

## MICROCAPITAL BRIEFS | TOP STORIES

### Microcredit Summit Campaign Announces Industry Has Served 100 Million

The Microcredit Summit Campaign has determined that 106 million people received a microloan in 2007. *Continued on Page 3.*

### Arab States Announce \$2b Fund for SMEs, Microfinance

At the recent Arab Economic, Social and Development Summit, 22 member states agreed to form a USD 2 billion fund to support micro, small and medium-sized businesses. The effort will be managed by the Arab Fund for Economic and Social Development (AFESD). Details on how the funds will be used were not provided, except that a Grameen-style model of microfinance will be used. AFESD is an autonomous pan-Arab development finance organization which began operations in 1974. As of 2006, it reported assets equivalent to USD 8.5 billion, including loans of USD 6.19 billion. January 23, 2009

### Injuries Reported as Nicaraguans Demand Repayment Holiday

Thousands of farmers and small businessmen gathered on January 12 in Nicaragua to protest high microfinance institution (MFI) interest rates, blocking the Pan American Highway just north of Managua, the capital. Police used tear gas to clear away protestors, who were armed with guns, clubs and stones. Two policemen and one civilian were injured, and 160 were arrested. The Movement of the Producers of the North is demanding moratoriums on both repayments to MFIs and seizures of delinquent borrowers' homes and property. Some MFIs have been accused of changing the conditions of their loans mid-term. The ruckus follows the 2008 arrest of six debtors and the kidnapping of an MFI employee during a protest that was seemingly condoned by Nicaraguan President Daniel Ortega. January 14, 2009

### Malawi Sanctions Three Microfinance Institutions Over Profiteering

The government of Malawi has ceased guaranteeing and servicing loans obtained by civil servants from Blue Financial Services, Izwe Loans and Greenwing Capital, taking the position that they are charging "exorbitant" interest rates. Blue Financial Services reportedly offers credit at approximately four percent interest per month, while Izwe offers credit at 3.3 percent interest per month. January 12, 2009

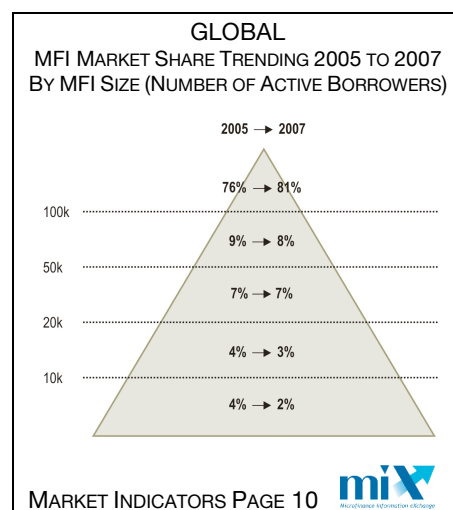
### BRAC Launches \$62m East Africa Microfinance Fund

Bangladesh Rural Advancement Committee (BRAC) reports having raised USD 62.6 million towards its Africa Loan Fund, which will provide long-term, local currency funding to enable BRAC to scale up its microfinance operations to reach 700,000 borrowers through 200 branches across Tanzania, Uganda and Southern Sudan. Investors include Overseas Private Investment Corporation, Triodos Fair Share Fund, the Norwegian Investment Fund for Developing Countries, Triple Jump, Stromme Microfinance East Africa, Ford Foundation, David and Lucile Packard Foundation and Three Guineas Fund. BRAC made its first loans in 1974 and has been expanding outside Bangladesh since 2002. BRAC reports assets of USD 619 million, a debt-equity ratio of 384 percent, return on assets of 1.4 percent and return on equity of 6.11 percent. January 8, 2009

### KfW, IFC Launch \$500m Microfinance Fund

KfW Entwicklungsbank and the International Finance Corporation have declared intent to establish a cross-border refinancing facility for microfinance institutions. The fund has a volume of USD 500 million, and additional funds are to be mobilized from other development financiers and possibly also commercial investors. On behalf of the German government, KfW is currently promoting 100 microfinance projects in 60 countries. Its current project portfolio totaled USD 1 billion as of December 2007. December 29, 2008.

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## MICROCAPITAL BRIEFS

### Microfinance Clients Still Struggling With Food Crisis

As the recession in rich countries continues, the effects of the preceding food crisis are still being felt in many developing countries. In August 2008, CGAP (Consultative Group to Assist the Poor) found higher rates of portfolio-at-risk (PAR) at the majority of 45 microfinance institutions (MFIs) surveyed in countries most affected by food price increases. An upcoming US Agency for International Development study on the effects of the food crisis shows that in Tanzania, for example, PAR increased by 56 percent between 2006 and 2008. The study demonstrates the need for MFIs to adopt stronger risk management systems to better prepare for crisis in the future. January 27. 2009

### Microcredit Summit Campaign: Industry Has Served 100 Million

*Continued from Page 1.* Although not limited to those served by microfinance institutions affiliated with the Campaign, this number includes only those who lived on less than USD 1 per day at the time of their first loan. A goal to reach 100 million people by 2005 was set at the 1997 founding of the Campaign, which is a program of US-based nonprofit RESULTS Educational Fund. The slightly delayed milestone is documented in the 2009 State of the Campaign Report, an annual survey of microfinance institutions, which describes the Campaign's selective use of third-party data verification. The Bill and Melinda Gates Foundation recently donated USD 700,000 to a Campaign effort to improve methodologies for determining the number of microfinance clients who have crossed the USD 1 per day earnings threshold, which directly relates to another Campaign goal that 100 million microfinance clients will increase their incomes above USD 1 per day by 2015. January 15 and January 26. 2009

### South African Women Borrow \$1m with Guarantee from Thembani

Pankop Women Farmer's Forum, a group of 300 South African women, has received a loan of USD 1 million from local commercial banks to invest in a fruit and vegetable dehydration plant, based on a USD 800,000 guarantee from Thembani International Guarantee Fund. Thembani is backed by US nonprofit Shared Interest, which accepts investments from the public in the amount of USD 3000 or more. Shared Interest reports 2006 assets of USD 10.8 million and, since its 1994 inception, USD 100 million in loans facilitated with no losses to investors. January 22. 2009

