, so an institution in Kenya, for example, can engage with folks locally or regionally, which can ultimately reduce the cost to the institution.

MC: How can our readers participate in this process?

KF: The Graduation Model will be released to the public for free on our website in time for European Microfinance Week, which begins November 12. We are inviting organizations to become members of RIM, be part of our governance structure and join our working groups. One of those is our technical working group, which is primarily responsible for building out these standards. Also, we are actively looking for highly influential people in the industry who understand the core issues that face the industry as well as senior-level risk management experts who can help advise RIM both from a strategic standpoint as well as from a technical standpoint. We are currently piloting the Graduation Model in a number of MFIs around the world, and we are continually looking for additional MFIs to participate.

Kevin Fryatt is the Director of US-based RIM, which was founded in 2013 by ADA, Calmeadow, the Center for Financial Inclusion at Accion, MEDA, Microfinanza Srl, MFX Solutions, Oikocredit and Triple Jump.

FIELD NOTES

Balancing the Long-term and Short-term for Financial Inclusion

I am writing from the FOROMIC Conference in sunny Guayaquil this week. More than ever before, I feel that participants have come to this event in search of answers - big ones! They have questions that are key to the future profitability and perhaps survival of their organizations. The gist is that while *financial inclusion* has been promoted as an important counterbalance to microcredit, it has yet to be widely proven as a business model by many microfinance institutions (MFIs). So here they are, trying to figure out how to make the model work.

On the one hand, there is the small-savings question. One MFI manager admitted to me that his organization hadn't quite addressed how it could make this viable even as it began a donor-sponsored program to help poor women save from cash transfers. Perhaps, he mused, these small savings could be an attractive "hook" to provide access to credit for unbanked clients. Another MFI manager explained to me that when his institution began taking small savings, it was in the spirit of financial inclusion. The MFI wanted to do right by its clients. Today, its Board is frustrated and impatient about losses. Opening an account that goes dormant or has deposits of USD 10 to USD 20 is bad business. We contemplated whether this MFI's Board sufficiently understood - in advance - that small savings is a long-term bet, offering few short-term gains.

Then there are remittances. Later this week, I will join a panel discussion on remittance-linked savings in which we will consider some of the challenges that financial institutions have faced in offering this linkage. Often money transfer agents need to be better incentivized.

Similarly, I will lead a panel on microinsurance, in which I plan to raise the question: Why have MFIs failed to live up to their promise as an

insurance delivery channel? When delivery gets the least bit complicated, they run for the woods or make products mandatory (or strongly suggested).

Another topic that promises greater inclusion is mobile money and alternative delivery channels. But the talk is not related to demand as much as it is to the interest of financial institutions in cutting costs. If the key value proposition of an MFI is that it has a close and personal relationship with its customers, this poses a challenge to non-branch relationships. How can an MFI keep that relationship going?

We would all like to see greater financial inclusion, and credit-led institutions seem like a good place to promote this. However, it will take more than small experiments and donor-led projects. It has to come from within the institutions with a view for the long-term. Planning for the long-term isn't easy to prioritize when you have an untapped market you can comfortably serve without much competitive pressure. Nor is it easy when large multinational players are pushing into your market. In both cases, MFIs tend to chase credit market share. Those that have a long-term vision might see that the only survival strategy that makes sense is aligning the institution with its clients' needs and aspirations. However, these aspirations might include building assets and protecting them, which may be hard to monetize in the short term. In the words of former General Electric CEO Jack Welch, "You can't grow long-term if you can't eat short-term. Anybody can manage short. Anybody can manage long. Balancing those two things is what management is."

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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UPCOMING EVENTS

Inclusive Microfinance Conference 2014

November 11 – November 12, 2014; Kampala, Uganda

This event will cover research and innovations in the field of financial inclusion for people with disabilities. The cost to attend is UGX 100,000 for Ugandan participants and USD 100 for those from elsewhere. For more details, you may contact Jackie Nansubuga via +041 4349443 or [events\[at\]qualitymngt.com](mailto:events[at]qualitymngt.com), or you may visit <http://microfin-disabilityconf.org/>.

Conference of the Africa SME Champions Forum

November 11 - November 12, 2014; Dakar, Senegal

This event gathers owners of small and medium-sized enterprises (SMEs) in Africa to interact with financiers, government officials and consultants, with presentations and discussions to address financing tools, market access, communications, legal issues and recruitment and information systems. For pricing and other details, you may email [info\[at\]africa-smechampions.com](mailto:info[at]africa-smechampions.com), call +33 1 53 76 02 89 or visit <http://www.africa-smechampions.com/>.

