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**Peru's ACP Sells 61% Stake in Mibanco to Credicorp's Edyficar for \$179m**  
Please see page 2 for coverage of this "MicroCapital Deal of the Month."

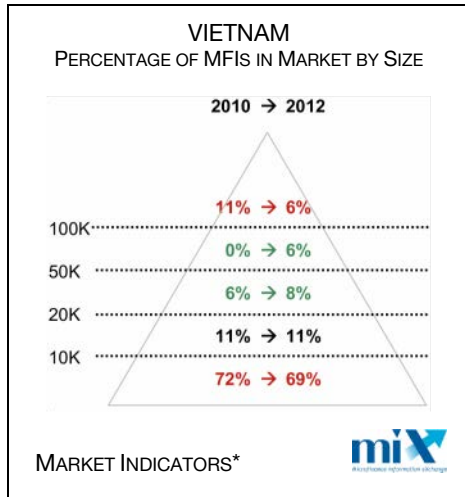
**Danish Microfinance Partners Buys 15% of MicroCred for \$11m**  
MicroCred Holding, a French microfinance investment company that was created by French NGO PlaNet Finance, has raised the euro-equivalent of USD 11.4 million in equity by issuing new shares amounting to 15 percent of the firm to Danish Microfinance Partners, an investment fund that supports micro-, small and medium-sized enterprises. With operations in China, Cote d'Ivoire, Madagascar, Nigeria and Senegal, MicroCred Group reports an outstanding loan portfolio of USD 218 million, deposits of USD 83 million and 230,000 clients. Danish Microfinance is managed by Maj Invest, a Danish manager of USD 8 billion in assets. February 8, 2014

**Zimbabwe Imposes 5% Tax on Mobile Money Services**  
The Central Bank of Zimbabwe reportedly has imposed a 5-percent tax on the fees charged to effect mobile money transactions such as cash transfers, cellular phone payments and utility bill payments. The move follows a lobbying effort by the 21-member Bankers Association of Zimbabwe that is said to have been a response to the refusal of Econet Wireless of South Africa to integrate its mobile money platform, EcoCash, into Zimbabwe's banking system. The new regulation subjects mobile money to the same level of tax charged on automated teller machine and point-of-sale transactions. Econet has operations in Africa, Eurasia and South America; and EcoCash has 3 million subscribers. January 28, 2014

**Trident, Basix' Bhartiya Samruddhi of India May Fail**  
Trident Microfin Private Limited, a microfinance institution (MFI) in India, reportedly may shut down after a forum of 21 lenders operating in the Indian state of Andhra Pradesh declined to provide Trident with additional funding or a one-time loan write-down that would have allowed the MFI to pay 18 percent of its outstanding loans. Bhartiya Samruddhi Finance Limited, an MFI member of India-based Basix Group, allegedly is facing closure as well after failing to meet a 2013 deadline to raise an unspecified amount of equity. Trident reports total assets of USD 24 million, a gross loan portfolio of USD 21 million and 200,000 active borrowers. Bhartiya Samruddhi reports total assets of USD 40 million, a gross loan portfolio of USD 47 million and 377,000 active borrowers. Neither institution accepts deposits. January 28, 2014

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

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**MICROCAPITAL BRIEFS**

**Sanad Fund for MSME Loans \$500k to Reef Finance of Palestine**

The Sanad Fund for MSME, a Luxembourg-based investor in financial institutions serving micro-, small and medium-sized enterprises (MSMEs) in the Middle East and North Africa, has agreed to issue a senior loan of USD 500,000 to Reef Finance, a nonprofit microlender in the Palestinian Territories of West Bank and Gaza. Reef intends to use the loan to serve rural clients, including farmers and small-business owners. Reef reports USD 8.6 million in outstanding loans. February 7. 2014

**ResponsAbility Participations Raises \$26m**

ResponsAbility Participations, a Swiss investment company, reportedly has completed a capital increase in an amount equivalent to USD 26 million, bringing the company's total equity to USD 48 million. The funds will be used to expand investments in institutions that provide financial services to "low-income households as well as micro, small and medium-sized enterprises" in developing countries. Founded in 2012, responsAbility Participations is managed by Switzerland's responsAbility Investments, which reports total assets under management of USD 1.4 billion. The source or sources of the funds newly invested in responsAbility Participations have not been named publicly, but its previous shareholders include German development bank Kreditanstalt für Wiederaufbau and unspecified pension funds and Swiss banks. February 7. 2014

