$9m Purchase by Sequoia Gives Kalpathi Rich Exit from India's Equitas
Kalpathi Investments, the investment company of entrepreneur Kalpathi Suresh, recently sold its 10 percent stake in Equitas, an Indian microfinance institution, for the local-currency equivalent of USD 9.4 million after having purchased the stake two years earlier for USD 754,000. US-based venture capital firm Sequoia Capital acquired the stake in Equitas, which reports total assets of USD 61 million, a gross loan portfolio of USD 43 million, 339,158 active borrowers, return on assets of 1.52 percent and return on equity of 4.02 percent. February 2, 2010

Norfund Takes 8.9% Stake in South Africa’s Real People for $13m
The Norwegian Investment Fund for Developing Countries (Norfund), a development finance institution, has acquired an 8.9 percent equity stake in Real People, a company that provides credit management services and microcredit in southern Africa, for the local-currency equivalent of USD 13 million. Norfund also made a senior unsecured loan of the same amount to the South African that also operates in Malawi, Tanzania, Kenya and Lesotho. Founded in 2001, Real People reports total assets equivalent to USD 297.4 million. January 26, 2010

Central Bank of Nigeria to Report Debtors to Law Enforcement
Nigerian newspaper Vanguard reports that the Central Bank of Nigeria (CBN) is currently compiling names of individuals who have failed to repay loans to microfinance institutions (MFIs) in order to “publish their names and hand them over to law enforcement agents to recover the loans.” The report also indicated that CBN will revoke the operating licenses of MFIs that have been closed for more than six months, citing its responsibility to do so under the Banks and Other Financial Institutions Act. February 2, 2010

IFC Invests $2.5m in Distributor to Small Mexican Retailers
The International Finance Company (IFC), the investment arm of the World Bank, has made a USD 2.5 million equity investment in Mexico’s Sistema Integral de Abasto Rural, known as Mi Tienda, to help the distributor expand its provision of store inventory and financial services to owners of micro-, small and medium-sized retailers. An IFC press release suggests that the investment will “sustain the livelihoods of more than 25,000 rural retail store owners, most of whom are women.” Mi Tienda is a privately held company that distributes food and other basic products to 620 stores, along with training, credit and insurance services. February 2, 2010
**MicroCapital Briefs**

**CGAP, DFID: Broaden Inclusion via Government Payment Systems**
According to a recent report from CGAP (Consultative Group to Assist the Poor) and the UK Department for International Development, existing government payment programs should be leveraged to bring more poor people into the formal financial system. These programs, which currently deliver regular payments to 170 million poor people, could offer safe ways to save money, make electronic person-to-person payments and obtain microcredit. The authors calculate that governments could also save millions by changing over to electronic payments. February 12, 2010

**Cambodia’s PRASAC Applies for Deposit-taking License**
As part of a plan to become a commercial bank within five years, Cambodian microfinance institution PRASAC reportedly will apply to the National Bank of Cambodia for a license to expand its deposit-taking activities. Annual interest rates would range from 5 percent to 8 percent for deposits in riels and US dollars for terms ranging from six months to one year. The Microfinance Information Exchange reports that, as of December 2008, PRASAC had total assets equivalent to USD 61.3 million, 2,920 depositors, USD 62,956 in deposits, a gross loan portfolio of USD 59.4 million, 100,116 active borrowers, return on assets of 5.54 percent and return on equity of 15.79 percent. February 11, 2010

**Microfinance Association Launches Global Academy Program**
The Microfinance Association, a UK-based membership organization for microfinance practitioners, is currently seeking microfinance institutions interested in hosting interns from its newly launched Global Academy Program. The three-month course, developed in partnership with Italy’s Marconi University, is followed by a three-month internship program. February 11, 2010

**Gates Grants $6m to Ecobank for Savings in Ghana, Liberia**
The Bill and Melinda Gates Foundation recently granted USD 6 million to Ecobank Transnational Incorporated, an African bank with operations in 27 countries, to expand access to savings services in Liberia and Ghana that use point-of-sale devices, cards and third-party agents to minimize the need for customers to travel to physical branches. Publicly held Ecobank reports USD 8.3 billion in assets, USD 5.8 billion in deposits, return on equity of 17.1 percent and return on assets of 1.5 percent. February 11, 2010

**Youth, Unemployed in Europe May Get $139m in Microloans**
Spain’s Employment Minister, Celestino Corbacho, recently announced that the European Commission is working on a plan to provide the euro equivalent of USD 139 million in microloans to unemployed youth under the age of 25 and others who have been unemployed for long periods. The program will “evaluate potential loan recipients based on social rather than financial criteria.” February 11, 2010

Larsen & Toubro to Expand Microlending, Microinsurance in India
The finance division of Larsen and Toubro, a publicly-held engineering and construction company, will reportedly expand its microfinance lending to Gujarat and Orissa, two states in northern India. The company already has loan exposure equivalent to USD 106 million in four other Indian states, where it offers group loans of USD 107 to USD 1070. The company is also reportedly awaiting clearance from the Insurance Regulatory Development Authority to establish a microinsurance entity. February 10, 2010

**EFSE Loans $9.6m to NLB Razvojna Banka of BiH**
The European Fund for Southeast Europe, a microfinance investment fund, recently loaned the euro equivalent of USD 9.6 million to NLB Razvojna banka, a financial institution in Bosnia and Herzegovina for on-lending to micro- and small enterprises. As of June 2007, NLB Razvojna banka reported the local-currency equivalent of USD 800 million in assets. NLB Razvojna banka is a member of the NLB Group, a Slovenian financial group with assets totaling USD 27.1 billion. February 9, 2010

**Major Regulatory Changes Proposed in India**
A microfinance bill is reportedly in the works in India that would remove the cap on microloan interest rates, while “advising” microfinance institutions (MFIs) to keep rates low. Other proposals would allow MFIs to accept deposits from their borrowers and reassign the regulation of MFIs from the Reserve Bank of India, India’s central bank, to the National Bank of Agriculture and Rural Development (NABARD), which currently regulates the microfinance activities of state-owned cooperatives and regional rural banks. February 2 and February 9, 2010

**Nigerian Association to Embark on “Enlightenment Campaign”**
In collaboration with the Central Bank of Nigeria, Nigeria’s National Association of Microfinance Banks has announced a campaign to educate the public about microfinance. February 9, 2010

**Financiera Independencia of Mexico Completes $65m Offering**
Financiera Independencia, a Mexican microfinance institution, recently concluded a share capital increase worth the local-currency equivalent of USD 65 million. US-based Eton Park Capital Management subscribed for the majority of the shares, as was announced in the January issue of this newspaper. Financiera Independencia reports a total outstanding loan balance of USD 371 million and 198 offices. February 9, 2010

**CORRECTION**
The January issue of this newspaper erroneously reported on the backers and amount of funds raised by the ESPA VINIS microfinance fund, which was established in December by Erste Bank Group. To date, this information has not been made public.

