JANUARY 2010 | VOLUME.5 ISSUE.1

MicroCapital Monitor

THE MICROFINANCE NEWSPAPER

MICROCAPITAL BRIEFS | TOP STORIES

IFC, EBRD, CRG Capital Launch Special Situations Fund

The International Finance Corporation; the European Bank for Reconstruction and Development; and CRG Capital, a private equity firm with offices in Vienna and the US, recently launched the Central and Eastern Europe Special Situations Fund to focus on the "acquisition, turnaround, and resolution of corporate distressed assets." While the three founders have provided an initial EUR 36 million, the fund aims to raise EUR 200 million. CRG Capital invests in direct control equity investments, non-performing debt instruments, stranded or end-of-life regional private equity funds and other "distressed or special situation" companies in Central and Eastern Europe. January 12. 2010

Uganda Revenue Authority Demands Stamp Duty from MFIs

Following a miscommunication over regulations, the Uganda Revenue Authority is asking microfinance institutions (MFIs) to pay outstanding stamp duty fees, which the MFIs claim are "almost impossible" to recover at this point. Debate is continuing over whether the duty should be levied at a rate of 0.5 percent of the principal amount of the loan or at a flat rate equivalent to USD 2.50 for every loan extended. January 5. 2010

Grupo Fortaleza Taps Bolivian Market for $17.9m for Small MFIs

Grupo Fortaleza, a Bolivian financial services company that caters to small and medium-sized enterprises, has placed a local-currency, closed-end fund worth USD 17.9 million on the Bolivian stock exchange, with the proceeds to be used for local-currency loans to Tier-II and Tier-III microfinance institutions. The fund has a five-year term, extendable for one or two additional periods of two years each. Investors in the shares include the Multilateral Investment Fund, which is housed at the Inter-American Development Bank; CAISA Agencia de Bolsa; and Banco de Desarrollo Productivo, the Bolivian development bank. December 28. 2009

Eton Park to Invest $54.5m in Mexico's Financiera Independencia

Eton Park Capital Management has agreed to subscribe for 70 million shares of Financiera Independencia, a Mexican microfinance institution (MFI), for the local-currency equivalent of USD 54.5 million. The majority of the proceeds will be used to finance Independencia's USD 41 million acquisition of Mexican MFI Financiera Finsol, including its Brazilian subsidiary, Instituto Finsol Brazil. Eton Park will also have the right to subscribe for an additional 25 million shares at USD 1.08 per share and 20 million shares at USD 1.55 per share at any time during the next five years. Eton Park is a New York-based investment firm with USD 12 billion in assets. Independencia, which focuses on individual lending in urban areas, reports a total outstanding loan balance of USD 371 million. December 22. 2009

CGAP MICROFINANCE DEALBOOK

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EVERY MONTH

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CGAP

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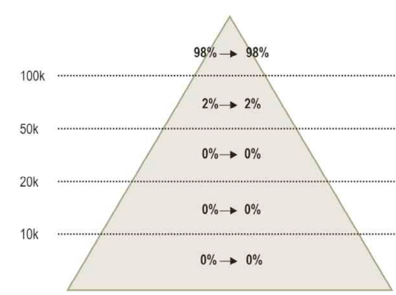
BANGLADESH
MFI MARKET SHARE TRENDING 2006 TO 2008
BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



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MICROCAPITAL BRIEFS

IFMR Capital Structures $6.5m Securitization for 4 MFIs

IFMR Capital recently completed a microloan securitization valued at the local-currency equivalent of USD 6.5 million, backed by 42,000 microloans originated by four Indian microfinance institutions: Asirvad Microfinance, which reports an outstanding portfolio of USD 3.3 million; Satin Creditcare Network, which was established in 1990 and reports a portfolio of USD 18.17 million; Sonata Finance, which reports a gross loan portfolio of USD 6.2 million; and Sahayata Microfinance, which does not report to the Microfinance Information Exchange. A 77-percent senior-rated tranche with an expected maturity of 6 months was issued along with a 23-percent subordinated strip with an expected maturity of 11 months. January 20. 2010

Microfinance Groups Fundraise to Respond to Earthquake

Several microfinance groups have launched fundraising campaigns to support the victims of the earthquake that struck Haiti on January 12, including ACCION International, BRAC, FINCA International, Fonkoze, Freedom From Hunger and the Grameen Foundation. January 19. 2010

Bill & Melinda Gates Foundation Grants $38m to Expand Savings

The Bill & Melinda Gates Foundation has awarded six grants worth a total of USD 38 million to help 18 microfinance institutions in Africa, Asia and Latin America launch or expand savings initiatives. The grantees are ACCION International with USD 5.8 million, FINCA International with USD 5.4 million, Grameen Foundation with USD 9.8 million, ShoreBank International with USD 5.5 million, Women's World Banking with USD 8.5 million and World Vision with USD 3.3 million. January 19. 2010

Advans Raises $33m in Second Round of Fundraising

Advans SA, a Luxembourg-based organization that invests in microfinance institutions (MFIs), has raised the euro equivalent of USD 33 million in a second round of fundraising from its current shareholders. Of this amount, the CDC Group, the UK's development finance institution, and FMO, the Netherlands development finance company, each committed USD 10.8 million. The capital infusion brings Advans' total committed capital to USD 58 million. Advans is currently active in four MFIs: Advans Banque Congo, Amret of Cambodia, Advans Ghana and Advans Cameroun. January 19. 2010

Austria's ESPA VINIS Microfinance Fund Invests in EFSE

ESPA VINIS Microfinance Fund has announced that it will invest 10 percent of its volume in the European Fund for Southeast Europe, a major investor in microfinance. ESPA VINIS has so far raised the euro equivalent of USD 551 million from a raft of public investors along with private institutional shareholders such as Deutsche Bank and German bank Sal Oppenheim. January 19. 2010

Ugandan MFI Rural Credit Finance Commits to Neptune Software

Rural Credit Finance (RUCREF), a microfinance firm in Uganda, has committed the equivalent of USD 230,000 to purchase Neptune Software Uganda's "Orbit Banking" financial system. "This technology will enable customers to enjoy SMS [text message] and e-banking," raved Moses Kasasa, general manager of RUCREF. January 19. 2010

Unitus, Hewitt Launch Microfinance Compensation Survey in India

Unitus, an international nonprofit, has partnered with human resources consulting firm Hewitt to launch its second annual Indian microfinance compensation and benefits survey. January 19. 2010

Indonesia Adds Support for KUR Program, Will Drop Credit Checks

The Indonesian government will reportedly provide a local-currency loan guarantee facility equivalent to USD 218 million in support of its Kredit Usaha Rakyat (KUR) microfinance program. In addition, microfinance loans will no longer be subject to credit checks through the central bank. Lending rates will be reduced from 24 percent to 22 percent, and borrowers will now be allowed to apply for consumer loans. Also, borrowers with working capital loans will be able to obtain loan extensions of up to ten years. January 18. 2009

Family Bank Founded to Offer Microfinance in Bahrain

Bahrain's Ministry of Social Development recently opened Family Bank, a microcredit lending firm with paid-up capital equivalent to USD 13 million and authorized capital of USD 40 million. January 18. 2010

Gary Ford Named CEO of MicroCredit Enterprises

As of January 1, Gary Ford has replaced Jonathan Lewis as CEO of nonprofit MicroCredit Enterprises. January 18. 2010

New York Times' Nicholas Kristof Praises Savings

In a recent column in US daily *The New York Times*, Nicholas Kristof argued that, "What we need is a savings revolution…. Cash sits around and gets spent…. Research suggests that the world's poorest families (typically the men in those families) spend about 20 percent of their incomes on a combination of alcohol, cigarettes, prostitution, soft drinks and extravagant festivals." January 15. 2010

BRAC's Fazle Hasan Abed to be Knighted by Queen Elizabeth II

It has been announced that Fazle Hasan Abed, the founder and chairperson of international microfinance institution BRAC (Bangladesh Rural Advancement Committee), is to be knighted by Queen Elizabeth II on an as yet undetermined date. January 14. 2010

Al-Amal Microfinance Bank of Yemen Loans $1.5m in 2009

During 2009, Al-Amal Microfinance Bank of Yemen provided credit equivalent to USD 1.5 million to 5,800 low-income people, 53 percent of whom were women entrepreneurs. The bank also reports holding 675 children's savings accounts. January 12. 2010

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MicroCapital Monitor - © 2010 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
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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!

