

MICROCAPITAL BRIEFS | TOP STORIES

Omidyar-Tufts Microfinance Fund Earns 12% in 2008

Four years after the Omidyar family donated USD 100 million to Tufts University to be managed as a for-profit microfinance investment fund, the Omidyar-Tufts Microfinance Fund earned a 12 percent return for 2008, surpassing its goal of 9 percent. The Fund holds investments in microfinance institutions in 35 developing countries. March 17. 2009

Peruvian Government, IDB Inject \$20m into Housing Finance

The Inter-American Development Bank (IDB) and Peru's Corporación Financiera de Desarrollo (COFIDE) have each committed USD 10 million to increase the flow of home improvement and mortgage financing to low-income families by leveraging the extensive distribution platform of microfinance institutions. Loans will be denominated in US dollars or local currency, have terms ranging from 5 to 10 years and carry a LIBOR-based variable interest rate. The effort will also benefit from a technical assistance grant of USD 900,000 partially funded by IDB's Multilateral Investment Fund. March 23. 2009

India's SKS Microfinance to Borrow \$964m, Expand to China

SKS Microfinance of India has announced a USD 964 million borrowing plan for the year, which includes USD 96 million to be raised through securitization deals with financial institutions. The announcement was made shortly after SKS sold USD 4.8 million non-convertible debentures with YES Bank and generated another USD 4.8 million through the issuance of commercial paper. SKS also recently solidified a USD 38.5 million securitization with the Industrial Credit and Investment Corporation of India (ICICI). At the same time, SKS is planning to launch operations in China with the idea of helping newly laid-off workers start their own ventures. No timeframe has been set for the venture, which would involve partnering with an undetermined Chinese microfinance institution. SKS reports USD 431 million in loans outstanding to 3.6 million borrowers, a debt-equity ratio of 5.36, return on assets of 2.0 percent and return on equity of 11.95 percent. March 12 and March 16. 2009

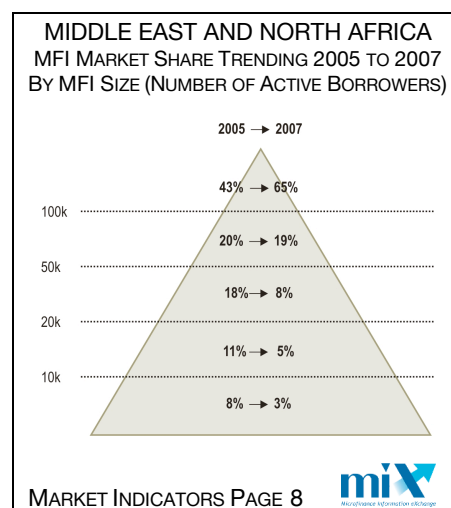
Eleven Join "Global Alliance for Banking on Values"

Eleven banks have formed a group called "The Global Alliance for Banking on Values" in an effort to focus on "sustainable" efforts as an alternative to mainstream practices that some argue have led to the current financial crisis. The eleven-member alliance was founded by the Bangladesh Rural Advancement Committee (BRAC) Bank, ShoreBank Corporation of the US and Triodos Bank of the Netherlands. Speaking at the launch, Triodos CEO Peter Blom pointed out that the member banks, with assets worth USD 10 billion, were still profitable despite the recession. March 16. 2009

Big Pension Funds Put \$82m in Developing World Markets Fund

Developing World Markets (DWM) has closed its DWM Microfinance Equity Fund I with commitments of USD 82 million, including USD 40 million each from pension giants TIAA-CREF of the US and APG of the Netherlands. With SNS Asset Management of the Netherlands serving as advisor, the fund will provide equity capital to microfinance institutions. After the closing, SNS Asset Management Director Theo Brouwers said, "The success of the fundraising at a time of global economic turmoil demonstrates the confidence of international investors in microfinance as a stable asset class...." DWM is an investment bank and asset manager specializing in microfinance, with USD 550 million in assets. March 3. 2009

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MICROCAPITAL BRIEFS

***The Economist* Calls Microfinance “Sub-par But Not Subprime”**

A recent article in UK weekly *The Economist* argues that, “lending to the poor has held up well, but it is not as safe from the credit crisis as its champions hoped.” March 24, 2009

Nigeria’s Gombe State Agency Raises \$6.8m to Open MFI

The Cooperative Finance Agency of the Nigerian state of Gombe has raised the equivalent of USD 6.8 million to establish a microfinance bank with the support of 2,000 local cooperative societies. March 24, 2009

Should India Welcome the Microfinance Slowdown?

