

MICROCAPITAL BRIEFS | TOP STORIES

South Africa's Blue Reports Big Loss, Loses License in Rwanda

Blue Financial Services, a South African microfinance institution with operations in 14 African countries and total assets equivalent to USD 343 million, has reportedly lost its operating license in Rwanda after announcing it expects a company-wide loss of up to USD 194 million for the year that ended in February. According to a media report, the license suspension was due to allegations of fraud, but Blue counters that it came to an agreement with the central bank to suspend operations due to a capitalization shortfall. June 16, 2010

World Bank Loans \$407m for Better Data, On-lending in India

The World Bank has approved USD 300 million in loans to the Small Industries Development Bank of India for on-lending to microfinance institutions. A separate USD 107 million loan from the Statistical Strengthening Loan Program to the national government of India is intended to "enable states and union territories to make progress towards common national standards...and to improve the credibility, timeliness and accuracy of these and other statistics at both central and the state levels." June 3 and June 15, 2010

Gates, USAID Offer \$15m for Mobile Money Services in Haiti

The US-based Bill and Melinda Gates Foundation and the US Agency for International Development (AID) have announced a USD 15 million fund to encourage companies to initiate mobile financial services in Haiti. Two companies will be eligible to receive a total of USD 4 million for launching services within the next six to 12 months. USD 6 million will be awarded as incentives for the completion of the first 5 million transactions. The remainder will be disbursed for technical assistance and direct employment programs. June 11, 2010

India's Kerala State Defends NBFC Rate Cap in Court

Instigating multiple court challenges, Kerala and Andhra Pradesh, two states in southern India, have mandated that non-banking financial companies (NBFCs) and microfinance institutions (MFIs) register under local moneylending laws, which limit the interest rates they may charge. The High Court in Andhra Pradesh has exempted MFIs from the requirement, and NBFC Shriram Transport Finance Company is now challenging the mandate in the Kerala court system. The maximum rate in Andhra Pradesh has not been specified, but Kerala's regulation states that a moneylender is not permitted to charge more than 2 percent per year over the applicable Reserve Bank of India interest rate. June 7, 2010

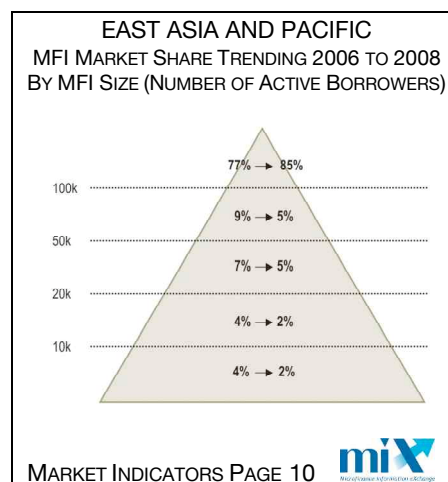
EFSE Pledges \$1b to Small Businesses in Southeast Europe

In advance of its annual meeting this month, the European Fund for Southeast Europe, a microfinance investment fund, pledged the euro-equivalent of USD 1 billion to finance housing improvement loans to low-income households and long-term loans to micro- and small enterprises. The fund reports an outstanding investment portfolio of USD 775 million. May 31, 2010

China Development Bank Loans \$51m to Kenya's Equity Bank

The state-owned China Development Bank (CDB) has agreed to loan the local-currency equivalent of USD 50.9 million to Equity Bank, a commercial microfinance institution in Kenya with assets of USD 987 million, from a USD 5 billion fund intended to develop small and medium-sized enterprises (SMEs) in Africa. Equity Bank also announced that it has reduced its minimum lending rate from 15 percent to 12 percent per year for short-term loans. In an attempt to increase the retention of microborrowers that are stepping up to larger loans, the bank will loan SMEs USD 38,100 to USD 381,000 at rates as low as 7 percent per year for periods of up to seven years. May 24, 2010

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MICROCAPITAL BRIEFS

Oikocredit Loans \$10m to 12 Indian MFIs

Dutch cooperative investment fund Oikocredit recently reported to MicroCapital that it has made local-currency loans to 12 microfinance institutions in India. The largest, equivalent to USD 2.5 million, was made to Grameen Koota, which reports USD 29 million in total assets. The next two largest loans, each in the amount of USD 2.2 million, were made to Cashpor, which reports total assets of USD 29 million, and SMILE, which reports USD 12 million in total assets. June 17. 2010

responsAbility Invests \$6.7m in Six Central Asian MFIs

Swiss investment manager responsAbility Social Investments has reported to MicroCapital that two funds it manages have loaned a total of USD 6.7 million to six Central Asian microfinance institutions. The responsAbility Global Microfinance Fund and responsAbility Mikrofinanz-Fonds loaned a total of USD 3 million to Agricultural Cooperative Bank of Armenia, which reports total assets of USD 402 million, and loaned a total of USD 1.5 million to Constanta of Georgia, which reports assets of USD 42 million. The funds made smaller investments in Credo of Georgia, Arvand of Tajikistan and Arnur Credit of Kazakhstan. June 17. 2010