### Baby Steps in Nigeria

The government of Nigeria has disbursed loans worth the equivalent of USD 543,000 to 370 entrepreneurs in the capital city of Ajuba to encourage job creation. The loans were provided as soft loans - with extended grace periods and unspecified, below-market rates of interest. In a separate announcement, Integrated Microfinance Bank (IMFB) reported having expanded its credit and savings products to the Nigerian State of Kaduna. IMFB reports 8,641 active borrowers, 14 branches, assets of USD 22.5 million, a gross loan portfolio of USD 7 million and a debt-equity ratio of 303 percent. January 21. 2009

### Kazakhstan Aims to Improve Rural Microcredit Operations

In response to previous failed efforts to encourage microcredit in Kazakhstan's rural areas, Prime Minister Karim Massimov has called for better coordination between the Ministry of Agriculture and the public entrepreneurship development fund Damu. Regional United Nations Development Program (UNDP) Director Kalman Mizsei has argued that the nation must diversify beyond the oil and mining sectors by using microfinance to develop small and medium-sized enterprises. A UNDP report indicates that 2 percent of poor people in Kazakhstan have access to microfinance. Established in 2003, Damu reported 121 active borrowers as of December 2006. January 20. 2009

### CHF Partners with Craigslist, Kiva for Palestine

Craigslist founder Craig Newmark has donated USD 20,000 to develop the capacity of CHF International's Palestinian Territories office to accept loans via Kiva, a retail microlending facilitator. The funding is being used to train CHF staff to post borrower stories to Kiva's website, which is expected to attract USD 1 million in loan capital for CHF. CHF, which has made microloans in the region since 1994, operates development programs in 30 countries. January 20. 2009

### Talk of Solutions in Ghana

Martin Eson-Benjamin, CEO of Ghana's government agency that implements contracts from US-based Millennium Challenge Corporation (MCC), recently stated that microcredit may allow Ghana to alleviate food shortages by increasing the productivity of small-scale farmers. USD 3.5 million of an MCC assistance package to Ghana has so far been disbursed to credit providers. Globally, MCC has approved compacts totaling USD 6.3 billion with 18 partner countries. At a separate event, Ghana's Commissioner for Insurance Josephine Amaoh encouraged insurance companies to serve the low-income market with tailored insurance products and by exploring alternative distribution channels, such as microfinance institutions. Ms Amaoh argued that, "The culture and incentives in insurance companies... discourage salespersons from selling insurance to low-income households." January 19 and January 20. 2009

### Malawi Inches Toward Passage of Microfinance, Coop Bills

Malawi's Ministry of Justice and Constitutional Affairs has reported that the crafting of new microfinance and financial cooperatives bills is nearing an end. The bills are intended to increase transparency and streamline regulation of the sector, which is currently fragmented under a range of legislative instruments. The cooperative proposal would allow lending services matching those of traditional banks. January 19. 2009

### Advice for African Microfinance

A January 2009 article in the online magazine *African Executive* reported the following as part of a laundry list of advice from participants in a recent African Union microfinance workshop: "Even though microfinance can contribute significantly to economic growth...it...should not be discussed in isolation, but in relation to other challenges.... [I]t was recommended that gender discriminatory practices in MFI policies be eliminated... [and] that MFIs put more emphasis on training and capacity building staff in order to improve productivity...and quality of portfolios." January 19. 2009

### CORRECTION

A story on Cygma in the December 2008 issue of this newspaper should not have stated that Cygma sees the current crisis as an opportunity to gain customers. Instead, Cygma believes that the current crisis shows the importance of hedging FX risk and is likely to increase awareness about the risks of FX exposure in the long run.

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### Hackers May Use Computer Viruses to Divert Remittances

US daily *The Washington Times* reports that immigrants may be sending money home using public computers that are infected viruses such as “keyloggers” that record users’ keystrokes. Some infected machines in the US were found to hold Social Security and credit card numbers. While no proof of data theft was established, the situation was described as “a disaster waiting to happen.” January 19, 2009

### Lack of Financial Services Blamed in Sri Lanka Tsunami Recovery

Citing a lack of lasting benefits from prior attempts to assist Sri Lankan victims of the 2004 tsunami, the International Federation of Red Cross and Red Crescent Societies (IFRC) has partnered with microlender SANASA Development Bank to offer subsidized loans, insurance (and compulsory savings) to families who previously were deemed by microfinance institutions as too poor to be credit-worthy. A risk reduction package will include training participants in basic finance and offering interest rates of 8 percent (as compared to market rates of 20 percent). The project will also provide an insurance bundle covering equipment, funeral expenses, illness and accidental death. SANASA serves 94,000 active borrowers with a loan portfolio of USD 59.3 million, assets of USD 79.3 million, return on assets of 1.24 percent and a return on equity of 12.62 percent. January 19, 2009

### EBRD Syndicates \$60m in Loans to AccessBank of Azerbaijan

The European Bank for Reconstruction and Development (EBRD) has agreed to syndicate two loans to AccessBank worth a total of USD 60 million. Papers have just been signed on the first loan, worth USD 40 million, of which EBRD will retain up to USD 10 million, with USD 30 million to be offered to commercial banks as a B-loan. AccessBank, which reports assets of USD 133 million, will direct the funds to micro- and small-scale entrepreneurs. January 19, 2009

### Nepal's Central Bank Plans Standalone Microfinance Regulator

Nepal Rastra Bank (NRB), the central bank of Nepal, is considering creating a separate organization to regulate microfinance institutions and cooperatives. The move is aimed at allowing Nepal Rastra Bank to re-focus on larger institutions after having allowed smaller ones to offer limited banking functions in order to increase poor people's access to financial services. It is reported that many more entities are operating than the 28 that are licensed. The draft law also includes provisions for a microfinance fund of unspecified size that would aim to strengthen microfinance institutions. January 18, 2009