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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!
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For more information and to register, consult: [http://southasia.crackingthecapitalmarkets.com](http://southasia.crackingthecapitalmarkets.com)
**FIDES Bank Namibia Secures Permanent Banking License**
The Bank of Namibia, Namibia’s central bank, recently granted a permanent banking license to microfinance institution (MFI) FIDES Bank Namibia, allowing it to accept deposits. FIDES Bank Namibia was granted a provisional banking license in August 2009, at which time it opened with initial local-currency capital equivalent to USD 2 million. The MFI is an affiliate of Financial Systems Development Services (FIDES), a Swiss organization founded in 1996 that provides consulting services to MFIs and has launched eight MFIs in Africa, Eastern Europe and India. February 9, 2010

**Kyrgyz Republic Creates Microcredit Company to Serve Farmers**
The Development Fund of Kyrgyzstan, a government agency, recently established the AUB-AGRO Microcredit Company as a joint venture with Asia Universal Bank, a Kyrgyz commercial bank. The partners have so far invested the local-currency equivalent of USD 2.2 million and reportedly plan to put a total of USD 22 million into the microbank during 2010. The goal is to disburse 5,000 loans in rural areas this year. February 9, 2010

**MFTransparency Collecting Data in Azerbaijan, Publishing Blog**
The Azerbaijan Microfinance Association, an organization with 31 member microfinance institutions (MFIs), is partnering with MFTransparency, an organization that provides pricing data on microfinance products, to collect data from 12 MFIs in Azerbaijan. One MFI, AccessBank, with a microfinance portfolio of USD 297 million, recently became one of the largest MFIs to have submitted data thus far to MFTransparency, which was launched in 2008. In a separate announcement, MFTransparency has launched a blog on which readers are invited to share their opinions. February 8 and February 9, 2010

**SKS Microfinance Selects SoftXpand Software**
SKS Microfinance of India recently decided it will rollout SoftXpand desktop virtualization software to its 1,700 branches. The software allows one computer to perform the functions of eight fully independent desktops. February 8, 2010

**JP Morgan Chase Grants $3m to Bankers Without Borders**
The JP Morgan Chase Foundation, the charitable arm of the US-based financial services company, recently granted USD 3 million to Bankers Without Borders (BwB), a volunteer program of the Grameen Foundation that supports microfinance and related technology initiatives. BwB currently manages 30 projects in nine countries. The US-based Grameen Foundation supports microfinance institutions in 37 countries with the aim of replicating the microfinance model of the Grameen Bank. February 8, 2010

**Spandana of India Issues $5.3m in Commercial Paper**
Spandana Sphoorty Innovative Financial Services Limited, an Indian microfinance institution, recently raised the local-currency equivalent of USD 5.3 million through a placement of commercial paper with an unnamed mutual fund. Commercial paper is a short-term debt instrument that is usually not backed by collateral. The deal was arranged by Rabo India Finance Limited, an international financial services provider based in India. Founded in 1997, Spandana reports total assets of USD 359 million, a gross loan portfolio of USD 245 million, 2.4 million active borrowers, return on assets of 0.89 percent and return on equity of 51.1 percent. February 8, 2010

**Lok Capital Takes Stake in Back Office Provider RuralShores**
Lok Capital LLC, a venture capital fund, recently announced its equity investment in RuralShores Business Services Private Limited, which provides outsourced data entry services to businesses within India and abroad. The amount of the investment was not disclosed, but the funds will be used to open additional operating branches in rural India. Murali Vallaganti, CEO of RuralShores, said the investment “will help us to work with microfinance institutions, where we believe we can reduce the cost per transaction…” Four such centers are now operational, and the plan is to open 500 over seven years. Based in Mauritius, Lok Capital LLC is a USD 22 million venture capital fund that invests in microfinance in India. Feb 5, 2010

**MicroVest Announces $60m Close of Microvest II**
US-based MicroVest Capital Management recently announced the close of its USD 60 million MicroVest II fund. Its investors include the International Finance Corporation, a member of the World Bank Group, and Kinnevik New Ventures AB, a venture capital fund. Launched in 2004 by nonprofits CARE, MEDA and the Seed Capital Development Fund, MicroVest now manages USD 100 million in assets. February 5, 2010

**When Will Asian Investors Embrace the Microfinance Industry?**
Singapore’s Business Times newspaper recently quoted Prashant Thakker, global head of microfinance for Standard Chartered Bank, as saying that microfinance in Asia is “funded mostly, in terms of private equity debt capital, by players from Europe and the US…. Either there is no interest or no awareness or maybe it’s just a question of time before this opportunity is picked up by Asian investors too.” As of 2008, Standard Chartered had extended USD 385 million in loans to 52 microfinance institutions. February 4, 2010

**Drought Hard on Kenyan MFIs After Election Violence, Downturn**
Along with the violence that followed the contested December 2007 election and the global downturn, drought is now reportedly contributing to mass default by clients of some Kenyan microlenders, which have been forced to write off significant portions of their loan portfolios. February 4, 2010

**Contribute Your Expertise to Haiti via Post-Crisis Wiki**
In an effort to provide management support to microfinance institutions following crises such as the January earthquake in Haiti, ES Global, a firm with social investing and small enterprise development consulting contracts in 60 countries, has created a website (in wiki format) to which you are invited to contribute content such as post-crisis operational tips and case studies from other disasters. February 4, 2010

**IFC Offers Performance-Based Grants to Armenia’s Inecobank**
The International Finance Corporation (IFC) has agreed to provide Armenia’s Inecobank with up to USD 700,000 in performance-based grants contingent on its reaching a cascade of unspecified “development targets.” The funding is slated to generate 71,000 new microloans to individuals and small businesses in rural Armenia. Inecobank’s Chief Executive Officer, Avetis Baloyan, recently stated, “With the onset of the financial crisis, microfinance proved to be one of the most sustainable products for the bank.” The Microfinance Information Exchange reports that Inecobank has total assets equivalent to USD 147 million, return on assets of 4.29 percent and a debt-equity ratio of 3.90. IFC holds a 10 percent stake in Inecobank. February 2, 2010
**Nigeria, IFAD Launch $40m Fund for “Marginalized” Farmers**
The United Nations’ International Fund for Agricultural Development and the Nigerian government have created a microfinance fund worth the local-currency equivalent of USD 40 million for distribution via microfinance institutions over seven years to farmers in 12 Nigerian states. Agriculture and Water Resources Minister Sayyadi Abba Ruma reports that the loans will be targeted at traditionally marginalized groups such as a women, young people and people with physical disabilities. February 2, 2010