BlueOrchard Loans \$4m to MFIs in Central Asia, Jordan

BlueOrchard Finance, a Swiss asset manager, reported to MicroCapital that it has made a loan of USD 2 million from the Microfinance Enhancement Facility to Eshkata Bank of Tajikistan, which reports assets of USD 75 million. BlueOrchard also disbursed loans from the Dexia MicroCredit Fund of USD 1.5 million to the Middle East Microcredit Company, a Jordanian microlender with USD 33 million in assets, and USD 500,000 to Frontiers of the Kyrgyz Republic for on-lending to microfinance institutions. June 17. 2010

India's Ujjivan Cuts Interest Rates, Following Bandhan's Lead

Ujjivan Financial Services, an Indian microfinance institution reporting total assets of USD 72 million, has announced that it will reduce borrowing rates by up to 290 basis points. As a result, new business loans will carry interest rates of 23 percent per year and renewals will cost 22 percent per year as of July 2010. This follows a rate cut by Bandhan Financial Services Private Limited, another Indian microfinance institution, that was reported in this newspaper in May. June 16. 2010

IFC to Acquire 20% Stake in India's Swadhaar FinServe for \$2.2m

The International Finance Corporation, a member of the World Bank Group, recently announced plans to acquire a 20-percent stake in Swadhaar FinServe, a Indian non-banking financial company, for USD 2.25 million. For 2008, Swadhaar FinServe reported a gross loan portfolio of USD 1.1 million, 8,234 active borrowers and total assets of USD 2.1 million. June 16. 2010

Microinsurance Network to Launch Online Technology Inventory

The Microinsurance Network, a 52-member organization based in Luxembourg, is launching an online microinsurance technology inventory that is intended to educate practitioners on methods for administering insurance products for poor people. June 16. 2010

responsAbility Invests \$4m in Ghana, Mexico, Eastern Europe

Swiss investment manager responsAbility Social Investments has told MicroCapital that two funds it manages have made loans equivalent to a total of USD 4.5 million to five microfinance institutions. The responsAbility Global Microfinance Fund loaned the euro-equivalent of USD 2.4 million to AgroInvest Holding, which reports assets of USD 98 million and operates in both Montenegro and Serbia. responsAbility Mikrofinanz-Fonds loaned USD 616,000 to the Agency for Finance in Kosovo, which reports assets of USD 9 million. The funds made smaller investments of US dollars in SAT of Ghana and of Mexican pesos in Te Creemos and KapitalMujer of Mexico. June 16. 2010

European Microfinance Platform Offers \$122,000 Award

The European Microfinance Platform, a network of 120 organizations, is accepting applications through July 15 for the European Microfinance Award 2010, which is focused on external value chain finance by financial institutions. The award, which will be presented on November 30 during European Microfinance Week, is worth the euro-equivalent of USD 122,000. June 16. 2010

BlueOrchard Loans \$6m to Three MFIs in Latin America

BlueOrchard Finance, a Swiss asset manager, reported to MicroCapital that it has disbursed local-currency loans from the Dexia MicroCredit Fund equivalent to: USD 4.8 million to WWB Popayan, a Colombian microlender with USD 154 million in assets; USD 1 million to D-Miro, a microlender in Ecuador with USD 26 million in assets; and USD 687,000 to Forjadores de Negocios, a Mexican microlender with USD 4.6 million in assets. June 16. 2010

IFC Purchases 10% Stake in Nirdhan Bank of Nepal

The International Finance Corporation (IFC), a member of the World Bank Group, has announced that it plans to purchase a 10-percent stake in Nirdhan Utthan Bank Limited, a microfinance institution in Nepal, for an undisclosed sum. Nirdhan reports a gross loan portfolio of USD 12.1 million and 68,203 active borrowers. According to an IFC press release, "The project will also help improve access to credit in underserved hilly areas...." June 15. 2010

Philippines May Raise Cap on Microloans

Bangko Sentral ng Pilipinas (BSP) has announced that it is considering raising the maximum microfinance loan size from the local-currency equivalent of USD 3,200 to better serve small and medium-sized enterprises. BSP Governor Amando Tetangco Jr stated that any increase would occur with a focus on supervision and serving the "economically vulnerable." June 15. 2010

This publication is available to the public by subscription and is free of charge to microfinance institutions in developing countries courtesy of:



MicroCapital Monitor - © 2010 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
Editor Bob Summers
Writers Conner Brannen, Matt Castner, Julia Korn,
Stefanie Rubin and Jennifer Shevrock
Special thanks to Susannah Fuentes and Diego Guerra Tavera
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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!