### South Korea Subsidizes Microfinance Sector

In response to the financial crisis, the government of South Korea has announced that it will earmark USD 730,000 to subsidize loans of up to USD 3,710 to street vendors and shop owners. Borrowers will be required to pay guarantee fees of 1 percent. While the interest rate was not disclosed, other loan products will be offered with annual interest rates of 2 to 4.74 percent and loan amounts of up to USD 36,500. The government's budget for microcredit has grown from USD 1.5 million to USD 9.5 million in one year, which may hamper a USD 139,000 Citibank Korea grant intended to help microfinance institution Joyful Union develop a model of sustainable microcredit. January 18, 2009

### Rwandans Attempt to Recover Deposits From Corrupt MFIs

Nearly two years after the Central Bank of Rwanda (BNR) shut down eight corrupt microfinance institutions, leading to the arrest of 15 managers, depositors are still struggling to retrieve their money. The Rwandan government has reserved USD 5.5 million to compensate clients for up to half of their deposits, but - with little money having been disbursed so far - depositors have now filed complaints with Rwanda's Ombudsman's office. January 18, 2009

## LATIN AMERICA - CARIBBEAN REGIONAL MICROCREDIT SUMMIT 2009

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photo | Poverty Fighters



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### Indian Bank Launches Financial Literacy Centers

Indian Bank has established its first Financial Literacy and Credit Counseling Center in Dharmapuri, on the southeast coast of India. Established under the newly created Indian Bank Trust for Rural Development, the Center will provide free information on financial products, managing money and financial rights and responsibilities. Government-owned Indian Bank has 1500 branches, total assets equivalent to USD 14.3 billion and a return on assets of 1.6 percent. January 16, 2009

### Fund for Southeast Europe Loans \$6.5m to Macedonia's TTK Bank

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance fund, has agreed to lend the equivalent of USD 6.5 million to TTK Banka AD Skopje, a commercial bank in Macedonia. Established in 2005, EFSE is a public-private partnership reporting assets of USD 716.8 million, including USD 399 million allotted to microfinance investments. Its private investors include Crédit Coopératif, Deutsche Bank and European private banking group Sal Oppenheim. TTK operates 30 branches and reports 2007 assets of USD 104 million. January 15, 2009

### Engineers for Social Impact Seeks 2009 Fellows

Applications to become an undergraduate fellow with Engineers for Social Impact are due by February 22, 2009. The program matches students from fifteen Indian engineering schools with organizations that focus on development via for-profit entrepreneurship. Partner social enterprises for 2009 include microfinance, investment advisory, education, energy and healthcare companies. January 15, 2009

### US Secretary of State Clinton Touts Microfinance

At her confirmation hearing before the US Senate Foreign Relations Committee, Secretary of State designate Hilary Clinton (who has since been confirmed) implied that microfinance would be prioritized by the Obama administration, stating that she has, "seen firsthand how small loans given to poor women to start small businesses can raise standards of living and transform local economies." The US government's microfinance programs support 500 partners in 50 countries, often working with the private sector to engage global corporations. Recently, the US Agency for International Development has been providing over USD 100 million per year in grant funds. President Barack Obama has also said that his administration will provide initial capital for a small and medium enterprise fund. January 15, 2009

### Recession Squeezes Top Givers

The Bill and Melinda Gates Foundation, with assets of USD 35 billion, is reportedly trimming its growth to 10 percent in 2009, compared with a 30 percent expansion in 2008. The financial crisis "has opened up a huge budget deficit and changed some people's view of what we can afford," Mr Gates said last month in Washington, DC. "In a crisis, there is always a risk that you take your eyes off the future - and you sacrifice long-term investments for near-term gains." At Social Venture Partners, a US nonprofit that helps wealthy individuals develop philanthropy plans, 30 members recently withdrew, some because they needed to return to full-time work. January 15, 2009



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EXECUTIVE EDUCATION

### High Interest Rates Persist in Uganda Despite More Competition

According to the local *Daily Monitor*, both domestic and international banks are expanding quickly in Uganda. Although the number of people with bank accounts has not yet risen significantly, “new entrants into the market [have] forced the old players to step up their pace of innovation and widen their reach across the country. Banks like DFCU, Barclays, Stanbic and Standard Chartered opened branches in up country districts.... Yet, despite the increased banks, interest rates have continued to be as high as 27 percent per annum....” January 15. 2008

### Benin Microfinance Institutions Demand Bribes from Borrowers

Microfinance institutions (MFIs) in Benin that implement the government-run “Microloans to the Poorest” program have been accused of taking bribes from borrowers, charging processing fees of up to USD 7 instead of the proscribed USD 2. Aboubacar Aboudou, the former director of the program, has said that a lack of oversight and rapid growth of the program led to the hiring of several “unscrupulous intermediaries” to process loans. Martin Assogba of Action Against Regionalism, Ethnocentrism and Racism said the program should be run through commercial banks instead of MFIs. In under two years, the program has awarded 500,000 loans worth USD 31 million. Borrowers are charged an interest rate of five percent, although the breakeven point of the program has been estimated at 30 percent. There are 500 MFIs in Benin, less than half of which are recognized by the authorities. January 14. 2009

### Incofin's Rural Impulse Fund Buys Into Asomi of India

Incofin's Rural Impulse Fund has acquired 25 percent of Asomi, an Indian microfinance institution (MFI), for an undisclosed sum. The Rural Impulse Fund holds USD 31.5 million in assets, including 81 percent debt, 11 percent equity and eight percent “quasi-equity” investments. Its investors include the Belgian Investment Company for Developing Countries (BIO), the European Investment Bank, the Netherlands Development Finance Company (FMO) and the International Finance Corporation, along with private investors. Asomi reports 30,000 borrowers, 40 branches, a 3.97 percent return on assets and a 109.4 percent return on equity. Incofin, a private Belgian company, supports 64 MFIs in 27 countries and manages USD 160.7 million. January 14. 2009