Financial Times, the British daily, recently reported that in India, “Although the largest MFIs [microfinance institutions] are more insulated from the impact of the financial crisis, dozens of smaller MFIs have been dealt a stinging blow. Banks tend to fund the big players while ignoring fledgling MFIs....” Former Women’s World Banking President Nancy Barry is quoted as saying, “I hope we do have a slowdown. The industry was in a race to grow with little depth. That creates serious credit risk.” March 24, 2009

Commercial Banks in Ghana Venture into Microfinance

Ghana Business News reports that commercial banks in Ghana are expanding operations in the microfinance market because of increased competition for their “traditional” customers and because the emergence of large-scale microfinance institutions has highlighted the potential market of the “unbanked.” March 20, 2009

USAID, CARE Raise the Stakes in Ethiopia

US Agency for International Development (USAID) and US charity CARE have launched a new project in Ethiopia to assist rural households in graduating from the existing Productive Safety Net Program (PSNP). “PSNP Plus” aims to help microfinance institutions develop services that will increase the financial assets, financial literacy and business skills of PSNP beneficiaries. Additional partners include Catholic Relief Service, Relief Society of Tigray and Save the Children UK, with technical assistance provided by SNV Netherlands, Feinstein International Center of Tufts University and CARE. March 20, 2009

Pakistani MFIs Charged with Deceiving Borrowers

According to a report from TheNews.com, a group of farmers sharply criticized Pakistani microfinance institutions (MFIs) during a recent government workshop. MFIs allegedly mislead them into taking loans with the promise of tube wells, roads and schools to follow. The farmers said that the MFIs’ promises have gone unfulfilled but that borrowers are paying what they feel are exorbitant interest rates of 25 to 30 percent and have been “forced” to repay the original loans with far more expensive loans from MFI National Rural Support Programme. Also accused of deceit were First Microfinance Bank and Khushhali Bank. MFIs are also allegedly offering overlapping credit lines to the same borrowers, resulting in over-indebtedness. March 20, 2009

African Development Bank Warns of Microcredit Decline

The African Development Bank (AfDB) has announced that it will double its annual lending this year to USD 11 billion in response to the global financial crisis. Without specifying an exclusive allocation to microfinance, AfDB President Donald Kaberuka warned of signs that the African microcredit sector, which had withstood the initial stages of the crisis, is now declining and that financial institutions need sufficient financial support to weather a “prolonged” crisis. March 20, 2009

Slow Growth of Inflows, Staffing Levels Predicted in Cambodia

Bun Mony, Chairman of lender Sathapana Limited and board member of the Cambodian Microfinance Association (CMA), forecasts sector-wide employment growth will be 5 to 10 percent this year, compared to past annual levels of 30 percent. Speaking at a recent workshop, Mr Mony said that 10,000 people currently work for the country’s 18 microfinance institutions, which lent USD 740 million to 1 million people in 2008. He predicts lending growth will slow to 10 to 20 percent in 2009 from 61 percent in 2008 due to cutbacks by foreign investors, which account for 80 percent of capital inflow. March 19, 2009

China, Grameen Trust, Danone to Aid Sichuan Earthquake Victims

Danone Microcredit Foundation has been founded in Beijing to give small loans to families affected by the 2008 Sichuan earthquake. The project is a collaboration among the Chinese Office of Poverty Alleviation and Development (CPAD), Grameen Trust and global food conglomerate Danone Group. Danone has offered the equivalent of USD 3 million to CPAD over 10 years to finance the program, and Grameen Trust is distributing and managing the fund. An affiliate of Grameen Bank of Bangladesh, Grameen Trust provides technical and financial support to microfinance institutions around the world. Danone reported revenue of USD 16.6 billion for 2007. March 19, 2009

Equitas Transaction Securitized, Rated by CRISIL

Equitas Micro Finance India has completed a microloan-backed securitization worth USD 3 million. The pass-through certificates are rated by CRISIL, an Indian division of Standard and Poor’s. The Series A1 certificates are rated AA(so) and the Series A2 certificates are rated BBB(so). The Institute for Financial Management and Research structured and arranged the transaction. Securitizations of microloan receivables have been limited due to the short maturities of microloans and the lack of standardized ratings. Equitas, formerly known as UPDB Micro Finance, currently has ten branches serving 16,000 borrowers and reports assets of USD 4.8 million, a gross loan portfolio of USD 4.1 million and a debt-equity ratio of 0.66. March 19, 2009

IFC Loans \$9.5m to Microcredit Foundation EKI

International Finance Corporation, the private sector lending arm of the World Bank, is loaning the equivalent of USD 9.5 million to the Microcredit Foundation EKI (MFE) of Bosnia and Herzegovina. The funds will enable 4,200 new loans to rural microentrepreneurs and allow USD 1.4 million in loans to repair homes damaged during fighting in the early 1990s. Founded in 1996 by World Vision International, MFE has 54 offices and 53,000 active borrowers. As of 2007, it reported total assets of USD 122 million, a debt-equity ratio of 417 percent, return on assets of 7.33 percent and return on equity of 34.8 percent. March 18, 2009

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MicroCapital would like to recognize the individuals at CGAP, the Microfinance Information Exchange (MIX) and the Microfinance Gateway for their outstanding work disseminating information on microfinance. Thank you!

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Should Mobile Service Providers Be Regulated Like Banks?