Oikocredit Loans \$1.3m to MFIs in Asia, Benin, Bulgaria, Ghana

Dutch cooperative investment fund Oikocredit recently reported to MicroCapital that it has made local-currency loans to six microfinance institutions in Africa and Eurasia. Converted to USD, the transactions are: USD 550,000 to Oxus of Tajikistan, which reports USD 8 million in assets; USD 324,000 to Gata Daku of the Philippines, which does not report to the Microfinance Information Exchange; USD 140,000 to Alide of Benin, which reports USD 2 million in assets; and smaller loans to Paglaum of the Philippines, Stopanin of Bulgaria and Nsoatreman of Ghana. June 15. 2010

Micro lenders Apply to Operate in Colombia

The financial regulator of Colombia, Superintendencia Financiera de Colombia, has reported that six local and foreign firms are applying to offer banking services in the country, including an unspecified number that would offer microfinance. Successful applicants will be able to accept deposits and have their customers covered by government deposit insurance. The only applicant that has been identified is privately owned Banco Pichincha of Ecuador, which has operated a microfinance arm, Credi Fe, since 1999. For 2008, Credi Fe reported total assets equivalent to USD 234 million and 85,000 active borrowers. June 14. 2010

Finance Minister of India: Microinsurance Needed in Rural Areas

At a recent meeting of the Insurance Institute of India, Indian Finance Minister Pranab Mukherjee asked insurance agencies to provide more microinsurance services to people living in rural areas. Mr Mukherjee specifically emphasized crop insurance, which about 20 percent of farmers reportedly now carry. June 11. 2010

Faulu Kenya Buys ATM Services from PesaPoint

Faulu Kenya, a microfinance bank based in Nairobi, recently signed a partnership deal with PesaPoint, a private company that provides automated teller machine (ATM) services, to allow Faulu's customers to withdraw cash and access previously approved loans from ATMs. Faulu Kenya reports USD 47.7 million in total assets, a gross loan portfolio of USD 37.6 million, 91,105 active borrowers, return on assets of -1.11 percent and return on equity of -7.08 percent. June 11. 2010

Lagos State Agency Reports Having Created 200,000 Jobs

According to Bashorun Alabi-Macfoy, chairman of Lagos State Microfinance Institution (LASMI), the microfinance agency of Nigeria's Lagos State, LASMI has generated over 200,000 jobs through its support for microfinance institutions (MFIs). In his statement to the press, Mr Alabi-Macfoy also noted that LASMI plans to encourage microfinance banks to lower interest rates on loans to ensure quick repayment. No information is available on the methods proposed for this "encouragement" or on the amount of financial assistance LASMI has provided to its partner MFIs. June 11. 2010

Europe Commits \$11.6m to Goodwill West Africa

Goodwill West Africa, a unit of Dutch business development company Goodwill Investments, has received the euro-equivalent of USD 9.7 million from KfW Entwicklungsbank, a German development bank, and USD 1.9 million from the Norwegian Microfinance Initiative, a partnership between the Norwegian public and private sectors that invests in microfinance institutions (MFIs). The funds will be invested in established and emerging MFIs in Ghana and Nigeria. Goodwill Investments has USD 25 million in fund assets. June 11. 2010

IBM Launches \$20m Center in Peru to Serve MFIs

Multinational IT firm IBM has announced the launch of a USD 20 million, five-year effort to develop a data processing center in Peru to handle data on two million loans that microlenders will be able to access via the internet. June 11. 2010

Guyana Bank to Lend to Single Mothers

Guyana Bank for Trade and Industry Limited (GBTI), a commercial bank in Guyana, has launched the Women of Worth (WOW) program, which aims to help single mothers start or expand small businesses. GBTI has committed the local-currency equivalent of USD 2.4 million to give the women, who must earn no more than USD 195 per month, collateral-free loans of up to USD 1,200. GBTI reports USD 264 million in total assets, USD 225 million in total deposits and a return on assets of 1.92 percent. June 11. 2010

Financial Times, IFC Announce Sustainable Banking Awardees

The *Financial Times* newspaper and the International Finance Corporation have announced the following winners of the 2010 Sustainable Banking Awards: Co-operative Financial Services, a British financial group with the equivalent of USD 1.6 billion in annual revenue; Itau Unibanco, a publicly quoted bank in Brazil with USD 356 billion in total assets; Kenyan nonprofit One Acre Fund; Indian technology provider Financial Information Network and Operations; and Global Environment Fund, a US-based firm with USD 1 billion in capital under management. June 11. 2010

Nigeria Pays Six Microfinance Banks to Serve SMEs

With the intent of facilitating the provision of microcredit to small and medium-sized enterprises, the Small and Medium Enterprises Development Agency of Nigeria is giving grants to Safeline Microfinance and Misau, Kada, KRGY, Atlas and Fahimata microfinance banks. The size of the grants and guidelines on their usage have not been made available. June 11. 2010

Global Partnerships Social Investor Forum Is Held

Microfinance investment firm Global Partnerships held a forum on June 8 in the US state of Washington that covered the organization's efforts to reduce poverty in Latin America while offering investors a fixed rate of return. Among the topics covered was a "philanthropic layer" of structured funding that reduces risk for investors. Global Partnerships reports that since 2005 it has grown its portfolio from USD 2.5 million to USD 39 million, the number of lenders in which it invests from 4 to 27 and the number of borrowers reached by its investees from 150,000 to 817,000. June 10. 2010