### IDBI Fortis Life Launches Microinsurance in India

India's IDBI Fortis Life Insurance has launched a group microinsurance plan that provides life insurance coverage via microfinance institutions (MFIs) and self help groups. The first group to participate includes 13,356 members of Samhita Community Development Services, who will enjoy aggregated coverage equivalent to USD 205,000 for the lives of group members plus protection from loan liabilities in the event of the death of the primary earner. Launched in March 2008, IDBI Fortis is a joint venture between IDBI Bank, an Indian development and commercial bank; Federal Bank, a private Indian bank; and Fortis, a European financial services provider. January 14. 2008

### Nigerian Lenders Promote Microfinance for Laid-Off Motorcyclists

Microfinance is being proposed to assist commercial motorcycle operators, known as “Okada,” who have recently been banned from the city of Port Harcourt as a part of its urban renewal program. The government has suggested the drivers - if their families are classified as indigenous to the region - access a program worth the equivalent of USD 12.8 million with First City Monument Bank (FCMB) to become taxi drivers. FCMB is a commercial bank with 140 branches, whose parent First City Group also operates microlender Credit Direct Limited. January 13. 2009

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## Small Industries Development Bank of India to Loan \$61m to MFIs

The Small Industries Development Bank of India (SIDBI) has announced that it will lend the equivalent of USD 61.7 million to microfinance institutions (MFIs) in Orissa by the end of 2010. SIDBI now has loans outstanding to 20 Orissa MFIs and plans to increase this number to 70. With assets equivalent to USD 4.3 billion, the state-owned bank is also planning to open MFI-specific branches in seven locations. January 13, 2009

## USAID Recognizes Innovators in Financing Value Chains

The US Agency for International Development's (USAID's) Office of Microenterprise Development has announced the winners of its Innovations in Financing Value Chains contest: Ramiro Ortega Landa of USAID/Bolivia's Rural Competitiveness Activity and Luis Jimenez of World Council of Credit Unions, Peru. A discussion with both authors will be held live and online on February 6 in Washington, DC. January 13, 2009

## Nigerian Players Work to Usher in Oikocredit

Fidelity Bank and the Nigerian-German Business Group are hosting a meeting intended to facilitate the entry of Dutch investor Oikocredit International into the Nigerian market. In addition to addressing ways to "shore up the capacity" of microfinance banks, the meeting will reportedly include an announcement that Oikocredit will open a regional office in Nigeria. Oikocredit was established in 1975 to encourage religious organizations to assist poor people via credit instead of donations. Oikocredit disbursed loans worth an equivalent of USD 224 million between January 2008 and September 2008. Fidelity Bank is a commercial bank with 85 branch offices in Nigeria and total capital of USD 1.2 billion. January 13, 2009

## Uganda's Global Trust Bank Plans Expansion Across East Africa

Uganda's Global Trust Bank, owned by Industrial and General Insurance of Nigeria and the National Insurance Corporation of Uganda, is reportedly contemplating opening branches in Rwanda, Burundi and Southern Sudan. Financial details on Global Trust Bank are not available. January 13, 2009

## Kenya Women Finance Trust to Accept Deposits

Kenya Women Finance Trust (KWFT) has secured permission from regulators to accept customer deposits under the Microfinance Act 2006, which provides for the protection of deposits up to the equivalent of USD 1,200, the same level of protection provided to customers of commercial banks. Among other requirements, deposit-taking institutions must operate nationwide and maintain core capital of USD 770,000. KWFT reports 164,000 active borrowers, assets of USD 86.3 million, a loan portfolio of USD 60.1 million, a debt-equity ratio of 337 percent and return on assets of 5.31 percent. January 13, 2009

## The Push and Pull of China's Microfinance Expansion

A series of recent events in China - where one observer in 2006 called microfinance "quite a disaster" - have indicated that microfinance is expanding: a microfinance investment conference held in December 2008, Citigroup's entry into the rural market and the government's relaxation of financial constraints. January 9, 2009

## Azerdemiryolbank of Azerbaijan Borrows \$3m from ING

Azerdemiryolbank of Azerbaijan has received a one-year loan of USD 3 million from ING Bank of the Netherlands. Founded in 1989, Azerdemiryolbank reports 32,000 active borrowers, 27,000 savers, total assets of USD 246.8 million, a gross loan portfolio of USD 184.2 million, total equity of USD 40.4 million, a return on assets of 4.49 percent and a return on equity of 26.78 percent. With a total asset base equivalent to USD 1.7 trillion, ING Group provides banking, insurance and asset management services in fifty countries, in addition to operating a dedicated microfinance arm. January 9, 2009

## Downturn a Boon for Microfinance?

In Pakistan's *The Nation*, Kashf Foundation Founder Roshaneh Zafar recently stated that, responding to the economic downturn, "clients are taking on new jobs or establishing new businesses, in order to increase family income.... This trend will certainly enhance the demand for microloans. The growing issue that is emerging in Pakistan and which can actually wipe out the gains of the decade-long growth of the sector is that of political intervention...." January 9, 2009

## Indian Development Bank Softens Terms

Industrial Development Bank of India (IDBI) has reduced interest rates for microenterprises by 100 basis points relative to November 2008 rates and otherwise softened terms for micro, small and medium-sized enterprises (MSMEs). This move comes less than one week after the IDBI and other banks were criticized by regional Finance Minister Prafulla Chandra Ghada for lagging in their efforts to meet MSME loan targets in Orissa. Banks were also reportedly called upon to ensure that the loans carried "reasonable" rates of interest and to open more branches in underserved areas. The government-controlled IDBI makes loans worth USD 500 to USD 100,000 to entrepreneurs and loans of up to USD 20 million to microfinance institutions. January 8, 2009