10th International Microinsurance Conference

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

This conference will address market trends in health, life and agricultural microinsurance as well as bundled insurance products. The cost to attend is EUR 1,290, with discounts available for representatives of nonprofits. For more information, you may contact the Munich Re Foundation at [info\[at\]munichre-foundation.org](mailto:info[at]munichre-foundation.org) or +49 89 3891 8888. The event website address is <http://www.munichre-foundation.org/home/Microinsurance/2014IMC.html>.

European Microfinance Week

November 12 - November 14, 2014; Luxembourg

This conference will include sessions on over-indebtedness, financial inclusion, market stability and other topics. The first day of the proceedings will include meetings of the European Microfinance Platform's action groups. The second day will include the presentation of the Fifth European Microfinance Award, which includes a prize of EUR 100,000 for excellence in "Microfinance and the Environment." MicroCapital again will provide sponsored, onsite coverage of the proceedings. More details may be found on pages 3 and 7 of this newspaper or at <http://www.e-mfp.eu/european-microfinance-week-2014/information>. Although registration has closed, you may contact the organizers at +352 26 27 13 82 or [contact\[at\]e-mfp.eu](mailto:contact[at]e-mfp.eu).

Banking South Asia's Half Billion Unbanked

November 17 - November 19, 2014; Islamabad, Pakistan

This conference is intended to bring together representatives from central banks, government and the microfinance industry to address the challenges and opportunities within the financial inclusion sphere in South Asia. There is no cost to attend the event. For additional information, you may contact the conference organizers at [info\[at\]samnconference.com](mailto:info[at]samnconference.com), +92 51 2292231 or +92 51 2292270, or you may visit <http://www.samnconference.com/contact>.

Mobile Money & Digital Payments Global

November 18 - November 20, 2014; Istanbul, Turkey

This event will cover issues such as payments; "partnerships, interoperability and competition;" adopting and retaining customers; "a future without cash;" and regulatory issues. The cost to attend is GBP 1,499, with various discounts available including a **reduction of 20 percent for readers of MicroCapital** using the code "MCAP20." For additional details, you may contact Michael Seaman at +44 (0) 20 7384 7986 or [michael.seaman\[at\]clarionevents.com](mailto:michael.seaman[at]clarionevents.com), or you may visit <http://www.mobile-money-global.com/>.

African Microfinance Week - POSTPONED

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

Inclusive Finance India & Livelihoods Asia Summits

December 8 - December 11, 2014; New Delhi, India

The Inclusive Finance India Summit is an annual conference that brings together policymakers, microfinance experts, practitioners and academics to discuss microfinance in India. The aim of the summit is to "inform and influence" the policy framework, to facilitate interaction among stakeholders and to discuss issues and challenges of financial inclusion. The Livelihoods Asia Summit is an annual event for microfinance experts, practitioners and policymakers to discuss issues related to creating sustainable livelihoods for poor people. The cost to attend the Inclusive Finance India Summit for Indian participants is INR 10,000 or USD 500 for international participants. The cost to attend the Livelihoods Asia Summit for Indian participants is INR 4,500 or USD 350 for international participants. Various other discounts are also available. The event websites are <http://inclusivefinanceindia.org/> and <http://www.accessdev.org/li-li-conference.php>. For additional information regarding the Inclusive Finance India Summit, you may contact Sarthak Luthra at [inclusivefinance\[at\]accessassist.org](mailto:inclusivefinance[at]accessassist.org) or +91 9873909852. Regarding the Livelihoods Asia Summit, you may contact Puja Gour at [accessdevorg\[at\]gmail.com](mailto:accessdevorg[at]gmail.com) or +91 9871388063.

Mobile Money and Digital Payments Asia

January 20 - January 22, 2015; Jakarta, Indonesia

This conference will address payments, interoperability, customer retention, regulatory issues and others. The cost to attend is USD 2,399, with various discounts available including for those registering by December 16 and a **reduction of 20 percent for readers of MicroCapital**, which is available upon request. For additional details, you may contact Michael Seaman at +44 (0) 20 7384 7986 or [michael.seaman\[at\]clarionevents.com](mailto:michael.seaman[at]clarionevents.com), or you may visit <http://www.mobile-money-asia.com/>.

MORE DETAILS COMING SOON ON...

TBLI Conference

January 23, 2015; Chicago, Illinois, USA

Sankalp Africa Summit

February 5 - February 6, 2015; Nairobi, Kenya

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

March 2 - March 3, 2015; Lusaka, Zambia

Institutional and Technological Environments of Microfinance

March 17 - March 19, 2015; Lyon, France

6th Latin America Microinsurance Summit

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



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PAPER WRAP-UPS

The Next Stage of Financial Inclusion

By Dean Karlan, published by the Stanford Social Innovation Review, Fall 2014, 9 pages, available at: http://www.ssiireview.org/pdf/Fall_2014_The_Next_Stage_of_Financial_Inclusion_1.pdf

This paper investigates the evolving role of nonprofit organizations in providing microcredit to people with low incomes. Dr Karlan argues that the role of nonprofit organizations has moved away from providing microcredit to people with low incomes in general, as for-profit companies have entered the market and begun to provide these services effectively. Instead, nonprofit institutions are addressing market failures to reach those who continue to be excluded from the market. The article is structured around three issues: (1) reaching individuals not covered by the for-profit sector, including those “too rural,” “too poor” or “too young;” (2) building trust among customers and microcredit providers; and (3) promoting innovation.