**India Post, Bharat Sanchar Nigam to Offer Mobile Money**

The Indian postal department, India Post, reportedly is partnering with Bharat Sanchar Nigam Limited, a telecommunications company owned by the Indian government, to provide instant money transfers through cellular phones. Customers will be able to transfer amounts equivalent to USD 16 to USD 800 by depositing money at a post office. Recipients will be able to claim funds at other participating post office branches upon showing valid identification and a unique personal identification number that will be provided through short message service, also known as SMS or text messaging. The fee will be 5 percent of the transferred amount, which is the same that India Post charges for money orders. Bharat Sanchar Nigam has 101 million mobile users. February 7. 2014

**IFC Loans \$20m to Attawfiq Micro-Finance of Morocco**

The International Finance Corporation, a member of the US-based World Bank Group, recently loaned USD 20 million to Attawfiq Micro-Finance, a nonprofit microlender based in Casablanca, Morocco, for on-lending to microenterprises. IFC also will assist Attawfiq in developing new products to assist it in reaching more clients. Attawfiq, which was founded by Morocco's Groupe Banque Centrale Populaire, reports total assets of USD 224 million, a gross loan portfolio of USD 190 million and 221,000 borrowers. February 6. 2014

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**MicroCapital Deal of the Month**

**Credicorp Unit to Pay \$179m for 61% of Peru's Mibanco**

Financiera Edyficar, a microbank owned by Peru's Credicorp, recently agreed to pay USD 179 million to acquire nonprofit Grupo Accion Comunitaria del Peru's (ACP's) majority stake in Peruvian microbank Mibanco. With control of a range of financial services firms, Credicorp reports USD 41 billion in assets. Mibanco reports total assets of USD 2.2 billion, return on assets of -0.10 percent and return on equity of -0.89 percent as of 2012. According to Hugh Sinclair, a microfinance industry consultant, the lackluster performance of Mibanco and ACP's 2013 breach of a covenant on USD 85 million corporate bond are symptomatic of broader challenges facing the microfinance sector in Peru, including borrower over-indebtedness, high default rates and decreasing profitability. ACP owns assets equivalent to USD 2.5 billion, including majority stakes in 23 companies that provide financial services in 10 Latin American countries.

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**Alibaba, Baidu Offer Savings in China via Yu'e Bao, Baifa**

Internet companies in China reportedly are increasing financial inclusion through services such as Yu'e Bao, an online savings and investment product of e-commerce player Alibaba Group, and Baifa, an online "wealth management" product launched by Baidu, which is known for its Internet search engine. Yu'e Bao, which was launched in June 2013 as part of Alibaba's Microfinance Services Group, accepts deposits as small as USD 0.17 and offers interest that has averaged an annual rate of 5 percent. With 43 million clients and deposits of USD 30 billion, Yu'e Bao reportedly plans to begin offering microloans to small and medium-sized enterprises. While financial data on Baifa are not available, the service offers an annual interest rate of 8 percent on deposits, and it reportedly raised USD 165 million from 120,000 customers on the day it launched in October 2013. February 5. 2014

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## FIELD NOTES

### Saving Through Lottery Tickets in Brazil - The Price of Fun!

I have just returned from a rather intense week in Brazil, where fun is in the air ahead of Carnival, which starts on February 28, and the World Cup, which starts in June. Without trivializing the popular discontent over a hike in transport fares and growing inflation, coupled with a sense that the economy is due for some cooling, Brazil is a fun place to be. Perhaps this is why capitalization titles or “capitalização” are so popular. These products, which are sold as lottery tickets, allow people to buy a chance at a cash prize, but redeem some of their initial capital whether or not they win. In some cases, they are one-shot deals. In other cases, they involve a process that looks a lot like commitment savings. Consumers buy a ticket for a fixed amount each month, each ticket increasing their chances to win a prize draw. At the end of 18 months or more, they receive most of their money back - less “administrative costs.”


Unlike a savings account, the return is negative even before taking inflation into account. But in exchange, consumers gain three important benefits: (1) a convenient way to save money and avoid the temptation to spend it (early redemption is complicated and involves penalty fees); (2) a product that encourages the “discipline” of monthly savings (through access to more draws and sometimes automatic debits from bank accounts); and (3) the hope of winning big. Most of the marketing for these products focuses on the third aspect. This is a game, but one closely linked to the aspirations of a growing lower-middle class that feels stuck.

This is no small experiment in “financial inclusion.” The first firm to offer capitalization titles was registered in Brazil in the 1920s. Today, the USD 8 billion industry has about 34 million clients, according FenaCap,

the National Federation for Capitalization, a private trade group. The industry raffles off an enticing USD 1.6 million in prizes each day.

Half of capitalization “tickets” are sold through banks, many of which have their own companies that specialize in the practice. Advocates proudly point to the fact that US-based Citibank offers these products as validation, but the top three players in this market are Brazilian, led by Brasilcap with 29 percent of the market. As with many lotteries in the US and elsewhere, Brasilcap is majority-held by a publicly owned entity: Banco do Brasil owns Brasilcap.