### Multilateral Fund Gives \$20m to Emergency Liquidity Fund

The Multilateral Investment Fund (MIF) will provide up to USD 20 million in financing to the Emergency Liquidity Facility (ELF), which helps Latin American and Caribbean microfinance institutions (MFIs) overcome liquidity shortages caused by economic and natural disasters. Per its 2006 annual report, ELF provides short-term financing to MFIs with three years of profitable lending operations, an average ROE of 10 percent over the last three years and most of their portfolio in micro- and small enterprises. ELF was established in 2004 in Costa Rica by MIF, Switzerland's Secretariat for Economic Affairs, Gray Ghost Microfinance Fund, Calvert Foundation, ACCION International, Canadian NGO Calmeadow, Swiss NGO Argidius and Costa Rican fund manager Omatrix. Since 2004, ELF has disbursed USD 10 million in loans to 51 MFIs. January 6, 2009

### ACCION Bets \$4.2m on Microinsurance Entities LeapFrog, ParaLife

ACCION International has invested USD 3 million in microinsurance fund LeapFrog Investments and USD 1.2 million in ParaLife, a Swiss microinsurance holding company. Founded in 2007 by former Zurich Financial Services CEO Rolf Hüppi, ParaLife is currently rolling out products in Colombia in concert with ACCION's delivery infrastructure. With placements in Asia and Africa, LeapFrog Investments is backed by German development bank Kreditanstalt für Wiederaufbau and Goldman Sachs wealth manager Felipe Medina. January 5, 2009

### KfW Gives \$850k to Cambodia's ACLEDA Bank for Training Center

The Association of Cambodian Local Economic Development Agencies (ACLEDA) has received a grant of USD 850,000 from German development bank Kreditanstalt für Wiederaufbau (KfW) to support a new microfinance training center. Originally founded as an NGO, ACLEDA now operates as a commercial bank with assets equivalent to USD 473 million, a loan portfolio of USD 315 million and 185,492 active borrowers. December 24, 2008

### Pakistan Launches Microfinance Credit Guarantee Facility

The State Bank of Pakistan has announced a credit guarantee facility to afford increased liquidity to microfinance banks, while an official stated that, "commercialisation is the way forward for microfinance banks." The Microfinance Credit Guarantee Facility (MCGF) will ensure that 40 percent of funds provided by banks to liquidity-starved microfinance institutions are repaid in case of default. MCGF is backed by a grant with the equivalent of USD 14 million from the UK Department for International Development. Under MCGF, commercial banks will lend to microfinance banks at the SBP's policy discount rate plus 2 percent. As an incentive, funds loaned to microfinance banks will be deducted from statutory liquidity requirement and cash reserve ratio calculations. December 24, 2008

### United Nations to Resume Microfinance in North Korea

In 2010, the United Nations' International Fund for Agricultural Development will resume a microfinance program in North Korea at the request of Pyongyang, according to US-based broadcaster Radio Free Asia. From 1996 through June 2008, 91,000 households reportedly became "considerably better off" after borrowing amounts smaller than USD 50. December 17, 2008

### IDB Loans Guatemalan Bank \$70m for Microloans

The Inter-American Development Bank (IDB) Group will loan up to USD 70 million to Banco G&T Continental (G&TC) of Guatemala for on-lending to microenterprises and small businesses. G&TC, a commercial bank, started a "downscaling" process to serve microentrepreneurs in 2006 with assistance from the IDB's Multilateral Investment Fund. With 266 branches and 1,650 automated teller machines, G&TC holds assets of USD 3.2 billion, a lending portfolio of USD 1.7 billion and deposits of USD 2.2 billion. December 17, 2008

2<sup>nd</sup> ANNUAL

# GLOBAL MICROFINANCE INVESTMENT CONGRESS

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### Spain Provides \$8.6m to Jordan's Microfund for Women

The Spanish Agency for International Cooperation (AECID) has agreed to provide the equivalent of USD 8.6 million to Microfund for Women (MFW), a Jordanian microfinance institution. Founded with support from Save the Children, MFW reports assets of USD 13.9 million, a debt-equity ratio of 100.68 percent and a return on assets of 9.75 percent. December 17, 2008

### Rwanda Struggles with Poor Portfolio Quality

The growth of Rwanda's microfinance industry is impeded by hundreds of thousands of defaulters, according to a report from the All Africa news service. A 2005 study of the sector highlighted a "bad credit culture" stemming from international aid which followed the 1994 genocide, distorting the market with mixed grants and loans. Of the seven Rwandan microfinance institutions that report to the Microfinance Information Exchange, three reported portfolio at risk (greater than 30 days) ratios of nine percent or more in the last three years. A 2005 report indicated that 121 MFIs were approved to provide microfinance services. December 16, 2008

### MasterCard, MEDA to Fund Loans to Youth in Egypt, Morocco

The MasterCard Foundation and Mennonite Economic Development Associates (MEDA), both based in Canada, have announced a USD 5 million program to allow microfinance institutions in Morocco and Egypt to develop and test products designed specifically for youth aged 15 to 24. The program will also provide financial and business skills training to the target market, which has been perceived as risky due to limited collateral and work experience. The MasterCard Foundation reports USD 2.4 billion in total assets. MEDA reports having served 2.2 million clients in collaboration with 127 partners. December 16, 2008

### The Philippines Offers Loans to Those Losing Jobs Overseas

The Philippines Department of Foreign Affairs (DFA), the People's Credit and Finance Corporation (PCF) and Pasig City have agreed to loan the equivalent of USD 422,000 to returning overseas Filipino workers who are considered City residents. DFA funds will flow via microfinance institutions to applicants who are approved by PCF. Additional government agencies are reportedly planning to unveil microfinance programs specifically for overseas Filipino workers who have lost their jobs due to the financial crisis. December 16, 2008

### Rural Bankers, USAID to Expand Outreach in the Philippines

The Rural Bankers Association of the Philippines and the US Agency for International Development (USAID) plan to increase the number of borrowers using rural banks by expanding a program that provides training and technical assistance to those banks. The newest phase of the effort adds microinsurance and housing microfinance to existing microsavings and agricultural loan products. As of September 2008, participating banks report having disbursed 1.6 million loans totaling the equivalent of USD 434 million and managing USD 35.7 million in savings from 1.3 million depositors. December 15, 2008

