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Incofin Raises \$71m for agRIF Fund for Agricultural, Rural Enterprises

Please see the subscriber edition for coverage of this “Deal of the Month.”

Bank of Ghana Rejects Appeal for Cash by DKM Diamond Customers

The Bank of Ghana (BoG), the country’s central bank, recently rejected an appeal by customers of DKM Diamond Micro-Finance Limited who had requested the return of their cash deposits and matured investments. BoG suspended DKM’s operations in May for 90 days due to suspected unlawful activity. The central bank argues that it would have to establish that the microbank violated the Ghanaian banking act before it could distribute funds to customers. DKM holds the equivalent of USD 24.4 million in deposits. July 9. 2015

Banco Continental Borrows \$75m from IFC for SMEs in Paraguay

The World Bank Group’s International Finance Corporation (IFC) recently agreed to loan USD 50 million to Banco Continental, a commercial bank in Paraguay. Additionally, IFC will disburse USD 25 million to the bank from its Managed Co-Lending Portfolio Program, whose first investor is the People’s Bank of China. According to a statement attributed to Banco Continental CEO Hugo Ubeda, “IFC’s continued support to Banco Continental will bolster our efforts to expand lending to small and medium-sized enterprises, especially those focused on the export sector. This new investment will consolidate our leadership in the financial sector in Paraguay and our capacity to lend to SMEs that in many cases are located in rural areas with low banking penetration.” Banco Continental has total assets equivalent to USD 2.6 billion. June 29. 2015

India’s SKS Microfinance Cuts Interest Rates by 1.55%

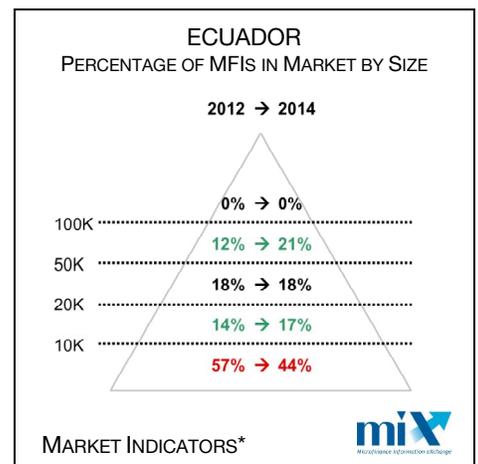
Indian microfinance institution SKS Microfinance is reducing its microloan interest rates from 23.55 percent to 22 percent. Per a statement released by the company, the move is made possible by the firm’s “sustained turnaround, improved profitability..., capital raise in May 2014, rating upgrade and issuance of commercial papers and non-convertible debentures.” Publicly traded SKS, which offers both loans and insurance, reports a gross loan portfolio of USD 518 million and 5 million customers. June 18. 2015

EU, EBRD, Turkish Government to Loan \$380m to 15k Women

The UK-based European Bank for Reconstruction and Development has agreed to loan the equivalent of USD 337 million via credit lines to banks on-lending to women-led businesses in northwest Turkey. The EU and the Turkish government will support the effort with a combined USD 43 million in mentoring and entrepreneurship training, networking opportunities, and credit enhancements for such businesses. The programme intends to serve 15,000 businesswomen. June 12. 2015

(For more top stories, please refer to the subscriber edition)*

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MICROCAPITAL BRIEFS

MicroCapital to Cover European Microfinance Week Onsite

We at MicroCapital are pleased to announce that we again have been contracted to provide onsite reporting from European Microfinance Week, which will be held in Luxembourg from November 18 through November 20. We will publish multiple stories during the proceedings at <http://microcapital.org> and on Twitter @MicroCapital. For related content, please refer to the special coverage on page 4 of this newspaper. July 31, 2015

Grameen Credit Agricole Lends \$1.3m in Sri Lanka, Tajikistan

The Grameen Credit Agricole Microfinance Foundation (GCAMF), a Luxembourg-based provider of financial services to microfinance institutions (MFIs) and other social businesses, recently informed MicroCapital that it has issued the following loans: (1) the equivalent of USD 424,000 in local currency over three years to Janamithu Lanka Limited, a MFI in Sri Lanka that offers loans to poor people for education and asset building; and (2) the euro-equivalent of USD 841,000 over 12 months to Humo and Partners, an MFI in Tajikistan that was founded by the local affiliate of Switzerland-based NGO CARE International. While financial data on Janamithu Lanka are not available, the MFI reports 16,000 active borrowers, of which 95 percent are women and 79 percent live in rural areas. Humo and Partners, which lends mainly to farmers and other rural entrepreneurs, received a license to accept deposits in 2013. It reports total assets of USD 46 million, a gross loan portfolio of USD 36 million, return on assets of 1 percent, return on equity of 6.7 percent and 39,000 active borrowers. July 16, 2015