**Australia Pledges $1.8m to Pacific Financial Inclusion Program**
The Australian government has agreed to provide the equivalent of USD 1.8 million to the Pacific Financial Inclusion Program (PFIP), which works to increase access to financial services for low-income households in the Pacific Islands. PFIP was founded in 2008 with support from the UN and the European Union. February 2, 2010

**CDC Group Invests $10m in ShoreCap II Microfinance Fund**
The CDC Group, a UK development finance institution, has committed USD 10 million to ShoreCap International’s ShoreCap II fund, which intends to raise a total of USD 100 million to invest in microfinance institutions (MFIs) in Africa and Asia. Launched in 2003 by Chicago-based ShoreBank Corporation, ShoreCap International is a private equity firm that invests in small-business banks and regulated MFIs in developing countries. February 2, 2010

**The Philippines Sees $54m Potential from Microinsurance**
The Philippine Finance Department recently estimated that if the 7 million participants in government-led microfinance programs were covered by microinsurance, the premiums could yield the local-currency equivalent of USD 34 million per year. February 2, 2010

**IFC Makes $100m Equity Investment in Byblos Bank of Lebanon**
The International Finance Corporation, the investment arm of the World Bank, has made a USD 100 million equity investment in Byblos Bank, a commercial bank based in Lebanon, to provide finance for small and medium-sized enterprises and to expand in the Middle East and Africa. With operations in 11 countries, Byblos reports total assets equivalent to USD 13.6 billion. February 2, 2010

**The Philippines Eases Loan Access for Small Farmers**
The Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, recently adopted rules allowing farmers to obtain loans up to the equivalent of USD 3,225 based on a group guarantee instead of using traditional collateral. Additionally, application and documentation requirements have been eased. In accordance with the seasonal nature of agriculture, the loans will allow for a lump sum payment of up to 40 percent of principal. February 2, 2010

**BPI Globe BanKO Expanding in the Philippines**
BPI Globe BanKO, which offers credit, mobile banking and other services to individuals and microfinance institutions (MFIs), recently announced that it will apply to expand from one branch to six. A joint venture of the Bank of the Philippine Islands, Ayala Corporation and Globe Telecom, BanKO intends to lend as much as the local-currency equivalent of USD 21.4 million on a wholesale basis this year. The bank will also offer MFIs training services and Globe Telecom’s “GCash” funds transfer platform, which allows individuals to access accounts via text message (SMS). BanKO is currently operating a pilot program offering deposit, microloan and microinsurance services to retail customers. BanKO has authorized capital equivalent to USD 10.7 million, of which USD 7.4 million is paid up. February 1, 2010

**Brazil Approves ACCION International MFI to Serve Amazon**
Brazil recently approved an application by US-based ACCION International to establish ACCION Microfinancas to serve the Amazonas state of northern Brazil. Tomas Miller, senior investment officer at the Inter-American Development Bank’s Multilateral Investment Fund, stated that ACCION Microfinancas will employ “credit scoring and a cash flow-based credit assessment model; making use of Brazil’s innovative correspondent banking system to partner with banks and extend services through retail stores and other outlets.” Private investor Luiz Felipe D’Avila is among those joining ACCION International as an equity partner in the venture. ACCION International offers microenterprise loans, business training and other financial services in 23 countries. January 29, 2010

**Kenya to Permit MFIs to Go Branchless**
The Central Bank of Kenya is reportedly in the process of revising its regulations to allow agency banking, by which non-financial institutions will be able to offer financial services on behalf of both commercial banks and microfinance institutions (MFIs). This change will also allow MFI staff to use point-of-sale terminals at customers’ doorsteps, which can save costs, particularly in rural areas. January 29, 2010

**US Military Facilitates Post-quake Cash Transfer to Fonkoze**
Shortly after the January earthquake in Haiti, the US military facilitated the transfer of USD 2 million in cash by air from City National Bank of New Jersey directly to 34 branches of Fonkoze, a Haitian microfinance institution. According to a US government release, “Fonkoze was the only bank able to stay open for customers making withdrawals and receiving money transfers” following the disaster. Fonkoze and its affiliate Fonkoze Financial Services reported an aggregate gross loan portfolio of USD 12.2 million for 2008. January 25 and January 28, 2010

**UN to Help Audit Nigerian Microbanks; Central Bank to Test CEOs**
At a recent conference, Central Bank of Nigeria (CBN) Governor Mallam Sanusi Lamido Sanusi announced that CBN will work with the UN to conduct an audit of microfinance banks (MFBS) in the country. No further details were available on this effort. Mr Sanusi also announced that MFB CEOs will soon be required to pass an exam in order to continue managing their banks. A preparation program for the exam is to be held during the first quarter of 2010. January 28, 2010

**Liquidity Crunch Forces Nepalese MFIs to Raise Interest Rates**
Reduced liquidity in Nepal has reportedly increased microfinance institutions’ (MFIs) cost of funds - which are often borrowed from commercial banks - from 4 percent to 7 percent annual interest. Referring to the rates charged to borrowers, Chairman Harihar Dev Pant of Nepalese MFI Nirdhan Utthan Bank was quoted as saying, “We have to make an immediate move to increase the lending rates.” The Centre for Micro-Finance, a Nepalese consultancy, estimates that MFIs in Nepal could face a shortage of up to USD 207 million this year due to the liquidity crunch. January 28, 2010

**Agricultural Bank of China Increases Microlending by $9b**
The Agricultural Bank of China Limited (ABC) recently released results stating that its rural microloan balance increased from the equivalent of USD 700 million to USD 9.9 billion during 2009. ABC also disbursed 33 million Farmer’s Benefit Kins Cards, which permit farmers to access their accounts via retailers and rural cooperatives. In January 2009, ABC registered as a joint-stock company with the government as majority shareholder shedding the wholly state-owned status it had held since its founding in 1951. January 27, 2010
ICF to Invest $7.5m in Fanisi Fund for East African SMEs
The International Finance Corporation, the investment arm of the World Bank, has announced that it will invest USD 7.5 million in the Luxembourg-based Fanisi Venture Capital Fund. The funds will be invested in startups and existing small and medium-sized enterprises (SMEs) in Kenya, Rwanda, Uganda and Tanzania. Additionally, a business services support facility will be set up to assist SMEs to overcome technical and governmental barriers. Established in 2009 by the Norwegian Investment Fund for Developing Countries (Norfund) and Kenya’s Amani Capital Limited, Fanisi enjoys USD 40 million in committed capital. January 26, 2010