The author argues that pursuing poor people living in very rural areas is expensive and in fact unsustainable on a for-profit basis. He suggests that nonprofit organizations should promote savings-led microfinance, such as savings groups in which 10 to 30 people work together to save and issue loans to each other. Randomized trials conducted in Ghana, Malawi, Mali and Uganda by Innovations for Poverty Action (IPA) - with the help of Plan International, Oxfam and Freedom from Hunger - indicate that savings groups initiatives have a modest, but positive impact on total savings, livestock levels and levels of food security.

Dr Karlan further argues that nonprofit institutions are essential to strengthen trust between the financial industry and its future customers and that they are vital in ensuring a smooth transition for the emergence of for-profit companies. A recent study conducted by IPA in Uganda showed that certain products previously unknown to the public had a purchase rate of 49 percent if sold by nonprofit vendors compared with 31 percent if sold by for-profit vendors. Endorsement or certifications by microfinance institutions (MFIs) can also lead to higher purchase rates. BASIX, an India-based MFI, demonstrated in one instance that the purchase rate for weather-index insurance was 36 percent higher when an MFI-endorsed insurance educator promoted it.

As financial returns of process innovation in the microfinance sector are very low, Dr Karlan argues that nonprofit institutions

should be the key agents promoting innovation. For example, equity financing can replace debt financing, as is common in Islamic finance models, such as *ijarah*, *murabaha* and *musharaka*. The second proposed measure is to provide more generous repayment schedules using concepts from corporate project financing. For instance, a company that borrows money to build a factory would only have to repay its loan once the factory starts generating revenues.

A study conducted in India demonstrated that test groups with a grace period of two months had a 4.5 percent likelihood of starting a business compared with 2 percent for control groups that had a two-week grace period. It further showed that after three years the group with the longer grace period had business profits and household incomes that were 41 percent and 19.5 percent higher, respectively. However, the study also found that default rates were up to 6.2 percent for the test group, compared with 1.7 percent for the control.

The Broadband Effect: Enhancing Market-based Solutions for the Base of the Pyramid

By Olivier Kayser, Lucie Klarsfeld and Simon Brossard; published by the Inter-American Development Bank; September 2014; available at <http://www.iadb.org/en/publications/publication-detail,7101.html?id=75634>

This report examines how private companies are using broadband - high-capacity internet connections - to improve the efficiency and reach of their operations geared toward the “base of the pyramid (BOP) markets.”

According to the authors, the availability of broadband facilitates the development of business models that are more efficient in terms of “accessing, creating, and distributing goods and services to the BOP.” The report cites a number of case studies from sectors such as financial services, education and health from developing countries such as India, Kenya and Mexico.

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Microfinance Barometer

Published by Convergences, 2014, available at <http://www.convergences.org/en/bibliotheque/microfinance-barometer-2014/>

The fifth annual edition of this report, themed “The Future of Microfinance: Towards a New Deal,” presents insights from researchers and practitioners on the “evolution and prospects of microfinance” globally.

The piece titled “Mobile Money: State of the Industry” presents data on the mobile money sector that show an uptick in the use of mobile services for bulk transactions such as government-to-person payments.

“UGAFODE’s Improvements Through Social Performance Management” features a case study on a microfinance institution (MFI) in Uganda illustrating its adoption of a social performance management system.

The column titled “Addressing Evolving Financial Needs: Can Microfinance Meet the Challenge?” argues that MFIs find it difficult to broaden their product ranges to include services such as savings, insurance and a greater diversity of credit products, without “cannibalizing too much of their primary source of revenue - the microenterprise loan.” It makes the case for “new entrants and emerging organizations” to provide services beyond microcredit to fulfill the goal of financial inclusion.

Strengthening Regulated SACCO Societies in Kenya

Produced by MicroSave, October 2014, 3:39 minutes, available at <http://youtu.be/IQBP6HRimGk>

This video features efforts in Kenya to support savings and credit cooperatives societies (SACCOs), member-owned, self-help cooperatives through which members pool their savings and lend to one another. The video also introduces the training curriculum that MicroSave will be providing to consultants and institutions to develop skills in “risk management and process enhancement” intended to strengthen SACCOs. ■