IFC Program Trains Caribbean Bankers on Serving SMEs

The International Finance Corporation, a member of the World Bank Group; the Commonwealth Secretariat, a voluntary association of 54 countries; the Japanese government; and the Canadian International Development Agency recently held a four-day training for 30 bankers from 10 Caribbean countries on how to meet the needs of small and medium-sized enterprises. June 10. 2010

MFTransparency, MasterCard Promote Transparency in Africa

MFTransparency, a US-based nonprofit that encourages fair and transparent microfinance pricing, has received an unspecified amount of funding from the MasterCard Foundation, a private Canadian foundation that aims to increase access to microfinance and education, to launch the Enabling Africa to Price Responsibly & Educate on Interest Rates program. In eight African countries, the program will: collect and publish pricing data, develop and disseminate educational materials and offer training on pricing transparency. June 10. 2010

Microinsurance Network Prioritizes Needs

At its first member meeting in Germany in early June, the 52-member Microinsurance Network identified several challenges in the field of microinsurance, including: "client protection, social performance, impact...public-private partnership, climate change and the need for a microinsurance marketplace." June 10. 2010

IFC Loans \$3m to Armenia's ACBA Leasing

The International Finance Corporation (IFC), a member of the World Bank Group, is loaning USD 3 million to Agricultural Cooperative Bank of Armenia (ACBA) Leasing, which was originally established by IFC as a subsidiary of ACBA Credit Agricole Bank. The loan will fund the leasing of transportation vehicles and manufacturing and agricultural equipment to small and medium-sized businesses in Armenia. As of 2008, ACBA Credit Agricole Bank reported assets of USD 402 million, a gross loan portfolio of USD 253 million, 105,000 active borrowers, deposits of USD 94.6 million and 185,428 depositors. June 10. 2010

Pakistan Launches Credit Bureau

With the promise of streamlined credit approvals, less overindebtedness, reduced fraud and easily accessible data on delinquencies and outstanding loans, Pakistan's Microfinance Credit Information Bureau has been launched by the Pakistan Microfinance Network, the UK Department for International Development, the Citi Foundation and the State Bank of Pakistan. June 10. 2010

100th Microfinance Branch Location Opens in Iraq

USAID-Tijara, an organization with a five-year mandate from the US Agency for International Development to promote private sector growth and employment in Iraq, has released a statement announcing the establishment of Iraq's 100th microfinance branch location. The Iraqi microfinance sector has at least 14 microfinance institutions that serve 62,000 borrowers with an aggregate outstanding loan portfolio equivalent to USD 84 million. June 9. 2010

Daiwa Securities Group to Issue Bonds in Japan for EBRD

Daiwa Securities Group, a Japanese securities broker, will be issuing bonds to Japanese retail and institutional investors to support the operations of the European Bank for Reconstruction and Development, a development finance institution focusing on Eastern Europe and Central Asia with assets equivalent to USD 7 billion. While undisclosed, the size of the issue is likely to be significant as Daiwa raised USD 300 million for the International Finance Corporation in 2009. June 8. 2010

Heavy Hitters Launch Rural Impulse II

The European Investment Bank, the International Finance Corporation, KfW Entwicklungsbank, the Belgian Investment Company for Developing Countries and the Netherlands Development Finance Company (FMO) have joined together to launch Rural Impulse II, a fund that will invest in microfinance institutions with rural customers comprising at least 30 percent of their client base. Several unnamed private banks and investors will also participate. The fund will be advised by Incofin Investment Management, which has USD 36 million under management. June 8. 2010

Pacific Financial Inclusion Program Calls for More Savings

The United Nations' Pacific Financial Inclusion Program has released a report called "Fiji Financial Services Sector Assessment," which argues that Fiji has a favorable infrastructure for greatly increasing financial inclusion, including the use of savings services. June 8. 2010

IFC to Invest \$10m in Bancamia, a Microfinance Bank in Colombia

The International Finance Corporation, a member of the World Bank Group, will invest USD 10 million to acquire an undisclosed stake in Bancamia, a Colombian microfinance bank. Maria Mercedes Gomez, the President of Bancamia, said, "IFC's renewed support will allow us to extend services to more than 60,000 new clients and address gaps in formal financing for local microenterprises, many of which are run by women." For 2008, Bancamia reported USD 202 million in total assets, a gross loan portfolio of USD 162 million and 190,252 active borrowers. June 8. 2010

MIX to Grant Public Access to Funding Structure Data Set

US-based, nonprofit Microfinance Information Exchange (MIX) has informed MicroCapital that it will be releasing a detailed funding structure dataset on its website in July. The dataset, which includes 8,000 transactions from 800 microfinance institutions (MFIs) for 2008, includes anonymous data on MFI borrowing such as currency of origination, type of lender, type of debt, MFI operating location, interest rate and maturity. June 8. 2010

Nigeria Requires Certification of MFI Leaders

In response to the poor condition of the microfinance sector in Nigeria, the Central Bank of Nigeria recently organized a mandatory certification training program for microfinance practitioners. June 8. 2010