Bangko Sentral ng Pilipinas Encourages Housing Microfinance

The Bangko Sentral ng Pilipinas recently published a circular encouraging banks to extend microfinance housing loans by allowing them to count toward quotas for mandatory lending to agrarian interests. Banks that meet various requirements, including having two years of experience providing microfinance, will be allowed to make such loans of up to the equivalent of USD 6,600. January 12. 2010

Azerbaijani Poll Indicates Dissatisfaction with Consumer Lending

A recent poll administered by the Azerbaijan Microfinance Association showed that 28 percent of participants are dissatisfied with the "quality of services upon getting consumer loans." The majority of respondents that were unhappy with the quality of their financial services were from smaller cities (44 percent) and rural areas (15 percent). About 1,200 people from nine regions of the country participated in the poll. January 12. 2010

StanChart Takes Advantage of New Investment Rules in Pakistan

Following the November 2009 announcement allowing Pakistani microfinance institutions (MFIs) to borrow from abroad, Standard Chartered Bank Pakistan Ltd, a subsidiary of the UK's Standard Chartered, has closed a two-year term loan to Kashf Foundation worth the equivalent of USD 4.2 million. The deal is supported by the Program for Increasing Sustainable Microfinance (PRISM), a project launched by the Pakistan Poverty Alleviation Fund to assist MFIs in forging partnerships with commercial funders. Kashf Foundation reports a gross loan portfolio of USD 44.2 million, 313,000 active borrowers, total assets of USD 63 million, a return on assets of -16.7 percent and return on equity of -59.3 percent. January 12. 2010

EBRD Loans $5m to Kyrgyz Investment and Credit Bank for SMEs

The European Bank for Reconstruction and Development (EBRD) recently provided Kyrgyz Investment and Credit Bank (KICB) with a USD 5 million long-term loan for on-lending to small and medium-sized enterprises (SMEs) in the Kyrgyz Republic. According to an EBRD press release, KICB is one of the leading financiers of SMEs in the country. The loan intends help stimulate the development of SMEs in the Kyrgyz Republic by providing greater access to credit through medium- and long-term loans. Backers of KICB include the Kyrgyz government, the Aga Khan Fund for Economic Development, EBRD, the International Financial Corporation and Deutsche Investitions-und Entwicklungsgesellschaft (DEG). January 12. 2010

Interest Rates, Social Performance Debated in Dhaka

At a seminar in Dhaka, Bangladesh, Dr Mohammad Haque of Monash University, Australia, recently argued that the 31 percent effective interest rate he calculates is charged by microcredit banks in Bangladesh is unjustifiably high. Also, Professor Ashraf Chowdhury of Dhaka University advocated for better measurement of the ability of microfinance to reduce poverty. January 12. 2010

Ugandan MFIs Don't Bite on $2m Fisheries Fund

The government of Uganda recently cancelled the Fisheries Development Project (FDP) fund, worth an equivalent of USD 2 million, when local banks and microfinance institutions declined to help finance the project. FDP had been supported by the African Development Bank as a vehicle to provide local fishermen with loans to invest in modern gear. The financial institutions reportedly did not get involved due to the risks involved, including an expected six-month period before the fishermen would begin making repayments. January 11. 2010

Microfinance Branches in India Increase SHG Access to Credit

Self-help groups (SHGs) in Tamil Nadu, India, have reportedly achieved greater access to credit due to the opening of 14 rural, microfinance-specific branches of two private commercial banks, Indian Bank and Canara Bank. SHGs generally consist of groups of women who pool money to save with and borrow from banks. The new branches also offer services that assist with management, marketing strategies and the establishment of production chains. January 11. 2010

African Development Bank Grants $660k to Access Bank Tanzania

The African Development Bank has approved a USD 660,000 technical assistance grant to Access Bank Tanzania (ABT), a commercial bank recently established by Germany's Access Microfinance Holding. The funding will be used to address information technology and staff training needs. Initially endowed with capital equivalent to USD 4 million, ABT provides business loans of USD 75 to USD 18,700, with a maximum maturity of 18 months. January 8. 2010

Sri Lanka to Strengthen Regulatory Framework

Central Bank of Sri Lanka Governor Ajith Nivard Cabraal recently announced plans to develop legislation to regulate microfinance institutions, with the stated goals of increasing the role of microfinance in the economy and reintegrating the war-torn northern and eastern regions of the country. He also stated his intention to expand an existing government credit guarantee program to include small and medium-sized enterprises. Lending targets for the financial sector, including microfinance, have been pegged at the equivalent of USD 29 billion by 2012, up from the current level of USD 6 billion. January 8. 2010

Bosnian Lending "Masquerading" as Microfinance?

Selma Cizmic of nonprofit microfinance institution (MFI) Mikro Loan Initiative for the Development of Economic Regions reportedly has said that Bosnian MFIs have failed to fulfill their social and economic development objectives. He is quoted as saying they are merely issuing "consumer loans…masquerading as microfinance," so that they can charge higher interest rates. Although Bosnia's microfinance loan portfolios grew at rates of up to 80 percent annually until 2008, trouble is now looming because MFIs have reportedly issued large numbers of loans without monitoring how borrowers were using the proceeds. January 8. 2010

Nigerian Farmers Question Interest Rates

Jude Mathias of the National Association of Microfinance Banks of Nigeria recently asked Nigerian farmers to "cooperate" with the sector's current standards after the Oyo State Branch of the Association of Nigerian Farmers complained that the six percent interest rate charged on many microloans is too high. Information on the time period corresponding to the interest rate is unavailable. January 8. 2010

Ghana Calls for Increased Consumer Protection

At a recent conference on the future of microfinance in Ghana, Microfinance Director Kobina Amoah of the Ghana Ministry of Finance and Economic Planning commented on the need for financial institutions to take voluntary measures to complement regulation, such as offering consumer education and increasing client protection. Beyond savings and loans, Vice Chancellor Naana Jane Opoku-Agyeman of the University of Cape Coast called for the development of additional financial services, such as microleasing, micro-money transfer and microinsurance. January 8. 2010

Central Bank of Nigeria Investigates Possible Fraud

Director Olufemi Fabanwo of the Central Bank of Nigeria's Other Financial Institutions Department has announced the investigation of five recently failed microfinance banks and that any director found to have operated without a license will be handed over to law enforcement. The five banks are Integrated Microfinance Bank, KFC Microfinance Bank, Bristol Microfinance Bank, Unique Microfinance Bank and Milestone Microfinance Bank, all based in Lagos. January 8. 2010

Conglomerates Enter Korean Microfinance via Controversial Miso

The Miso (Smile) Microcredit Foundation has been established by the Korean government to recruit companies from both within and outside the financial realm to open domestic microlending offices under its purview. So far, it has reportedly raised the equivalent of USD 1.69 billion to be lent over the next ten years. A range of Korean conglomerates have so far committed to opening branches or have already done so, including Samsung, SK Group, Hyundai-Kia Automotive Group, LG, Lotte and Posco. Miso Chairman Kim Seung-Yu has indicated that certain rules that have garnered criticism may soon be adjusted, including restrictions on lending to businesses under two years old and the exclusion of those who have previously applied for personal debt rescheduling programs. December 22. 2009, December 30. 2009, January 6. 2009 and January 19. 2010

Microcredit Gains Market Share in Indonesia's North Sumatra

Gatot Sugiono, a local representative of the central bank of Indonesia, recently argued that, "The potential for micro businesses in North Sumatra is still quite good," despite the financial downturn, and he reportedly predicted that microcredits may rise to constitute a majority of total bank credits in North Sumatra this year. January 6. 2010

Development Bank of the Philippines Supports MSMEs

Reynaldo G. David, CEO of the Development Bank of the Philippines, recently commented on efforts to increase the bank's support for micro-, small and medium-sized enterprises by expanding beyond wholesale lending to fund programs that assist entrepreneurs in increasing their creditworthiness and assist rural banks and cooperatives in decreasing their credit risk. January 5. 2010

Uniform Interest Rates Across Bangladesh?

