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MICROCAPITAL BRIEFS | TOP STORIES

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Intellecap Arm Takes Majority Stake in Arohan of India for $10m
Please see page 3 for coverage of this “MicroCapital Deal of the Month.”

IFC Invests $10m in CoreCo Central America Fund for SMEs
CoreCo Central America Fund I, a private equity fund based in Guatemala that invests in small and medium-sized enterprises (SMEs), recently received an equity investment of USD 10 million from the International Finance Corporation (IFC), the private-investment arm of the World Bank Group. The funds are to be used to develop sectors such as, “healthcare, information technology, retail [and] financial and business services.” IFC also intends to encourage the implementation of best-practice corporate governance and environmental and social standards by the companies that CoreCo finances. Founded in 2009, CoreCo now has assets of USD 54 million. October 8. 2012

LeapFrog Pays $15m for 15% of India’s Mahindra Insurance
LeapFrog Investments, a for-profit microinsurance fund based in Mauritius, recently paid the rupee-equivalent of USD 15 million to acquire a 15-percent stake in Mahindra Insurance Brokers Limited, which focuses on serving rural India with asset and loan insurance. Mahindra, which was established in 2004 and has served 2.5 million individuals, hopes to gain from LeapFrog’s knowledge of “product design and distribution” methods. Founded in 2007, LeapFrog reports total investments of USD 135 million reaching 8 million people in six African and Asian countries. October 8. 2012

Citibank, OPIC Share Risk on $18m Loan to Indonesia’s Andara
Citibank Indonesia, an arm of US-based financial services conglomerate Citigroup, and the Overseas Private Investment Corporation, a US-based development finance institution, have agreed to share risk on a term loan of USD 18.5 million to Bank Andara of Indonesia to support its wholesale microfinance lending. Bank Andara, which also provides deposit services to wholesale and retail customers, counts among its shareholders Mercy Corps, a US-based nonprofit relief and development agency; International Finance Corporation, a member of the World Bank Group; the Hivos-Triodos Fund, a Dutch microfinance investment vehicle; Cordaid Microfinance Alliance Fund, a Philippines-based vehicle created by US-based Catholic Relief Services; KfW Bankengruppe, a German development bank; and I Wayan Gatha, the founder of Bank Andara. Bank Andara reports total assets equivalent to USD 76 million. October 5. 2012

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

MicroCapital to Cover European Microfinance Week Onsite
MicroCapital has been contracted to provide onsite reporting from Microfinance Week 2012, a production of the 130-member European Microfinance Platform. The event will be held in Luxembourg from November 14 through November 16, with multiple postings to be published each day at http://microcapital.org and on Twitter @MicroCapital. September 13, 2012

MIF, Global Partnerships Launch $1m Health Project in LAC
The Multilateral Investment Fund (MIF), a member of the US-based IDB (Inter-American Development Bank) Group, has agreed to partner with Global Partnerships, a nonprofit with offices in Nicaragua and the US, to support microfinance institutions (MFIs) and cooperatives in offering health services and education to low-income households in Ecuador, Haiti, Honduras, and Nicaragua. The project, which has a budget of USD 1 million, is planned to benefit up to 75,000 low-income women and their families over three years. MIF reports disbursing approximately USD 100 million per year in grants, equity, and loans. As of 2011, Global Partnerships reported USD 36 million invested in 30 MFIs that serve 972,000 borrowers in eight Latin American countries. September 27, 2012

190,000 Youth in Rural China Access $1.6b in Microcredit
According to figures attributed to the China Communist Youth League (CCYL), 190,000 rural businesspeople under the age of 40 participated in a microfinance scheme designed to help participants start businesses in partnership with local financial institutions. In the first half of 2012, CCYL channeled the equivalent of USD 1.6 billion through the scheme as well as USD 63 million in interest subsidies for use in central and western China. September 25, 2012

Intellecap Arm Takes Majority Stake in Arohan of India for $10m
IntelleCash Microfinance Network, a subsidiary of Indian social-sector advisory firm Intellectual Capital Advisory Services (Intellecap), reportedly has purchased a 56-percent stake in Arohan Financial Services, an Indian microlender, for the rupee-equivalent of USD 10 million. Live Mint, an Indian news source affiliated with US-based newspaper The Wall Street Journal, termed the transaction the “first sizeable acquisition in India’s microfinance sector since it ran into a crisis after [the Indian state of] Andhra Pradesh in October 2010 passed a law that restricted the operations of microlenders…”. Other stakeholders in Arohan include the Mauritius-based India Financial Inclusion Fund, the US-based Michael and Susan Dell Foundation and the Dutch-Indian social investor Aavishkaar Goodwell. Arohan, which also offers life insurance, reports total assets of USD 10 million, 107,000 borrowers, return on assets of -16 percent and return on equity of -80 percent.
FIELD NOTES

Reflections from FOROMIC 2012: Who Will Lead Microfinance into the Next Generation?

