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Lok Sextuples Investment in Partial Exit from India's RuralShores

Please see page 2 for coverage of this "MicroCapital Deal of the Month."

Myanmar Allocates \$52m for Agricultural Microfinance

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

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

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

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

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

Zimbabweans Warned of Illegal Deposit-taking by MFIs

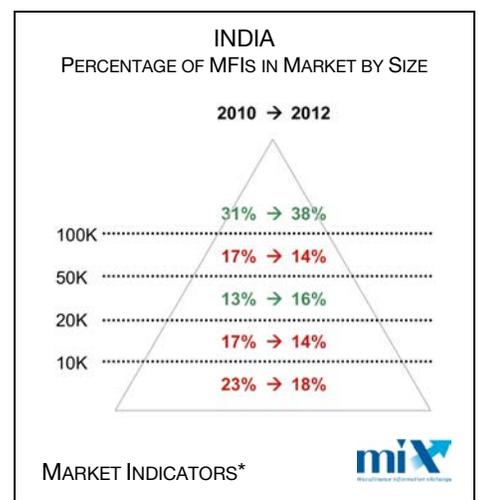
The executive director of the 68-member Zimbabwe Association of Microfinance Institutions, Godfrey Chitambo, reportedly has cautioned the Zimbabwean public regarding microfinance institutions (MFIs) that are taking deposits illegally. None of the 147 MFIs registered by the Reserve Bank of Zimbabwe are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

Depositors of 5 Troubled MFIs in Fiji to Be Reimbursed

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

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

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MICROCAPITAL BRIEFS

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

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

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

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

Dahabshiiil to Launch E-Dahab Mobile Money in Somaliland

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

Confecamaras, Colombia, IFC Facilitate Use of Movable Collateral

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

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

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

MicroCapital Deal of the Month

Lok Sextuples Investment in India's RuralShores

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

Imagine your branding here

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

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

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

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

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

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

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

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

WorldRemit to Enable Payouts to MTN MobileMoney in Uganda

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

3 Indian Microlenders Get Reprieve on Capital Requirements

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

MIX Offers Financial Inclusion Data Analysis via "FINclusion Lab"

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

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

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

Partner Microcredit of BiH Borrows \$4m from EFSE

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



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FIELD NOTES

Entrepreneurship in the Caribbean: Listening to Youth

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

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

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

Eved Jose Corado was tired of working construction under the hot sun after graduating from secondary school and watching friends move on to college without him. Skilled at computers, he borrowed USD 5,000 that

his sister had saved at La Inmaculada, promising her that she would get it all back within a year. She has, and he now runs a successful internet café for the students that he could not afford to join in college.

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

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

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



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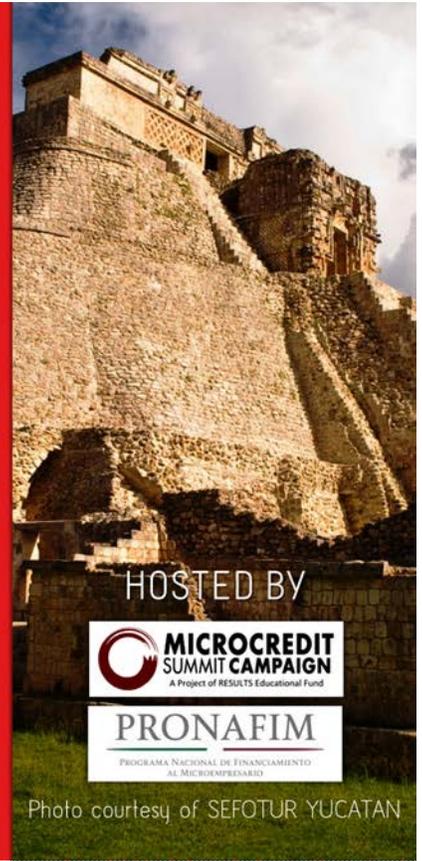
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PAPER WRAP-UPS

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

Published by J.P. Morgan and the Global Impact Investing Network, May 2014, 52 pages, available at http://www.jp.morganchase.com/corporate/socialfinance/document/140502-Spotlight_on_the_market-FINAL.pdf

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

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

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

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

Over-indebtedness: A Risk Management Approach

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

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

One of the biggest causes of loan defaults is...
(Continued in the subscriber edition)



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