While launching a management information system intended to strengthen the monitoring of banks and microfinance institutions (MFIs), Atiur Rahman, governor of the Bangladeshi central bank, recently urged NGOs to agree on a single, nationwide microloan interest rate. He also strongly encouraged NGOs to pay interest on deposits made by their clients. Quazi Mesbahuddin Ahmed, Managing Director of the Palli Karma-Sahayak Foundation, a service provider to MFIs, reportedly agreed, calling multiple interest rates "unfair." January 5. 2010

Fiji Issues Guidelines for Banks' Mandatory Microfinance

Reserve Bank of Fiji Governor Sada Reddy recently announced the implementation of guidelines to promote financial inclusion in Fiji's banking industry. Banks will be required to establish complaint management systems and internal microfinance divisions that operate within at least one existing branch in every town the bank serves. January 5. 2010

Economic Professors Discuss "Role of Microfinance"

Abhijit Vinayak Banerjee and Esther Duflo of the Massachusetts Institute of Technology and Dean Karlan of Yale University of Connecticut recently wrote in *The New York Times* regarding two research projects: (1) at First Macro Bank in the Philippines, profits increased for male-owned (but not female-owned) businesses as a result of microcredit access and (2) at Spandana Sphoorty Innovative Financial Services Limited in India, one in eight borrowers started a business that they would not have otherwise, and there was evidence that borrowers consumed less in the short-term in order to save for larger purchases. January 5. 2010

CRISIL Upgrades Asmitha Microfin Rating to BBB

CRISIL, a credit rating agency based in India, has upgraded the long-term loan rating of Asmitha Microfin Limited, a microfinance institution based in India, from "BBB-" with a "stable" outlook, to a "BBB" with a "stable" outlook as a result of increased capitalization. Asmitha reports total assets equivalent to USD 170 million, a gross loan portfolio of USD 140 million, 891,000 active borrowers, return on assets of 5.33 percent and return on equity of 55.5 percent. January 5. 2010

Bangladeshi Central Bank Targets Financial Inclusion

Atiur Rahman, governor of the Bangladeshi central bank recently stated that the focus of the next biannual monetary policy update will be financial inclusion. One proposed strategy is the development of public "telecentres," which would provide rural communities with access to the Internet for the purposes of sending remittances, evaluating borrower credit and spreading information about financial services available from the government, NGOs and microfinance institutions. January 5. 2010

Uganda to Bypass MFI "Technocrats" to Reach SACCOs

In a move to bypass microfinance institutions, the Ugandan government's Microfinance Support Centre (MSC) will reportedly begin directly funding savings and credit cooperatives (SACCOs), which will in turn provide credit to individual entrepreneurs. MSC Chairman Dr Specioza Wandera Kazibwe stated that until now, "Money has not been reaching the poor, it has been stopping in the hands of technocrats in [microfinance] institutions." The microfinance loans provided by SACCOs will require no collateral beyond the borrower's business and will set annual interest rates of 9 percent to 17 percent. MSC will also provide skill training to borrowers. January 5. 2010

Central Bank of Nigeria May Revoke MFI Operating Licenses

The Central Bank of Nigeria will reportedly revoke the operating licenses of a number of illiquid microfinance institutions, the names of which have not so far been released. Each bank will have to stop taking deposits and disbursing loans until it can either recapitalize or merge with another bank. The Nigerian Deposits Insurance Corporation will reimburse insured depositors as needed. January 5. 2010

EBRD Loans $2.9m to Union Bank of Albania for SMEs

The European Bank for Reconstruction and Development (EBRD) recently extended a medium-term euro credit line equivalent to USD 2.9 million to Union Bank, a private bank in Albania. With 31 branches, Union Bank focuses its activities on small and medium-sized enterprises. EBRD holds a 12.5 percent stake in the bank. January 5. 2010

Nigeria's AB Microfinance Bank Makes 3,000 Loans in First Year

In its first year of operation, AB Microfinance Bank of Nigeria has reportedly disbursed a total of 3,000 enterprise loans in amounts ranging from the equivalent of USD 33 to USD 6,688. AB was created in 2008 by its majority shareholder, Access Microfinance Holding of Germany, and minority shareholder Impulse Microfinance Investment Fund, which is managed by Belgium's Incofin. Other minority shareholders include the World Bank's International Finance Corporation and the African Development Bank. January 4. 2010

Switzerland, IFC to Build SME Infrastructure in Central Asia

The International Finance Corporation, the investment arm of the World Bank, and the government of Switzerland have launched a three-year program to improve the financial infrastructure and increase financial access for small and medium-sized enterprises (SMEs) in four Central Asian countries: Azerbaijan, the Kyrgyz Republic, Tajikistan and Uzbekistan. The program will include measures to create and improve credit information sharing systems and to educate financial institution employees on risk management. January 4. 2010

CAF to Invest $400k in Capacity Building Fund SICSA

The Andean Development Corporation (CAF), a multilateral finance institution, has committed USD 400,000 to the Investment Corporation for Microfinance in Central America and the Caribbean (SICSA), a fund that aims to improve the institutional capacity of microfinance institutions. Based in Panama, SICSA does not report to the Microfinance Information Exchange. January 4. 2010

EBRD Loans $5m to Uzbekistan's HamkorBank

The European Bank for Reconstruction and Development (EBRD) has extended a USD 5 million credit line to HamkorBank, an open joint-stock commercial bank in Uzbekistan, to increase the availability of financial services to micro- and small enterprises (MSEs). According to a press release from EBRD, state-owned banks control 85 percent of market share in Uzbekistan and often exclude MSEs from accessing loans due to a perceived high risk of default. January 2. 2010

Under Pressure, Nigerian MFI Passes the Buck

Amidst the turmoil in Nigeria's microfinance sector, representatives of the Nigeria Deposit Insurance Corporation have argued that poor microfinance institution (MFI) management is at fault for the failure to successfully provide financial services to underserved borrowers. Managing Director Rufus Oloye of Havilah Microfinance Bank reportedly argued that the problem lies in the "bad borrowing habits of Nigerians who are always perfecting their skills on not repaying loans." January 1. 2010

Pakistan's Asasah to Convert to Shariah-compliant Branches

Pakistani microfinance institution Asasah has reportedly agreed to purchase a range of services from Al Huda Centre of Islamic Banking and Economics (CIBE) including accounting and auditing treatments, Shariah supervision, staff training and advice on Shariah-complaint technology solutions. This is in preparation for Asasah opening its first Islamic branch on March 1, 2010, and converting its existing 27 branches over time into Shariah-compliant branches, which would offer loan products that do not charge interest. Instead of charging interest, Shariah loan products often involve the lender taking on risks with the borrower, with both parties sharing any profits. For 2008 Asasah reported a gross loan portfolio equivalent to USD 3.2 million, 28,000 borrowers and deposits of USD 70,000. January 1. 2010

UnityKapital of Nigeria to Expand Into Microinsurance

UnityKapital Assurance Plc, a Nigerian insurance company with 50 branches and an after-tax profit equivalent to USD 3.47 million, has announced an expansion into Islamic insurance and microinsurance. Under Islamic insurance, commonly known as takaful, policyholders act as joint investors with the insurance vendor and share in the investment pool's profits and losses. December 31. 2009

Egyptian Conference Revisits For-profit vs Nonprofit Debate

At a recent conference in Egypt, Bank of Alexandria Chairman Mahmoud Abdel-Latif argued against the NGO model of microfinance that prevails in Egypt, saying that, "Microfinance is not a strategy for assisting the poor; it is a method for those who have an idea and need money to implement that idea." December 31. 2009

Mercy Corps Upgrades Aceh from Emergency Mode to Microloans

Mercy Corps, a global relief organization, has transitioned its services in Aceh, Indonesia, from short-term emergency relief to long-term recovery through microfinance. The organization was initially involved in delivering emergency items including food, hygiene supplies and building materials to the devastated coastal region of Aceh, Indonesia, in the wake of the December 2004 earthquake and ensuing tsunami. More recently, it has assisted local women's groups in executing rebuilding projects, helped to recapitalize traditional banks and provided farmers with access to microcredit. December 30. 2009

Janta Foundation Accepting Online Microloans for Education

The San Francisco-based Janta Foundation recently launched a website that allows individuals to make loans as small as USD 25 to be used for education in India or Nicaragua. Regarding the likelihood of repayment, Janta's website says, "To minimize your individual risk, we recommend you not invest more than you can afford to lose…. With younger clients and longer loan terms, education microloans are expected to have higher default rates than traditional microfinance." December 30. 2009

Indian MFIs Agree to Credit Code, Take Stake in Credit Bureau

Two groups of Indian microfinance institutions (MFIs) recently agreed to counter over-indebtedness as follows: one group is jointly taking a five percent stake in High Mark Credit Information Services, a private credit bureau, and the other group is agreeing to a voluntary credit code whereby each MFI will offer no more than the equivalent of USD 1,000 to any borrower and no more than three lenders will lend money to a single individual, thereby capping total lending per individual at USD 3,000. The code will be monitored by the Microfinance India Network (MFIN), a trade association of microfinance lenders. Vijay Mahajan serves as chairman of both MFIN and the BASIX Group, an Indian microfinance group established in 1996 that reports an outstanding loan portfolio of USD 114 million. December 29. 2009