Kenyan Program to Use Satellites to Insure Livestock
Three Kenyan institutions, Equity Bank, UAP Insurance Limited and the International Livestock Research Institute, reportedly plan to launch an insurance product for herders that relies on satellite technology to determine the extent of droughts. The product will offer automatic payments to herders that - based on how brown vegetation has become - likely have had cows, goats, sheep or camels die due to drought. The program will initially launch in eastern Kenya with an eye toward expanding to West Africa and southern Asia. With operations in three countries, Equity Bank reports total assets of USD 987 million, a gross loan portfolio of USD 535 million and 542,249 active borrowers. January 26, 2010

Governor Uduaghan of Nigeria’s Delta State Recognized
The Central Bank of Nigeria has given Governor Emmanuel Uduaghan of Delta State an award to recognize the achievements of his state’s microfinance initiative. “Economic growth reduces hunger, which in turn wipes out anger, which is at the root of the crises in the Niger Delta region,” said Governor Uduaghan. January 25, 2010

Zidisha.org Aims to Offer Peer-to-Peer Lending
Julia Kurney, the founding partner of nonprofit Senegal Ecovillage Microfinance, recently launched Zidisha.org, which facilitates microloans from individuals to entrepreneurs in Senegal and Kenya. Entrepreneurs can benefit from an interest rate bid process when multiple lenders are involved. January 25, 2010

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Cambodian Microfinance Association Reports Tough 2009
The Cambodian Microfinance Association recently reported that profits from most microcredit lending firms in Cambodia fell by double digits in 2009, while non-performing loans (NPLs) rose an estimated 2.3 percentage points to 3.0 percent. Loan disbursements reached the equivalent of USD 453 million, an increase of 4 percent during the year, which sharply contrasts with the 61 percent growth rate seen in 2008. One microfinance institution, Hattha Kaksekar Limited, which reports total assets of USD 36.1 million, saw profits fall by 30 percent in 2009. January 25, 2010

Grameen Foundation Releases Version 1.4 of Mifos Software
The Grameen Foundation recently released an updated version of Mifos, its open-source software platform for microfinance institutions. Mifos version 1.4 includes support for Spanish-language users and application programming interface (API) technology that eases data imports from other software packages. The platform was developed by the Grameen Foundation’s Technology Center with the aid of volunteers from SunGard Technology Services, Bank of America, Merrill Lynch and Catholic Relief Services. Translations into Arabic, Khmer Script, Indonesian and Mandarin are currently underway. January 25, 2010

India’s Dhanlaxmi Bank to Open 50 Microfinance Branches
India’s commercial Dhanlaxmi Bank is planning to open 50 customer service points to serve approximately 30,000 low-income individuals in Kerala state. Each location will have staff available to educate customers on banking services, in addition to offering deposit and withdrawal services. For identification, customers would be issued biometric cards that contain images of their fingerprints. As of March 2009, Dhanlaxmi reports total deposits worth the equivalent of USD 1 trillion and a microcredit portfolio of USD 28 million. January 25, 2010

Catamaran Venture Capital Fund to Invest in SKS
N R Narayana Murthy, founder of the Indian global consulting and information technology firm Infosys, will reportedly invest in SKS Microfinance Limited, an Indian microfinance institution. Mr Murthy will make the investment through his USD 129 million venture capital fund, Catamaran. Sources close to the deal believe it is part of a pre-IPO sale process at SKS. The amount of the deal has not been disclosed, but observers estimate the transaction will be in the range of USD 10 million. SKS’s backers include such venture capital and private equity investors as Sandstone Capital, Kismet Capital, Unitus Equity Fund, Silicon Valley Bank and (US-based) Sequoia Capital. SKS reports 3.5 million active borrowers, 1,676 branches, total assets of USD 596 million and profits of 3.5 percent. January 25, 2010

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India’s Grameen Koota Raises $4.2m from MicroVest NCD Buy
Grameen Financial Services Private Limited (Grameen Koota), an Indian microfinance institution, has raised the local-currency equivalent of USD 4.27 million from a sale of secured, redeemable, non-convertible debentures (NCDs) to MicroVest I LP, a US-based private equity fund. The NCDs have been listed on the Bombay Stock Exchange. Founded in 1999, Grameen Koota reports an outstanding loan portfolio of USD 33.3 million. January 22, 2010

Indian Government May Expand Credit Fund for Women
India’s Ministry of Women and Child Development is considering a proposal to restructure and expand the National Credit Fund for Women (Rashtriya Mahila Kosh), a program that provides savings services and microcredit to self-help groups (SHGs); establish the National Mission for Empowerment of Women to coordinate efforts to advance the economic and social development of poor women; and draft legislation to prevent sexual harassment. January 22, 2010

Nigeria’s Microfinance Interbank Money Market Fails
Nigeria’s Vanguard newspaper reports that the local microfinance interbank money market has collapsed due to the very liquidity problems it was intended to address. Initiated by Financial Derivatives Company Limited in April 2009, the market originally engaged five microfinance institutions: ACCION Microfinance Bank, Integrated Microfinance Bank, MIC Microfinance Bank, Gapbrige Microfinance Bank and Susu Microfinance Bank. Integrated Microfinance Bank has since closed, and others have dropped out, some because they were short on cash. January 21, 2010

Dubai Slump Affects Remittances to Neighbors
According to a recent article in Indian daily The Economic Times, Dubai’s financial crisis is “eating away at the money many Middle East families depend on…” Remittances from the Gulf reportedly account for 15 to 20 percent of the economy in Jordan, Lebanon and Egypt. Remittances to Egypt have fallen by 25 percent in the past year. January 20, 2010

Moroccan Government Responds to “Turmoil” in Microfinance
In a recent article, Xavier Reille of CGAP (Consultative Group to Assist the Poor) reports that the stunning growth of the microfinance sector in Morocco between 2004 and 2007 - loan portfolios grew by 11 times - came at the expense of asset quality. In May 2009, one of the larger microfinance institutions, Zakoura, recorded a portfolio-at-risk of over 30 percent. In collaboration with the Moroccan central bank and the National Federation for Micro Finance Providers (FNAM), the government of Morocco has developed a plan to strengthen the country’s microfinance industry by establishing a new credit bureau and accepting a USD 46 million loan from the US government’s Millennium Challenge Account to improve governance and transparency. FNAM members serve a total of 1.2 million customers, of which 55 percent are women and 40 percent live in rural areas. January 20, 2010

CGAP Examines Effectiveness of Microcredit Against Poverty
In response to the recent controversy over the effectiveness of microcredit in alleviating poverty, Richard Rosenberg of CGAP (Consultative Group to Assist the Poor) recently published an article arguing that, “whether or not microcredit and other financial services help people escape from poverty, there is strong evidence poor people value them very highly because these services help them cope with poverty.” Mr Rosenberg says this is demonstrated by the high demand for microfinance products and the willingness of poor borrowers to repay uncollateralized loans. January 20, 2010

Korea’s Miso (Smile) Microcredit Foundation May Relax Rules
Responding to criticism of the loan qualification standards of the recently established Miso (Smile) Microcredit Bank, its chairman, Kim Seung-Yu, recently announced that, “We will consider changing standards for the loans at the end of [February].” Miso was established in December 2009 by the Korean government to provide unsecured loans in Korea through partnerships with the private sector. January 19, 2010

To support its growth in Cameroon,

www.cnpi-sa.com

is now seeking funding partners.