### Kenya's M-Pesa Mobile Transfer Service Faces Audit

The government of Kenya has ordered an audit of mobile money transfer service M-Pesa amid reports that its parent Safaricom will work with Western Union to offer cross-border remittances. Operating outside of banking regulations, M-Pesa serves four million subscribers, many of whom do not have bank accounts. In July 2008, mobile operators Vodafone and Nokia called for an overhaul of emerging economy regulations to open up the market for deposit-taking and clearing systems. December 14, 2008 ♦♦♦



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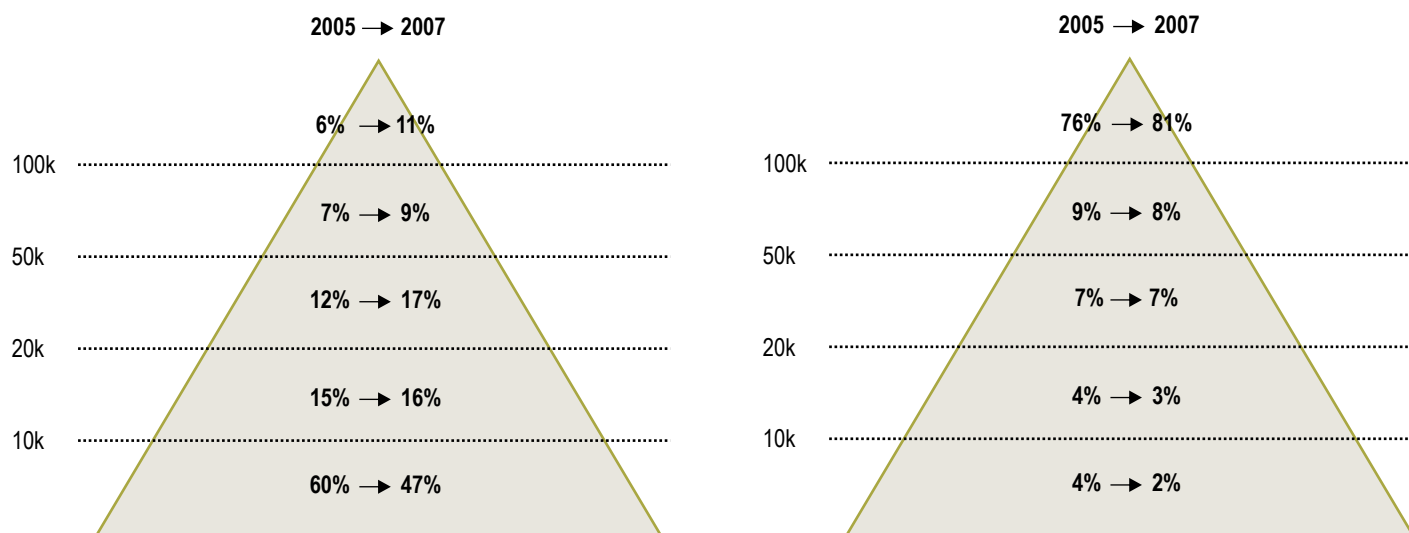
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**MICROCAPITAL MARKET INDICATORS | GLOBAL**

 845 MFIs REPORTING FROM 97 COUNTRIES<sup>1</sup>
**TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2005	2007
Banco Caja Social Colombia	Colombia	593,890,048	40.9	1,207,061,504	2,394,841,600
Bank Rakyat Indonesia (BRI)	Indonesia	577,361,024	22.4	2,317,903,872	3,472,625,920
Vietnam Bank for Social Policies (VBSP)	Vietnam	544,494,144	41.5	1,087,404,160	2,176,392,448
KMB Bank	Russia	446,723,248	75.9	426,797,600	1,320,244,096
Banco Estado	Chile	213,202,288	44.1	396,425,440	822,830,016
ProCredit Bank Serbia - formerly MFB	Serbia	194,565,832	67.1	217,175,472	606,307,136
Caja Popular Mexicana	Mexico	182,782,688	21.5	769,442,240	1,135,007,616
Khan Bank (Agricultural Bank of Mongolia LLP)	Mongolia	152,284,488	96.2	106,843,856	411,412,832
MiBanco	Peru	145,887,080	55.5	205,650,736	497,424,896
Equity Bank	Kenya	139,202,224	115.7	76,250,528	354,654,976

**PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)    MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)**


(1) Denotes only MFIs that report data for 2005 - 2007 to MicroBanking Bulletin (MBB) or MIX Market.

Source: Microfinance Information Exchange, Inc., December 2008, based on MFIs reporting to MBB or MIX Market.

## UPCOMING EVENTS

### Third Annual Microfinance East: The Investment Opportunity January 29 - January 30, 2009, New York, USA

This event will cover topics such as the value of ratings, operating in the current economy, risk management strategies and the role of government in microfinance. Commercial registrations are USD 1,895, while the nonprofit and government attendee fee is USD 795. Details are available from Menna Lloyd White at [mlloydwhite@frallc.com](mailto:mlloydwhite@frallc.com), +1 704 341-2440 or <http://www.frallc.com/conference.aspx?ccode=B679>.

### Muhammad Yunus Book Discussion

February 4, 2009, Washington, USA

Grameen Bank Founder Dr. Muhammad Yunus will speak about his latest book, *Creating a World Without Poverty*, which outlines his vision for a business model that combines the power of free markets with the goal of a more humane world. Proceeds of book sales will benefit the Grameen Foundation. The event will take place at George Washington University's Lisner Auditorium at 7 pm local time. Tickets can be purchased for USD 15; there is no charge for George Washington University students. More information is available at <http://www.lisner.org/eventdetails.asp?id=496> or +1 301 808 6900.

### Banking & Payment Technologies in East Africa

February 17 - February 19, 2009, Nairobi, Kenya

The fee for this event is USD 650; a separate Islamic Banking Masterclass is also available for USD 190. Discounts apply for multiple registrants. For more information on the conference, contact Helen Morony at +44-1480-880774 or [info@aitecafrica.com](mailto:info@aitecafrica.com) or visit <http://www.aitecafrica.com/>.