MIX Website Offers New Tools, More Multilingual Content

The nonprofit Microfinance Information Exchange (MIX) recently re-launched its MIX Market website with the support of Canada's MasterCard Foundation to offer more data on microfinance institutions' products and more content in Spanish, French and Russian. December 29. 2009

Financial Times Discusses Private Sector Activity in Microfinance

A recent article in British daily *Financial Times* discusses the concept of development dollars acting as a catalyst to engage much larger levels of private investment in financial services in poor countries. Also addressed is the need for a wider range of services beyond loans, such as savings. December 28. 2009

Microfinance Opportunities to Encourage Branchless Banking

The US-based nonprofit Microfinance Opportunities and Canada's MasterCard Foundation recently announced the launch of a three-year effort to encourage the adoption of branchless banking services in poor countries. Targeting rural areas and low-income youth and women in urban areas, the effort will involve the provision of financial education and the building of trust in tools such as mobile phones, automatic teller machines and smart cards. December 28. 2009

Tech Provider Gradatim of India Enjoys $3m Equity Investment

Gradatim, a provider of technology services to microfinance institutions and insurers, has raised USD 3 million in Series A equity funding from NEA-IndoUS Ventures, a venture capital firm that invests in India. Privately-held Gradatim, which has operations in India, Australia and Singapore, offers MFResolve, a credit and savings management platform, and MFInsure, which consists of tools for deploying new insurance products, expanding distribution networks and managing policies in real time. December 28. 2009

Can Indian Banks Lower Rates by Charging More?

After Reserve Bank of India (RBI) Governor D Subbarao recently criticized microfinance institution (MFI) lending rates of 24 percent to 30 percent, private banks asked permission to charge more than their benchmark prime lending rates of 11 percent to 16 percent for loans up to the equivalent of USD 4,265. The commercial banks argue that lifting the cap would allow them to exert downward pressure on the higher rates charged by MFIs. Governor Subbarao also stated that all banks will be required to formulate and get RBI approval for "financial inclusion plans" by March 2010 as part of an effort to explore whether financial inclusion is actually working to integrate poor people into India's formal financial sector. December 21 and December 28. 2009

European Fund for Southeast Europe Gets $41m, Expands Reach

The European Fund for Southeast Europe (EFSE), a major funder of institutions that finance housing and micro- and small enterprises, recently announced that it has secured funding commitments equivalent to USD 41 million, much of which will be invested in four countries in which it will invest for the first time: Armenia, Azerbaijan, Georgia and Belarus. The new funding commitments are: USD 14 million from the European Union's Neighbourhood Investment Facility, USD 22.7 million from the German Ministry for Economic Cooperation and Development (BMZ) and USD 4.3 million in C Shares (first-loss tranche of the fund) from the Development Bank of Austria (OEeB). For 2008, EFSE reported fund assets of USD 735 million.
December 28. 2009

Pundits See Mobile Money Hitting $202b by 2012

At a conference in Manila, a representative of consulting firm Edgar Dunn reportedly estimated that mobile banking will reach 364 million low-income people and will be worth USD 202 billion worldwide by 2012. December 25. 2009

SIDBI Takes 11% Stake in Bandhan for $10.7m

Bandhan Financial Services Private Limited, an Indian microfinance institution, has announced its first major equity raise, selling a reported 10.92 percent stake to the government-backed Small Industries Development Bank of India for the equivalent of USD 10.7 million. The funding will be used to consolidate existing operations and further expand beyond Bandhan's historical base in the eastern and northeastern sections of the country. Bandhan reports an outstanding loan portfolio of USD 232 million, 2.1 million clients and 1,008 branches in 15 states. December 24. 2009

Central Bank of Nigeria Encourages Cost Cutting

Central Bank of Nigeria Governor Lamido Sanusi recently urged microfinance banks (MFBs) to adopt cost-cutting measures, including the reduction of staff, in response to the recent liquidity problems among the 1,000 MFBs in Nigeria. Also, Mr Sanusi stated that, "MFBs should not mismatch assets and liabilities. Typically, MFBs get deposits of 30 days, however, they end up using [the 30-day deposit] to create loans of six months to one year." December 24. 2009

KfW Grants $860k to FINA Bank Rwanda

German development bank KfW Entwicklungsbank has agreed to grant the equivalent of USD 860,000 to FINA Bank Rwanda, which serves small and medium-sized businesses in Rwanda and has sibling banks in Kenya and Uganda. The funds will be used for training for staff and borrowers and for establishing a specialized microfinance department within FINA. December 23. 2009

SKS Microfinance Partners with Big Banks to Manage Cash

SKS Microfinance has signed agreements to launch an integrated cash management system for an additional 600 of its branches, each of which will partner with either the State Bank of India (SBI), the State Bank of Hyderabad or the State Bank of Mysore. The move gives branches Internet access to its external accounts and "will facilitate last mile cash-dealing." As part of the agreement, SBI is providing SKS with a term loan and credit line totaling the equivalent of USD 29.4 million. SKS reports total assets of USD 596 million, 3.5 million active borrowers, 1,676 branches, return on assets of 3.68 percent and return on equity of 18.7 percent. December 23. 2009

Christmas Withdrawals Threaten Nigerian MFIs

Some microfinance institutions (MFIs) in Nigeria are reportedly experiencing liquidity squeezes as their customers withdraw cash for the Christmas holiday. Olive Microfinance Bank CEO Eniola Agbesoyin reportedly attributed the increased withdrawals instead to a lack of customer confidence in the banking system and said MFIs are working to reassure their customers that the current "sanitization" being performed by the Central Bank of Nigeria is actually a reason to be more confident in the sector. December 23. 2009

LuxFLAG-labeled MIVs Maintain Performance Through Downturn

Luxembourg Fund Labelling Agency (LuxFLAG), an organization that certifies whether microfinance investment vehicles (MIVs) actually invest in microfinance, recently found that the financial downturn has had a relatively mild impact on the MIVs to which it has given its stamp of approval. Its findings include slower MIV growth, lower but positive monthly returns and slower demand for funding from underlying microfinance institutions that resulted in an increase in MIV cash positions. December 23. 2009

US Agency for International Development Funds Iraqi MFIs

Since 2008, the Tijara Provincial Economic Growth Program, funded by the US Agency for International Development, has worked to encourage private sector development in Iraq by funding microfinance institutions (MFIs), encouraging the implementation of investment laws and working to assist Iraq in joining the World Trade Organization. In many provinces, Tijara provides training for MFI staff on product development, marketing and English. As of October 2009, Tijara's eleven partners held 55,446 outstanding group and individual loans worth the equivalent of USD 81 million. December 23. 2009

Tanzania's SELF Reaches $15m in Loans to MFIs

With funding from the African Development Bank, the Tanzanian government's Small Entrepreneurs Loan Facility (SELF) has reportedly distributed the equivalent of USD 15 million to 250,000 people via 228 microfinance institutions. The repayment rate of 95 percent has been deemed "acceptable." The work to date was essentially a pilot covering six regions of the country, with plans to lend USD 130 million nationwide over an unspecified period of time beginning in 2010. December 23. 2009

Azerbaijan Unveils Consumer Protection Plan

The World Bank and the Central Bank of Azerbaijan recently released a document titled "The Protection of Rights and Financial Literacy of Financial Service Consumers in Azerbaijan," which includes plans for regulatory changes, broad-based increases in financial literacy and a consumer complaint hotline. December 22. 2009

IDB Approves $10m Guarantee for Chile's BCI

The Inter-American Development Bank (IDB) has approved a USD 10 million credit guarantee as part of a program from Banco de Crédito e Inversiones (BCI), a Chilean commercial bank, to provide loans to 80,000 microentrepreneurs. The program, which will be carried out by BCI's microfinance arm, BCI Nova Banca Emergente, will offer electronic payments and will use credit and background information from some of its corporate clients that have existing relationships with potential borrowers. Also, the IDB's Multilateral Investment Fund will provide USD 600,000 for training lending staff. December 22. 2009

US to Loan $300k in Vietnam as AIDS Relief

The US Agency for International Development will reportedly provide USD 300,000 in small business loans to 750 people in Vietnam who are affected by AIDS/HIV (including caregivers to children orphaned by the disease). Potential borrowers must present a business plan to qualify for the loans, which will have terms of up to three years. The interest rate to be charged, if any, is not specified. December 22. 2009