Oikocredit Loans \$1.8m to MFIs in Peru, Colombia, Costa Rica

Dutch cooperative investment fund Oikocredit recently reported to MicroCapital that it has made local-currency loans to five microfinance institutions in Latin America. Converted to USD, the loans include USD 1 million to Proempresa, a Peruvian microlender reporting USD 47 million in assets; USD 255,000 to Amanecer, a Colombian microlender reporting USD 10 million in assets; and smaller loans to FINCA Peru, Norandino of Peru and Coopesparta of Costa Rica. June 7. 2010

Elevar, SVB Invest \$8m in India's Vistaar Livelihood

Elevar Equity Advisors and SVB India Capital Partners have together invested the local-currency equivalent of USD 8.64 million in equity in Vistaar Livelihood Finance, an Indian microfinance institution, taking an unspecified "substantial minority" in the company. Founded in April 2010, Vistaar offers loans ranging up to USD 540 to non-farming female entrepreneurs. The organization has set a goal to open at least 300 branches serving 1.2 million customers by 2014. With offices in India and the US, Elevar manages Elevar II, a USD 70 million equity fund largely committed to microfinance. Based in Bangalore, SVB India Capital Partners is a subsidiary of US venture capital firm Silicon Valley Bank that reports total assets of USD 13.5 million. June 7. 2010

Vastushodh Projects, MHFC Partner on Housing in India

Two Indian companies, Micro Housing Finance Corporation (MHFC) and real estate developer Vastushodh Projects Private Limited, are setting up a township in the Indian state of Maharashtra that will include housing for poor people. Vastushodh will construct the housing, and MHFC will enable low-income workers to buy the units with loans carrying reducing annual interest rates of 12 to 14 percent and terms of up to 15 years. June 7. 2010

ADB Grants \$3m to SIDBI for Women in "Missing Middle"

The Asian Development Bank, is giving USD 3 million to the Small Industries Development Bank of India (SIDBI) to offer services to female entrepreneurs who have "outgrown traditional microfinance support...the so called 'missing middle'." The three-year grant is made available through the Japan Fund for Poverty Reduction, which reports total assets of USD 392 million. Government-controlled SIDBI, which supports large and medium-sized microfinance institutions, reports having facilitated financial assistance equivalent to USD 397 million during the year ending March 2009. June 7. 2010

Brazilian Microfinance Reaches \$426m, Is Poised for More Growth

Since 2002, the number of microborrowers in Brazil has increased from 159,000 to 809,000 with outstanding loans now totaling the local-currency equivalent of USD 426 million. Growth is expected to continue with traditional banking institutions showing interest in the market, such as Banco Santander, Unibanco and Banco Real, as well as US-based nonprofit ACCION International, which recently established a unit in the state of Amazonas. June 4. 2010

Housing Loans on Offer in Tanzania

The Women Advancement Trust - Human Settlements Trust, an NGO that promotes the advancement of women in Tanzania through education and training; the Financial Sector Deepening Trust, a consortium of development partners from Canada, Denmark, the UK, Sweden and the Netherlands; and Rooftops Canada, a nonprofit organization that provides technical assistance in affordable housing development, have jointly launched a housing program that will issue interest-free loans worth the local-currency equivalent of USD 275 to USD 685 to 750 low-income families in the informal settlement areas around Dar es Salaam to build or improve their homes. June 4. 2010

Sanabel Holds Seventh Annual Conference

Sanabel, a network of 64 microfinance institutions in Arab countries, held its seventh annual meeting from June 1 to June 3, addressing responsible finance, investment readiness, regulation and how to increase outreach while maintaining quality. June 3. 2010

Barclays, Plan, CARE Expand Partnership to Ghana

Barclays, a UK-based international investment bank, and international NGOs CARE International and Plan International are expanding a microfinance initiative with the goal of reaching 63,000 people in Ghana. Barclays committed the equivalent of USD 15 million to the three-year effort in September 2008, with a goal of expanding access to community-based financial services to 500,000 poor people in 10 developing countries. In Ghana, the project is intended to create 4,000 community savings and loan groups in six regions, with the goal of increasing financial literacy and household income. June 3. 2010

Safaricom, Equity Bank Expand Mobile Banking in Kenya

Kenyan mobile operator Safaricom and Kenyan microlender Equity Bank have released M-Kesho, a new mobile banking product that will target rural customers. M-Kesho will allow users of Safaricom's mobile money transfer service, M-Pesa, to access their Equity Bank accounts to make deposits, withdraw cash and access loans. Transfers as small as the local-currency equivalent of USD 1.30 will be available at no cost. Equity Bank has USD 1.27 billion in total assets, a gross loan portfolio of USD 818 million and 716,000 active borrowers. June 2. 2010

SMART Campaign Announces 1,000 Endorsements

The SMART Campaign, an international microfinance advocacy organization launched in October 2009 by nonprofit ACCION International, has announced that it has acquired 1,000 endorsements from microfinance organizations in 106 countries. The campaign's mission is to promote six principles in interactions with low-income clients: avoidance of overindebtedness, transparent pricing, appropriate collections practices, ethical staff behavior, mechanisms for redress of grievances and privacy of client data. June 2. 2010