According to *Wired* magazine, almost a third of Kenya's population now pays their electricity bills via mobile device. As such technologies flourish around the world, concerns have been raised about customers using the services as if they were bank accounts - without the protection of banking regulation. The article "Consumer Protection a Key Issue for Branchless Banking" from think tank CGAP (Consultative Group to Assist the Poor) points out that, as branchless banking technologies continue to evolve and spread, regulators are likely to see more sophisticated frauds and new consumer safety issues. A second CGAP article "Regulating Transformational Branchless Banking" argues that new regulations must balance consumer protection with the need to encourage innovation and expansion. March 17, 2009

IFC Acquires 16.5% Stake in Peruvian Microinsurer Protecta

International Finance Corporation has acquired a 16.5 percent stake in Peruvian microinsurance company Protecta for the equivalent of USD 1 million. Grupo ACP Inversiones y Desarrollo retains an 83 percent stake in Protecta, which launched operations in early 2008, taking in premiums of USD 3.59 million that year. Protecta's products include life insurance for micro-entrepreneurs' spouses and policies associated with financial institution loan portfolios. Premiums begin at USD 0.80 per month. March 16, 2009

80% of Investors Maintaining Microfinance Allocations

A survey of 120 microfinance institutions (MFIs) and 40 investors by Indian magazine *Microfinance Insights* indicates that 25 percent of MFIs that do not accept deposits have decreased their lending in the last 12 months and 20 percent have reduced their staff size. Forty-one percent of MFIs report higher interest rates from lenders, and 37 percent have curtailed growth plans. On the investor side, 80 percent have not reduced their portfolio allocation to MFIs. March 15, 2009

Expanding Microfinance in Latin America

In a recent article in British newspaper *Financial Times*, Jonathan Wheatley reports a resurgence of interest in microfinance among Latin American banks despite the current recession. In addition to simply expanding their microfinance divisions, some are pursuing new arenas such as "correspondent banking," where finance institutions set up a kiosks or window in existing locations such as pharmacies or bakeries. This allows customers to avoid a long commute (or a long wait) when conducting transactions. Once limited to services such as paying bills, options are now more likely to include access to loans and savings accounts. March 12, 2009

Triodos Microfinance Fund Receives \$30m Welcome

Triodos Bank has launched the Triodos Microfinance Fund, with a total investment equivalent to USD 30 million from Dutch insurer Achmea and two UK investors: charity fund manager CCLA Investment Management and the Waterloo Foundation. A launch to individual investors is in the works. Traded monthly, the fund will target 80 percent of investments to established microfinance institutions and the remainder to start-ups, with 30 percent allocated to equity and 70 percent to debt. The Triodos Microfinance Fund is a sub-fund of Triodos SICAV II, which is supervised by the Commission de Surveillance du Secteur Financier of Luxembourg. Triodos Bank, based in the Netherlands, reported total assets of USD 2.3 billion in 2007. March 11, 2009



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Allianz Life Indonesia Quadruples Client Base

Microinsurance provider Allianz Life Indonesia has announced that its client base grew 417 percent during 2008 to 183,000, with only 76 claims settled. Its “Payung Keluarga” (Family Umbrella) product line generated premium income of USD 82,500. A leading product is credit life protection, which repays a borrower’s loan balance in the event of his or her death. With 21 microfinance institution partners, Allianz Life Indonesia is a holding of Allianz Global Investors, which offers microinsurance in India, Colombia and several countries in Africa. March 11, 2009

State Bank of Vietnam Moving to Normalize Microfinance Sector

The State Bank of Vietnam (SBV) has approved a proposal to officially recognize organizations involved in “semi-official” microfinance activities, with the intent of expanding these efforts. The market share of these activities - which are often run by NGOs - is estimated at 5 to 6 percent. SBV is also encouraging the establishment of a national microfinance association to support the industry. Microfinance institutions in Vietnam often struggle to attain profitability because of competition from subsidized government lending programs that push interest rates below 20 percent. March 10, 2009

Grama Vidiyal Plans to Raise \$9.7m in Private Equity

Grama Vidiyal Microfinance Ltd (GVM) of India is reportedly in talks with unnamed private equity firms to raise the equivalent of USD 9.7 million to expand its branch network from 125 to 275 and to increase its staffing from 1,500 to 2,200. The funds raised will also assist in meeting non-banking finance company capital adequacy ratio requirements that the Reserve Bank of India recently increased from 2 to 12 percent. Founded in 1993, nonprofit GVM reports a gross loan portfolio of USD 28.7 million, total assets of USD 30.8 million and total equity of USD 4.8 million. March 10, 2009

Carbon Manna to Implement Carbon Micro-trading in Kenya

Carbon Manna Unlimited of the US is seeking wireless carriers doing business in Africa to partner in implementing its planned cell phone-based carbon trading system in Kenya. Carbon Manna envisions a system in which impoverished families can profit from carbon offsets they produce by switching from inefficient, deforesting cooking methods to modern charcoal or solar cookers. A family making the transition could also theoretically claim three tons of carbon-offset credits per year, worth about USD 20 to USD 35. Carbon Manna plans to sell carbon offsets in bundles on carbon emission trading platforms - such as the European Climate Exchange - and distribute the profits to families in the developing world through mobile phones. March 9, 2009