United Nations Grants $4m to Rwandan Microfinance

The UN Development Program has agreed to grant USD 4 million to continue - through 2014 - the implementation of Rwanda's National Microfinance Strategy, which includes refinancing and management improvements for microfinance institutions and enhanced market access for microenterprises. December 22. 2009

EBRD Extends $5m Local-currency Line to Moldova's Microinvest

The European Bank for Reconstruction and Development (EBRD) has extended a local-currency credit line equivalent to USD 5 million to Microinvest of Moldova for on-lending to micro- and small enterprises. Microinvest will also receive USD 100,000 in grant funds to strengthen its risk management efforts. Founded in 2003 by Soros Foundation Moldova, Microinvest reports a gross loan portfolio of USD 25.8 million and 4,388 borrowers. December 22. 2009

India's Moneylenders Gain Despite Growth of Microfinance

While many observers expected the growth of microfinance during the past several years to adversely impact traditional moneylenders, a Reserve Bank of India report indicates that the market share of rural pawnbrokers, gold merchants and other private moneylenders has in fact grown from 17.5 percent to 29.6 percent. Some researchers believe that moneylenders are keeping afloat microfinance borrowers by helping them repay microloans. Padmaja Reddy, managing director of microlender Spandana Foundation, recently argued that the moneylending boom instead represents an increase in "overall demand for credit" and is an indication of still-untapped market demand for microfinance. December 22. 2009

Indonesia's Yamida Has Disbursed $2.2m Since Tsunami

Since 2005 Yayasan Mitra Dhuafa (Yamida), a microfinance institution in Indonesia, has disbursed loans worth USD 2.2 million to 16,000 women in Banda Aceh. Founded with philanthropic funds after the 2004 tsunami, Yamida has since opened nine branches. December 22. 2009

State Bank of Pakistan Prioritizes Microfinance

State Bank of Pakistan Governor Salim Raza recently discussed measures taken to grow the microfinance sector, including the recent development of regulations for microfinance institutions to accept funding from public depositors, international financial institutions and private investors; the relaxation of criteria for borrowers; plans to establish a credit bureau exclusive to microfinance; and an increased ceiling on lending to the equivalent of USD 1,780 for general purpose loans and USD 5,934 for housing loans. December 22. 2009

IDB to Loan $10m to Mibanco of Peru for Medium-term Lending

The Inter-American Development Bank (IDB) has agreed to provide USD 10 million to Mibanco, a Peruvian microfinance institution, to launch "Crecer Mi Negocio" ("To Grow My Business"), a medium-term lending product that will offer female entrepreneurs loans of approximately USD 2,500. A parallel USD 3 million grant from the IDB's Multilateral Investment Fund will provide business training to the borrowers. Mibanco reports total assets equivalent to USD 957 million, a gross loan portfolio of USD 781 million, deposits of USD 580 million and 380,800 active borrowers. December 22. 2009

Guyana Agricultural Symposium Addresses Microinsurance

At the recent symposium held in Guyana, Associate Deputy Director General David Hatch of the Costa Rica-based Inter-American Institute for Cooperation on Agriculture argued that, "Without effective risk management, poverty reduction will not occur; insurance is an essential risk management tool." December 22. 2009

IDB Loans $5m to Global Partnerships Fund

The Inter-American Development Bank has announced that it will loan USD 5 million to the Global Partnerships Microfinance Fund, a USD 25 million fund slated to invest in 20 microfinance institutions in at least twelve Latin American countries. Global Partnerships is a nonprofit with assets of USD 15.4 million. December 21. 2009

First Bank Nigeria Disburses $2.1m Since 2009 Debut

First Bank Nigeria Microfinance Limited, the microfinance arm of financial services provider First Bank Nigeria, reports that it has loaned the equivalent of USD 2.1 million to 1,250 customers since it began operating in January 2009. The microbank currently operates eleven locations in Lagos State and intends to open four new branches in the first quarter of 2010. December 21. 2009

MEET THE BOSS

François Durollet is the Managing Director of PlaNet Finance.

François Durollet

PlaNet Finance Group is an international organization with the mission of alleviating poverty through the development of microfinance. The group consists of a non-governmental organization (NGO) called PlaNet Finance, which has historically been at the heart of the group and offers advisory and training services, as well as a set of social businesses. Among these, Planet Rating is a microfinance rating agency, PlaNIS is specialized in the structuring and management of microfinance funds, MicroCred is a microfinance holding company investing in greenfield microfinance banks and non-banking financial institutions, PlaNet Guarantee provides microinsurance and FinanCités is a venture capital company that invests in very small enterprises in French urban areas.

François Durollet joined PlaNet Finance Group as PlaNet Finance's Managing Director in late 2009. After completing graduate studies in Law and Public Finance at the University of Pantheon-Sorbonne in Paris, France, Mr Durollet was a financial manager for several municipalities. He then spent 20 years in the banking sector, holding leadership roles in risk management and technology and serving as Chief Financial Officer for Dexia Crédit Local, a French subsidiary of Belgium's Dexia Group.

MicroCapital: This will be the fifth profile MicroCapital has published on key PlaNet Finance Group staff members over the past year; would you please explain how the different units of the organization work together?

François Durollet: PlaNet Finance Group was created over ten years ago by Arnaud Ventura and Jacques Attali and functions in a unique way that combines social business activities and nonprofit activities. It is the power and efficiency of this business model, which is something quite difficult to implement, that drew me toward PlaNet Finance. We use emerging initiatives and techniques, such as mobile banking, asset management, risk management and social responsibility, to pull communities in developing countries out of poverty.

MC: How is the PlaNet Finance Group model unique?

FD: PlaNet Finance holds a very unique position in the sector as the only organization that combines nonprofit and social businesses activities within the same group. This model gives PlaNet Finance the flexibility to design innovative projects such as one that provides microinsurance for agricultural crops via PlaNet Guarantee. Here we have been able to provide both technical assistance and micro-insurance schemes in the same package to set up microinsurance programs in Asia, Latin America and the Middle East.

There is another point that I wish to highlight regarding the model of PlaNet Finance Group. All our new ideas are initially set up in the nonprofit part of the organization, which acts as an incubator. Once these activities become sustainable, they can become social businesses. At this point in the process, PlaNet Finance seeks either equity or technical partnerships with external organizations. PlaNIS's activity, for example, has been incubating within the nonprofit part of the organization since its inception three years ago. All of PlaNet Finance Group's social business activities are examples of this process.

One new idea that we are working on, which relates to the management of cross-currency risk when refinancing microfinance institutions, should start this process of incubation soon. We always have one or two ideas in our NGO incubator.

MC: What non-financial services does PlaNet Finance provide?

FD: This is a very important question, as far as the NGO is concerned. Our aim is to develop two types of services or missions in the field. The first kind of service is highly technical and investigates ways to help MFIs improve their microfinance activity through up-scaling, downscaling and the opening of greenfield institutions. We are also trying to develop "microfinance plus" activities that combine microfinance with gender empowerment activities, production optimization, the hunt for new markets and the organization of microentrepreneurs into cooperatives so that they can develop strong positions in the market.

All our new ideas are initially set up in the nonprofit part of the organization, which acts as an incubator. Once these activities become sustainable, they can become social businesses.

MC: In what areas has PlaNet Finance Group grown over the past year?

FD: There are now close to 1,000 people working for PlaNet Finance Group, and, of those, about 200 are working in PlaNet Finance, the nonprofit arm. Our number of employees has increased considerably because of the growth of MicroCred. Although we may be business-oriented, we always bear in mind the effects of our actions on communities on the ground. This motto is also apparent among PlaNet Finance's staff, in terms of human resources management. In particular, we promote solidarity and gender equality within the workplace by enforcing policies such as equal salaries for men and women.

MC: Where do you anticipate the most change over the next few years?

FD: As far as PlaNet Finance is concerned, the huge market for growth and innovation is definitely in Asian countries, mainly China and India, where PlaNet Finance is not in a very strong position. PlaNet Finance set up operations in China more than seven years ago and has been very active over the past three years, since it started MicroCred Nanchong, one of the first microcredit companies and the sole foreign-owned microfinance company in China. German development bank KfW and the International Finance Corporation are joint shareholders with us there.

MC: What do you predict for the future of the microfinance sector?

FD: This is not an easy question. I view microfinance as a long-term story. I have fears about possible difficulties in countries where MFIs aren't well regulated and there is insufficient transparency in the way loans are provided. There could be some regional bubbles, such as in India. I don't see a quiet story for the future of microfinance, but rather some ups and downs. However, on the whole, I expect impressive growth each year.