Asomi, with 42,000 clients in India, is pleased to announce its goal of reaching 200,000 clients by 2012
Nanno Kleiterp

The Netherlands Development Finance Company (FMO) is the international development bank of the Netherlands. FMO uses loans, mezzanine financing and equity investments to invest in financial institutions and other companies in developing countries. With an investment portfolio of USD 6.5 billion, FMO is one of the world’s largest bilateral private sector development banks. FMO’s mission is to create flourishing enterprises that can serve as engines of sustainable growth in their countries.

For over 20 years, FMO has made major commitments to microfinance. During these years, a vast network has been developed and valuable experience and knowledge gained. As of year-end 2009, FMO has a committed microfinance portfolio of USD 490 million, which is divided among Africa, Asia, Latin America & the Caribbean and Eastern Europe.

MicroCapital: What role do you see development banks playing in social change?

Nanno Kleiterp: The view of FMO is that we have to take risks that commercial parties are not able or willing to take. When possible, we try to catalyze commercial investment in order to maximize impact. In addition, we support our clients in getting to best standards in terms of the environment and transparent governance.

MC: What makes FMO a leader in microfinance?

NK: One of the reasons that I think we are very innovative is that we have a broad network of partnerships in the countries where we operate. In most cases, we are active right from the early stages, which makes us an interesting partner for other parties in this business. We were involved in the early stage of ProCredit, which is now a big success and one of the bigger players. We have worked on innovative products like the BRAC securitization, the BlueOrchard Loans for Development collateralized debt obligations and development of hedging services with MFX Solutions.

We also have a unique ownership structure; there are not many development banks that have private investors on board. There are no governmental or other direct representatives of our shareholders on our board of directors. That makes us flexible because our put-through time is quite low. That is not uncommon for a for-profit company, but for a development bank, we are a special case. On the other hand, because of our relationship with the Dutch government, the Ministry for Foreign Affairs has provided us with funds for financing projects in high-risk countries or high-risk sectors. One of these is the local-currency MASSIF (Micro- and Small Enterprise Fund).

In Cambodia we have made loans to and invested equity in quite a number of institutions. We’ve been involved with ACLEDA right from the beginning. We’ve seen it evolve from a grassroots NGO into a successful commercial bank covering all of Cambodia and have recently sold our stake to a commercial party, which we regard as an important milestone. ACLEDA is now starting a new bank in Laos, in which we have invested share capital and substantial technical assistance. We have invested in Amret and been involved with PRASAC and Sathapana. Cambodia is a small country - a fairly small microfinance market - and I think FMO made a difference there, not only in developing one institution with financing and knowledge transfer but in giving a push to the sector as a whole.

MC: How were you first introduced to microfinance?

NK: I started at FMO 22 years ago in microfinance, although it wasn’t called that yet. What we did - I think FMO was one of the first - was create a local-currency fund, then called the Small-scale Enterprise Fund, now MASSIF. That fund has grown since 1987 and has shown a positive return. At the time, nobody believed that it was possible for a local-currency fund to make a profit providing loans and equity to financial institutions that dedicate themselves to micro- and small enterprises.

MC: What led you to believe that local currency was possible and appropriate?

NK: We were convinced that local-currency-earning entrepreneurs should be financed with medium- to long-term, local-currency loans in order to avoid their exposure to foreign currency risk. In the beginning - frankly - we did not know that it would be possible. Over the years, we improved our techniques, proving that local-currency lending was commercially viable.

MC: How does microfinance fit into the broader landscape of enterprise development?

NK: FMO focuses on access to finance, access to energy and access to housing. It is our view that not only credit is important, but also access to savings, to insurance, to a broad palette of different products. We think microfinance is important, but we are also very active in the missing middle - in small- and medium-enterprise financing.

MC: What trends do you see now and on the horizon?

NK: In the last year, microfinance has become a mainstream asset class. I am quite convinced that, after the crisis, the track record will really be established because then you will see how the sector has held during the crisis. You see that the portfolio of microfinance institutions is deteriorating a little bit, but not dramatically. In 2011 or 2012, commercial interest will come back much stronger even than before. We will also see increasing competition, which dramatically decreases the cost of delivery. We were at the start in Bolivia with BancoSol when interest rates were over 50 percent. Today interest rates are around 20 percent because of competition that pushes institutions to become more efficient instead of letting their clients pay for their inefficiencies. There is also a lot of debate about whether microfinance institutions should strictly stick to serving microentrepreneurs. We see it as positive when microfinance institutions move upscale based on their experience with and the growth of their clients. This is one of several ways that an inclusive financial sector can foster economic growth and social change where they are needed most.
TOP JANUARY 2010 MICROFINANCE TRANSACTIONS

The CGAP Microfinance Dealbook publicizes microfinance capital market transactions in an effort to bring greater transparency to the industry. Additional deals are published periodically at http://www.microcapital.org/cgap-microfinance-dealbook. Parties to microfinance transactions are also encouraged to submit their deals via this website.