BASF, Grameen Trust to Partner

BASF SE and Grameen Healthcare Trust have announced the establishment of BASF Grameen Ltd, a “social business” that will offer BASF’s dietary supplement sachets and insecticide-treated mosquito nets. Alongside an initial investment equivalent to USD 250,000, BASF will contribute 1 million dietary sachets and 100,000 mosquito nets. Grameen Bank will provide microcredit to people purchasing the mosquito nets and to those setting up distribution outlets for BASF Grameen products. BASF is a German chemical company with posted sales of USD 73 billion. March 9, 2009

Nigerian Microfinance Banks Struggle to Meet Goals

Nigerian weekly *NEXT* recently quoted a First Bank official suggesting that “collapse” of the Nigerian microfinance sector may ensue if it fails to address a bevy of challenges: failure to attract deposits, shortage of skilled labor, high collections costs, excessive executive compensation, high capital reserve requirements (equivalent to USD 135,000) and low depositor insurance ceilings (USD 676). The report also argues that the sector is failing to target both rural areas and the poorest urban customers. One analyst is quoted as saying that several operators of microfinance banks are in business as a “short cut” to owning a commercial bank without having to undergo the “rigors” of procuring standard banking licenses. March 8, 2009

Banker to the Poor Heads for Big Screen

Banker to the Poor, the autobiography of Grammen Bank founder Mohammad Yunus, is being adapted by Marco Amenta into an English-language feature film. There is no word yet on which institution will finance the USD 6 million production budget. March 6, 2009.

Omidyar Grants \$4.5m to Opportunity for “Electronic Wallets”

Opportunity International has received a USD 4.5 million grant from Omidyar Network to create and implement electronic and mobile banking technologies aimed at reducing transaction costs and expanding financial services outreach in eight sub-Saharan countries. Strategies will be tailored to each country and will include: (1) satellite and broadband internet connectivity for branch banks, (2) the replication of technology now in use in the Philippines to connect to national payment systems and (3) mobile phone devices that will allow loan officers to collect payments and provide receipts and other services in rural areas. Opportunity International reports having served 1.1 million poor entrepreneurs in 27 developing countries. March 6, 2009

Compartamos Announces Strong Fourth Quarter Earnings

Mexican microfinance institution Banco Compartamos has announced its financial results for the fourth quarter of 2008, including net operating income before taxes equivalent to USD 25 million, a 21 percent increase against the fourth quarter of 2007. For the year, net income grew 27 percent to USD 73 million, with liabilities growing 87 percent to USD 339 million. The bank’s loan portfolio reached USD 372 million, with non-performing loans of USD 6.4 million. Compartamos served 1 million clients and earned a 43 percent return on equity and 20 percent return on assets. The bank’s stock closed on March 2 at USD 1.60. March 4, 2009



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Indian Bank Opens 15th Branch Exclusively For Microfinance

With the opening of its fifteenth branch exclusively for microfinance, Indian Bank will transfer the equivalent of USD 1.65 million held for 910 self-help groups (SHGs) from nine "regular" branches in the area. The branch will focus on SHG promotion and skill training groups, and it will have a mini library of material on empowering women, banking products and government supports for SHG members. The branch will also offer specialized schemes for housing, children's education and the Janashree Bima Yojana product provided by Life Insurance Corporation of India. With assets of USD 14.3 billion, government-owned Indian Bank has 1,582 branches in India and 240 banks in 70 other countries. March 3, 2009

MasterCard, Canadian Government Lead \$9m Microsavings Effort

Canada's MasterCard Foundation and the Canadian government have announced grants totaling USD 9 million for the expansion of savings initiatives in Tajikistan and Rwanda. The programs will employ CARE International's Village Savings and Loan Association model whereby small groups of individuals pool their money into funds from which members can borrow. The program in Tajikistan, to be implemented by Aga Khan Foundation Canada (AKFC), aims to reach 350,000 people. MasterCard will fund USD 4 million of the USD 5 million program, with AKFC putting in the remainder. CARE Canada will carry out the Rwandan initiative, which is aimed at 540,000 people, funded by USD 2 million each from MasterCard and the Canadian International Development Agency. The MasterCard Foundation reported USD 2.4 billion in total assets for 2007. February 26, 2009

CGAP Photography Contest Won by Teacher

Somenath Mukhopadhyay, a teacher in West Bengal, India, is the winner of the 2008 CGAP Microfinance Photography Contest. Out of 700 entries, the judges unanimously chose his image of a young girl preparing radishes to take to market in Tarapur village, Birbhum. Entries for the 2009 contest will be accepted beginning in May 2009. February 26, 2009

AccessBank Business Portfolio Hits \$200m in Azerbaijan

AccessBank of Azerbaijan has announced that its business loan portfolio has crossed the USD 200 million and 50,000 client thresholds. Its microloan portfolio recently exceeded USD 100 million. Loan sizes range from USD 100 to USD 1 million. February 26, 2009

