

## MICROCAPITAL BRIEFS | TOP STORIES

### Bangladesh to Limit Microloan Interest Rates (Again)

Bangladeshi Finance Minister Abul Maal Abdul Muhith recently announced that Bangladesh will limit interest rates charged by microfinance institutions (MFIs). As reported in the May 2009 issue of this newspaper, the Microcredit Regulatory Authority (MRA) of Bangladesh “temporarily” limited the interest rates MFIs charged clients to a flat 15 percent or an effective rate of 30 percent. An MRA official noted that the move was an interim measure, and that MRA would announce a final interest rate policy for MFIs after “conducting an in-depth study.” No such final policy has yet been announced. April 13, 2010

### Nepal Allows MFIs, NGOs to Mobilize Deposits

The Nepal Rastra Bank, Nepal’s central bank, is now allowing licensed microfinance institutions (MFIs) and NGOs to mobilize deposits from the general public. To qualify, organizations must have earned profits for three consecutive years, have non-performing loan ratios of no more than 5 percent and a minimum of 2,500 members. April 9, 2010

### LeapFrog Microinsurance Fund Raises \$65m from BMZ, IFC, Flagstone, Soros, KfW

LeapFrog Investments, a for-profit microinsurance fund that focuses on Africa and Asia, recently announced that it has raised an additional USD 65 million in commitments, bringing the fund’s total to USD 112 million. New investments in the fund are: the equivalent of USD 22.8 million from the German Ministry for Economic Cooperation and Development (BMZ); USD 20 million from the International Finance Corporation, the lending arm of the World Bank; USD 12 million from Flagstone Reinsurance, a global reinsurer based in Bermuda; USD 7 million from the nonprofit Soros Economic Development Fund; and USD 3 million from KfW Bankengruppe, a German development finance institution. March 30, 2010

### Financiera Independencia of Mexico Sells \$200m in Notes

Financiera Independencia, a Mexican microfinance institution, recently announced that it has placed USD 200 million in senior guaranteed notes in the international market. The notes have a five-year maturity and pay an annual interest rate of 10 percent. The transaction moves Independencia toward its “goal of diversifying our funding sources so that no single institution represents more than 25 percent of the company’s funding,” commented Independencia CEO Noel Gonzalez. Independencia reports a total outstanding loan balance equivalent to USD 380 million and a labor force of 9,600. March 29, 2010

### SKS Files to Raise \$250m in IPO, Replaces Akula as Promoter

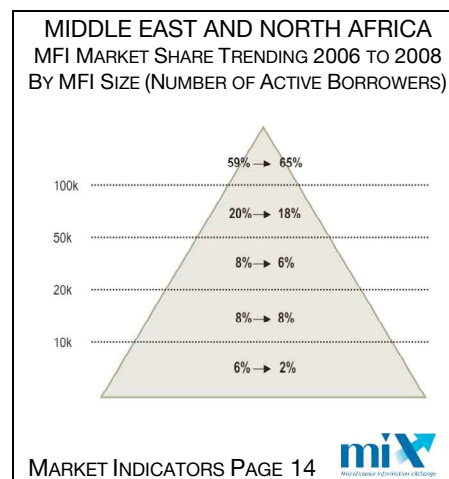
SKS Microfinance Limited has officially filed plans to raise the local-currency equivalent of USD 250 million in its much-anticipated initial public offering....

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### World Bank to Loan \$300m to Egypt for MSEs

The World Bank’s Board of Executive Directors recently approved a USD 300 million loan to support an Egyptian government program intended to improve access to finance for micro- and small entrepreneurs via banks, nonprofit organizations and microfinance institutions. Further details are unavailable. March 23, 2010

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## MICROCAPITAL BRIEFS

### Intesa Sanpaolo Banka BiH Borrows \$26m from EBRD, EFSE

Intesa Sanpaolo Banka dd BiH, a commercial bank in Bosnia and Herzegovina that is majority-owned by the Intesa Sanpaolo Group of Italy, recently secured loan commitments totaling the euro equivalent of USD 34 million. The European Bank for Reconstruction and Development will provide USD 26.9 million as part of a USD 135 million financing package for subsidiaries of Intesa Sanpaolo Group for on-lending to small and medium-sized enterprises. The European Fund for Southeast Europe, a microfinance investment fund based in Luxembourg, will extend a credit line of USD 8.1 million to Intesa BiH to improve access to loans for housing and home improvement. For 2008, Intesa BiH reported local-currency assets equivalent to USD 697 million. April 5 and April 14, 2010

### EU/ACP Offers Scholarships for Boulder Microfinance Training

The EU/Africa, the Caribbean and Pacific (ACP) Microfinance Program is offering scholarships worth USD 4,210 for ACP policymakers to participate in the Boulder Microfinance Training Program that will take place in Turin, Italy, from July 19 to August 6. The application deadline is May 10. April 14, 2010

### SKS Microfinance IPO Raises Ethics Questions (Again)

With the upcoming IPO of Indian microfinance institution SKS Microfinance expected to raise USD 250 million, questions are again being raised about the ethics of microfinance investors taking home millions of dollars while microborrowers often remain poor. "The job of microfinance is to alleviate poverty, so the question to ask is: who's going to benefit from the IPO?" said Olivia Donnelly, executive director of UK-based nonprofit Shiva Microfinance. This newspaper reported on these same issues after the IPO of Mexico's Compartamos Banco brought in USD 458 million in 2007. At least two more Hyderabad-based microlenders, Spandana and Share Microfin, are also aiming to access the capital markets through IPOs during the next year. April 13, 2010

### Nigeria Commences Nationwide Investigation of MFIs

After a joint examination exercise with the Central Bank of Nigeria and a slew of complaints from depositors of closed microfinance institutions (MFIs), the Nigeria Deposit Insurance Corporation, the country's financial industry regulator, recently began a nationwide investigation of MFIs. The expanded investigation follows findings of "serious corporate governance weaknesses and infractions. These include granting of insider loans and advances without adherence to regulatory standards, outright frauds and forgeries as well as poor risk management practices." April 13, 2010

### Germany's Bank im Bistum Mulls Investment in Procredit Nigeria

Germany's Bank im Bistum Essen, a cooperative bank with total assets equivalent to USD 5 billion, recently met with the management team at Umuchinemere Procredit Micro Finance Bank Nigeria (UPMFB) to discuss a potential investment. UPMFB reported total assets of USD 8.6 million for 2008. April 13, 2010

### Tibet Yurong Microcredit Company Launches

Tibet Yurong Microcredit Company, a microcredit institution in China's Tibet Autonomous Region, was recently established with financing from unnamed private investors equivalent to USD 7.3 million. According to a Xinhua News Agency article, the company will lend to small and medium-sized enterprises, farmers and herdsmen with the intention of "improving the livelihood of the poverty-stricken people." April 13, 2010

### Philippine Report Highlights Mobile Banking

Banko Sentral ng Pilipinas (BSP), the central bank of the Philippines, recently released its 2009 annual report, which counts 214 banks offering microfinance services with a total outstanding portfolio equivalent to USD 143 million. Of these, 52 banks utilize mobile banking, making access available to the majority of the country's population, which was determined to have either direct or indirect access to a mobile phone. The report also noted BSP's new regulations governing housing microfinance and its recent participation in the formulation of a national framework for microinsurance. April 13, 2010

### Oikocredit Takes 10% Stake in India's ESAF for \$675k

Oikocredit, a Dutch investor in microfinance institutions, has paid the local-currency equivalent of USD 675,000 for a 10-percent stake in Indian microfinance institution ESAF (Evangelical Social Action Forum) Microfinance and Investment Private Limited. The investment was made through a wholly owned Indian subsidiary of Oikocredit, Manaveeya Holdings and Investments. ESAF reports total assets of USD 15 million, a gross loan portfolio of USD 9.1 million, 145,700 active borrowers, return on assets of 0.77 percent and return on equity of 8.38 percent. Oikocredit reports the euro equivalent of USD 715 million in total assets. April 13, 2010

### Barclays, Plan, CARE Back Group Savings and Loans in Kenya

Barclays, a UK-based international investment bank, and international development organizations CARE International and Plan International have jointly launched a microfinance initiative in Kenya with the goal of reaching 100,000 people through 4,000 saving and loan groups. The three organizations forged a partnership in 2008, along with management consulting firm Accenture, to address access to basic savings and loans products in Africa, Asia and South America. Although the allocation to the Kenyan project has not been made public, Barclays pledged the equivalent of USD 15 million to the international initiative. April 13, 2010

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

### **BancABC Postpones Microfinance Expansion in Zimbabwe**

BancABC, a multinational commercial bank with microfinance operations in Zambia, has postponed the extension of microfinance operations to Zimbabwe citing the level of government salaries there. Government workers in Zimbabwe earn between USD 122 and USD 206 per month and have been striking for a 400 percent wage increase since February 2010. Despite this unrest, BancABC Chief Executive Doug Munatsi still believes that Zimbabwe has strong potential for microfinance growth in 2010. Following the 2009 termination of the inflation-plagued Zimbabwe dollar and the legalization of foreign currencies, BancABC's subsidiary in Zimbabwe experienced its first profit in 10 years. Based in Botswana, BancABC operates in six southern African countries and has a total loan portfolio of USD 320 million. BancABC also has 40,000 micro-borrowers in Zambia.