As I listen to the waves gently gliding across shades of turquoise in the Caribbean Sea, I am swaying on a hammock under some palms, thinking about...microfinance? I am taking advantage of American Airlines’ delays as I recover from the annual FOROMIC conference in Barbados, which was hosted by the Multilateral Investment Fund/Inter-American Development Bank (MIF/IDB). The conference location reflects some real shifts in thinking about financial access gaps and where donors can make a difference. Unlike most of the places I travel, the roads of Barbados are not peppered with financial service options. I haven’t seen pawnshops, microfinance institutions (MFIs), NGOs and cooperatives on every corner. Holding the event in Barbados seemed to symbolize the idea that there is still more to do in financial access. The subtext was that the industry in Latin America has evolved to an extent that there may not be much left for large donors to do here. Today, the microfinance industry in Latin America offers a variety of institutions in most of the region (excluding Barbados and a few other countries) that are doing business with less and less subsidy. These institutions are funded by a variety of commercial (and some non-commercial) vehicles. Of the USD 500 billion invested by microfinance investment vehicles in the sector worldwide, a large part is still placed in the region. So what is left for donors and other stakeholders to do?

The FOROMIC agenda seemed a bit out-of-focus, reflecting the sector’s achievements, but not quite assimilating their implications. It suggested the need for leadership in some key areas without mapping the direction for the industry overall. There is a lot to think about in the sector, and many are talking about deconstructing and reconstructing microfinance, which has followed largely the same models for the past 20 years. Parallel to the proceedings, US-based nonprofit Accion held a meeting of its affiliates challenging them to rise to the task. Some institutions have begun to take on the challenge, and there have been some interesting results. For example, some MFIs have bet on growth through international expansion, both south-to-south, but also south-to-north. Mexico’s Financiera Independencia’s purchase of a San Francisco-based MFI is one of a growing number of examples. For others, it has meant experimenting with technology and delivery mechanisms to reduce costs in their home countries. I am consistently impressed with the new centralized credit analysis process of Ecuador’s Banco Solidario.

At FOROMIC, MIF/IDB proposed that the challenges ahead include: (1) “green” finance - some efforts displayed at the conference made me think green is just around the corner; (2) supporting small and medium-sized enterprises (SMEs) - although I am not convinced we’ve helped microentrepreneurs enough to move on to SMEs; (3) broadening financial inclusion to savings and insurance - where there is still much work to be done; and (4) supporting consumer protection and transparency within microcredit - which I view as a necessary response to an industry that is ever more focused on the bottom line.

Many institutions still are wondering what’s around the corner and are looking for leadership from organizations like MIF/IDB. If government-backed organizations and NGOs choose not to provide this leadership, big commercial players will step in and push through their own agendas, for better or for worse.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 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@eac-global.com, or you may follow her on Twitter at BarbaraatEA.
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With online coverage of the proceedings by: E MicroCapital

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www.microfinanceIndia.com

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PAPER WRAP-UPS

Strategic Framing Work(s):
How Microcredit Loans Facilitate Anti-witch-hunt Movements

By Soma Chaudhuri and Anuradha Chakravarty, published by Mobilization, June 2012, 19 pages, available for purchase at: http://mobilization.metapress.com/link.asp?id=frf1k0k62750028

This publication summarizes a study of microfinance and its effect on witch hunts in the town of Jalpaiguri in the Indian state of West Bengal. The seven-month study examines self-help groups of eight to 10 local women who were participating in a government program that provided entrepreneurial loans in amounts equivalent to USD 18. The authors of the study found that women participating in the self-help groups have been influential in stopping attacks against women in the town. Witch hunts, which sometimes occur as a reaction to illness or death within the community, often result in the murder of the women accused of being witches. In one case, self-help group members formed a vigil outside the house of a woman accused of being a witch and stopped… (Continued in the subscriber edition)

Emerging Perspectives on Youth Savings


The authors of this paper argue in favor of familiarizing poor individuals with savings programs, especially younger people. Although it is difficult for youth from low-income families to save, financial providers can offer tailored savings plans to meet the needs of these groups. This paper examines the potential opportunities and obstacles faced by financial… (Continued in the subscriber edition)

What Are Clients Doing Post the AP MFI Crisis?


This brief analyzes the impact on microfinance institution (MFI) clients of the downturn in the microfinance sector that occurred in the Indian state of Andhra Pradesh in 2010. The research team used focus group discussions and other “participatory” research methods, relative preference ranking and financial sector trend analysis for July 2011 and August 2011 in three… (Continued in the subscriber edition)

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