CGAP MICROFINANCE DEALBOOK

POWERED BY MicroCapital

TOP DECEMBER 2009 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.

Investor	Investee	Region	Amount (USD)	Type
Eton Park Capital Management	Financiera Independencia	LAC	~54,500,000	Equity
FMO (The Netherlands Development Finance Company)	Microfinance Enhancement Facility	WW	~22,500,000	Debt
BMZ (German Ministry for Economic Cooperation and Development)	European Fund for Southeast Europe	ECA	16,000,000	Unspecified
HSBC Private Equity, Intel Capital & International Finance Corporation	Financial Information Networks and Operation	SA	~15,000,000	Equity
European Union Neighborhood Investment Facility	European Fund for Southeast Europe	ECA	14,500,000	Unspecified
FMO (The Netherlands Development Finance Company)	Khan Bank	ECA	13,750,000**	Debt
European Bank for Reconstruction and Development	Access Bank	ECA	~10,000,000	Debt
Inter-American Development Bank	Mibanco	LAC	10,000,000	Debt
Inter-American Development Bank	Banco de Credito e Inversiones	LAC	~10,000,000	Guarantee
Small Industries Development Bank of India	Bandhan Financial Services Private Limited	SA	~10,000,000	Equity
FMO (The Netherlands Development Finance Company)	Kyrgyz Investment and Credit Bank	ECA	7,000,000**	Debt
BMZ (German Ministry for Economic Cooperation and Development)	European Fund for Southeast Europe	ECA	6,890,000	Unspecified
LeapFrog Investments	AllLife	SSA	~6,800,000	Equity
Triodos Fair Share Fund	Centenary Bank	SSA	~5,320,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Equity Bank	SSA	5,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Kenya Women Finance Trust	SSA	5,000,000	Debt
European Bank for Reconstruction and Development	Microinvest	ECA	~5,000,000	Debt
European Bank for Reconstruction and Development	Hamkor Bank	ECA	5,000,000	Debt
Finnfund	ShoreCap II Fund	WW	5,000,000	Equity
Inter-American Development Bank	Global Partnerships	LAC	5,000,000	Debt
Development Bank of Austria (OEeB)	European Fund for Southeast Europe	ECA	4,350,000	Unspecified
Advans SA SICAR	Advans Banque Congo	SSA	3,199,000	Equity
Dexia Micro-Credit Fund (BlueOrchard Finance)	ESAF Microfinance and Investments	SA	3,000,000	Debt
European Bank for Reconstruction and Development	Bank Respublika	ECA	~3,000,000	Debt
Impulse (Incofin)	XacBank	ECA	3,000,000	Debt
International Finance Corporation	AB Microfinance Bank	SSA	~3,000,000	Debt
NEA-IndoUS Ventures	Gradatim	SA	3,000,000	Equity
Triodos-Doen & Hivos-Triodos Fund	Opportunity International Bank Malawi Ltd	SSA	3,000,000	Debt
Incofin & Aavishkar Goodwell	Grameen Koota	SA	~2,800,000	Equity
Triodos Microfinance Fund	Mibanco	LAC	2,500,000	Debt
European Bank for Reconstruction and Development	Kyrgyz Investment and Credit Bank	ECA	2,500,000	Debt

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 (~); a double asterisk (**) indicates that the transaction included funding of non-microfinance services and the amount shown is an estimate of the allocation specifically to microfinance*

EDITORIAL

Microfinance in 2010… What's the Next Big Thing?

With the onset of a new year, I took some time to reflect on the outlook for the microfinance industry in 2010. Many microfinance institutions (MFIs) are still up to their ears in the muddy combination of low growth, high costs and limited capital, yet some are faring better than others. I took a quick look at some numbers in two countries where MFIs have developed a deposit base. These make a compelling argument for a focus on savings. In Peru, non-deposit-taking EDPYMEs (entidades de desarrollo de la pequeña y micro empresa), which have seen stellar growth over recent years, lost 22 percent of their clients and 26 percent of their portfolios in the 2009 through November. Deposit-taking CMACS (Credit Municipales de Ahorro y Credito) have fared better, gaining 11 percent in number of clients and 16 percent in portfolio in the same period. Their total deposits have also increased 23 percent in total during the period, adding 16 percent new savings clients. Time deposits (aimed mostly at the middle classes) led this trend, growing 26 percent yet savings accounts (targeting smaller clients) also grew a respectable 8 percent. In Bolivia, the Association of Financial Entities Specialized in Microfinance (ASOFIN) reports data from regulated deposit-taking MFIs, which saw net loan portfolio growth of 17 percent over this period, with stellar deposit growth of 34 percent.

So are savings the Next Big Thing? Certainly donors are focusing more on the issue, with new funding from Gates and the International Finance Corporation among others in the works. But what about savings? Dean Karlan notes that one randomized controlled trial shows MFI clients, especially women, preferred savings accounts structured like time deposits that limit short-term withdrawals. According to Professor Karlan, this gives clients security that they won't squander their savings. More experiments like Professor Karlan's should be put into practice.

Scale is essential to recover the costs of taking tiny deposits and many MFIs just don't have this scale. Donors should also encourage efforts to consolidate players in countries with large microfinance sectors. Some small MFIs do a great job of reaching poor people in remote locations and should not be squeezed out. One option is to encourage synergistic relationships between MFIs (which successfully reach poor people) and banks and other deposit-taking entities.

Offering insurance products with savings components at un-regulated MFIs through insurance companies is an interesting option for MFIs to broaden their product offering without having to set up back office and risk policies and procedures. Finally, there is a need for effective regulation and supervision and a supportive enabling environment for MFIs to take savings. This seems like the duller of the issues until weak governance lands an MFI manager in prison or depositors end up losing the money saved for their children's education.

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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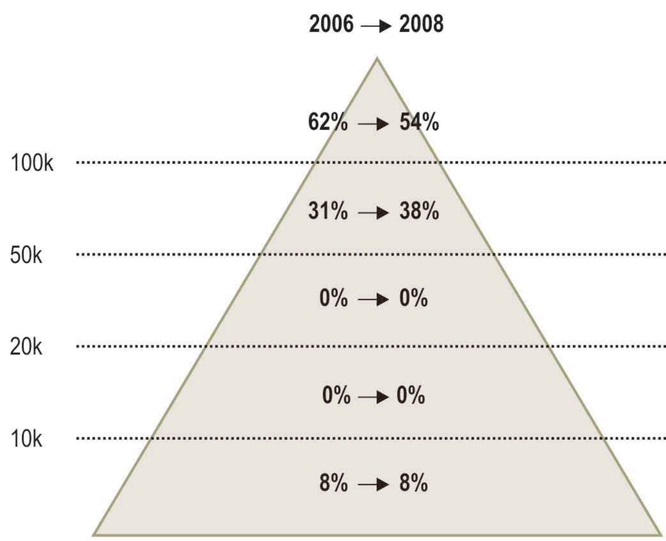
MICROCAPITAL MARKET INDICATORS I BANGLADESH

13 MFIs REPORTING[1]

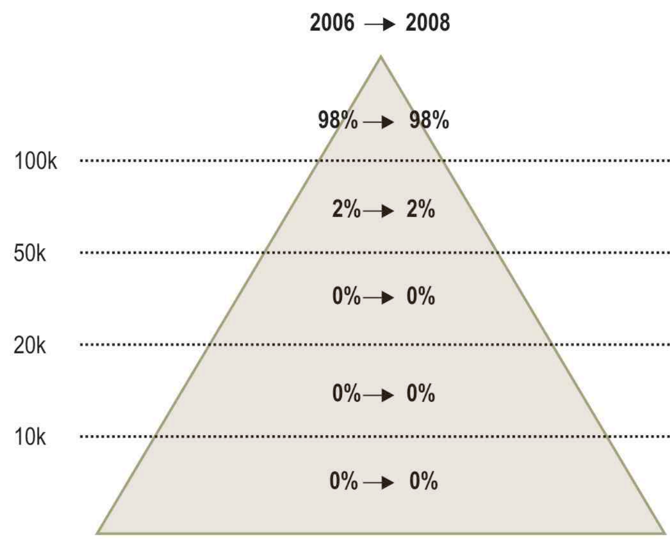
TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
BRAC - Bangladesh Rural Advancement Committee	148,895,551	36	350,147,616	647,938,718
ASA - Association for Social Advancement	80,412,071	24	305,257,344	466,081,486
Grameen Bank	80,085,588	15	482,086,336	642,257,512
BURO Bangladesh, formerly BURO Tangail	11,774,915	43	22,682,296	46,232,126
Society for Social Services	5,966,735	21	25,175,444	37,108,914
Shakti Foundation for Disadvantaged Women	3,418,013	20	15,400,750	22,236,777
Sajida Foundation	3,015,702	45	5,459,560	11,490,964
HEED Bangladesh	1,274,710	23	5,015,545	7,564,966
Jagorani Chakra Foundation	989,663	4	22,914,918	24,894,244
DSK - Dushtha Shasthya Kendra	694,018	9	7,321,582	8,709,617

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., January 2010, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Second Microfinance & Sustainable Development Summit
January 25 - January 27, 2010, New York, USA
This event will look at broadening the scope of impact investing to identify opportunities for investors looking for both social and financial benefits. A discounted fee of USD 799 is available to *MicroCapital Monitor* subscribers. Details are available via +1 646 378 6026, info@iqpc.com or http://www.microfinanceconference.com/.