April 13, 2010

### **Wealthy Indians Seeking Microfinance Investment Options**

A recent article on Livemint.com, an Indian business newspaper website owned by *The Wall Street Journal*, points to the growing tendency for individuals in India to invest in microfinance institutions (MFIs). While investments from individuals widen access to capital for MFIs, the article states that "too many individual investors could become cumbersome for the promoters," because individuals generally invest over significantly shorter time periods than institutional investors, which often have an exit horizon of five to seven years. April 13, 2010

### **Nigerian Editorial Urges Tighter Regulation of Microfinance**

In a recent op-ed piece published in Nigeria's online *Daily Trust*, Ijeoma Kalu urges the Central Bank of Nigeria to tighten regulation of the microfinance industry and ensure "that only professionals are permitted to practice." April 13, 2010

### **Amidst Liquidity Crunch, Default Rate Steady at Pakistan's MFIs**

The default rate among Pakistani microfinance institutions reportedly stands at 2 percent, in stark contrast to commercial banks' non-performing loan ratios of 12 percent. Liquidity issues, however, are reportedly becoming serious, with microfinance practitioners attributing the problem in part to a double-digit rise in inflation, which has made it difficult to gather deposits. April 12, 2010

### **MIX, CGAP Criticize Yunus's Method for Judging MFIs**

A recent report from Microfinance Information Exchange Lead Researcher Adrian Gonzalez refutes a method proposed by Dr. Mohammed Yunus, Nobel laureate and founder of Bangladesh's Grameen Bank, for classifying microfinance institutions based on their interest margins (financial revenue from loans less financial expenses). The report argues that interest margins "can almost entirely be explained by operating expenses, rather than profits." Richard Rosenberg, Senior Advisor to CGAP (Consultative Group to Assist the Poor), agrees, arguing that Dr. Yunus's "simple formulas can't help much when it comes to appraising things like mission drift or fairness of interest rates." April 12, 2010

### **Ghanaian Network Wants Stronger Capitalization Requirements**

The Ghana Microfinance Institutions Network (GHAMFIN), an informal network of institutions and individuals in Ghana, recently expressed concern over the prevalence of unaccredited microfinance institutions (MFIs). Although plans are underway to establish a recapitalization requirement that will require accredited rural banks to have a minimum capital equivalent to USD 1 million by December 2011, GHAMFIN Executive Secretary David Andah recently warned that these efforts could be hindered by the multitude of unaccredited MFIs. April 12, 2010

### **IFC, IIC Place \$27m of Equity in Reinsurer QBE del Istmo**

The International Finance Corporation, the investment arm of the World Bank, will invest USD 19 million and the Inter-American Investment Corporation, a member of the Inter-American Development Bank, will invest USD 8 million in QBE del Istmo Compañía de Reaseguros, a Panama-based reinsurance company, to build its capacity and cover new products such as microinsurance. It is unclear whether the new product lines indicate an expansion of reinsurance services to institutions or an entry into directly serving retail customers. With operations in 20 Latin American and Caribbean countries, QBE del Istmo reports having written premiums of USD 164 million and shareholder equity totaling USD 81.9 million as of year-end 2009. April 9, 2010

### **California Teachers' Pension Fund May Invest in Microfinance**

Following significant investments in microfinance by Dutch pension funds ABP (as reported on the following page) and PGGM (as reported in the August 2009 issue of this newspaper), the USD 133 billion California State Teachers' Retirement System is reportedly considering investing in one or more microfinance investment vehicles. April 9, 2010

### **MasterCard, Cisco Donate \$1.7m to Mifos Software Upgrade**

The Cisco Foundation, the charitable arm of the American computer technology company, has granted USD 500,000 to the nonprofit Grameen Foundation to improve its Mifos software package for microfinance institutions (MFIs). New features of the open source software - which is free and can be modified by the public - include enhanced connectivity to mobile payment systems and improved integration with Grameen's Progress Out of Poverty Index (PPI), a poverty-assessment tool that aids in targeting and tracking microfinance clients. The Canadian MasterCard Foundation will also provide a grant of USD 1.23 million to help MFIs implement Mifos, with the goal of reaching 100 million new clients in the next 10 years. Participating MFIs include Grameen Koota of India, enda inter-arabe of Tunisia, Al Majmoua of Lebanon, KEEF of Kenya and KMBI of the Philippines. April 9, 2010

### **Kenyan President Calls for Broader Range of Financial Services**

President Mwai Kibaki of Kenya, speaking at the recent Africa/Middle East Regional Microcredit Summit, called for the establishment of credit rating systems and for microfinance institutions to provide a broader range of services to better improve their clients' economic positions. April 9, 2010

### **SEEP Network Launches Tools for Microfinance Associations**

The Small Enterprise Education and Promotion Network, an organization that connects microenterprise practitioners, has announced the launch of its "Suite of Tools for Microfinance Association Professionals." The package, developed as part of the "Citi Network Strengthening Program," consists of 15 tools that are designed to help national and regional microfinance associations promote the growth and development of the microfinance industry. April 9, 2010

### **Migrant Group Establishes World Diaspora Fund**

The Working Group of the International Migrants Remittances Observatory for Least Developed Countries (IMRO) recently established the World Diaspora Fund (WDF) in Geneva, Switzerland. According to IMRO, the fund is "intended to offer migrants a secure investment vehicle that will contribute to the development of their countries of origin." WDF will invest through loans, guarantees and stakes in microfinance institutions. It also intends to provide migrant investors with a "fair" monetary return. April 9, 2010

### Wharton, Center for Microfinance Leadership Host Course

In partnership with the Wharton School's Aresty Institute for Executive Education, the Center for Microfinance Leadership at Women's World Banking (WWB), a nonprofit that supports a network of microfinance institutions, hosted its first advanced leadership course for microfinance professionals in March, covering scenario planning, talent development, risk management and leadership skills. April 9. 2010

### Yunus Calls for New African Laws to Increase MFI Effectiveness

Dr Mohammed Yunus, Nobel laureate and founder of Bangladesh's Grameen Bank, reportedly said recently that the dearth of microcredit laws in many African countries is preventing access to loans for millions of the continent's poor people. "To create a new kind of bank, which works with the poor people, we need new legislation, but in most of the countries in Africa that legislation has not taken place, so we have left the microcredit scenario to the NGOs." Dr Yunus also spoke against over-reliance on international donations: "Since you focus aid through the government, it encourages bureaucracy, it encourages corruption, it encourages inefficiency." April 8. 2010

### Dutch Pension Fund ABP Invests \$30m in Grassroots Capital Fund

Dutch pension fund ABP, which reports the equivalent of USD 280 billion in assets, recently invested USD 30 million in Grassroots Capital's Global Microfinance Equity Fund. With investments now totaling USD 117 million, Grassroots Capital has closed the fund. Grassroots Capital manages assets of USD 200 million. The investment brings ABP's total debt and equity holdings in microfinance to USD 215 million. April 7. 2010

### Matrix, Hivos-Triodos, Lok Invest \$26m in India's BASIX

Matrix Partners India, a Mumbai-based investment firm, is investing the local-currency equivalent of USD 22.5 million in Bhartiya Samruddhi Finance Limited (BSFL), an Indian microfinance institution that is a member of the BASIX (Bhartiya Samruddhi Investment & Consulting Service) Group. Two existing investors, the Hivos-Triodos Fund and Lok Capital LLC, are investing a further USD 2.9 million and USD 1.2 million respectively. BSFL CEO Sajeev Viswanathan said that the investments will help reduce the interest rate charged to clients by 100 basis points. BSFL reports a gross loan portfolio of USD 73.6 million, total assets of USD 111.1 million, return on assets of 1.8 percent, return on equity of 15.6 percent and 498,681 active clients. April 7. 2010

### Cheap Method Proposed for Evaluating Microfinance Programs

A recent post on *The New York Times* newspaper website, "Evaluating Microfinance When Randomization Isn't an Option," suggests an alternative method that Michael Frank, the Director of Finance for the Mali Health Organizing Project, has proposed for assessing microfinance programs without the expense of randomized program evaluations. Mr Frank's method entails a call for loan applicants in the most similar nearby community that does not have a microfinance program that significantly overlaps the subject program. Using the same criteria to select applicants as the subject program, loan recipients would be selected for a waiting list and then tracked as a control group. (Upon completion of the study, those individuals on the "waiting list" would either be given loans by the subject program or they would be compensated in some other way.) April 7. 2010