Grameen, Oikocredit Offer Social Guidelines

Grameen Foundation and Oikocredit have developed a set of guidelines to help investors assess the social impact of microfinance placements. The one-page document lists questions relating to whether microfinance institutions are reaching poor clients and helping them move out of poverty. Sample questions include: "Is social outreach and outcome information available by country?" and "How does my investment manager define poor, very poor and extremely poor borrowers?". The document makes heavy reference to the "Progress out of Poverty Index" poverty measurement tool developed by Grameen, CGAP (Consultative Group to Assist the Poor) and Ford Foundation. February 25, 2009

Pro Mujer Registers as Charity in UK to Attract Donations

Pro Mujer International, a nonprofit affiliated with five microfinance institutions in Latin America, has registered as a charity in England and Wales in effort to attract more philanthropic funding. February 23, 2009 ♦♦♦



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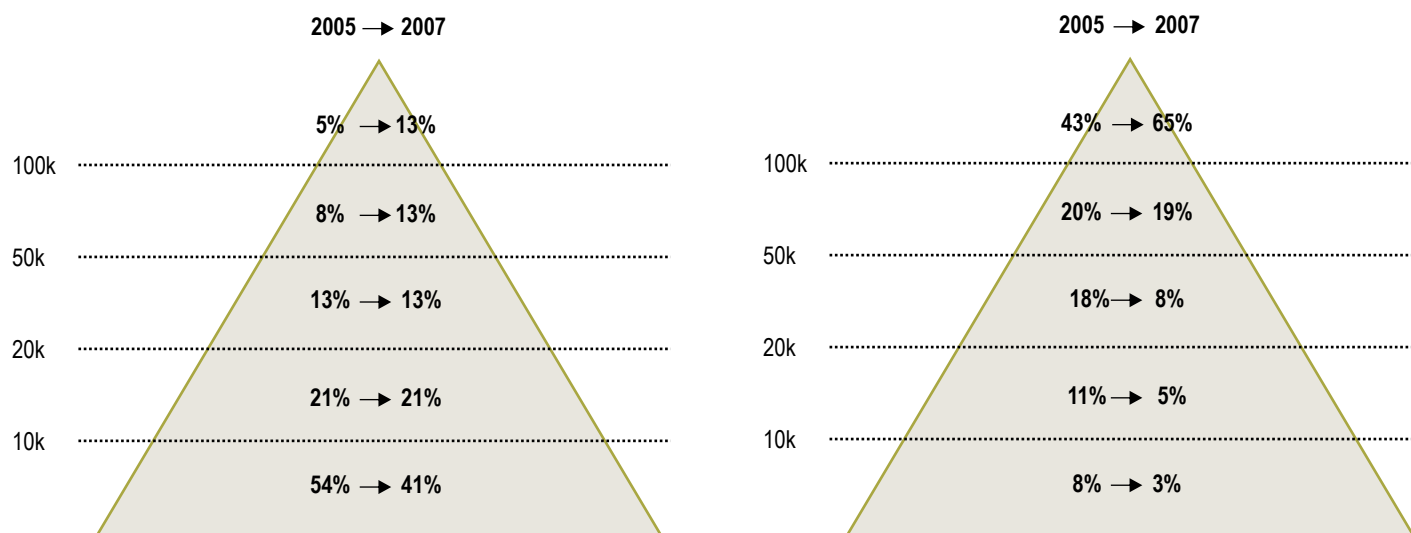
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 39 MFIs REPORTING FROM 11 COUNTRIES AND TERRITORIES¹

Egypt	Jordan	Palestine	Tunisia
Iraq	Lebanon	Sudan	Yemen
Israel	Morocco	Syria	

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
Association Al Amana for the Promotion of Micro-Enterprises Morocco	Morocco	111,259,172	92	82,580,184	305,098,528
Fondation Zakoura	Morocco	84,461,419	159	29,513,482	198,436,320
Fondation Banque Populaire pour le Micro-Credit	Morocco	51,282,269	105	31,862,678	134,427,216
Port Sudan Association for Small Enterprise Development	Sudan	22,632,981	697	724,919	45,990,880
FONDEP Micro-Crédit	Morocco	20,312,376	118	10,876,960	51,501,712
Fondation ARDI, formerly FCAMC	Morocco	8,294,951	194	2,171,890	18,761,792
enda inter-arabe	Tunisia	8,077,048	90	6,149,921	22,304,016
Alexandria Business Association	Egypt	4,334,011	30	12,509,412	21,177,434
Microfund for Women	Jordan	4,083,476	62	5,076,670	13,243,621
Development and Employment Fund	Jordan	4,043,008	10	36,588,520	44,674,536

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.

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UPCOMING EVENTS

Microfinance From Below:

The Power of Savings and Savings Groups In Frontier Economies

March 26 - March 28, 2009, Medford, Massachusetts, USA

The Tufts University Fletcher School Of International Affairs is hosting this event to discuss the methods and impact of savings programs and services. 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 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, USA

Harvard Business School (HBS) and ACCION International are offering this management and leadership training for microfinance executives. 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 or +1 617 625 7080.