<table>
<thead>
<tr>
<th>Investor</th>
<th>Investee</th>
<th>Region</th>
<th>Amount (USD)</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Advans SA</td>
<td>WW</td>
<td>33,000,000</td>
<td>Equity</td>
</tr>
<tr>
<td>Norwegian Investment Fund for Developing Countries</td>
<td>Real People</td>
<td>SSA</td>
<td>~13,000,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Norwegian Investment Fund for Developing Countries</td>
<td>Real People</td>
<td>SSA</td>
<td>~13,000,000</td>
<td>Equity</td>
</tr>
<tr>
<td>Unspecified</td>
<td>Family Bank</td>
<td>MENA</td>
<td>~13,000,000</td>
<td>Equity</td>
</tr>
<tr>
<td>European Fund for Southeast Europe</td>
<td>NLB Razvojna banka</td>
<td>ECA</td>
<td>10,043,250</td>
<td>Debt</td>
</tr>
<tr>
<td>CDC Group</td>
<td>ShoreCap II</td>
<td>WW</td>
<td>10,000,000</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Sequoia Capital (US)</td>
<td>Equitas Micro Finance India Private Limited (purchase from Kalpathi Investments)</td>
<td>SA</td>
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<td>Equity</td>
</tr>
<tr>
<td>Dhanalakshmi Bank &amp; others unspecified</td>
<td>Asrved Microfinance, Salahaya Microfinance, Satin CreditCare Network &amp; Sonata Finance</td>
<td>SA</td>
<td>~6,500,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Dexia Micro-Credit Fund (BlueOrchard Finance)</td>
<td>Asmitha Microfin Limited</td>
<td>SA</td>
<td>5,000,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Hivos-Triodos &amp; Triodos Fair Share Funds &amp; Triodos-Doen</td>
<td>Centenary Bank</td>
<td>SSA</td>
<td>~4,300,000</td>
<td>Debt</td>
</tr>
<tr>
<td>MicroVest I</td>
<td>Grameen FSPL (Grameen Koota)</td>
<td>SA</td>
<td>~4,270,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>Kashif Foundation</td>
<td>SA</td>
<td>~4,200,000</td>
<td>Debt</td>
</tr>
<tr>
<td>International Finance Corporation</td>
<td>Sistema Integral de Abasto Rural (Mi Tienda)</td>
<td>LAC</td>
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<td>Equity</td>
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<td>Prizma</td>
<td>ECA</td>
<td>~2,145,150</td>
<td>Debt</td>
</tr>
<tr>
<td>Triodos Microfinance Fund</td>
<td>XacBank</td>
<td>ECA</td>
<td>2,100,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Impulse Microfinance Investment Fund [Incokin]</td>
<td>Financiera Confinanza</td>
<td>LAC</td>
<td>~1,557,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Dexia Micro-Credit Fund (BlueOrchard Finance)</td>
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<td>1,500,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Développement international Desjardins</td>
<td>AfricInvest Financial Sector</td>
<td>WW</td>
<td>1,400,000</td>
<td>Equity</td>
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<td>ASN-Novib Fund (Triple_Jump)</td>
<td>Nueva Vision</td>
<td>LAC</td>
<td>1,000,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Hivos-Triodos Fund &amp; Triodos-Doen</td>
<td>Uganda Finance Trust</td>
<td>SSA</td>
<td>~1,000,000</td>
<td>Debt</td>
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<tr>
<td>ASN-Novib Fund (Triple_Jump)</td>
<td>TPC</td>
<td>EAP</td>
<td>779,116</td>
<td>Debt</td>
</tr>
<tr>
<td>Oikocredit</td>
<td>VESPL</td>
<td>SA</td>
<td>~773,366</td>
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</tr>
<tr>
<td>responsAbility SICAV Mikrofinanz-Fonds</td>
<td>Prizma</td>
<td>ECA</td>
<td>715,050</td>
<td>Debt</td>
</tr>
<tr>
<td>responsAbility Global Microfinance Fund</td>
<td>Naranjillo</td>
<td>LAC</td>
<td>600,000</td>
<td>Debt</td>
</tr>
<tr>
<td>Dexia Micro-Credit Fund (BlueOrchard Finance)</td>
<td>AMK</td>
<td>EAP</td>
<td>~517,189</td>
<td>Debt</td>
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<td>responsAbility Global Microfinance Fund</td>
<td>Fondecu</td>
<td>LAC</td>
<td>500,000</td>
<td>Debt</td>
</tr>
<tr>
<td>responsAbility SICAV Mikrofinanz-Fonds</td>
<td>TPC</td>
<td>EAP</td>
<td>500,000</td>
<td>Debt</td>
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<tr>
<td>responsAbility Global Microfinance Fund</td>
<td>TPC</td>
<td>EAP</td>
<td>~498,414</td>
<td>Debt</td>
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<tr>
<td>Oikocredit</td>
<td>SeedFinance</td>
<td>EAP</td>
<td>~461,697</td>
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<td>MAS Financial Services Ltd</td>
<td>Srivardan Sociodevelopment Foundation</td>
<td>SA</td>
<td>~425,531</td>
<td>Debt</td>
</tr>
</tbody>
</table>

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

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

Overcoming Obstacles in Haiti

Over the past month, many of us have been consumed by the devastating effects of the earthquake in Haiti on January 12. I have been inspired by the strength and determination of so many, who have shown themselves to be resourceful and tenacious in the face of the crisis. One of my heroes in this crisis has been Anne Hastings, CEO of Fonkoze, a leading microfinance institution in Haiti. Anne wants to change the world and sees microfinance as a means rather than an end. Cited as a pioneer in microfinance at the Inter-American Development Bank (IDB) in 2009, this month, Anne has shown that she is not only a pioneer, but a relevant leader in the industry. Anne, Father Joseph and their team have been able to show that Fonkoze’s value proposition is one of substance.

Fonkoze was able to disburse some USD 1 million in money transfers and savings to its clients within a week of the earthquake. Yet it was not enough. As people were migrating back to rural areas from the capital city, demand for cash was becoming greater than the supply. Local commercial banks would not free up cash from Fonkoze’s accounts, so Anne reached out to its banker at City National Bank in the US state of New Jersey and to the IDB, setting in motion a series of events that got over USD 2 million into the hands of rural Haitians in less than two days. The scheme required the collaboration of Fonkoze, the UN, the US Agency for International Development, the US State Department, the US Department of Defense, the IDB/Multilateral Investment Fund and City National Bank. Funds were converted to cash and sent on military planes to Haiti, where they were airlifted on military helicopters to 34 of Fonkoze’s 42 branches across Haiti. Staff of money transfer firm MoneyGram flew alongside soldiers to ensure that recipients would not be intimidated by the military presence. All the while, Fonkoze was mourning the loss of three of its staff members. Kathleen Felix, Fonkoze’s diaspora liaison in the US, shared with me that, “Anne was handling the situation with so much elegance, but we were afraid that violence would break out if people did not get access to cash quickly; it could have been a disaster.”

In development work, we can become frustrated by the time spent competing rather than collaborating with colleagues. It can seem like a superhuman feat to make changes or drive innovation. Over the past month in Haiti, there has been little room for formalities. With few institutions working and limited infrastructure, resourcefulness and collaboration are the only ways to get anything done.

Ms Barbara Magnoni is President of EA Consultants of New York. An international development professional with over 14 years of international finance and development experience, she has worked at public and private organizations including Goldman Sachs, Chase, BBVA, EMPower and the US Agency for International Development’s Development Credit Authority. She may be reached at +1 212 734 6461 or bmagnoni@eac-global.com.

---

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BlueOrchard is a leading commercial microfinance fund manager, which provides loans and equity investments to microfinance institutions world-wide. We believe micro-entrepreneurship favours socio-economic inclusion and progress, and we consider investments in the microfinance sector as a powerful tool to support this development.