### Farz, Pak-Qatar to Offer Islamic Insurance in Pakistan

Farz Foundation and Pak-Qatar Family Takaful Limited (PQFTL), Pakistan-based organizations that provide Shariah-compliant microfinance services, have agreed to provide life insurance to Farz's borrowers. Farz does not report to the Microfinance Information Exchange. With a reported share capital equivalent to USD 10 million PQFTL provides Takaful insurance products to members with the surplus shared among its members. April 6. 2010

### India Business Excellence Fund Takes \$4m Equity Stake in MFI

The India Business Excellence Fund (IBEF), a private equity fund, will reportedly invest the local-currency equivalent of USD 4.4 million in AU Financiers, a non-banking financial company located in India. As stated in the December 2009 issue of this newspaper, the World Bank's International Finance Corporation will also invest USD 7.8 million in the microlender. AU Financiers reports having disbursed USD 191 million in loans. Managed by Motilal Oswal Private Equity Advisors, IBEF reports USD 125 million in assets. April 6. 2010

### IFC Invests \$300k in New Indian MFI, Utkarsh Micro Finance

The International Finance Corporation, the investment arm of the World Bank, has provided a USD 300,000 investment to Utkarsh Micro Finance Private Limited of northern India. Detailed financial information about the microbank is not available. April 5. 2010

### CLSA Capital Partners Invests \$24m in India's Equitas

CLSA Capital Partners, the alternative asset management arm of CLSA (Credit Lyonnais Securities Asia) Asia-Pacific Markets, has bought an unspecified minority stake in Equitas Micro Finance India Private Limited for USD 24 million. With a gross loan portfolio of USD 130 million, 900,000 customers, return on assets of 1.5 percent and return on equity of 4 percent, Equitas intends to use the capital to open new branches across India. With USD 2.5 billion in funds under management, CLSA Capital Partners made the investment in Equitas through Aria Investment Partners III, a pan-Asian private equity fund that recently raised USD 333 million. April 5. 2010

### Central Bank of Nigeria Prepares to Repel "Monster"

The Director of Development Banking at the Central Bank of Nigeria, Joe Alegienu, was recently quoted as having said that his office is developing a new regulatory framework for microfinance that will avoid "a situation where the microfinance banks...are allowed to turn into a monster that would consume the people." April 2. 2010

### Munich Re Foundation Calls for Microinsurance Proposals

Munich Re Foundation, an affiliate of the German risk manager Munich Re, has issued a call for proposals for its sixth annual microinsurance conference, which will take place in Manila, Philippines, in November. April 1. 2010

### Training Program Moves to University of New Hampshire

The Microenterprise and Development Institute, a US-based microfinance training program, has been re-named the Sustainable Microenterprise and Development Program in conjunction with its move from Southern New Hampshire University to the Carsey Institute at the University of New Hampshire. April 1. 2010

### SMEs in Senegal Struggle to Access Funding

Small and medium-sized businesses (SMBs) in Senegal are struggling to access funding, according to a recent report that quotes Vincent Akué, an economic consultant in Dakar, as saying, "Due to difficult market conditions and sluggish business, financial institutions invest only five percent of their funds in SMBs." It is suggested that the shortfall stems from a combination of borrowers' financial illiteracy and a lack of comprehension by banking staff of SMB growth profiles. March 31. 2010

### The Economist Considers Microsavings Versus the Mattress

A recent article in *The Economist* weekly magazine, "Savings and the Poor: A Better Mattress," examines the current market for microsavings products and argues for better technology and more flexible regulation to reduce the cost of the large volume of small transactions that is inherent to microsavings. March 31. 2010



### Women's World Banking Conference Highlights Savings

At the Women's World Banking Microfinance and Capital Markets conference on March 23 and March 24, Elizabeth Littlefield, the Chief Executive of CGAP (Consultative Group to Assist the Poor) who has been nominated to head the Overseas Private Investment Corporation, declared, "There's a huge untapped pool of savings in poor households that's desperate to be taken out from under the bed." March 31. 2010

### Outlook Bright for Solar-powered Crop Insurance in Kenya

Having completed a successful trial phase, the Kenyan microinsurance scheme known as Kilimo Salama, or "safe farming," is slated to provide crop insurance to 5,000 low-income Kenyan farmers during 2010. Organized by UAP Insurance of Kenya; mobile-network operator Safaricom; and the Syngenta Foundation for Sustainable Agriculture, part of a Swiss agribusiness group, the program is funded by premiums of 5 percent of the cost of products such as seed, fertilizer or herbicide. Policies are registered via farmers' mobile phones, to which payments are sent if solar-powered weather stations indicate that crops are likely to have suffered damage from adverse weather conditions. March 31. 2010

### Bank Rakyat Indonesia May Acquire Bank Agroniaga

The State Enterprises Ministry of Indonesia has given permission for Bank Rakyat Indonesia (BRI), a state-owned bank specializing in microfinance, to acquire Bank Agroniaga, a state-owned bank focused on the agro-business sector. However, Bank Agroniaga, which is currently controlled by Dana Pensiun Perkebunan, the state plantation companies' pension fund, has indicated that it is negotiating a possible sale with four unnamed investors, including one each from China and the Middle East. BRI, which offers enterprise loans, personal loans, car loans, housing loans, education loans and savings services reported assets of USD 6.45 billion, a gross loan portfolio of USD 3.47 billion and over 3 million active borrowers for 2007. Bank Agroniaga took in estimated profits equivalent to USD 975,000 for 2009 and had assets of USD 267 million. March 31. 2010

### Bhartiya Samruddhi Finance, Micro Home Solutions Tie Up

Bhartiya Samruddhi Finance Limited (BSFL), an Indian microfinance institution and member of the BASIX Group, recently entered into a strategic partnership with Micro Home Solutions (MHS), a social enterprise based in India that provides housing to poor urban residents. Details on the partnership and financial details on MHS have not been made publicly available to date. As of March 2009, BSFL had a gross loan portfolio equivalent to USD 73.6 million and 498,681 active clients. March 30. 2010

### EFSE Loans \$33m to Banca Intesa of Serbia for MSEs

The European Fund for Southeast Europe (EFSE), a microfinance investment fund based in Luxembourg, recently loaned the euro-equivalent of USD 33.5 million to Banca Intesa, a commercial bank in Serbia, which will be on-lent to micro- and small enterprises with a focus on the agricultural sector. EFSE reports total assets of USD 830 million. Banca Intesa reported local-currency assets equivalent to USD 433 million for 2008 and is 90-percent owned by Italy's Intesa Sanpaolo Group. March 30. 2010

### Panelists: Promote Responsible Finance in Albania

At a recent conference held by the Bank of Albania, German development bank KfW Entwicklungsbank and the European Fund for Southeast Europe, panelists argued that amidst quick growth in the region's microfinance sector, irresponsible practices abound and must be addressed. Specifically cited were confusing advertisements and opaque lending practices and pricing. March 30. 2010

### Unitus, OPIC, Citi Finalize \$15m Credit Facility for MFIs

Unitus Incorporated, an international nonprofit organization that supports microfinance institutions (MFIs); the US Overseas Private Investment Corporation (OPIC), a US government agency that invests in international development projects; and Citi Microfinance, the division of the multinational bank division that supports MFIs, recently finalized a USD 15 million credit facility that aims to help foster growth among Tier-II MFIs. The risk on the eight-year revolving debt and guarantee facility will be shared by Unitus and OPIC. Participating MFIs will be able to borrow a maximum of USD 2 million. March 30. 2010

### IFC Invests \$2m in AccessBank Tajikistan

The World Bank's International Finance Corporation (IFC) recently made a USD 2 million equity investment in AccessBank Tajikistan to help the new bank expand the availability of credit for micro- and small enterprises. IFC also agreed to provide advisory support to assist in the startup of the new bank, which plans to grow to 17 branches disbursing 37,000 loans over the next five years. Other shareholders in AccessBank Tajikistan include Access Microfinance Holding, a German stakeholder in five microfinance institutions in Africa and Azerbaijan; the European Bank for Reconstruction and Development; and German development bank KfW Bankengruppe. March 30. 2010

### Plan Canada, MasterCard Invest \$4.1m in West African Youth

Plan Canada, a nonprofit children's relief organization, has partnered with The MasterCard Foundation, a private Canadian foundation that supports microfinance, to create a USD 4.1 million program that aims to expand savings and loan associations for youth ages 15 to 25 in Niger, Sierra Leone and Senegal. March 30. 2010