Women's World Banking 7th Annual Capital Markets Conference

April 30 - May 1, 2009, New York, New York, USA

This event will include panel discussions on key topics in capital markets and a competition between select microfinance institutions, which will work with J.P. Morgan staff to generate innovative solutions to current challenges in the microfinance industry. The conference fee is USD 500. For more details, visit <http://www.swwb.org/node/711> or contact Magaly Arboleda at marboleda@swwb.org or +1 212 768 8513.

Chicago Microfinance Conference

May 8, 2009, Chicago, USA

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. No telephone number is offered.

Global Microfinance Congress

May 18 - May 20, 2009, New York, New York, USA

PlaNet Finance is 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 or <http://microfinancecongress.com/>.

Fourth Annual Underbanked Financial Services Forum

June 1 - June 3, 2009, Dallas, Texas, USA

The Center for Financial Services Innovation and SourceMedia present this event featuring 50 speakers from the banking, regulatory, nonprofit, credit union and private equity sectors. Registration fees range from USD 595 to USD 1395, but will increase March 27. More details are available via abconferences@sourcemedia.com, +1 212 803 6093 or <http://www.sourcemediaconferences.com/CFSI09/reginfo.html>.

First European Research Conference on Microfinance

June 2 - June 4, 2009, Brussels, Belgium

Organized by the European Microfinance Platform and the Centre for European Research in Microfinance (CERMi), this event aims to provide researchers with an opportunity to present their work and exchange ideas. The registration fee is EUR 200 until April 30, with discounts available. For details, see <http://www.microfinconf.eu/> or contact Petra Solli at cermi@ulb.ac.be or +32 2 650 6601.

Latin America - Caribbean Regional Microcredit Summit

June 8 - June 10, 2009, Cartagena, Colombia

This is the latest of the Microcredit Summit Campaign's events for those working to assist poor people in reaching financial self-sufficiency. The fee to attend is USD 300, with discounts available for registrations before March 15 and for those attending from the Latin American region. Add-on field visits and courses are also available for an extra fee. Details are posted at <http://www.regionalmicrocreditsummit2009.org/>, and questions may be directed to info@microcreditsummit.org or +1 202 637 9600.

Microfinance Principles

July 3 - July 5, 2009, Bad Homburg, Germany

Microfinance Institution Management

July 5 - July 10, 2009, Bad Homburg, Germany

Commercial Micro Banking

July 12 - July 17, 2009, Frankfurt am Main, Germany

The Micro Banking Summer Academy at the Frankfurt School of Finance & Management (Bankakademie) is hosting the above menu of training opportunities. The registration deadline is April 24. More details are available via Maria Johansson at m.johansson@frankfurt-school.de, +49 69 154008 617 or http://www.frankfurt-school.de/content/en/intern_advisory/summer_academies_2009/micro_banking_summer_academy_2009.html.

Microfinance: The Investment Opportunity

July 13 - July 14, 2009 in Washington, DC, USA

This event will cover topics including the role of intermediaries in a microfinance deal, the value of ratings in today's economy, new opportunities for microfinance professionals and new investment strategies for pensions, foundations and endowments. The registration fee for the conference is USD 1795, with add-on workshops and group discounts available. More information is available via Erin Busch at ebusch@frallc.com or +1 831 465 2294 or via <http://www.frallc.com/conference.aspx?c=B722>.

Mobile Money Transfer (MMT) Africa Conference and Expo

May 5 - May 6, 2009, Johannesburg, South Africa

This event will cover topics such as money transfer as the first step toward a broader suite of mobile financial services, making mobile money work in areas with low literacy and getting cash in and out of the system. Add-on events will be held on May 4 and May 7. The base fee is USD 1699, with discounts available for groups and all bookings before March 28. For details, visit <http://www.mobile-money-transfer.com/africa/> or contact Paul Nickeas at +44 (0) 20 7067 1835 or paul.nickeas@clarionevents.com.

Pacific Microfinance Week 2009

July 13 - July 17, 2009, Nadi, Fiji

The Microfinance Pasifika alliance is organizing this series of events to raise awareness to microfinance operations in the Pacific region, to encourage cooperation among stakeholders. Registration is free of charge, but there is a deadline of April 30. Microfinance Pasifika network members may apply for a travel subsidy. Additional information is available via <http://www.microfinance-pasifika.org/>, info@microfinance-pasifika.org or +679 3544305.

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/. The contact person is May Low, who may be reached at +65 63723185 or may@asiainsurancereview.com. ♦♦♦

PAPER WRAP-UPS

Microfinance Institutions: Does Capital Structure Matter?

By Vicki Bogan, published by Cornell University, May 2008, 42 pages, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1144762

This paper examines microfinance institution (MFI) funding sources by geographic region and explores how changes in capital structure could facilitate future growth and improve the efficiency and sustainability of MFIs. The report establishes a relationship between capital structure and key performance indicators by analyzing the performance of select MFIs between 2003 and 2006.