So why do I walk away from these products feeling uncomfortable? The answer is in the very presentation we received from FenaCap, which states: “These products stimulate consumers to make a good decision for the wrong reason.” Mixing fun and behavioral incentives work: if you have time, visit Volkswagen’s new website <http://TheFunTheory.com> for some innovative ways to use “fun” to encourage recycling, walking up stairs and putting trash into bins. But I still don’t like the idea of “us” deciding how “they” should save. I’d much rather leave it to the free and rational choice of each consumer. After all, with a negative rate of interest and no deposit insurance, capitalization titles may not seem for long to be the best savings option in town. Instead, we should work to ensure that consumers have the tools that motivate them to make the right choice for the *right* reasons.

*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

### Global Financial Development Report 2014

Published by The World Bank, January 2014, 225 pages, available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTGLOBA/LFLNREPORT/0,,menuPK:8816192~pagePK:64168176~piPK:64168140~theSitePK:8816097,00.html>

This report draws on research and analysis of the global financial services market to address the needs of low-income people that do not have access to financial services and recommends policies that the authors believe would increase financial inclusion. According to the report, 50 percent of adults around the world do not use formal financial services due to cost, distance and the inability to meet requirements for opening accounts. However, the authors argue that not all of these underserved people have demand for financial services, and policy efforts to provide them with such services can be counterproductive, leading to financial instability. Many financially excluded people could, however, benefit from financial services such as electronic payments, savings and insurance.

The authors also argue that government policy should address issues such as regulatory barriers and legal hurdles that prevent financial access by those that could benefit from such services. Additional recommended measures include protecting creditor rights, regulating business conduct and protecting customers through transparency and financial education. Products such as index-based insurance can also be designed to address market failures and reduce customer risk. New technologies such as mobile payments, mobile banking and digital borrower identification can increase security and reduce the cost of financial services.

One of the most important keys to financial inclusion, according to the report, is financial education. Both the delivery mode and content of this education are important. The authors state that providing simple financial training has proven... (Continued in the subscriber edition)

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### A Guide to Responsible Investing

Published by MicroRate, December 2013, 7 pages, available at <http://www.microrate.com/a-guide-to-responsible-investing-a-microrate-white-paper>

MicroRate, a US-based, for-profit microfinance rating agency, has published a primer introducing the terminology and practices used by the “responsible” investing community. The report delineates three approaches to investing: financial investment, socially responsible investment (SRI) and impact investment.

Investing is the practice of maximizing financial returns on capital while limiting risk. While financial investing is focused on the “bottom line,” responsible investing, which includes SRI and impact investing, is different because it also seeks positive non-financial returns called “social returns.” These contribute toward improving the societal and environmental health of the community where the investment is placed. This can include contributing to the economic, social and educational health of a society as well as making eco-friendly improvements.

SRI is meant to maximize financial returns while avoiding investments that may have a harmful impact on society. As of 2012, SRI assets accounted for USD 14 trillion worldwide, including USD 4 trillion from the US and USD 8 trillion from Europe. SRI operations often run a screening process that filters out investments deemed... (Continued in the subscriber edition)

### Estudio de Caso Cooperativa San Miguel de los Bancos: Servicio de Captacion Movil

Published by Red Financiera Rural-Ecuador, 2013, 27 pages, available at [http://www.mfc.org.pl/sites/mfc.org.pl/files/SP\\_Fund\\_San\\_Miguel\\_Es.pdf](http://www.mfc.org.pl/sites/mfc.org.pl/files/SP_Fund_San_Miguel_Es.pdf)

This case study explores the effectiveness of mobile savings products in promoting savings in rural communities by reviewing the operating results of the Mobile Collections Service (Servicio de Captacion Movil) offered by San Miguel de los Bancos, a savings and credit cooperative in Ecuador.

Prior to implementation of the service, clients had to visit one of the three branches of the cooperative... (Continued in the subscriber edition)

### AMK Cambodia - Have AMK Loans Helped Its Clients Improve Their Overall Wellbeing?

Pending publication by Angkor Mikroheranhvatho Kampuchea, January 2014, 12 pages, available at [https://www.incofin.com/sites/default/files/attachments/newstitem/Change%20Study\\_AMK\\_2014.pdf](https://www.incofin.com/sites/default/files/attachments/newstitem/Change%20Study_AMK_2014.pdf)

This report explores the results of a five-year study of the effectiveness of Angkor Mikroheranhvatho Kampuchea, a Cambodian microfinance institution, in helping increase its clients’ livelihoods through microcredit. Comparing survey results of client and non-client households undertaken between 2006 and 2012, the authors conclude that microfinance clients experienced an increase in their wellbeing as measured by... (Continued in the subscriber edition)



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