### AccessBank of Azerbaijan Increases Share Capital to \$52m

AccessBank, a microfinance institution in Azerbaijan, has increased its share capital from the equivalent of USD 27 million to USD 52 million by capitalizing retained earnings. The face value of the shares increased from AZN 1.00 to AZN 2.09, while the total number of shares remained at 20 million. There was also no change in the distribution of the shares or the shareholder structure. AccessBank is owned by four development finance institutions, Germany's AccessHolding and LFS Financial Systems GmbH, a German consulting and management company. AccessBank reports total assets of USD 374 million, a gross loan portfolio of USD 296 million and 99,900 active borrowers. March 30. 2010

### Apax Foundation to Buy 20% of EFSE Adviser Finance in Motion

The Apax Foundation, the charitable arm of the London-based private equity firm Apax Partners, has agreed to issue a capital increase to purchase a 20-percent stake in German asset manager Finance in Motion. Finance in Motion is the sole adviser to the European Fund for Southeast Europe, a microfinance investment fund with committed capital equivalent to USD 965 million. The price of the stake has not been disclosed. March 29. 2010

### Finance Minister of Bangladesh: Few Escape Poverty Due to MF

At a recent conference in Bangladesh, the country's Finance Minister, Abul Maal Abdul Muhith, argued that high interest rates and charges are pushing borrowers into a "debt trap," and that few people are escaping poverty due to microfinance. Dr Qazi Kholiquzzaman Ahmad, Chairman of Palli Karma-Sahayak Foundation, a Bangladeshi microfinance support organization, argued in favor of establishing microcredit banks in lieu of NGO microfinance providers to increase transparency and to better protect borrowers. March 29. 2010

### **SKS Files to Raise \$250m in IPO, Replaces Akula as Promoter**

SKS Microfinance Limited recently filed official plans to raise the local-currency equivalent of USD 250 million in its much-anticipated initial public offering. The listing on the National Stock Exchange of India and the Bombay Stock Exchange will include 7.4 million shares of fresh issue and 9.3 million shares to be sold by current shareholders. In order to satisfy regulations mandating that 20 percent of post-issue capital must be held by pre-issue promoters, SKS founder Vikram Akula has been replaced as the promoter of the firm by Sequoia Capital, Kismet Capital Advisors, SKS Trust for the Benefit of Women Entrepreneurs and Sandstone Capital, each of which holds stakes of 12 percent to 23 percent. As of September 2009, SKS reported 3.5 million active borrowers and 1,676 branches. As of 2008, its total assets were USD 596 million, with a return on assets of 3.68 percent and return on equity of 18.72 percent. March 23 and March 29, 2010

### **Bank of Ceylon to Open 31 Branches Focusing on SMEs**

The Bank of Ceylon, a state-owned commercial bank in Sri Lanka, has announced that it will open 31 branches focused on small and medium-sized enterprises (SMEs). The bank will also open nine automatic teller machines (ATMs) in the North, seven ATMs in the East and 11 mobile banking units. Additionally, the bank plans to eventually open 10 more branches in each of the nine provinces of Sri Lanka. The bank's offerings include small-farmer credit, livestock credit linked to insurance, microenterprise credit, remittances and inland marine fisheries credit. As of September 2009, the bank reported total assets equivalent to USD 4.68 billion and gross loans of USD 2.49 billion. March 29, 2010

### **Oikocredit Reports \$83m Inflow, 13% Asset Growth in 2009**

Oikocredit, a Dutch investor in microfinance institutions, recently reported that its capital inflows reached the equivalent of USD 83.8 million, with total assets growing by 13 percent in 2009 to USD 715 million. Oikocredit's net income for the year was up 69 percent to USD 25.7 million, of which USD 9.9 million is proposed for distribution to members as dividends. March 29, 2010

### **Indian Microfinance Funds to Expand Focus Beyond Microcredit**

Indian news website VCCircle.com reports that Indian microfinance funds and fund managers such as Elevar Equity, Aavishkaar Venture Management Services, the India Financial Inclusion Fund and Lok Advisory Services are increasingly diversifying their investments beyond microcredit to include microinsurance, micro housing finance, healthcare, mobile payments and rural supply chains. March 29, 2010

### **AFD Grants \$1.3m to MicroCred Nigeria**

Agence Française de Développement, France's public development finance institution, recently granted the equivalent of USD 1.3 million to MicroCred Nigeria. Launched in March 2010, MicroCred Nigeria is the fifth commercial microfinance institution (MFI) founded by MicroCred Group, an affiliate of French nonprofit PlaNet Finance. MicroCred Nigeria will offer clients both loans and savings services and aims to have 50 branches and more than 400 employees in at least three states by 2014. MicroCred's MFIs in Mexico, Madagascar, Senegal, China and Nigeria serve 39,600 active borrowers with an aggregate loan portfolio of USD 32.4 million. March 25, 2010

### **Microfinance Association Launches Investor Matching Service**

The British nonprofit Microfinance Association has launched an investor matching service that aims to facilitate the creation of strategic partnerships by matching microcredit organizations with local and international investors. March 25, 2010

### **Microfinance Growth Fund for Latin America Launches**

The Corporación Andina de Fomento, an institution that mobilizes financial resources in Latin America, and two members of the Inter-American Development Bank, the Multilateral Investment Fund and the Inter-American Investment Corporation, recently launched the Microfinance Growth Fund (MIGRoF), a facility announced by US President Barack Obama in April 2009 that is expected to provide the equivalent of USD 250 million in medium- and long-term loans to microfinance institutions in Latin America and the Caribbean. The loans will be offered in both US dollars and local currencies. MIGRoF expects to begin its lending operations within several weeks now that it has received a USD 125 million loan from the US Overseas Private Investment Corporation, a government agency that invests in international development projects. March 25, 2010

### **Indian NGOs Double Loan Book in 2009**

According to a report from Sa-Dhan, an organization of microfinance institutions in India, the country's NGO microfinance institutions grew their aggregate outstanding loan portfolios by 97 percent to the equivalent of USD 7.7 billion in 2009. The number of clients served increased 60 percent over the same time period to 86 million. Both percentage increases were higher than those measured during 2008. The report also indicated an increase in the percentage of borrowers taking loans for more than USD 220 and a decrease in the number of borrowers taking loans of less than USD 110. March 25, 2010

### **Brazilian Development Bank Aims to Grow MF Portfolio by 50%**

The Brazilian Development Bank, a public finance company, recently announced changes to its microcredit program intended to double the number of disbursements to microfinance institutions (MFIs) and to expand its portfolio by 50 percent from the equivalent of USD 44.4 million to USD 66.6 million. The changes include quicker fund disbursement, increased leveraging and the reduction of the minimum amount of capital MFIs must have to participate by half to USD 278,000. March 24, 2010

### **EBRD Provides \$4m Synthetic Loan to FINCA Armenia**

The European Bank for Reconstruction and Development (EBRD) recently made a synthetic loan of USD 4 million to FINCA Universal Credit Organization Closed Joint Stock Company (FINCA Armenia), a non-bank credit organization serving micro- and small enterprises (MSEs). Under the synthetic loan structure, FINCA Armenia will pay back a fixed local-currency amount to EBRD and thus reduce its foreign exchange risk. The loan is complemented by a technical assistance grant of unspecified size from EBRD's Early Transition Countries Multi Donor Fund, which will be used to strengthen risk management practices at FINCA and to help the institution develop new products. Wholly owned by US-based FINCA International, FINCA Armenia serves MSEs with a gross loan portfolio of USD 26.2 million, total assets of USD 27.6 million and 29,146 active borrowers. March 24, 2010

### **Rural Bankers Association to Help Philippine Victims of El Nino**

The Rural Bankers Association of the Philippines recently stated that its members will take measures to assist farmers and small and medium-sized enterprises affected by El Nino, a climate pattern that often results in weather disturbances. For instance, affected borrowers may be allowed to restructure loan repayment schedules, those hit by drought may receive loans for water pumps and those whose hydroelectric power is interrupted may receive loans for generators. Some banks are also offering microinsurance, although further details are so far unavailable. March 23, 2010

### DFID Commits \$12m for Credit Guarantees in Pakistan

The State Bank of Pakistan (SBP), Pakistan's central banking authority, recently launched two programs to increase the supply of credit to small and medium-sized enterprises (SMEs). The Credit Guarantee Scheme for Small and Rural Enterprises, offers a 60-percent guarantee against losses from short- and medium-term loans made by banks of up to the equivalent of USD 59,000 to SMEs. Each loan will have a tenor of up to three years and will have an interest rate equal to the 3-month Karachi Inter Bank Offer Rate plus 300 basis points. The UK's Department for International Development is providing the equivalent of USD 12.2 million of seed capital for the scheme. The second program is a refinancing scheme for SMEs, with interest rates linked to multiple bond benchmarks. March 23, 2010