Indonesia to Provide Loans to Expats in Malaysia

President Susilo Bambang Yudhoyono of Indonesia has signed an agreement to supply microcredit to Indonesians who have migrated to Malaysia for work. Further details are unavailable. June 1. 2010

responsAbility Loans \$10m in Eight Peruvian Co-ops

Swiss investment manager responsAbility Social Investments has reported to MicroCapital that two funds it manages have made loans totaling USD 10.1 million to eight Peruvian agricultural cooperatives. The responsAbility Global Microfinance Fund (GMF) and responsAbility Mikrofinanz-Fonds loaned a total of USD 4 million to Cafe Peru and USD 1 million to El Quinacho. GMF loaned USD 3 million to Crear Arequipa, USD 1 million to La Florida, USD 450,000 to CACVRA, USD 300,000 to Frontera, USD 200,000 to Unicafec and USD 175,000 to La Divisoria. June 1. 2010

Tanzania's National Microfinance Bank Loans \$60m to SMEs

Tanzania's government-controlled National Microfinance Bank reports that it has issued loans totaling the local-currency equivalent of USD 60.5 million to about 45,000 small and medium-sized enterprises through a newly formed "club" for businesspeople that also offers business assistance and information. The bank reports USD 1.2 billion in total assets. May 31. 2010

More Fallout from "The Miracle of Microfinance?"

In response to a study by Abhijit Banerjee et al that is skeptical of the success of microfinance in alleviating poverty, six US-based nonprofits released an open letter arguing that microfinance "has clearly demonstrated scale, sustainability, results, and enormous further potential." After bloggers such as Tim Ogden and David Roodman countered the letter as inflating the benefits of microfinance, Chris Dunford et al of US-based nonprofit Freedom from Hunger tried to find middle ground, stating that "the claim that microfinance very often helps poor entrepreneurs and households to manage cash flow and smooth consumption has not been refuted by research to date. But these impacts seem quite modest compared to the grander claims of microfinance enthusiasts." May 26 and May 28. 2010

Lockheed Martin Donates \$30,000 to FINCA

Lockheed Martin, a global security company based in the US state of Maryland, has given a USD 30,000 grant to support the work of the Foundation for International Community Assistance (FINCA) in Afghanistan, El Salvador and Haiti. May 27. 2010

Pakistan Encourages MFIs to Seek Long-term Deposits

The State Bank of Pakistan has eased the cash reserve and statutory liquidity requirements of microfinance institutions (MFIs) to exempt deposits with terms of one year and longer. The changes reportedly aim to encourage MFIs to seek out long-term deposits. May 25. 2010

Nigerian Association Decries Lack of Staff Skills, Plastic Chairs

Dr Ike Abugu, President of the Nigerian Association of Small and Medium Enterprises, recently argued that microfinance has failed to make a greater impact on the economy due to a lack of skilled workers and poor cost controls: "I have been to a microfinance bank...in the Philippines, Asia, and what they use in...the managing director's office are plastic chairs." May 25. 2010

Fullerton India Credit Company to Expand into Microfinance

Fullerton India Credit Company Limited, a non-banking finance company in India that is owned by Angelica Investment Limited of Singapore, has announced plans to expand its microfinance business to reach 1 million people via 300 branches in India within the next two years. No financial data are available on either firm. May 24. 2010

South Korea's Smile Microcredit Wins Looser Regulations

After being criticized for having overly conservative lending practices, state-run South Korean microlender Smile Microcredit Bank has won approval to reduce the cash holdings requirement from 50 percent to 30 percent for those borrowing up to the local-currency equivalent of USD 17,600. Other changes include: halving the required duration of pre-loan business operation from two years to one, adding flexibility to the requirement that borrowers meet with loan consultants three times and expanding the traditional outdoor market loan program whereby no-interest loans of USD 83,700 are disbursed to merchant committees for on-lending to merchants at 4.5 percent annual interest. Founded in December 2009, Smile reports having loaned a total of USD 4.19 million to 953 borrowers. May 21. 2010

Report: One Third of Chinese Lack Access to Financial Services

A report released by the Chinese office of French nonprofit PlaNet Finance indicates that one third of people in China have no access to financial services. The report blames the situation on regulations capping microlending rates at four times the Shanghai Interbank Offered Rate (SHIBOR, which recently stood at 9.44 percent) and commercial banks' refusal to loan to people who do not own land. PlaNet Finance is a member of the PlaNet Finance Group, which is comprised of eight independent for-profit and nonprofit units that promote and invest in microfinance. May 21, 2010

Niger State in Nigeria Spends \$2.8m to Push MF Banks

Alhaji Mohammed Aliyu, Director-General of the Niger State Small and Medium-Sized Enterprises and Microfinance Agencies, has announced that the number of microfinance banks in the Nigerian state of Niger is expected to grow from 11 to 31 during the first half of 2010. According to Mr Aliyu, this will employ between 300 and 500 college graduates in the state. The local-currency equivalent of USD 2.8 million has reportedly been disbursed by local government to create these new banks, but the uses of the bulk of these funds remain unspecified. Mr Aliyu also reports that - along with the national government - his agency is working to train 1,500 youth in vocational skills so that they can make use of loans from the new microlenders. May 20, 2010