Microfinance Investments in Asia: Capturing the Untapped Potential of Asian Markets & International Investors
January 26 - January 27, 2010, Singapore
This conference is intended for policy makers and investors to gain exposure to microfinance investment opportunities in Asia. The full registration fee is USD 2399, with various discounts and an add-on workshop available. More information is available via http://hansonwade.com/events/microfinance-investments-in-asia/, +44 203 178 3420 or info@hansonwade.com.

Nepal Microfinance Summit
February 14 - February 16, 2010, Kathmandu, Nepal
Presented by Nepal's Center for Microfinance, 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 Stategies for Delivery, Partner-Agent Models and Scalability
February 23 - February 25, 2010, London, UK
This event will cover distribution models, key performance indicators, marketing, boosting insurance literacy among low-income clients and other topics. The fee to attend is GBP 1,499 (USD 2440), with discounts and add-on workshops available. More information is available via +44 (0) 203 141 8700, info@hansonwade.com or http://hansonwade.com/events/microinsurance-summit-2010/.

Doing Good and Doing Well:
A Conference on Responsible Business
February 26 - February 27, 2010, Barcelona, Spain
This event will cover microfinance, corporate citizenship, public-private partnerships and renewable energy. The registration fee is EUR 250, with discounts available for affiliates of the organizers. More details are available via dgdw@iese.net, http://dgdw.iese.edu/ or +34 93 253 42 00.

MMT Americas Conference and Expo
March 8 - March 11, 2010, Cancun, Mexico
This mobile money transfer event will focus on interactive roundtable discussions and actionable advice on launching mobile financial services. Registrations completed by February 5 cost USD 1,599, 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.

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 1199 to GBP 1499, 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
The goal of this forum is to encourage discussion about electronic money. Through January 29, registration fees are GBP 399 (USD 650) + VAT for two days or GBP 250 (USD 400) + 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. No telephone number is offered, but more details are available via mfntsummit2010@planetfinance.org or http://www.mfntsummit2010.com.

M-Commerce World Summit 2010
March 16 - March 19, 2010, Singapore
This event will focus on mobile remittances, mobile banking, near field communication technologies, microfinance services and mobile marketing. The full delegate fee is SGD 5,450 (USD 3,900) through January 26, and a range of discounts are available. More details may be had via registration@symphonyglobal.com, +65 6221 8119 or http://symphonyglobal.com/index.php/event/page/m-commerce/.

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 is requested by February 1. More details are available via mfinvestors2010@banking-gtz.cn, +86 010 85325506 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 300 through January 31, with various discounts available. Further information is available via info@microcreditsummit.org, +1 202 637 9600 or http://regionalmicrocreditsummit2010.org/.

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 1395, with add-on workshops available. Details are available via Kristy Perkins at k.perkins@americanconference.com, +1 416 927 8200 or http://www.microfinancecongress.com/.

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. 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/.

PAPER WRAP-UPS

Microinsurance that Works for Women: Making Gender-Sensitive Microinsurance Programs

By Anjali Banthia, Susan Johnson, Michael McCord and Brandon Mathews, published by the International Labour Office, Swiss Agency for Development and Cooperation and Women's World Banking, 2009, 37 pages, available at: http://www.swwb.org/microinsurance-that-works-for-women

This paper analyzes what the authors call a "gendered approach" toward providing microinsurance to poor women. While microinsurance allows poor people to protect themselves against vulnerability shocks, it can also serve as an additional source of revenue for microfinance institutions (MFIs).

Two gender-specific risks that microinsurance products can account for include (1) health risks relating to pregnancy, childbirth and higher susceptibility to diseases such as HIV/AIDS and (2) the greater tendency of women, due to family responsibilities, to work in informal-sector jobs that makes them "more likely to fall victim to risks such as theft of assets and harassment by authorities."

Microinsurance addresses these risks by reducing women's needs to rely on inefficient forms of savings, thus mitigating risk of household health and income shocks. The authors recommend that organizations must consider the following characteristics when designing microinsurance plans for impoverished women: (1) coverage that is affordable for women with specific health or maternity issues; (2) extended health coverage for entire families; (3) extended life coverage in the event of death of spouse; (4) property and asset insurance under the woman's name, so in the event of the husband's death, assets will not be taken control of by his relatives; and (5) insurance for children in the event of the mother's death.

The process through which microinsurance is provided should also be specifically tailored towards the needs of women by ensuring that: (1) microinsurance services are available to clients of MFIs; (2) life coverage is on flexible terms; (3) women sales agents are utilized to make female clients feel more comfortable during communication, education and marketing efforts; and (4) insurance policies are clear and simple to understand. Women should also have the ability to receive assistance to better understand the insurance policies and claims process.

The authors conclude the paper by proclaiming that further research is required by MFIs in order to develop microinsurance initiatives that are more responsive to women's needs. They recommend that insurance companies work with MFIs to develop these schemes and argue that donors are essential to this process in order to fund research, improve client education, provide technical assistance and assist with MFI capacity building.

Scenarios for Branchless Banking in 2020

By Mark Pickens, David Porteous and Sarah Rotman, published by CGAP (Consultative Group to Assist the Poor) and the UK Department for International Development (DFID), November 2009, 28 pages, available at: http://www.cgap.org/gm/document-1.9.40599/FN57.pdf

Based on data from 200 experts, this study identifies four forces that may be poised to affect the wide adoption of branchless banking: (1) the changing demographics of users, (2) the actions of increasingly activist governments, (3) rising crime and (4) the spread of Internet access via data-enabled phones even in poor countries and communities.

The study also identifies four uncertainties relating to branchless banking: (1) the types of entities that will be allowed to provide branchless financial services; (2) whether providers will craft viable business models for services beyond payments; (3) how competition will play out; and (4) how consumer, business and regulator confidence will be affected by the inevitable failures that will happen.

The study then imagines four scenarios involving fictional countries and organizations in which the forces and uncertainties combine to create four divergent outcomes by 2020.

In "Bharatia," a microfinance institution offers flexible savings and loan options for members of self-help groups (SHGs). By 2020, SHG members have easy cell phone access, and the offering becomes very popular due to its flexibility and simplicity. Now they use their mobile phones to enter data about the SHG and the loan desired, and they are able to access competitive pricing from a range of institutions.

The government of the Pacific island nation "Telmar" initially fails to convince a bank and a mobile network operator to form a joint venture to enter poorly served markets. After expanding the scheme to the entire Pacific region (presumably with cooperation from other governments), offering exclusive rights to deliver government benefits and securing international donor funds, the program gains traction.

In "Amazonia," a state-owned bank falters under government requirements to increase fees to non-bank agents and build branches to meet financial inclusion goals. Meanwhile, an e-payment business grows by offering Internet payments with limited government regulation.

Mobile payment company "MpayZ" finds that its agents are suffering as fewer customers withdraw cash because they instead are making non-cash payments directly to merchants.

Microfinance Institution Benchmarks

Published by the Microfinance Information Exchange (MIX), various dates, available at: http://themix.org/publications/search/results/taxonomy:24

The Microfinance Information Exchange (MIX) recently released a string of microfinance institution "benchmarking" reports, including one in English covering Kosovo and several in Spanish covering Bolivia, Columbia, Mexico, Peru and El Salvador plus a regional report on Latin America and the Caribbean.