### State Bank of India Loans \$44m to SHARE Microfin Limited

The State Bank of India (SBI), a nationalized commercial bank, has provided a local-currency loan equivalent to USD 43.9 million to SHARE Microfin Limited, a microfinance institution based in Hyderabad. Proceeds of the loan, which carries an unspecified floating interest rate, will be on-lent to low-income women in central and southern India. SBI also plans to provide SHARE with integrated cash management services. SHARE reports a gross loan portfolio of USD 353 million, 933 branches and 2.4 million members. March 23, 2010

### Kenya to Survey Microinsurance Market in Advance of Regs

The Kenyan Insurance Regulatory Authority recently commissioned a survey of the country's microinsurance market in an attempt to facilitate the penetration of microinsurance through policy reforms. The survey will help determine whether to amend the current regulatory framework to accommodate microinsurance or to create a distinct policy exclusively to regulate microinsurance. March 23, 2010

### MFI Network Claims It Will Lower Interest Rates in India

The Microfinance Institutions Network, a self-regulatory organization of 35 Indian microfinance companies, recently predicted that it will lower interest rates on microloans by automating tasks to bring down labor costs. March 23, 2010

### MicroFinance Transparency Gets Grant to Cover Latin America

MicroFinance Transparency (MFTTransparency), a US-based non-governmental organization that aims to disseminate accurate and comparable microfinance product cost information, recently received a grant from the Ford Foundation to expand its work in Argentina, Bolivia, Colombia and Ecuador. The amount of the grant has not been disclosed. Founded in 2008, MFTTransparency has organized transparent pricing efforts in Bosnia, Peru, Cambodia, Azerbaijan, Kenya and Bangladesh. March 22, 2010



### University of Greenwich Calls for Papers for September Event

The University of Greenwich, in collaboration with the University of Birmingham and the Burgundy School of Business, has issued a call for papers for its Global Partnerships in Microfinance conference, to take place in September 2010 in London. Papers may be submitted for consideration to Dr Paola Tubaro via p.tubaro@gre.ac.uk or Cornell Jackson via cornelljackson@gmail.com. March 22, 2010

### The Philippines Counts \$3.7b in Microloans Since 2001

According to Secretary Domingo F Panganiban of the National Anti-Poverty Commission of the Philippines, 7.1 million microentrepreneurs received the equivalent of USD 3.7 billion in loans during the eight years through 2009, generating jobs for 2.8 million unemployed or underemployed citizens. March 22, 2010

### Institute: Access to Finance Can Help Meet Development Goals

The World Savings Bank Institute, an international banking association, has issued an open message promoting access to finance as a means to accelerate progress toward the United Nations' Millennium Development Goals, which are scheduled to be brought under review in September 2010. The message was jointly signed by organizations including the World Council of Credit Unions, the International Association of Social Finance Organizations, Women's World Banking, the European Microfinance Platform and the International Cooperative and Mutual Insurance Federation. March 19, 2010

### China Post Life Launches Rural Life Microinsurance Pilot

China Post Life Insurance Company Limited, a Beijing-based insurance provider, recently received approval from the China Insurance Regulatory Commission (CIRC) to start a pilot program providing microinsurance. Under the pilot, China Post Life is allowed to provide microcredit accident insurance, which pays off an injured borrower's microloan; term life insurance; and rural migrant workers' accident insurance. Formed by China Post Group in August 2009, China Post Life intends to use China Post's network of 57,000 post offices to reach lower-income people. Data compiled by CIRC indicate that microinsurance pilots have been initiated in 19 provinces, generating premium revenue equivalent to USD 34 million during 2009. As of year-end 2009, China Post Life had total cumulative original premium income of USD 750,000. March 19, 2010

### Developing World Markets Invests \$10m in India's SMILE

Developing World Markets, a US-based social investment fund manager, has made a local-currency investment equivalent to USD 10 million in SMILE Microfinance Limited, an Indian microfinance institution. Following this first external equity financing, SMILE is aiming to reach out to 2.5 million customers over the next five years. SMILE reports total assets of USD 12.5 million, a gross loan portfolio of USD 9.4 million and 129,500 active borrowers. March 18, 2010

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# Triodos Microfinance Fund

## KNOW A FUND

*Triodos SICAV II - Triodos Microfinance Fund:  
An interview with Femke Bos*

### Triodos Microfinance Fund

*MicroCapital: Please tell us a bit about your background.*

Femke Bos: As the fund manager of Triodos Microfinance Fund, I am responsible for the investment portfolio and the delivery of expected returns to our investors. I also join colleagues in presentations to pension funds, family offices or larger investors in the fund. I joined Triodos in 2002 from ABN AMRO Bank, where I was involved with corporate clients on the commercial banking side. I've always had a passion for traveling, and on a trip to Southeast Asia I was inspired by a German fellow who was clearing unexploded bombs from the war. Not because I wanted to clear bombs, but because I respected this man who was so committed to making a difference. When I returned, I actively started looking for ways to help alleviate poverty. I made it to the Triodos website and saw it was active in emerging markets. I sent an open letter to the human resources manager of Triodos bank, and she invited me for an interview. She said that she could see me working on the Triodos microfinance team. I hadn't heard of microfinance at that time, but when she explained it to me, I knew that microfinance was what I should do.

*MC: Please describe Triodos Microfinance Fund and how it differs from other Triodos funds.*

FB: We have four different microfinance funds at Triodos: two closed funds called Hivos-Triodos Fund and Triodos-Doen Foundation, both of which were started in 1994; Triodos Fair Share Fund, which we started in 2002 for retail investors in the Netherlands; and now Triodos Microfinance Fund. There is a tax incentive for Dutch investors to invest in Triodos Fair Share Fund, so it's not a suitable vehicle for institutional investors or investors outside of the Netherlands. We created Triodos Microfinance Fund in order to offer a vehicle for these investors. We launched in March 2009 at the height of the financial crisis with the equivalent of USD 31 million. It was difficult timing because many pension funds could not increase their investments in so-called "alternatives" mainly because of problems in other parts of their portfolios. Fortunately we found a few anchor investors including Netherlands-based insurance company Achmea and four British organizations: CCLA Investment Management, the Waterloo Foundation, Avivia Investors and Cazenove Capital Management.

Triodos has branches in the Netherlands, the UK, Belgium, Spain and Germany, so we will look for more investors from these countries. Finding suitable investments remained challenging, however, because during the first quarter of 2009, due to the financial crisis, microfinance institutions (MFIs) also reduced growth and thus sought fewer loans.

*MC: What is the investment philosophy?*

FB: The general investment philosophy for all the funds is the same in that we are long-term investors that focus on financial returns, social returns and environmental returns. Triodos Microfinance Fund and Triodos Fair Share Fund have equivalent investment philosophies. We focus mainly on established MFIs that have a strong track record and are regulated. Triodos's other microfinance funds can take more risk.

Senior managers or senior investment officers often take seats on the board of directors in the case of equity investments, while sometimes we work with local representatives. This allows us to add value to the governance of the institution and to share the values of Triodos Bank.

The allocation to equity investments is currently only 2.9 percent, but we plan to increase this percentage to meet our target over the next year or two, allowing for potentially greater returns. We will be open to start-up institutions, but only when working with previously established and trusted partners.

*MC: How are investments monitored?*

FB: We always do our own due diligence. We work with 13 investment officers that know their markets very well. They go regularly to visit institutions and conduct periodic reviews to monitor individual investments.

We monitor MFIs on their performance on a quarterly basis. If we see increased risks, we move to monthly monitoring. We monitor their loan portfolio quality and financial performance, but we have a long-term approach to risk issues as well.

As a result of the financial crisis, overindebtedness of MFI clients became more apparent. I think the problem is partially caused by an over-supply of money from investors abroad. We are very actively involved in initiatives like the Client-Protection Principles and Microfinance Transparency because we think we need to prevent this problem of overindebtedness in newer markets. We make this a priority in our due diligence by seeing if there are discussions on credit bureaux, how transparent the markets are, how easy it is for MFIs to check if a borrower has several loans from different institutions, if there are informal agreements between MFIs, etc. We must keep in mind that we are doing this for the clients of MFIs and their long-term welfare.

*MC: What else would you like the public to know?*

FB: I talk to many investors, and more are becoming interested in microfinance and socially responsible investing. There is a bright future for microfinance investment, with a focus on products becoming more diversified. For example, we invested in LeapFrog Financial Inclusion Fund, the first microinsurance fund in the world, because we want to stimulate new product development. Another trend we see is green microfinance, with more MFIs becoming involved in projects related to access to energy. There are many solutions for low-income people to access renewable energy sources. There is still so much to do! 