In recent years, there has been increased pressure on MFIs to decrease dependence on subsidized funding sources. Reliance on donor funding limits the ability of MFIs to expand and meet the rising demand for services. A growing number of MFIs have sought to fund growth through public deposits or commercial funding. This paper explores the role that different funding sources play in determining the success of MFIs.

The performance indicators analyzed were outreach, efficiency and financial sustainability. These were compared against data for MFI capital structure variables (debt relative to assets, grants as a percentage of assets and shareholder capital as a percentage of assets) and data for MFI characteristic variables (years in operation, assets, number of borrowers, number of savers, region, percentage of portfolio at risk and whether or not the MFI accepts deposits).

Regression analysis indicates that asset size directly impacts the sustainability and outreach of MFIs. Grants as a percentage of assets and share capital as a percentage of assets were found to be significantly and negatively related to the sustainability of MFIs. The results also show that an increase in grants does not necessarily lead to greater or more-costly outreach.

The author concludes that only by weaning off donor dependency and adopting a commercial orientation can MFIs attract the capital and savings base they need to scale up their portfolios, increase sustainability, lower lending rates, increase outreach and meet market demand. To address capital constraints, the study calls for transparency and innovative financing to decrease transaction costs and increase liquidity in the MFI funding market.

Bosnia and Herzegovina Microfinance Analysis and Benchmarking Report, 2008

Published by the Association of Microfinance Institutions in Bosnia and Herzegovina and Microfinance Information Exchange, January 2009, 14 pages, available at: http://www.microfinancegateway.org/files/55357_file_08.pdf

Based on data from twelve MFIs in Bosnia and Herzegovina (BiH), this report reveals that most MFIs grew by more than 50 percent in 2007 despite heavy competition from commercial banks. Active borrowers increased by 54 percent while gross loan portfolio (GLP) increased by 85 percent in local currency terms. GLP was estimated at USD 817 million.

Loan balances grew 31 percent to USD 2,087, which was the lowest among Bosnia's regional peers. Median loan balance as a percentage of per capita income decreased by 4 percent.

The top three loan portfolio sectors were agriculture (37 percent), service (25 percent) and trade (20 percent). Herzegovina had a 5 percent share of the total portfolio of Bosnian MFIs, suggesting significant growth potential there.

While a majority of initial funding for MFIs in BiH was donated, funding later diversified to include commercial sources. The commercial funding liabilities ratio (borrowings at commercial interest rate/average GLP) grew to 73 percent in 2007. Further, the report states that Bosnian MFIs became highly leveraged with debt-equity ratios doubling close to 4 times in 2007. Loans from microfinance investment vehicles increased by 280 percent. Funding from development financial institutions almost doubled. The share of subsidized funding decreased to 12 percent in 2007.

Adjusted return on equity increased by 2.6 percent to 19.6 percent in 2007. The research suggests that this was due to a reduction in operating expenses from 13 to 10 percent. A regional comparison of Bosnian MFIs illustrates they have the lowest cost structure coupled with the highest margins among their peers. Improvements in efficiency and productivity in terms of loan officer to borrower ratio have been instrumental in their success. The risk profile of Bosnian MFIs has been solid, with rates of portfolio at risk (over 30 days) under 2 percent from 2005 to 2008.

Bosnian MFIs may soon reach a point of saturation as MFIs serve roughly 49 percent of the region. This a high level considering that MFIs serve only 18 percent of the market across the Balkan region.

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Africa Microfinance Analysis and Benchmarking Report 2008

By Jennifer Isern, Estelle Lahaye and Audrey Linthorst, published by CGAP (Consultative Group to Assist the Poor) and the Microfinance Information Exchange, 20 pages, available at: http://www.microfinancegateway.org/files/55356_file_07.pdf

This report is based on data from 160 African microfinance institutions (MFIs). In 2008, the MFIs collectively reached 5.2 million borrowers - with a credit line of USD 2.5 billion - and 9 million savers - with gross savings of USD 2.1 billion.

In 2007, the African microfinance industry experienced 25 percent growth in borrowers (as compared to a global average of 20 percent), 31 percent growth in savers and 69 percent growth in loan portfolio, which increased nearly USD 1 billion.

In West Africa, growth was relatively low, indicating a market that is closer to saturation. This region also had the most clients served by deposit taking institutions and twice as many savers as borrowers.

East Africa had the largest absolute growth and size: six of the nine largest MFIs are in East Africa.

Southern Africa led in percentage growth of borrowers with 48 percent. Banks served 81 percent of the clients in this region, where loans were the largest.

Central Africa experienced a 3 percent decrease in the number of borrowers, as MFIs cleared delinquent loans from their books. This region has the smallest market and lowest penetration rate.

Regulatory Environment

African governments have increased their focus on regulating microfinance. Thirty-one countries have passed new or revised legislation since 2002, and 24 have adopted national microfinance strategies. Legislation generally differentiated between credit-only institutions, institutions that take savings from members and institutions that take deposits from the public. Supervision of the microfinance industry usually fell under the banking supervisory authority, indicating that the industry is becoming more integrated into the formal financial system.

