

MicroCapital Monitor

The Candid Voice for Microfinance Investment

TOP STORIES THIS MONTH:

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7,000 Microlenders in Bangladesh?

When the Microcredit Regulatory Authority Act 2006 was introduced on August 27th, NGO's and cooperatives operating in microfinance in Bangladesh were required to apply for licenses issued by the Microcredit Regulatory Authority (MRA) in order to continue service. The deadline for applications was February 26, 2007, and the MRA has been inundated with approximately 7,000 applications. The Bangladesh Bank, the central bank, estimates that microcredit programs in the country currently reach 24 million people, with 17 million microcredit borrowers. Despite the size of the industry, the huge number of license applications has come as a surprise. As such, it is rumored that organizations supported by Palli Karma-Sahayak Foundation (PKSF), a non-profit state run microcredit funding institution, may be considered for licenses first. The MRA has its work cut out for it as it begins to consider each individual application. As an emergency measure, public and private donors, who are largely responsible for this ridiculous bounty of microlenders, ought to provide \$20m or so to assist the overwhelmed oversight agency. This is a real mess that needs to be cleaned up quickly and well; otherwise, the result will be more poverty due to mismanaged microcredit. This response is unlikely, however, as the donor side of microfinance is just as fragmented as microbanking in Bangladesh. We seek solace that microbanks will now be forced to consolidate, at least in Bangladesh. Who or what will force those funding them to consolidate?

April 12, 2007.

IFC and KfW Development Bank Put \$1 Billion "First Class"

International Finance Corporation (IFC) and KfW Entwicklungsbank (KfW Development Bank), which functions on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), signed the "Microfinance Initiative for Asia" worth USD 1bn over 3 years. KfW expects to work with more than 30 projects in more than 12 countries across Asia with a focus on the expansion of existing 'first class' MFI's. The IFC estimates that just 6% of the potential microfinance market is being served. Lars Thunell, executive vice president of the IFC, explains that "by offering long-term local currency loans and equity participation, together with advisory services, the initiative aims to increase microfinance outreach by over 5mm new clients by 2009."

April 18, 2007.

Sequoia Capital Leads USD 11.5m to SKS Microfinance

Heavy hitter Sequoia Capital, a private equity firm founded in 1972 and based in California, will lead an USD 11.5m investment into Swayam Krishi Sangam (SKS) Microfinance, a microlender based in India. Other buyers include non-profit USD 23m Unitus Equity Fund of Seattle, US. SKS Microfinance is based in Hyderabad, India, and was established in 1997. At the end of the financial year in March 2006, it reported a gross loan portfolio of USD 20.6m, a debt to equity ratio of 636%, a return on assets of 2.8%, and a return on equity of 27.08%. Further information about the SKS valuation is not made publicly available.

April 2, 2007.

Kenya: New Regulations Introduced

The Central Bank of Kenya has released its draft microfinance regulations which spell out the implications and enforcement of the Microfinance Act 2006. The act allows the Central Bank to license, regulate, and supervise any deposit-taking microfinance institutions (MFI's), and is planned to come into force on July 1st 2007. As such, any MFI's in Kenya are required to comply with the guidelines set out by the Bank if they are to continue operating. Unlike regulations recently introduced in Bangladesh, the Central bank of Kenya does spell out explicit requirements regarding minimum capital requirements. The issue of a license for an MFI will require a minimum core capital of 60 million Kenya Shillings (USD 877,000) to operate on a national level, and Sh 20mm (USD 292,000) to operate in specific districts or towns. There are also various rates of capital to asset ratios which must be retained at all times, in addition to a minimum 20% of liabilities which are to be kept in liquid assets. Further requirements include a restriction on direct or indirect shareholding to 25% to any one individual or associates, and a minimum number of five individuals to constitute a Board of Directors.

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MicroCapital would like to recognize the individuals at CGAP, The MIX, and microfinancegateway.org for their outstanding work disseminating information on microfinance. Thank you!

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MICROCAPITAL BRIEFS

World Bank Fights Corruption: Wolfowitz Must Go

Due to an internal whistle-blower website at the World Bank, its President Wolfowitz has admitted giving a patronage job to his girlfriend in which she makes more salary than her boss, Secretary of State Condoleezza Rice. Congratulations to the employees of the World Bank for having more success bringing to justice the corrupt Bush administration "masterminds" like Mr. Wolfowitz than we have had as American citizens defending our own institutions against this band's bloody profiteering. Pluck up, and keep fighting corruption! April 18, 2007.

Eskhata Bank Borrows \$1m from Incofin

The Belgium-based Impulse Microfinance Investment Fund (Incofin) provided a USD 1 million loan to Eskhata Bank. Eskhata is an open joint-stock company in Tajikistan with 51-60 percent of its business coming from microfinance, according to MIX Market. As of 31 December 2005, its gross loan portfolio was approximately USD 4.9m with USD 13.3 mn in total assets. Its deposits to loan ratio is 111.78% and its capital/asset ratio is 36.9%. Incofin reports USD 23.75m in fund assets, USD 12m of which is allocated to 22 microfinance investments. April 18, 2007.