### Second Annual Microfinance Forum

March 19 - March 20, 2009, Vienna, Austria

Uniglobal Research is organizing this forum on how global trends and imbalances affect the microfinance industry, business models for low-income markets, including poor people as investors and producers, common standards for the industry, mobile banking, retail microfinance and micro life insurance. Registration costs the equivalent of USD 2130, including VAT, and is available at <https://www.uniglobalresearch.eu/en/event/2009-66/>. More information is available via Olha Vyshnevskaya at [olha@uniglobalresearch.eu](mailto:olha@uniglobalresearch.eu) or +420 226 538 100.

### Microfinance From Below:

#### The Power of Savings and Savings Groups In Frontier Economies March 26-28, 2009, Medford, Massachusetts, USA

The Tufts University Fletcher School Of International Affairs is hosting this event to discuss: evidence of the impact of savings groups; links between savings groups and the formal financial system; methods of scaling up and ensuring performance quality; and the integration of savings groups into other development sectors such as water, health, agriculture, environmental protection, land tenure initiatives and education. The conference is sponsored by the Bill and Melinda Gates Foundation and Oxfam America. Registration is required to attend this free event, which runs for two days plus an optional third day. More information is available from Stacy Neal at [stacy.neal@tufts.edu](mailto:stacy.neal@tufts.edu) or +1 617 627 3700 or via <http://fletcher.tufts.edu/mfsavings/>.

### HBS-ACCION Program on Strategic Leadership in Microfinance

April 13 - April 18, 2009, Cambridge, Massachusetts

Harvard Business School (HBS) and ACCION International are offering this management and leadership training for executives of microfinance institutions, mainstream banks and others in or entering the industry. Leading the program are HBS faculty members V. Kasturi Rangan and Michael Chu. Registration fees begin at USD 5700, with scholarship assistance available. More information is available online at <http://www.accion.org/Page.aspx?pid=494> or via Anita Gardeva at [agardeva@accion.org](mailto:agardeva@accion.org) or +1 617 625 7080.

### Chicago Microfinance Conference

May 8, 2009, Chicago, United States

More details on this conference, subtitled "Navigating the Markets: Microfinance in the New Economy," are expected shortly at <http://www.chicagomicrofinance.com/>. Updates can be requested at [chicagomicrofinance@gmail.com](mailto:chicagomicrofinance@gmail.com). No telephone number is offered.

### Global Microfinance Congress

May 18 - May 20, 2009, New York, United States

PlaNet Finance and American Conference Institute are hosting this event, which will cover IPOs, exit strategies, case studies and the role of venture capital in microfinance. MicroCapital readers may use service code "SP2" to qualify for a discounted rate of USD 1095. More information is available via +1 888 224 2480, +1 212 352 3220, [CustomerService@AmericanConference.com](mailto:CustomerService@AmericanConference.com) or <http://microfinancecongress.com/>.

### Latin America - Caribbean Regional Microcredit Summit

June 8 - June 10, 2009, Cartagena, Colombia

More details on this conference are expected shortly at <http://microcreditsummit.org/>. The Microcredit Summit Campaign may be reached at +1 202 637 9600 or [info@microcreditsummit.org](mailto:info@microcreditsummit.org).

### Asia Insurance Review Microinsurance Conference

July 22 - July 23, 2009, China

More details on this conference, including its location, are expected shortly. Requests for updates on the event may be made at [http://www.asiainsurancereview.com/pages/conference\\_details.asp?id=124/](http://www.asiainsurancereview.com/pages/conference_details.asp?id=124/). The contact person is May Low, who may be reached at +65 63723185 or [may@asiainsurancereview.com](mailto:may@asiainsurancereview.com). ♦♦♦



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## PAPER WRAP-UPS

### 2008 Russia Microfinance Analysis and Benchmarking Trends

*Published by the Microfinance Information Exchange, November 2008, 14 pages, available in English at: [http://www.themix.org/publication\\_detail.aspx?publicationID=266](http://www.themix.org/publication_detail.aspx?publicationID=266)*

This report, available in both English and Russian, was jointly produced by Microfinance Information Exchange and the Russia Microfinance Center. It offers 2007 financial data from 40 microfinance institutions (MFIs) and three-year trend data on a subset of 11 MFIs.

### 2008 MIX Global 100 Composite: Rankings of Microfinance Institutions

*Published by the Microfinance Information Exchange, December 2008, 13 pages, available at: <http://www.mixmbb.org/Publications/001-IND/01-IND.ANLS/MFI%20Analysis/2008%20MIX%20Global%20100%20Composite.pdf>*

This report surveys 971 microfinance institutions (MFIs) for the 2007 financial year, from which 652 profitable MFIs and 100 leading MFIs are identified. The ranking measures the achievements of MFIs with respect to outreach, efficiency and transparency. Outreach is determined by the number of borrowers, the growth in

borrowers, market penetration, deposit to loan portfolio ratio and the ratio of depositors to borrowers. Efficiency is measured by portfolio at risk greater than 30 days and three ratios: cost per borrower to GNI per capita, profit to loan portfolio and write offs. Transparency is measured by reporting to MIX Market.

In aggregate the sampled MFIs served 67 million borrowers with over USD 35 billion in loans and held USD 15 billion in deposits from 65 million microfinance clients. The number of ranked MFIs from South Asia and the Middle East and North Africa region (MENA) was proportionately high. For example, South Asian MFIs made up 25 percent of the top 50, but represented only 15 percent of the full sample. Half of all MENA MFIs ranked in the top 100. India was the only country in the sample with 10 or more MFIs.

Efficiency was a challenge for many MFIs. The average ranking for efficiency was only 56.5 percent, but the average ranking for outreach was 73.2 percent. This was the first year that MFIs posted efficiency rankings above 80 percent, with five MFIs achieving this benchmark. Client outreach also expanded faster than population growth, and so the average market penetration improved to 2.3 percent from last year's 1.7 percent.