Nigerian Association Announces Plan to Revitalize MFBs

Mathias Omeh, President of the Nigerian National Association of Microfinance Banks, has announced the release of a 10-point plan to revitalize his country's microfinance sector. The plan includes strategic partnerships with key governmental entities to increase transparency; strengthened ties with developmental institutions, donor agencies and foreign microfinance banks; improved staff training; and the creation of an emergency endowment fund for member banks. May 19, 2010

responsAbility Loans \$2.4m in Armenia, Georgia, Colombia

Microfinance investment vehicle responsAbility Mikrofinanz-Fonds has reported to MicroCapital that it executed a loan of USD 1.5 million to Inecobank, an Armenian bank with a gross loan portfolio of USD 91 million, and a loan of USD 500,000 to Lazika Capita, which was founded in Georgia by Oxfam GB in 2000 and reports a gross loan portfolio of USD 4.7 million. A third loan of the local-currency equivalent of USD 491,400 was disbursed to Coomuldesa, a Colombian microfinance bank founded in 1962 that reports total assets of USD 67 million. Financed by Bank im Bistum Essen, a German cooperative financial institution, and Stadtparkasse Düsseldorf, a German bank, responsAbility Mikrofinanz-Fonds reports total assets of USD 108.5 million. May 19, 2010

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EDITORIAL

Field Notes: Toaster Loans in Chile

Microfinance has existed in Chile since before I got involved there in 1990, yet Chile is not well known for its microfinance sector. Developed primarily by public and private banks since that time, the microfinance sector has delivered a broad range of products and services to 300,000 microentrepreneurs out of the 1.4 million informal sector workers in the country. Most of those served work with banks, which generally cover the middle and upper range of the market with average loan sizes over the equivalent of USD 1500. Microlenders that reach the lower end of the market, such as co-ops, NGOs and foundations, cover only about 50,000 clients, or 17 percent of the microfinance market, according to the local microfinance network.

This is a mere drop in the bucket compared to the penetration of retail credit cards into the low-income market. In 2008, Chile's population of 17 million held about 20 million credit cards, 15 million of which were active. Lower-end retailers understand the limited stability of their target segment and often don't require information about a client's job or salary, making these especially accessible to low-end customers that may have a hard time accessing a bank loan, even with a niche "microfinance" bank. Last week I sat down with 12 clients of a small microfinance institution (MFI), who earn between USD 300 and USD 600 per month, and most held one or more of these cards.

According to the central bank, consumer debt in Chilean households grew from 14 percent of income in 2001 to 37 percent in mid-2009.

Retail stores such as supermarkets and department stores hold 47 percent of the consumer debt market in the country. One might argue that the retailers have played an important role in providing access to credit where banks and NGOs have not been able to - but at what price? Interest rates on retail credit cards are at least double MFI or bank rates, totaling over 50 percent per year. Buying a USD 20 toaster on a credit card could cost you USD 60 with a retail credit card (including monthly fees, interest and principal). For a larger loan, say USD 5,000, retailers may offer you 36 monthly installments to allay the pain of paying almost USD 7,000 in interest instead of USD 2,500 at a bank.

Many, including myself, would argue that there is a positive social value in facilitating access for someone of limited resources to buy a toaster. Who doesn't love toast? However, now that Chilean families are spending 57 percent of their income paying off loans, we should stop and consider that an oversupply of lending, increased risk tolerance to gain market share and high retail interest rates may have favored the retail market at the expense of investment in the productive activities of microentrepreneurs.