Currently, BlueOrchard has over USD 1 billion under management and invests in more than 120 partner institutions in over 40 countries.

BlueOrchard builds long-term partnerships with microfinance institutions based on mutual trust and transparency. We offer loans from a range of six debt funds designed to meet the evolving financial needs of microfinance institutions. Our approval process is fast and transparent, with as many as 15 analysts based in Geneva (Switzerland) and Lima (Peru) at the disposal of microfinance institutions seeking financing.

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(Our audience just took a big jump.)


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Assets under management
- Over USD 800 million
- Invested in 250 MFIs
- In 60 countries

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### TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

<table>
<thead>
<tr>
<th>MFI NAME</th>
<th>Country</th>
<th>AVERAGE ANNUAL USD INCREASE</th>
<th>AVERAGE ANNUAL % INCREASE</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam Bank for Social Policies</td>
<td>Vietnam</td>
<td>934,350,873</td>
<td>62</td>
<td>1,149,164,268</td>
<td>3,017,866,034</td>
</tr>
<tr>
<td>KMB Bank</td>
<td>Russia</td>
<td>534,192,258</td>
<td>55</td>
<td>766,943,808</td>
<td>1,825,328,324</td>
</tr>
<tr>
<td>Banco Caja Social Colombia</td>
<td>Colombia</td>
<td>262,001,477</td>
<td>15</td>
<td>1,651,012,608</td>
<td>2,175,015,562</td>
</tr>
<tr>
<td>MiBanco</td>
<td>Peru</td>
<td>230,296,814</td>
<td>56</td>
<td>320,620,384</td>
<td>781,214,013</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>Kenya</td>
<td>214,719,518</td>
<td>124</td>
<td>106,374,024</td>
<td>535,813,060</td>
</tr>
<tr>
<td>ProCredit Bank Kosovo - formerly MEB</td>
<td>Kosovo</td>
<td>160,512,320</td>
<td>45</td>
<td>288,168,416</td>
<td>609,193,056</td>
</tr>
<tr>
<td>ACLEDA Bank Plc.</td>
<td>Cambodia</td>
<td>153,006,937</td>
<td>71</td>
<td>158,463,936</td>
<td>464,477,809</td>
</tr>
<tr>
<td>Bangladesh Rural Advancement Committee</td>
<td>Bangladesh</td>
<td>148,895,551</td>
<td>36</td>
<td>350,147,616</td>
<td>647,938,718</td>
</tr>
<tr>
<td>Khan Bank (Agricultural Bank of Mongolia LLP)</td>
<td>Mongolia</td>
<td>137,715,637</td>
<td>54</td>
<td>201,904,720</td>
<td>477,335,994</td>
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<tr>
<td>ProCredit Bank Bulgaria</td>
<td>Bulgaria</td>
<td>134,663,699</td>
<td>36</td>
<td>321,279,744</td>
<td>590,607,143</td>
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</table>

### PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)

<table>
<thead>
<tr>
<th>Size (Number of Active Borrowers)</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>100k</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>50k</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>20k</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td>10k</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>10k</td>
<td>56%</td>
<td>45%</td>
</tr>
</tbody>
</table>

### MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)

<table>
<thead>
<tr>
<th>Size (Number of Active Borrowers)</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>100k</td>
<td>76%</td>
<td>80%</td>
</tr>
<tr>
<td>50k</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>20k</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>10k</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

*(1) Denotes only MFIs that report data for 2006 - 2008 to MicroBanking Bulletin (MBB) or MIX Market. Source: Microfinance Information Exchange, Inc., February 2010, based on MFIs reporting to MBB or MIX Market.*
UPCOMING EVENTS

Nepal Microfinance Summit
February 14 - February 16, 2010, Kathmandu, Nepal
This event is aimed at uniting microfinance stakeholders in Nepal behind a joint microfinance strategy and action plan. The registration fee for domestic attendees is NPR 1,000, and the fee for international participants is USD 100. More details are available via Tejhari Ghimire at +977 1 4434041, +977 1 4443984, tejhari@cmfnepal.org or http://microfinancesummitnepal.org/.

4th Annual Microfinance Forum: Confronting Crisis & Change
February 18 - February 19, 2010, Istanbul, Turkey
This event will cover topics such as correspondent banking, remittances and social performance management. The registration fee is EUR 950 + VAT. More information is available via http://www.uni-global.eu/en/event/2010-82, +420 226538 108 or office@uni-global.eu.

Microinsurance Summit 2010: Evaluating Strategies for Delivery, Partner-Agent Models and Scalability
This event will cover distribution models, performance indicators, insurance literacy and other topics. The fee to attend is GBP 1,499, with discounts and add-on workshops available. More details are available via +44 (0) 203 141 8700, info@hansonwade.com or http://hansonwade.com/events/microinsurance-summit-2010/.

MMT Americas Conference and Expo
March 8 - March 11, 2010, Cancun, Mexico
This event will cover mobile financial services. The registration fee is USD 1,699, with add-on workshops available. More information is available via mmt@clarionevents.com, +44 (0) 20 7067 1831 or http://www.mobile-money-transfer.com/america.

Third Microfinance Investment Summit
March 10 - March 11, 2010, Geneva, Switzerland
This event, organized by C5, offers the opportunity to learn about and discuss the latest trends in microfinance investment. Fees range from GBP 1,199 to GBP 1,499, with add-on workshops available. Details can be found via http://www.microfinancesummit.com/, +44 (0) 20 7878 6888 or registrations@C5-online.com.

Thirteenth Annual Digital Money Forum
March 10 - March 11, 2010, London, UK
This forum will cover electronic money. The registration fee is GBP 445 + VAT for two days or GBP 250 + VAT for one day. More details are available via http://digitalmoneyforum.com/, but telephone and email contacts are not provided.

Second Microfinance & New Technologies Summit
March 11 - March 12, 2010, Marrakech, Morocco
This event will cover mobile banking and other technological solutions that can improve microfinance institution performance. The registration fee is EUR 150. More details are available via mfnssummit2010@planetfinance.org, +212 5 22 36 10 67 or http://www.mfnssummit2010.com.

M-Commerce World Summit 2010
March 16 - March 19, 2010, Singapore
This event will focus on mobile remittances and banking, near field communication technologies and microfinance. The full fee is SGD 5,700 through February 17, but discounts are available. Details may be had via +65 6221 8119, registration@symphonyglobal.com, or http://symphonyglobal.com/index.php/event/page/m-commerce/.

Money Transfers Dubai 2010
March 22, 2010, Dubai, United Arab Emirates
This event will cover topics such as technical solutions, reducing costs and adding value to remittance services. The registration fee is SGD 495, with various discounts available. Details are available via Girts Lacis at girts.lacis@iamtn.org, +44 (0) 203 291 2634 or http://mtmd2010.iamtn.org/.