Additionally, there was a good deal of movement in the rankings since the previous year. While two thirds of MFIs in the top 100 for 2008 were also on the list for 2007, only two MFIs in the 2007 top 10 remained there in 2008. Much of the movement was due to changes in efficiency. Of the 51 MFIs that moved up 10 or more places, two thirds improved their efficiency ranking more than their outreach ranking. Moreover, while last year's number two ranked MFI, Zakoura achieved above 80 percent in the outreach rankings in 2008, its efficiency ranking decreased to 53.48 percent, causing it to drop out of the top 10.

The methodology of the approach used to establish composite performance is based on three principles: the factors that measure MFI success must be quantifiable, the approach should be straightforward and easy to reproduce and the measures of success should encourage widely held goals of microfinance, such as outreach, efficiency, transparency and profitability. Once MFIs are screened for profitability, that factor is not ranked further. Thus higher profits do not secure higher rankings, insinuating that MIX does not consider maximizing profit to be a goal, only that breaking even is a necessary condition for other goals.

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## Who Are the Unbanked?

*By Simeon Djankov, Pedro Miranda, Enrique Seira and Siddharth Sharma, published by the World Bank Private Sector Development Department, June 2008, 27 pages, available at: [http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349\\_20080617102123](http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20080617102123)*

Based on a nationwide survey of 5,000 Mexican households, this report investigates why so few people in the region have savings accounts. The survey sample includes clients of savings and credit cooperatives and unbanked households living within the same communities.

Currently only about ten percent of Mexico's gross domestic product (GDP) is held in savings accounts. Less than 25 percent of the urban population and only six percent of the rural population have savings accounts.

Nearly 90 percent of the unbanked households in the sample cited "not having enough money" as a main reason for not having a bank account. All respondents lived in close vicinity to a savings and credit cooperative branch. Only two percent of respondents stated that they did not trust the cooperatives, and one percent cited bank fees.

The banked households in the sample had a per capita annual income that was 40 percent higher than the unbanked households. 89 percent of banked households in the survey had accounts with formal microfinance institutions.

The report concludes that the unbanked households in the survey sample did not use financial services due to a lack of knowledge of the services offered by local savings and credit cooperatives. Potential clients often assumed that they did not have enough money to use available financial services. The report recommends the implementation of policies geared toward educating the working unbanked and changing their attitudes towards savings and loans.

## MicroBanking Bulletin Number 17

*Published by Microfinance Information Exchange, Autumn 2008, 100 pages, available at <http://www.mixmbb.org/Publications/001-IND/01-IND.ANLS/01-IND.ANLS.MBB/MBB%2017%20Autumn%202008.pdf>*

This issue of the semi-annual *MicroBanking Bulletin* features global benchmark data from 846 microfinance institutions (MFIs). Articles cover microfinance in Africa, the work of the Social Performance Task Force and a case study on Bolivia contributed by BlueOrchard. A snapshot of the state of microfinance is assembled from MFI performance data organized into various peer groups.

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## Who Are the Microenterprise Owners?

*By Suresh de Mel, David McKenzie and Christopher Woodruff, published by the World Bank Development Research Group Trade Team, May 2008, 35 pages, available at: [http://www.microfinancegateway.org/files/49764\\_file\\_Who\\_Are\\_the\\_Microenterprise\\_Owners.pdf](http://www.microfinancegateway.org/files/49764_file_Who_Are_the_Microenterprise_Owners.pdf)*

This report uses a series of surveys conducted in Sri Lanka by the World Bank Development Research Group Trade Team to examine the effectiveness of microcredit as a source of employment generation in developing countries, questioning whether the informal sector is a temporary substitute for wage-work or a stepping stone for entrepreneurs with growth potential. The surveys compare the characteristics of self-employed workers without employees, wage workers and owners of larger businesses with employees.

The data pool consists of 618 self-employed workers, who do not have employees, selected from three districts in south and southwestern Sri Lanka, 456 wage workers from the same geographic area, 528 enterprises used in a grant study and 424 owners of enterprises hiring between 5 and 50 employees.

The report argues that finance is not the only obstacle to the growth of microenterprises and attributes the low growth rates of enterprises supported by microlending to a variety of demographic factors including educational background, family background, risk aversion, labor history and general personality traits.

The survey results show that up to 75 percent of self-employed workers from the sample show similar characteristics to wage workers and are not likely to expand their businesses by adding paid employees, while the remaining 25 percent have traits similar to large business owners and are viewed as nascent entrepreneurs. The analysis showed that ability and attitudes differentiated self-employed own-account workers and wage-workers from small and medium enterprise owners.

Since the survey was conducted over a period of two years, growth over time could also be analyzed. Results showed that at least two thirds of self-employed workers in the informal sector should be classified as wage-workers rather than entrepreneurs and were not likely to expand their businesses by hiring employees. Levels of motivation and competitive attitude were the key factors differentiating own-account businesses that progressed into SMEs and those that remained without hired employees.

The report concludes by suggesting a set of differentiated microfinance policies directed toward the self-employed in developing countries. It suggests that for the majority of own-account workers unlikely to grow, policies should focus on increasing income, while for those identified as having a higher likelihood of growth, policies should focus on aiding in the transition to employer status.

## 2008 CGAP Microfinance Funder Survey

*Published by CGAP (Consultative Group to Assist the Poor) as a series of regional reports, November 2008, available at: <http://www.cgap.org/p/site/c/template.rc/1.26.1426>*

This report surveys 54 funders, which have a total of USD 11.7 billion committed to microfinance. The majority comes from the six largest funders: Asian Development Bank, German development bank KfW, World Bank, United Nations International Fund for Agricultural Development, International Finance Corporation and European Bank for Reconstruction and Development. Of the total amount, USD 2.5 billion was disbursed in 2007.

Nearly half of all funding goes to Eastern Europe and Central Asia (mostly from development finance institutions) and South Asia (mostly from multilateral donors). Retail services receive close to 70 percent of funding, followed by funding to support the financial market infrastructure. The main funding instruments are debt, equity, loan guarantees, and grants. 63 percent of funding is debt, which is used equally by donors and investors. ♦♦♦