Triodos Group Lends \$1.3m to Kazakhstan Loan Fund

The Kazakhstan Loan Fund (KLF) received the equivalent of USD 1.3m in loans through a partnership with Triodos-Doen and the Hivos-Triodos Fund. As of 31 December 2006, KLF has a gross loan portfolio of USD 26.2m and USD 41m in total assets and reported to the MIX Market a 17.53% capital to asset ratio and 470% ratio of debt to equity. The Triodos-Doen Foundation has USD 33.1m invested in microfinance in 71 different locations and the Hivos-Triodos Fund had USD 27.2 in 36 active microfinance investments. April 17, 2007.

EBRD Lends \$4m to the First MicroFinanceBank

The European Bank for Reconstruction and Development (EBRD) is extending a USD 4 mm loan to The First MicroFinanceBank (FMFB)-Tajikistan. The loan comes under the Tajikistan Micro and Small Enterprise Finance Facility (TMSEFF), established in 2003 by EBRD. FMFB-Tajikistan originates from the Aga Khan Rural Support Programme (AKRSP), which was established to promote microfinance in the rural Northern parts of Pakistan since 1982. FMFB-Tajikistan was established as a non-listed public limited company under the provisions of AKRSP in November 2002, and as of December 31st 2006, had a gross loan portfolio of USD 11 million, total assets of 27.5 million, a return on assets of 0.45% and a debt to equity ratio of 133.75%. April 16, 2007.

IFC Invests \$5m in ICICI's Technology Spin-off

The International Finance Company agreed to invest up to USD 5 mn in India's Financial Information Network & Operations Limited (FINO), a technology service provider that helps banks reach rural banking markets. The USD 5 m investment is broken down into two USD 2.5 m halves. One half of the investment consists of common equity with the second as convertible preferred shares. The investment will support mobile banking solutions to enable rural banks, cooperatives, and microfinance institutions (MFIs). FINO was established approximately two years ago through funding from the Industrial Credit and Investment Corporation of India (ICICI), India's second largest bank. April 16, 2007

BRAC Engages Citibank to Raise \$55m

Bangladesh Rural Advancement Committee (BRAC), the largest non-governmental organization (NGO) in the world measured by number of employees, boasts over 4.5 million microloan borrowers nationally. It has contracted with Citibank Bangladesh, a subsidiary of the Citigroup international financial services organization, to raise USD 55m to further expand microcredit programs. The transaction will occur with risk participation by the Overseas Private Investment Corporation (OPIC of the US government), International Finance Corporation (IFC of the World Bank), and syndicated financing from a host of local banks. The loan is denominated in Bangladesh Taka (BDT) and will be disbursed over a period of five years. Created in 1972, BRAC had a gross loan portfolio of USD 350m, total assets of 394m, a return on assets of 6.90%, and a debt to equity ratio of 238.31%, as of year end 2006. April 16, 2007.

The industry standards in microbank data and investment deals are the MIX Market and the CGAP-MIX Capital Markets Newsletter respectively. They are our main sources for news on the same. Please support these organizations to undo the microfinance "data dearth". ❖



THE ROAD AHEAD
MAY 25, 2007

Friday, May 25th, 2007

University of Chicago Gleacher Center, Chicago, Illinois

chicagomicrofinance.com

Keynote addresses: Vikram Akula - CEO, SKS Microfinance
Elizabeth Littlefield - CEO, Consultative Group to Assist the Poor (CGAP)

The Chicago Microfinance Conference (CMFC) is a collaborative effort among three leading graduate business and policy institutions that brings together practitioners, academics and emerging industry leaders to advance the strategic debate of the future of microfinance.

UPCOMING EVENTS

Need an easy way to track good microfinance industry events?

In the full version available to subscribers only, we select and highlight events with a business orientation and those aimed at the investment community. We give you a short description, putting all the event and contact information at your fingertips.

PAPER WRAP UP

3 papers reviewed this month. For subscribers only.

In the full version available to subscribers only, we alert you to key papers and provide summaries and recommendations to save you time and keep you up to date.

WHO'S WHO IN MICROCAPITAL

3 organizations profiled this month. For subscribers only.

How do you get to know an organization? In the full version available to subscribers only, learn about the people who manage and direct the players in microfinance. Where did they go to school? What organizations do they support? Where have they worked and in what positions? This month:

Fondation Zakoura
MasterCard Foundation
PlaNet Finance

EDITORIAL: eBay Enters

5 Part Series



The MIX MARKET™ is a global, web-based, microfinance information platform. It provides information to sector actors and the public at large on microfinance institutions (MFIs) worldwide, public and private funds that invest in microfinance, MFI networks, raters/external evaluators, advisory firms, and governmental and regulatory agencies.

The MIX Market seeks to develop a transparent information market to link MFIs worldwide with Investors and Donors and promote greater investment and information flows.

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ORGANIZATION NAME

NAME ON CREDIT CARD

CREDIT CARD # MC VISA AMEX DISCOVER

EXPIRATION DATE CVV CODE (3 DIGITS, 4 AMEX)

CREDIT CARD BILLING ADDRESS

MAILING ADDRESS (IF DIFFERENT)

TELEPHONE NUMBER AND COUNTRY

CHOOSE YOUR SUBSCRIPTION PLAN

BRONZE: \$99 per year – Sent to one email address:

(1)

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(1)

(2)

(3)

(4)

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FAX: 617.648.0050, USA

EMAIL: info@microcapital.org

TELEPHONE: 617.648.0043, USA