One obstacle is the implementation of anti-money laundering laws, which can make low-value transactions cost-prohibitive. Furthermore, consumer protection measures, such as the provision of an ombudsman for handling customer complaints, are weak.

Funding Flows and Structures

Non-commercial funding decreased by 12 percent in 2007 with a total commitment of USD 1.76 billion. However, the total number of projects funded increased by 61 percent to 716. Decreased external funding meant that MFIs that mobilized savings were much more likely to grow.

Funding was concentrated in East and West Africa, with half of all funding going to seven countries in these two regions. Funding instruments included grants (34 percent), loans (32 percent), non-financial assistance (9 percent), equity funding (5 percent) and loan guarantees (3 percent).

Performance

In 2007, for the first time, all African sub-regions achieved operational self-sufficiency, meaning that on average they met all expenses out of revenues before adjustments for subsidies. However, African MFIs continued to struggle to achieve profits and had significantly higher operational costs than did MFIs elsewhere. Profitable MFIs served 44 percent of borrowers, up from 24 percent in 2006.

Delinquency problems continued to present an obstacle to profitability. In Southern Africa, increased loan sizes from commercial banks and improved portfolio at risk led to lower expenses and a 6 percent increase in profitability. Eastern Africa experienced a decrease in financial self-sufficiency, as expense increases dragged profitability to negative 15 percent.

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A Study Analyzing the Effects of Fuel and Food Inflation on Microfinance Institutions and Borrowers

By MF Analytics, published by the US Agency for International Development, January 2009, 38 pages, available at: http://www.cgap.org/gm/document-1.9.7450/Impact_and_Implications_of_Food_Crisis.pdf

This paper explored the impact that food and fuel inflation has on the sustainability of microfinance institutions (MFIs) and the well-being of MFI customers. According to the World Bank, global prices of staple foods have doubled since 2005. The price of oil jumped 133 percent from 2007 to 2008. Whereas prior to the current inflation crisis, individuals in low- and middle-income countries allocated 35 percent of their income to food, average food expenses have risen to 50 percent of income. Because wages have not risen significantly over this time period, the authors hypothesize that borrowers have become less able to service MFI loans. Eight MFIs in Nicaragua, Haiti and Bangladesh were studied, with 96 senior managers, loan officers and borrowers interviewed.

Nicaragua

Fuel prices rose at an annualized rate of 53.3 percent in Nicaragua during the first half of 2008. Borrowers observed a 40.1 percent increase in the cost of their top five food purchases: rice, oil, sugar, beans and meat.

Senior managers noted an increase in the number of delinquencies resulting from inflation and a shift from group loans to individual loans. Loan officers cited rising food costs as the top reason for the defaults and energy costs second. MFIs responded by adjusting payment schedules and by allocating more loans to agriculture and fewer to consumer products.

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Borrowers reported reducing consumption, diversifying sources of income, taking out larger loans, selling productive assets, delaying health care and removing children from school. Loan officers noted an increase in migration to Costa Rica.

Haiti

From 2006 to 2008, the price of Haitian staples - rice, corn and beans - doubled. Meat disappeared from borrowers diets. When protests over high food costs led to riots, senior managers noted that the destruction of property increased delinquency rates. The average price increase for fuel products was 55.3 percent.

MFIs experienced increased levels of portfolio at risk (PAR), which in June 2008 ranged from 5.6 percent to 13.8 percent. Loan officers observed that delinquencies went up slightly and identified rising food and oil prices as the number one reason.

Borrower coping mechanisms included diversifying economic activity, restructuring debt, selling assets and migrating to urban areas.

Bangladesh

In Bangladesh, food and fuel inflation exacerbated a problem already made dire by two floods and a major cyclone that had occurred during the preceding three years. According to government statistics, the prices of local staples - rice, lentils and vegetables - had almost doubled since January 2007. Government subsidies limited fuel price increases to 34 percent in 2007.

MFIs experienced increased transportation costs. Senior managers expressed concern over sustainability and net worth. One manager noted that food prices could have a beneficial effect on customers in agricultural sector.

Borrowers reported coping via larger loan sizes, restructured loans, asset sales and the consumption of savings. Loan officers reported that the most frequent coping mechanisms were removing children from school to work and delaying health care.

Recommendations

The authors recommend the development a list of best practices to help MFIs mitigate inflationary pressure. This would include study of which elements of a loan portfolio bear the brunt of inflation. In high inflationary environments, the authors argue that international aid organizations, private investors and banks should provision MFIs with cheaper loans. MFIs should hedge long-term borrowing against short-term lending, develop improved tools to analyze portfolio quality and provide loan products with interest rates indexed to inflation. MFIs should also help borrowers diversify business lines, increase business training and offer more flexible loan products and consumption loans. The authors conclude that MFIs can achieve a large measure of protection from inflation through a multi-pronged approach that includes proactively managing assets and liabilities. ♦♦♦



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