Eighth Annual Women’s World Banking Microfinance and the Capital Markets Conference
March 23 - March 24, 2010, New York, USA
This event will cover the recent downturn, return expectations, identifying the next generation of rising microfinance institutions and other topics. The registration fee is USD 600. More information is available via http://www.swwb.org/cmc2010, wwb@swwb.org or +1 212 768 8313.

Luxembourg Fund Industry Microfinance Conference
March 25, 2010, Luxembourg
This event is sponsored by the Association of the Luxembourg Fund Industry. The registration fee is EUR 420, with add-on events and discounts available. Details are available via registration@parthen.nl, http://www.ali.lu/index.php?id=70 or +31 20 5727301.

Second China Microfinance Investor Conference 2010
March 25 - March 26, 2010, Beijing, China
This event is sponsored by the Peoples Bank of China and the German development agency GTZ. There is no fee to attend, but registration was requested by February 1. Details are available via mfinvestors2010@banking-gtz.cn, +86 010 85325306 26 or http://www.gtz-china.org/finance/microfinance-investor-conference-2010.

2010 Africa/Middle East Regional Microcredit Summit
April 7 - April 10, 2010, Nairobi, Kenya
This conference will showcase successful projects and encourage the integration of microfinance with other sectors. The registration fee is USD 350 through March 14, with various discounts available. Further information is available via info@microcreditsummit.org, +1 202 637 9600 or http://regionalmicrocreditsummit2010.org/.

Microfinance Cracking the Capital Markets - South Asia
April 29 - April 30, 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, +1 617 625 7080 or http://southasia.crackingthecapitalmarkets.com.

Third Annual Global Microfinance Investment Congress
May 17 - May 18, 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. The fee for registrations completed by March 20 is USD 1,395, with add-on workshops available. Details are available via Kristy Perkins at k.perkins@americanconference.com, +1 416 927 8200 or http://www.gtz-china.org/finance/microfinance-investor-conference-2010.

International Disaster and Risk Conference
June 21-24, 2010, Lisbon, Portugal
This event will focus on disaster risk management across various phases of national development, political systems and environmental conditions. Registrations completed by February 26 enjoy a rate of CHF 770 (CHF 520 for students), which includes domestic transportation to Davos. More details are available via +41 81 414 16 00, IDRC2010@grforum.org or http://davos2010.org/.
Behavioral Foundations of Microcredit: Experimental and Survey Evidence from Rural India


This paper examines the behavioral effects of time discounting and risk aversion as they relate to the acquisition of microcredit. Specifically, the authors seek to determine whether people with a “present-bias time inconsistency” exhibit unique financial behavior related to borrowing and saving. This group of people prefers less money sooner, as opposed to more money later, particularly when the reward is more immediate.

The study involves a random sample of 573 villagers in Karnataka, a coastal state in southern India. To determine whether individuals exhibit “present-bias” and if they are “time-consistent,” participants were first asked if they preferred to receive the equivalent of USD 5.34 tomorrow or USD 5.66 in three months. Four more similar questions were posed, with the amount to be received tomorrow remaining constant and the amount to be received in three months increasing in stages to USD 8.02. Participants were then asked about their preference to receive less money in 12 months instead of more money in 15 months. Individuals were identified as exhibiting “time inconsistency” if they chose the earlier but lesser reward any number of times in either survey. Individuals that preferred the earlier reward more times in the first survey than in the second survey were deemed to exhibit “present-bias time inconsistency.” These people, who preferred relatively immediate rewards - even if the rewards were less - are the focus of the study.

About one third of the total sample was found to exhibit this bias, which was not found to be strongly correlated with variables such as level of education, wealth or seasonality of income. Individuals in this “present-bias” group were, however, more likely to borrow than the other groups. This is particularly true of women that exhibited a strong present bias. These women were especially likely to borrow from microcredit institutions or self-help groups (SHGs), as opposed to banks or moneylenders. Additionally, these women were found to hold a comparatively smaller percentage of their savings at home. Furthermore, present bias was not found to be a predictor of repayment discipline, despite the fact that those with present-bias are often assumed to have less patience with money.

As a side note, women who had less decision-making power in the household were found to be more likely to have loans from SHGs, indicating that microcredit may be used to protect finances from husbands.

The authors find the results to be consistent with the idea that the structured repayment schedule, peer pressure and contractual obligations typically associated with microcredit are important to people who may lack financial “self-discipline.” Therefore, the authors believe that, for people with “present-bias time inconsistency,” microcredit can serve as a substitute for contractual savings, which similarly allow people “to exchange a steady series of small fixed payments for a substantial amount of income.”
Successful Due Diligence When Evaluating Microfinance Investment Vehicles


As microfinance institutions (MFIs) continue their quest for more accessible and affordable financing, little information is freely available to the public regarding the due diligence required when evaluating microfinance investment vehicles (MIVs). This whitepaper provides a framework for how investors can evaluate MIVs. The author’s interview with Christina Leijonhufvud, managing director of the Global Social Sector Finance Group at JP Morgan, results in a general framework that investors and MFIs can utilize to better understand one another’s requirements and expectations in order to make informed decisions in meeting both social and financial goals while achieving rational, sustainable industry growth.

The report argues that the very first and most important screen relates to the individuals behind the MIV. One must begin by examining the ownership structure and the general partners. Examining the operational structure and how much on-site due diligence is performed are also important components when evaluating a MIV. Is the MIV taking an indexed approach to investing, or is it outsourcing much of the due diligence?

Because many fund managers in the microfinance sector have limited track records, assessing MIV managers is another important component in the evaluation process. What kinds of work did the fund managers do prior to managing the MIV? Is there private equity or credit expertise on their board or advisory committee?

Understanding the investment policy and process from A to Z is key. One should begin by reviewing copies of the MIV’s very first investment memoranda as well as proposals that go to the investment committee. Does the MIV directly invest in MFIs or does it use a “fund of funds” strategy? Investors should spend time with the committee and understand the types of discussions involved in their investment selections. One should supplement this by traveling with the portfolio manager or investment officer to the MFIs in which the MIV invests.

With regards to risk management, items to consider include credit risk, foreign exchange risk, liquidity risk and country risk. Some questions to ask are: Is the MIV taking a credit or equity position? What are the profiles and ranges of credit quality of the MFIs in question? What does the credit evaluation process consist of at the MIV? Does the MIV undertake its own credit analysis, or does it supplement its analysis with data from a specialized rating agency?

As more investors enter microfinance, the author believes that MIVs will play a greater role as financial intermediaries, connecting private capital to MFIs. Since microfinance has outgrown donor funding, this private capital becomes critical, allowing for the achievement of both financial and social objectives.