FINCA Tanzania Goes Commercial to Accept Deposits

The Foundation for International Community Assistance (FINCA) Tanzania, an affiliate of US-based microfinance network FINCA International, recently converted into a commercial bank, a status that allows it to accept deposits. The institution, which has been preparing for the conversion since receiving a banking license from the Bank of Tanzania in 2013, is adopting the name FINCA Microfinance Bank. It serves 121,000 customers with a loan portfolio of USD 32 million via 26 branches. Through subsidiaries in 22 countries, FINCA International serves 1.7 million clients with total assets of USD 1.1 billion. July 5, 2015

Software Provider Aspekt Acquires EuroNetCom

Aspekt, a Macedonian financial software provider, recently announced that it has acquired EuroNetCom, also of Macedonia, adding an integrated banking software solution to Aspekt's product suite. Aspekt also offers microfinance portfolio management software in addition to consulting, application development, data migration and integration services. Financial information on Aspekt and the acquisition are unavailable. July 1, 2015

Good World Mobile-phone Surveys Promote Client Protection

Good World Solutions, a US-based NGO that develops anonymous tools for people to report on how companies treat them, has built a phone survey system to gather information from borrowers in India to determine whether microfinance institutions are following the client protection principles of the US-based Smart Campaign. Good World reports achieving nine times greater disclosure on sensitive questions compared with call center surveys or interviews. June 24, 2015

(For more briefs, please refer to the subscriber edition) 



Vision Microfinance: Social Impact Investing

Vision Microfinance is an appeal to combat poverty in a meaningful and sustainable way. So far 596 m USD have been distributed in the form of 560 promissory notes to 216 microfinance institutions in 39 countries. Thanks to our investors the lives of over 1 m people in developing countries have been transformed.

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African Microfinance Week

Dakar, SENEGAL
29 June - 3 July 2015

SPECIAL REPORT

This is the final piece of a sponsored series on the second Semaine Africaine de la Microfinance (SAM), which was held by ADA, an NGO located in Luxembourg, in partnership with the African Microfinance Network (AFMIN), the African Microfinance Transparency (AMT) Forum, the African Rural and Agricultural Credit Association (AFRACA) and the Microfinance African Institutions Network (MAIN). The text is distilled from coverage of the event published by MicroCapital live from Dakar.

SAM Opens with Talk of Value Chains, Government Support

Bonnie Brusky of French NGO Cerise explained a model of three-way agreements among producers' organizations, importers and funders that allows producers to be paid a portion of their income before delivering their crop. While importers retain the option to refuse shipment based on product quality, the model has been successful with crops such as cocoa and coffee.

Erick Sile of the German government's Gesellschaft für Internationale Zusammenarbeit cited the 2003 Maputo Declaration, whereby African heads of state agreed to earmark 10 percent of government funding for agriculture. Although this commitment was reiterated in 2013, very few countries have met the goal. However, Mr Sile cited the example of Rwanda's public investment in agriculture correlating with annual sector growth averaging over 5 percent from 1999 to 2012. During this time, incomes rose 40 percent for the poorest quintile of families in the country and 20 percent for the next two quintiles.

Making Microinsurance Viable

Solenn Marquette of Bima, a Sweden-based insurer operating in 13 developing countries, explained her firm's strategy for using mobile phones to sell insurance. Although building branches is too expensive, "we still put education teams on ground" to market products. And instead of chasing customers to pay their premiums each month, Bima draws payments directly from customers' mobile phone credits.

Stella Wambui Ndirangu of Kenya-based Agricultural and Climate Risk Enterprise Africa explained that her team found marketing to individuals too expensive, so it now brings on customers through aggregators. Some retailers include the cost of the insurance in their goods. A seed packet, for example, might include a card explaining how to register for the pre-paid coverage via mobile phone. Some membership organizations pay the premiums as a service to their members, in which cases they collect customers' phone numbers, planting dates, etc. "The aggregators do a lot of work; this saves us on human resources, which is expensive," explained Ms Ndirangu. Her customers report investing 20 percent more in their farms and earning 16 percent more profit, with average insurance cover of USD 100.

Building Holistic Approaches

Mark Rueegg of Swiss microinsurer CelsiusPro explained how his firm distributes some of the satellite data it collects for actuarial purposes directly to farmers via mobile phones. "These data can give optimal planting dates instead of farmers going by what they were taught by their father, their neighbor.... This can allow them to increase their yield dramatically without extra costs, such as for additional fertilizer," he said.

Brian Kuwik of US-based NGO Accion explained the work of its investee, Kenya-based Umati Capital, which is using crowd-funding to bring working capital to dairy and grain farmers via "invoice discounting." This arrangement involves buyers of agricultural products agreeing to repay farmers' loans directly upon delivery of the crop.