Microfinance as a Poverty Reduction Tool: A Critical Assessment

By Anis Chowdhury, published by the United Nations Department of Economic and Social Affairs as Working Paper No. 89, December 2009, 13 pages, available at http://www.un.org/esa/desa/papers/2009/wp89_2009.pdf

This working paper debates the effectiveness of microfinance as a tool for poverty reduction. The author begins by describing the conflicting opinions and dearth of credible studies that have analyzed the degree to which microfinance loans reduce poverty. Impact analysis in a limited number of previous studies has shown that microcredit loans do not decrease poverty. Instead, results show that, "a vast majority of [borrowing households] with starting incomes below the poverty line actually ended up with less incremental income after getting micro-loans, as compared to a control group which did not get such loans." However, Chowdhury points out that credit is not the sole factor at play when determining microfinance's success in boosting household income. There are, in fact, a plethora of complementary factors that are essential for microcredit loans to be more effective. On the supply side, these microloans are more beneficial when microfinance institutions (MFIs) also offer training in management, entrepreneurship and basic education. On the demand side, small businesses require (and often lack) "a vibrant, well-functioning domestic market that encompasses enough people with enough money to buy what these enterprises have to sell." Thus, microfinance loans, by themselves, cannot simply make poor households successful. Rather, they are most effective when combined with other services and market improvements.

Chowdhury also discusses the heavy criticisms against the interest rates charged by MFIs. Critics of microfinance argue that these institutions charge far too high of an interest rate, which can range up to 100 percent on an annualized basis. MFIs or NGOs that are able to charge lower interest rates are often able to do so only because of subsidies. MFIs justify higher rates based on the argument that high interest rates help attract investors and that MFI interest rates are still far better than alternative options, such as borrowing money from traditional moneylenders at even higher interest rates. Other criticisms in the industry include arguments that MFIs are still exclusionary, since they often fail to provide services to the poorest people.

Despite such skepticism toward the effectiveness of microfinance programs, the author contends that microfinance has proven to be successful in encouraging consumption-smoothing behavior and in providing a risk-coping safety net for those most susceptible to vulnerability shocks. It has also helped to move financial power away from local loan sharks, to empower especially female borrowers and to boost clients' self-esteem.

Chowdhury concludes by claiming that impact analyses show that borrowers who hold advantages, such as business skills, entrepreneurship abilities and education, are most likely to succeed in rising above the poverty line. Thus, he argues that microcredit loans ought to be geared toward small businesses in the informal sector, rather than toward those who lack assets and entrepreneurship abilities. Finally, for such schemes to make a significant impact in poverty reduction, the author recommends that public policies ought to focus more on broad growth programs that intend to increase overall productivity and levels of employment. He calls to attention the importance of government involvement in designing and operating financial schemes and believes that only through the combined efforts of the financial sector and government can poverty reduction be realized.

CGAP Financial Access 2009: Measuring Access To Financial Services Around The World

Published by CGAP (Consultative Group to Assist the Poor), September 2009, 92 pages, available at: http://cgap.org/p/site/c/template.rc/1.9.38735/

According to this report, microenterprises with access to savings accounts invest more in their businesses, consume more and are less prone to sell off business assets to pay for medical emergencies. Policies that promote savings account ownership at microfinance institutions (MFIs), cooperatives and state-owned financial institutions, like postal banking networks, have the potential to reach many poor clients in developing countries. However, regulators in developing countries must also adapt traditional bank policies in order to maximize savings by poor people.

"Know your customer" rules are designed to verify the identity of bank clients and to protect the bank against illicit activity. Typically, potential clients must provide government-issued identification, proof of address or proof of legal status in the country. If applied without adaptation to MFIs and cooperatives, this policy has the potential to restrict access to savings account ownership by poor people, who often lack government-issued identification or even an address. Regulators in some developing countries have provided for alternative forms of identification like letters from village officials attesting to the client's identity. In South Africa, regulators permit more relaxed identification requirements in some jurisdictions, so long as the withdrawals do not exceed a certain level.

One indicator for access to credit is to measure the number of loans taken out by poor people. For the poor, access to credit can smooth consumption during times of unstable or no income and provide a means to develop a business. With respect to microenterprises, regulators can act in two broad areas to improve access to credit, i.e. improving the availability of credit information and the enhancement of consumer protection.

Traditionally, credit bureaus provide lenders with information about the payment behavior of potential borrowers from various sources, which in turn allows lenders to screen borrowers and make better lending decisions to borrowers that are approved. According to the report, without this type of credit information system, lenders typically overextend credit. In order to allow for a comprehensive credit information system, a regulatory framework must both protect individuals' data from theft and also insulate institutions' customer data from other institutions, which may try to "poach" customers. According to the report, microfinance regulators should encourage the use of credit information by lenders when they screen potential borrowers. In Peru and Ecuador, national government registries partner with private credit bureaus, which in turn provide credit information about unregulated entities, like MFIs and cooperatives.

With respect to consumer protection, regulators have at their disposal disclosure requirements that allow potential borrowers to compare the true cost of credit across different providers and shop for the best loan.

Disclosure requirements may cover a number of loan terms, such as the cost, fees and duration of the loan. In addition, some countries have imposed a "plain language" requirement on the disclosure of loan terms and the requirement that any changes in loan terms be disclosed. Microfinance borrowers sometimes do not understand the terms due to lack of financial literacy. Regulators and lenders can provide training in financial literacy in order to make disclosure meaningful. In Peru, new regulations require that lenders post easy-to-understand tables of loan repayment schedules so that borrowers can better understand the cost of a particular loan and then compare the costs of different loans.

Climate Change and Microfinance

By Asif Dowla, published by the Grameen Foundation and Oxfam America, November 2009, 39 pages, available at: http://www.grameenfoundation.org/sites/default/files/Climate_Change_12-8-09.pdf

This report discusses the potential impacts of climate change on microfinance institutions (MFIs) and how MFIs will need to adapt to the changing environment. The author argues that developing countries in Africa, Asia and Latin America will be the hardest hit by adverse effects on crop growth, increased flooding and the spread of disease.

Citing anecdotal evidence that crop production is highly correlated with borrowers' repayment rates, the author claims that climate change, manifested in the form of natural disasters such as droughts and floods, will have significant "indirect consequences for these institutions [MFIs]." As climate change increases the frequency of disasters, defaults on microloans will increase. Furthermore, relief funds that were once used to mitigate isolated disasters will become far less accessible. The author predicts that in the future, MFIs will be pressured to forgive debt, which will "have the potential to destroy the cherished culture of repayment that [they] have painstakingly built over time."

Since the potential impacts of climate change are dire, "the top priority for MFIs should be to climate-proof their existing products: credit, savings and insurance." To climate-proof loan products, the author suggests that MFIs must be more flexible with repayment terms, allowing members to reschedule installments during or after natural disasters. He also suggests that MFIs build climate-oriented regulations into loan contracts. When providing a housing loan, for example, MFIs could require borrowers to plant trees around their houses, thereby limiting the effect of high winds and receding floodwaters.

To climate-proof savings products, the author advocates the use of voluntary savings accounts instead of compulsory savings accounts. While compulsory savings accounts act as a cushion for MFIs to provide further on-lending, borrowers are not allowed to use these funds during a crisis. As a result, they are more likely to become dependent during emergencies on usurious loans from moneylenders to pay for essential items. The author suggests that MFIs should provide voluntary savings in addition to developing "a line of credit they can access to meet the increased demand for withdrawals during disasters."

With regards to insurance products, the author addresses the need for an expansion of index-based risk transfer products. These products work by providing policies that pay a fixed amount in the event of a measurable occurrence of a natural disaster, such as an earthquake registering a certain magnitude or a drought that has lasted for a certain number of days. "Once weather-based indices are well developed, they can be used to trigger funding to MFIs to deal with climate-related disasters. For example, a consortium of donors could take out a contract to insure the portfolios of MFIs in Bangladesh against the risk of floods."

In addition to insuring borrowers, MFIs should be able to insure their own portfolios against natural disasters. This would require partnerships between MFIs and insurance companies. The author also advises MFIs to create partnerships with multilateral institutions to develop concessional funding facilities. As an additional precaution, MFIs should develop flexible disaster plans to deal with a range of natural disasters and diseases.

Lastly, the author suggests that MFIs should take advantage of the market for carbon trading and solar energy. This has numerous potential advantages, including job creation and a decrease in hazardous and polluting practices such as the use of kerosene lamps and the burning of cow dung and wood for cooking. "The most important benefit is that…clean energy will allow the poor to become agents of change - reducing greenhouse gas emissions even though the poor have the lowest carbon footprint."