#### JUST THE FACTS

**Fund name:** Triodos SICAV II - Triodos Microfinance Fund

**Date established:** March 2, 2009

**Portfolio:** \$55m as of December 2009

**Target net asset value:** \$270m

**Share classes:** Euros (retail & institutional), pounds sterling (retail & institutional classes hedged against the euro)

**Investment policy:** 80% established microfinance institutions, 20% start-ups in Latin America, Africa, Asia & Eastern Europe; 25% to 35% equity, 10% quasi-equity, 50% to 60% debt, 10% liquidity

**Currency hedging:** At least 40% in hard currency or hedged local currencies

**Expected annual return:** 6% to 9% after costs

**Website:** <http://www.triodos.com/microfinance>



## MICROFINANCE DEALBOOK

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### TOP MARCH 2010 MICROFINANCE TRANSACTIONS - FINAL EDITION

The CGAP Microfinance Dealbook is a compilation of microfinance capital market transactions that closed between March 2009 and March 2010. We heartily thank all of the organizations and individuals that participated. In the future, one “Deal of the Month” will continue to be published each month on CGAP’s (Consultative Group to Assist the Poor’s) Investors Corner website. Transactions may be submitted for consideration for the Deal of the Month by contacting MicroCapital. Data on microfinance investments will continue to be compiled on an annual basis by CGAP through its Microfinance Investment Vehicle (MIV) Survey and the CGAP-JPMorgan Equity Valuation Survey.

| Investor  | Investee                               | Region      | Amount (USD) | Type   |
|---|--|-------------|--------------|--------|
| World Bank  | Government of Egypt                    | MENA        | 300,000,000  | Debt   |
| Bond Issue  | Financiera Independencia               | LAC         | 200,000,000  | Debt   |
| Unspecified   | Elevar Equity Advisors Private Limited | WW          | 70,000,000   | Equity |
| State Bank of India   | Share Microfin Limited                 | SA          | ~43,900,000  | Debt   |
| European Fund for Southeast Europe  | Banca Intesa a.d. Beograd              | ECA         | 33,827,500   | Debt   |
| BMZ (German Ministry for Economic Cooperation and Development)  | LeapFrog Investments                   | WW          | 22,800,000   | Equity |
| International Finance Corporation   | LeapFrog Investments                   | WW          | 20,000,000   | Equity |
| International Finance Corporation   | QBE del Istmo Compañía de Reaseguros   | LAC         | 19,000,000   | Equity |
| Citi, Unitus & US Overseas Private Investment Corporation   | Various                                | WW          | ~15,000,000  | Debt   |
| Flagstone Reinsurance   | LeapFrog Investments                   | WW          | 12,000,000   | Equity |
| Dexia Micro-Credit Fund (BlueOrchard Finance)   | Vision Fund New                        | Unspecified | 10,000,000   | Debt   |
| Corporación Andina de Fomento   | Microenterprise Growth Facility        | LAC         | 10,000,000   | Equity |
| Developing World Markets  | SMILE Microfinance Limited             | SA          | ~10,000,000  | Equity |
| Tree Line Asia Master Fund (Singapore) Private Limited, Bellwether Microfinance Fund, Narayan Ramachandran & Others | Janalakshmi Financial Services         | SA          | ~10,000,000  | Equity |
| European Fund for Southeast Europe  | Intesa Sanpaolo Banka                  | ECA         | 8,118,600    | Debt   |
| Inter-American Investment Corporation   | QBE del Istmo Compañía de Reaseguros   | LAC         | 8,000,000    | Equity |
| International Finance Corporation   | AU Financiers                          | SA          | ~7,900,000   | Equity |
| Soros Economic Development Fund   | LeapFrog Investments                   | WW          | 7,000,000    | Equity |
| International Finance Corporation   | Fundación Mundo Mujer                  | LAC         | 6,000,000    | Debt   |
| Dexia Micro-Credit Fund (BlueOrchard Finance)   | WWB - Bucaramanga                      | LAC         | ~5,757,760   | Debt   |
| Inter-American Investment Corporation   | Microenterprise Growth Facility        | LAC         | 5,000,000    | Equity |
| India Business Excellence Fund  | AU Financiers                          | SA          | ~4,510,000   | Equity |
| European Bank for Reconstruction and Development  | FINCA Armenia UCO                      | ECA         | ~4,000,000   | Debt   |
| KfW Entwicklungsbank  | LeapFrog Investments                   | WW          | 3,000,000    | Equity |
| ASN-Novib Fund (Triple Jump)  | Muschuc Runa                           | LAC         | 3,000,000    | Debt   |
| ASN-Novib Fund (Triple Jump)  | Demir Bank                             | ECA         | 3,000,000    | Debt   |
| Dexia Micro-Credit Fund (BlueOrchard Finance)   | FINCA Armenia UCO                      | ECA         | ~2,974,425   | Debt   |
| Triodos Fair Share & Triodos Microfinance Funds   | Bhartiya Samruddhi Finance Limited     | SA          | ~2,850,000   | Equity |

**Regions:** ECA - Europe and Central Asia, LAC - Latin America and Caribbean, MENA - Middle East and North Africa, SA - South Asia, WW - Worldwide

**Amounts:** Deals denominated in local currency are indicated by a tilde (~)


## EDITORIAL

### Self-regulation: A Preemptive Strike

Last month, India's Microfinance Institutions Network (MFIN), comprising 31 microfinance institutions (MFIs), announced the creation of Alpha Micro Finance Consultants Private Limited, an MFI credit bureau. Alpha will include information on 20 million borrowers in the MFIN network of regulated non-banking financial companies (NBFCs), representing 80 percent of microfinance borrowers in the country. Complementary activities within MFIN include a code of conduct on: fair lending practices, the promotion of transparency, fixing overall per-client lending limits, data sharing, recruitment practices, whistle blowing and enforcement mechanisms. India's microfinance lending boom and stories of clients with multiple loans are unnerving given the fallout in some other countries from the global financial crisis. The MFIN initiative is a smart preemptive effort to allay market concerns of a microfinance credit bubble in India. It seems a good investment for MFIs to spend time and money reporting to and consulting with credit bureaus.

In the case of India, self-regulation has filled key gaps in existing current regulatory and supervisory norms. While NBFCs are regulated under a special status, they are not required to report or consult with a credit bureau. Lawmakers should consider including these requirements when they regulate MFIs. The Inter-American Development Bank and the Association of Bankers of the Americas have recently drafted a set of "Guidelines for the Regulation and Supervision of Microfinance Operations," on which we had the privilege to collaborate. The document seeks to encourage regulation and supervision of MFIs

through the application of principles that are appropriate for these institutions. One of the key principles in this document is the need for credit bureaus that report both negative and positive information for regulated MFIs. Stronger regulation regarding credit reporting would benefit countries such as India. Other countries that have only a few regulated entities at this time, for example Mexico, would benefit in the meantime from self-regulation in the vein of MFIN's efforts in India. Mexico's well-known MFI, Banco Compartamos, is required to consult with the Mexican credit bureau as it is the only microfinance bank in the country. However, the majority of the country's other institutions are not regulated and don't voluntarily follow suit. According to Compartamos, "we have the largest market share in the country, and we report to the credit bureaus, but this can't be effective if we are the only ones doing it." Despite this frustration, Compartamos expects more institutions to join in time, with a nudge or two from Mexican MFI network Prodesarrollo. Prodesarrollo's Director believes that even unregulated institutions should meet a minimum set of standards, and reporting to a credit bureau is one of them. I expect that MFIN will set a good example that will inspire donors and MFI networks such as Prodesarrollo to strike preemptively as well...or is this just wishful thinking?

*Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni@eac-global.com](mailto:bmagnoni@eac-global.com). *

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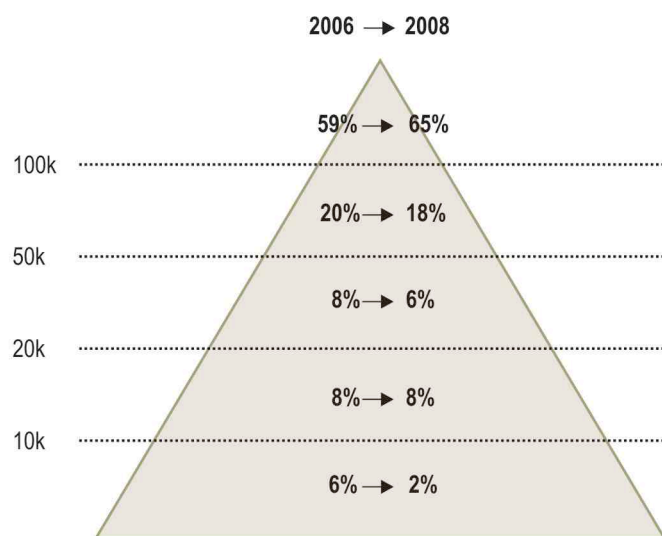
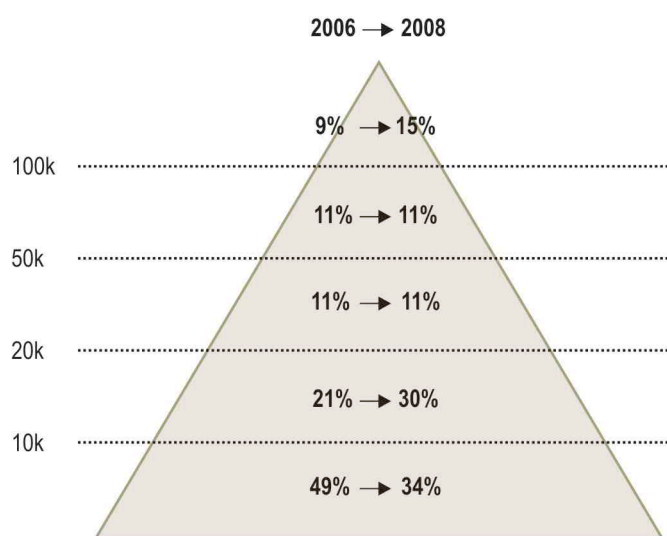
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47 MFIs REPORTING<sup>1</sup>
**TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

| MFI NAME  | Country | AVERAGE ANNUAL<br>USD INCREASE | AVERAGE ANNUAL<br>% INCREASE | 2006        | 2008        |
|---|---------|--------------------------------|------------------------------|-------------|-------------|
| Association Al Amana for the Promotion of Micro-Enterprises Morocco | Morocco | 57,258,673                     | 23                           | 219,106,016 | 333,623,362 |
| Fondation Banque Populaire pour le Micro-Credit                     | Morocco | 30,532,147                     | 37                           | 70,149,056  | 131,213,350 |
| Fondation pour le Developement Local et le Partenariat Micro-Crédit | Morocco | 22,875,074                     | 65                           | 26,803,004  | 72,553,152  |
| Fondation Zakoura   | Morocco | 21,991,284                     | 24                           | 83,397,160  | 127,379,728 |
| Assiut Businessmen Association                                      | Egypt   | 16,305,402                     | 62                           | 20,226,158  | 52,836,962  |
| Enda Inter-Arabe  | Tunisia | 11,249,920                     | 72                           | 11,499,668  | 33,999,508  |
| Alexandria Business Association                                     | Egypt   | 6,983,259                      | 38                           | 15,282,524  | 29,249,042  |
| Fondation ARDI  | Morocco | 6,281,108                      | 97                           | 4,364,391   | 16,926,606  |
| Lead Foundation   | Egypt   | 6,082,193                      | 91                           | 4,582,502   | 16,746,888  |
| Development and Employment Fund                                     | Jordan  | 5,623,072                      | 13                           | 42,040,872  | 53,287,015  |

**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 2006 - 2008 to MicroBanking Bulletin (MBB) or MIX Market.  
 Source: Microfinance Information Exchange, Inc., April 2010, based on MFIs reporting to MBB or MIX Market.

## UPCOMING EVENTS

### Microfinance and Small Enterprise Investments: EECA

April 15 - April 16, 2010, Budapest, Hungary

Focusing on Eastern Europe and Central Asia, this event will cover issues such as fallout from the financial downturn and how commercial banks can offer microcredit. The registration fee ranges from GBP 699 to GBP 1,299 depending on organization type, with add-on workshops available. Details are available via +44 (0) 20 7878 6888, <http://microfinanceeca.com/> or [registrations@c5-online.com](mailto:registrations@c5-online.com).

### Mobile Money Transfer Africa

May 4 - May 7, 2010, Nairobi, Kenya

This set of conference sessions and site visits will cover how to plan, pilot, launch and maintain a mobile money transfer program. Prices start at USD 1,799 with add-ons and group discounts available. More information is available from Paul Nickeas at [paul.nickeas@clarionevents.com](mailto:paul.nickeas@clarionevents.com), +44 (0) 20 7067 1835 or <http://www.mobile-money-transfer.com/africa/>.

### Sixth Chicago Microfinance Conference

May 7, 2010, Chicago, USA

This event is sponsored by the Kellogg School of Management at Northwestern University and two University of Chicago schools: the Booth School of Business and the Harris School of Public Policy Studies. The standard registration fee is USD 60, with various discounts available. No telephone number is offered, but registration and more details are available via [chicagomicrofinance@gmail.com](mailto:chicagomicrofinance@gmail.com) or <http://www.chicagomicrofinance.com/>.

### Micro Financial Services World Conference

May 10 - May 12, 2010, Amsterdam, the Netherlands

This event will offer three tracks to cover the interests of microfinance institutions, investors and others, including client protection, microinsurance and other topics. The registration fee is EUR 1,999 with discounts and add-on workshops available. More details are available via +44 (0) 20 3141 8700, [info@hansonwade.com](mailto:info@hansonwade.com) or <http://hansonwade.com/events/micro-financial-services-world/>.

### AITEC Banking & Mobile Money West Africa

May 11 - May 12, 2010, Lagos, Nigeria

This Africa Information and Communications Technology Exhibition and Conference will focus on improving technological service provision to better reflect customer preferences. The conference fee is USD 540. More details are available via +44 (0) 1480 880774, <http://www.aitecafrica.com/event/view/46> or [info@aitecafrica.com](mailto:info@aitecafrica.com).

### Third Annual Global Microfinance Investment Congress

May 24 - May 26, 2010, New York, USA

Presented by PlaNet Finance, this conference consists of workshops, case studies and panels focused on the latest strategies for success in microfinance investing. Subscribers to *The MicroCapital Monitor* are eligible for a discounted registration fee of USD 1,295, with add-on workshops available. Details are available via Kristy Perkins at [k.perkins@americanconference.com](mailto:k.perkins@americanconference.com), +1 416 927 8200 or <http://www.microfinancecongress.com/>.

### Microinsurance Summit Miami 2010

May 26 - May 28, 2010, Miami, USA

This event will focus on designing innovative and scalable delivery channels for microinsurance. The registration fee is USD 1,999, with discounts available for nonprofit organizations and groups. More information is available at <http://hansonwade.com/events/microinsurance-summit-miami-2010/> or via Charlotte Whewell at +44 (0) 203 141 8700 or [charlotte.whewell@hansonwade.com](mailto:charlotte.whewell@hansonwade.com).

### TBLI Conference Asia 2010

May 27 - May 28, 2010, Tokyo, Japan

This event covers environmental, social and governance investing in Asia and Europe with the theme "Values and Leadership in Finance." The standard registration fee is JPY 95,000 with discounts and add-on workshops available. More information is available via +31 (0) 20 428 6752, <http://tbliconference.com/> or [info@tbli.org](mailto:info@tbli.org).

### International Disaster and Risk Conference

May 30 - June 3, 2010, Davos, Switzerland

This conference will focus on risk management across various phases of national development, political systems and environmental conditions. The registration fee is CHF 910 (CHF 670 for students), which includes domestic transportation to Davos. More details are available via +41 81 414 16 00, [idrc2010@grforum.org](mailto:idrc2010@grforum.org) or <http://davos2010.org/>.

### Fifth Annual Underbanked Financial Services Forum

June 9 - June 11, 2010 Miami, USA

Co-hosted by the nonprofit Center for Financial Services Innovation and the American Banker news service, this event will cover recent research, advances in product development, marketing strategies and risk management practices. The registration fee ranges from USD 895 to USD 1,695 depending on organization type, with tiered discounts available for registrations completed before April 9 and May 7. More details are available via +1 212 803 6093, <http://www.americanbanker.com/conferences/cfsi10/> or [abconferences@sourcemedia.com](mailto:abconferences@sourcemedia.com).

### Microfinance Cracking the Capital Markets - South Asia

June 23 - June 24, 2010, Delhi, India

This event will cover the successes, challenges and trends of microfinance investment in South Asia and will be accompanied by an investment marketplace. The registration fee ranges from USD 150 to USD 300. Details are available via [conference@accion.org](mailto:conference@accion.org), <http://southasia.crackingthecapitalmarkets.com> or +1 617 625 7080.