Regarding bringing new services to rural areas, Mr Kuwik stated that, "Where we've seen the most mistakes is when internal controls are not there and a new product is rolled out without market research." Also, the "original concept must be tested and adjusted [in] a much more iterative process."

Henri Dommel of the UN Capital Development Fund (UNCDF) explained his organization's new focus on data. In partnership with two South African NGOs, FinMark Trust and the Centre for Financial Regulation and Inclusion, UNCDF created the Making Access Possible (MAP) program, publishing "Finscope" surveys for 12 countries. In each country, researchers survey 3,000 to 6,000 individuals and analyze regulation and distribution networks. Mr Dommel said, "MAP gives the kind of detailed data that is interesting to the private sector. So much so that private banks in South Africa financed the survey there."

The Synergies of Partnership

Raphaël de Guerre of the French government's Agence Française de Développement stated, "In Guinea we have added value for coffee producers. In Cameroon, we have increased honey prices by a factor of three, showing private investors that this is viable."

Edvardas Bumsteinas of the EU's European Investment Bank explained some of the ways his organization builds groundwork for its investments: "Before lending to a bank, we talk to the ministry of agriculture to take its goals into account. And you also need partners on the ground that are strong in distribution."

Patrick Akinwuntan of Togo-based Ecobank Transnational added, "To be true to ourselves, we have to make a difference in rural areas, which means making a difference in agriculture."

Coordinating AFMIN, AFRACA, AMT Forum, MAIN

Mitima Mpanano Rémy of the Togo-based MAIN proposed, "Let's get these networks together to build common goals. We should set up an action plan to guide us instead of tackling issues individually.... When can the four networks meet to decide how to work together rather than waiting until the next SAM to ask the same question?"



EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

SPECIAL REPORT

This interview is part of a sponsored series relating to European Microfinance Week, which is held each November by the European Microfinance Platform (e-MFP), a 120-member network located in Luxembourg. MicroCapital will report live from the event.

More Inclusive Finance for Youth

MicroCapital: What is the motivation for the new study “More Inclusive Finance for Youth: Scalable and Sustainable Delivery Models for Financial and Non-Financial Services,” which was published recently by e-MFP’s Youth Financial Inclusion Action Group?

Severine Deboos: Almost 73 million youth worldwide are looking for work. The UN’s International Labour Office (ILO) considers financial inclusion an important ingredient to fostering youth employment. While young people may need access to services such as savings, credit, insurance and payments, potential employers may need loans to fund apprenticeships.

MC: What ingredients lead microfinance institutions (MFIs) to success in serving young people?

Jared Penner: We found that MFIs have an easier time achieving scale and sustainability when there is: 1) a favourable regulatory environment; 2) a wide enough range of services for older youth, including higher value savings and loans; and 3) a focus on youth in urban settings. Other

factors, such as strong institutional commitment to integrated services from MFIs’ management, also proved to be integral to scale and sustainability.

SD: Public authorities can support lending by participating in risk-sharing mechanisms. Also, it is important to provide financial education targeting young people.

MC: Can you cite an MFI that has been successful in serving this market?

JP: Among several mentioned in the publication, Poverty Eradication and Community Empowerment (PEACE) in Ethiopia is a small institution that was able to achieve impressive scale largely based on favourable regulatory conditions along with a staunch commitment from the organization’s leadership. In Ethiopia people may open accounts from the age of 14 without parental approval if they can show a valid work contract.

Another example is Rwanda’s Umutanguha Finance, which has attained sustainability through wide-reaching youth products such as microleasing.

MC: What types of non-financial services are important?

JP: One example that we have seen be successful is a “unified” model in which young people receive educational instruction from loan officers in as few as three 30-minute increments. As we say in the study, “Emerging best practices are suggesting that youth receive the most benefit from financial services when they are offered in tandem with non-financial services such as mentoring, financial education, internship opportunities and social asset building.” We have also seen MFIs successfully build entrepreneurship, gender equality and health education into their programming.

Severine Deboos serves as a technical officer for the Social Finance Programme of the Switzerland-based ILO. Jared Penner is the manager of global engagement and evaluation for the Dutch NGO Child and Youth Finance International. “More Inclusive Finance for Youth” can be accessed at http://www.e-mfp.eu/sites/default/files/resources/2015/05/European_Dialogue_No_8_web.pdf.