### Global Microinsurance Summit

June 30 - July 1, 2010, Paris, France

This conference will cover the role of microinsurance in the wake of recent major natural disasters as well as the challenges and risks faced by the microinsurance industry and the commercial opportunities offered to current microinsurance providers and new entrants. The registration fee ranges from GBP 850 to GBP 1,399 depending on organization type, with discounts available for registrations completed before April 30. More information is available from Daniel Capel at +44 (0) 20 7878 6870 or [d.capel@c5-online.com](mailto:d.capel@c5-online.com) or via <http://www.c5-online.com/microinsurance.htm>.

## MORE DETAILS COMING SOON...

### Global Partnerships in Microfinance

September 6 - September 7, 2010, London, UK

### Global Youth Enterprise & Livelihoods Development Conference

September 15 - September 16, 2010, Washington, DC, USA

### Sixth Annual Microinsurance Conference

November 9 - November 11, 2010, Manila, Philippines

## PAPER WRAP-UPS

### Assessing the Role of Microfinance in Response to Climate Change

*By Shardul Agrawala and Maëlis Carraro, published by the Organization for Economic Co-operation and Development, February 2010, 38 pages, available at: <http://www.microfinancegateway.org/gm/document-1.1.4705/02.pdf>*

This paper examines 22 microfinance institutions (MFIs) in Bangladesh and Nepal to determine areas in which microfinance may be able to facilitate adaptation to climate change.

The authors first examine the relationship between microfinance and climate change adaptation in Bangladesh, a country threatened by increased flooding and increased monsoon and cyclone severity due to climate change. The Organization for Economic Co-operation and Development (OECD) has identified the top three priorities with regards to climate change adaptation in Bangladesh as: the protection of water resources, which are threatened by flooding; the protection of human health, which is threatened by faster spread of diseases due to flooding; and the protection of agricultural production, which the OECD projects to be moderately to severely harmed by climate change.

The authors argue that Bangladeshi MFIs are already promoting adaptation by decreasing the vulnerability of poor people by: (1) allowing them to accumulate and manage assets and (2) financing activities that specifically aim to protect against the risks of climate change outlined by the OECD. One example of MFIs' contribution in the latter area is the programs implemented by various MFIs to encourage the construction of homes and commercial buildings that are more resistant to floods and storms. Another example is the promotion of hybrid crops that are more tolerant of salt and other water-related stresses that could be exacerbated by floods.

The authors then discuss Nepal, which has already begun to experience the effects of climate change through the melting of its glaciers, some of which are expected to disappear completely within a few decades. The melting of glaciers increases the risk of flooding in lakes and rivers fed by glacial melts. The top four adaptation priorities identified by the OECD in Nepal are water resources, agriculture, human health and biodiversity.

Unlike MFIs in Bangladesh, Nepalese MFIs generally do not support activities that directly protect against the water-related effects of climate change. However, Nepalese MFIs are

beginning to offer microinsurance products, such as life insurance and livestock insurance, which Nepalese residents can use to protect themselves against risks associated with climate change. The article notes that the effectiveness and ubiquity of microinsurance are questionable, because it is generally available only to relatively well-off clients and has not yet been tested by a major disaster.

However, Nepalese MFIs indirectly support adaptation through programs that provide irrigation infrastructure, healthcare, sanitation and the purchase of agricultural inputs. The authors note that healthcare and sanitation loans offered by MFIs are usually available only to customers who have a good history of repaying loans and are offered at discounted interest rates because they help the MFIs reduce the risk of loan default due to death or illness.

The authors point out several opportunities for MFIs to increase their support for climate change adaptation. For example, the paper argues that Bangladeshi MFIs can increase their clients' flood-readiness by encouraging clients to take out loans to purchase equipment for raising fish. This would allow their clients to utilize any body of water, such as flooded fields, to grow fish to generate income. The authors encourage Nepalese MFIs to offer more loans for the purchase of flood-resistant building materials for the construction of new buildings and the renovation of existing ones. Moreover, the authors support increased flexibility in repayment schedules to allow longer-term, more flexible repayment schedules during rainy seasons to accommodate clients whose income is subject to risks such as flooding and storms.

### Women and Income-Generating Activities: Understanding Motivations by Prioritising Skill, Knowledge and Capabilities

*By Thanuja Mummid, published by the Rural Microfinance and Employment (RUME) project, June 2009, 27 pages, available at: [http://www.rume-rural-microfinance.org/IMG/pdf\\_WP5.pdf](http://www.rume-rural-microfinance.org/IMG/pdf_WP5.pdf)*

This study examines a methodology for analyzing whether microfinance promotes income-generating activities among poor people, specifically focusing on women. The author proposes that it is critical to study the life of the credit recipient because local socioeconomic dynamics play a key role in determining a woman's income-generating activity. A "livelihood framework" explores people's strategies, motivations, skills, knowledge and capabilities to find patterns in determining what income-generating activity they will adopt.

The main idea of the livelihood framework is that "1) livelihood depends on people's capabilities, 2) these capabilities are based on their resource base, their skills and their capacities to act, 3) this within specific social, economic, political, ecological and cultural contexts and 4) and access to resources is related to political, economic and socio-cultural circumstances." The study has adapted the livelihood framework to highlight the different resources at women's disposal and in turn explain why they are motivated to choose a particular income-generating activity.

Six members of self-help groups were interviewed from the Indian state of Tamil Nadu. The dominant practice in the Indian microfinance landscape, self-help groups are like microbanks of 15 to 20 people who manage the allocation of loans among the members from two sources: internal loans are sourced from the savings of the members, while external loans are often borrowed from a bank via a non-governmental organization.

Five "resource bases" are identified by the author as key factors in why the women studied chose particular income-generating activities. The first resource is social resource, which includes their household, extended kin network and caste as well as the larger multi-caste village and work environment. Second is human resource, defined as each woman's specific ability to do physical work, i.e. if she is young she may be able to do more physically demanding work, while if she is older or ill she may not be as physically capable. Third is physical resource, referring to the infrastructure available, i.e. roads and public transport. Fourth is natural resource, meaning ownership and leasing of agricultural land, as well as access to agricultural wage labor. Fifth is financial resource, provided by kin networks, MFIs and banks through self-help groups.

The author acknowledges the high level of resources required to assess livelihood frameworks due to their broad scope. However, the author concludes that because livelihoods are controlled by many factors, i.e. the five resource bases within the framework, observers should not make the mistake of narrowly judging the impact of microfinance on enterprise development. In order to truly understand the impact of microfinance, it is valuable to use the livelihood framework to understand the roots of a woman's motivations, what pushes a woman to withstand the shocks of income generation or what factors lead to failure.



## Does Microfinance Repayment Flexibility Affect Entrepreneurial Behavior and Loan Default?

By Erica Field, Rohini Pande and John Papp,  
published by The Institute for Financial Management  
and Research, October 2009, 33 pages, available at:  
[http://ifmr.ac.in/cmfr/publications/  
wp/2010/34\\_Field\\_Flexibility\\_Repayment.pdf](http://ifmr.ac.in/cmfr/publications/wp/2010/34_Field_Flexibility_Repayment.pdf)

This study examines whether the length of time before initial loan repayments are due affects risk-taking and other forms of entrepreneurial behavior.

The authors analyze the behavior of clients from Village Welfare Society, a microfinance institution (MFI) in the Indian state of West Bengal. The MFI loans only to women and typically charges an effective annual interest rate of 22 percent. Loans are generally repaid through fixed installments that begin two weeks after disbursement. For this study, loans were disbursed to 169 groups with five members each. Eighty-four of the groups were granted a two-month "grace period" instead of the standard two-week grace period. Loan sizes ranged from the equivalent of USD 87 to USD 219. All groups were given 44 weeks after the first payment to repay the entire loan.

The main results are as follows: The likelihood of investing in a microenterprise was 8 percent higher for those given the longer grace period.

People who did not invest in microenterprises used the funds for purposes such as health, school or savings. The increased microenterprise investment was generally directed toward inputs, mainly inventory purchases and raw materials. The authors believe this is explained by the fact that, although raw materials can produce valuable returns, the demand for the finished product is uncertain. Therefore, raw materials are considered illiquid investments, and their purchase is risky. Hence, a longer grace period provides a risk cushion that makes the purchase of raw materials more attractive.

The group with the longer grace period was also twice as likely to start a new business. However, members of this group were also more likely to default on their loans: 16 weeks

after the final installment was due, 11 percent of the "grace period group" failed to repay in full, while only 3 percent of the control group failed to do so. Again, this is consistent with riskier investments having been made by those receiving the longer grace period.

### Microfinance Institution Benchmarks

Published by the Microfinance Information Exchange (MIX), March 2010, available at: <http://themix.org/publications/search/results/taxonomy:24>

The Microfinance Information Exchange recently released microfinance institution benchmarking reports for 2009 on the West African Economic and Monetary Union, Asia and Latin America and the Caribbean, the last of which is available in both English and Spanish. 🇪🇺

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