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EAR TO THE GROUND

Women in Microfinance in LAC: Coming Out of the Kitchen

I recently traveled with a branch manager of a microfinance institution (MFI) in Colombia to visit some of his clients. Among the lessons of his extensive experience in the field was, “It is better to lend to the woman in the family.... She is more responsible.” Surely, he wasn’t insinuating that the borrower should be a woman regardless of her role in the family business. But alas, as we sat in the house of the borrower drinking juice that she brought out from the kitchen as we chatted with her husband, I became aware that indeed the woman, who spent most of our visit in the kitchen, was the preferred borrower regardless of her role in the household business. Women are often the ones to squeeze the juice, serve the guests and clean up the kitchen. They might take care of the children as they supervise and feed other workers, count the money or help pick fruit off trees. But none of this means that they are in the conversation, that they can decide when to borrow and how much, or whether a loan should be used for the business rather than to purchase a new motorcycle, for example.

On this same trip, I interviewed a pair of mothers-in-law in their 60s who are microfinance borrowers, not because they have their own business but because of their clean credit records. Their respective son and son-in-law had no credit histories, and they relied on their moms to borrow on their behalf. “What if they don’t pay the loan back?” I asked. Both ladies recognized that while they had some influence on these men, they could not guarantee their prompt payment. Instead, they suggested, they would likely respond by borrowing from another institution to pay the loan in the short term.

While many low-income women have control over the decision to take out loans and make subsequent payments, others don’t. The “women are more responsible” argument is beginning to feel outdated as loans become increasingly available to women and men, and better informa-

tion enables institutions to make more precise choices over who to lend to and why. So what is keeping many MFIs from recognizing that a woman should not have to bear the responsibility of repaying a loan her husband is controlling? I would argue that, in part, MFIs can claim blindness. Not over what is happening, but over the consequences. I often bring this point up with senior managers, suggesting that these policies are adding to the stress and other burdens on poor women. They respond by saying that the household makes decisions as a unit. Well, possibly, but any woman in the region will tell you that unequal partnerships abound. According to the Pan American Health Organization, women who were married or in union in Latin America and the Caribbean reported experiencing physical or sexual violence by an intimate partner at rates ranging from 17.0 percent in the Dominican Republic (2007) to 53.3 percent in Bolivia (2003). Exacerbating the problem is the fact that managers setting loan policies often are men. While women play a large role at the bottom tier of the staffing pool, CEOs, managers and even board members are more likely to be male. Andares, Mujeres para las Microfinanzas is working with EA Consultants on a study that aims to quantify the role of women in microfinance leadership in Latin America and to better understand why women continue to be underrepresented. We hope to start a conversation that can move some bright, dynamic women out of the MFIs’ “kitchens” to make big decisions about MFI policy rather than only “serving the juice” of these institutions.

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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PAPER WRAP-UPS

Is Health Microinsurance Sustainable? An Analysis of Five South Asian Schemes

By Michael Weiland, published by the International Labor Organization, May 2015, 45 pages, available at http://www.impactinsurance.org/sites/default/files/mp41_final.pdf

This paper analyzes five health microinsurance schemes in an effort to evaluate their ability to achieve scale, manage subsidies and control claims and other costs.

Argya Raksha Yojana (ARY) was launched in India by the HDFC-Ergo General Insurance Company Limited and charges annual premiums equivalent to USD 3.20. India's Biocon Foundation markets the scheme in rural areas at no cost to HDFC-Ergo.

Rashtriya Swasthya Bima Yojana (RSBY), which is offered by India's Tata AIG General Insurance Company, charges premiums that vary depending on location from USD 6.20 to USD 15 to cover a family of five. The majority of this cost is government-subsidized.

Gonoshasthaya Kendra (GK) of Bangladesh charges premiums that vary according to health status and geography. GK also offers subsidies based on socio-economic status and

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offers lower prices via member cost-sharing, whereby patients pay for a portion of costs not covered by insurance.

The Sajida Foundation of Bangladesh operates Niaprotta, which is compulsory for the organization's borrowers. The premium for up to five family members varies from USD 2.10 to USD 6.20 depending on the loan term.

Naya Jeevan (NJ) is a for-profit enterprise in Pakistan that serves as an insurance intermediary, aggregating groups of low-income individuals and negotiating premiums for each group. Most of its premiums are paid by employers. For USD 2 per person per year... (Continued in the subscriber edition)

Ending the Microfinance Crisis in Morocco: Acting Early, Acting Right

Published by the International Financial Corporation, October 2014, 45 pages, available at <http://www.ifc.org/wps/wcm/connect/5e1e5a0047850bdba0d4f5299ede9589/IFC+Morocco+MicroFinance+Crisis+report.English.pdf?MOD=AJPERES>

This study assesses how Morocco's micro-finance market has evolved since its 2009 downturn, which the authors argue was caused by rapid growth, aggressive competition, poor lending discipline, poor governance and lax regulatory controls. Improvement followed the deployment of... (Continued in the subscriber edition)



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