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



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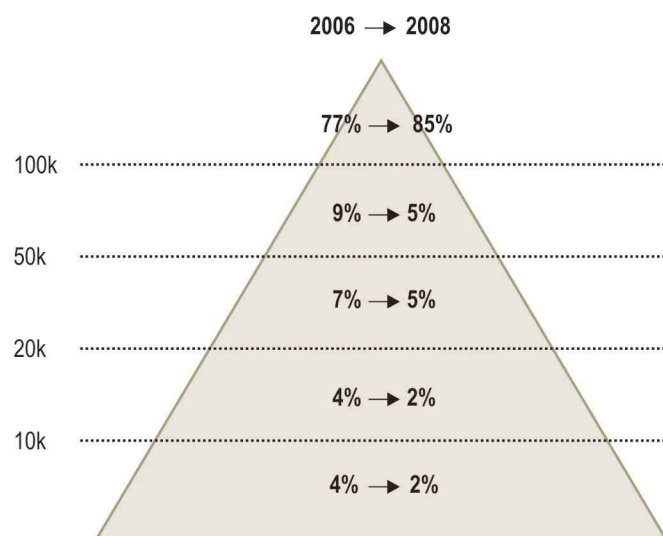
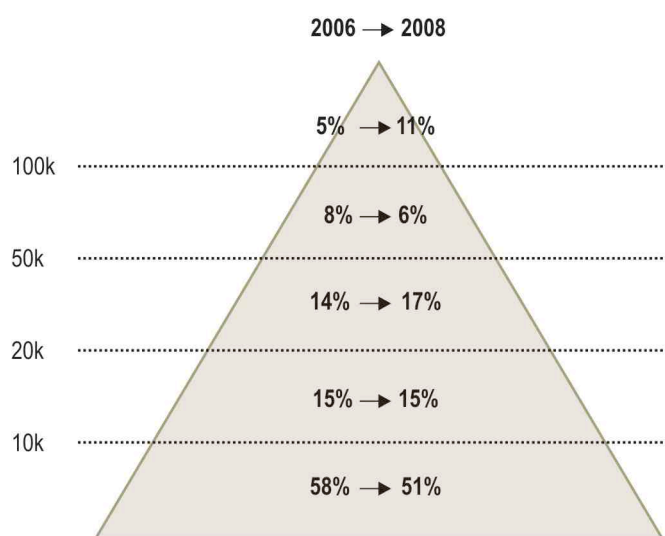
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117 MFIs REPORTING¹

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

MFIs NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
Vietnam Bank for Social Policies	Vietnam	934,350,873	62	1,149,164,288	3,017,866,034
ACLEDA Bank	Cambodia	153,006,937	71	158,463,936	464,477,809
AMRET Co	Cambodia	18,699,412	77	17,595,968	54,994,792
PRASAC MFI Ltd	Cambodia	18,636,002	64	22,108,110	59,380,115
Sathapana Limited (formerly CEB)	Cambodia	12,634,512	75	12,326,795	37,595,818
1st Valley Bank (formerly Rural Bank of Kapatagan Valley, Inc)	Philippines	11,554,179	43	22,440,332	45,548,689
Hattha Kaksekar Ltd	Cambodia	11,549,822	121	5,950,760	29,050,403
Center for Agriculture and Rural Development Inc	Philippines	10,259,596	51	16,105,744	36,624,936
Philippine Rural Banking Corp	Philippines	9,907,192	37	22,386,750	42,201,134
Angkor Mikroheranhvatho Kampuchea	Cambodia	9,096,570	112	5,230,443	23,423,582

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

UPCOMING EVENTS

Microfinance Cracking the Capital Markets - South Asia

June 23 - June 24, 2010, Delhi, India

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

Global Microinsurance Summit

June 30 - July 1, 2010, Paris, France

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

Mobile Finance for the Unbanked

July 12 - July 13, 2010, London, UK

This event will offer an introduction to the successes and failures of implementations of mobile solutions in microfinance worldwide. The full cost of the conference is GBP 1,599, with discounts available for nonprofits. Add-on workshops are available at additional cost. For additional information, you may contact info@hansonwade.com, +44 (0) 203 141 8700 or <http://www.hansonwade.com/events/mobile-unbanked/index.shtml>.

Mobile Money Services Africa

July 20 - July 22, 2010, Johannesburg, South Africa

This event offers opportunities to learn from existing mobile money deployments, such as M-PESA and MTN MobileMoney. The full registration fee is GBP 1,295, with add-on workshops and discounts available for African delegates and all registrations received by June 25. More information is available via registrations@iir-telecoms.com, +44 (0)20 7017 7483 or <http://www.iir-telecoms.com/event/mmsa>.

Southern Sudan Microfinance Conference

July 20 - July 22, 2010, Juba, Sudan

The Southern Sudan Microfinance Forum and the US Agency for International Development are sponsoring this opportunity to discuss the status of microfinance in the region and "the way forward." The agenda and registration details are expected soon at http://www.acdivoca.org/852571DC00681414/ID/ourwork_sudan. In the meantime, Charles Data and Irene Karimi may be contacted with queries at charles.data@gmail.com, ikarimi@africaonline.co.ke or +1 202 469 6000.

Microinsurance Summit Asia

August 3 - August 4, 2010, Singapore

This event will cover regulation, scalable distribution models and related marketing and technology tools. The registration fee is GBP 2199 with nonprofit discounts and add-on workshops available. More information is available from Miles Harley at +44 20 3141 8700, miles.harley@hansonwade.com or <http://www.hansonwade.com/events/microinsurance-summit-2010-singapore/>.

Microinsurance 2010

August 24 - August 25, 2010, Johannesburg, South Africa

This event will address regulation, innovative distribution practices and evaluating target markets. The registration fee is ZAR 7499 plus VAT, with tiered discounts for registrations completed before June 25 and July 30. Details are available from Jade Nelson at jnelson@iir.co.za, <http://www.iir.co.za/detail.php?e=2290#> or +27 011 771 7000.

Global Partnerships in Microfinance

September 6 - September 7, 2010, London, UK

This event will explore ways that partnerships can facilitate the alleviation of poverty through microfinance. The registration fee is GBP 100 until June 30 and GBP 200 thereafter. More details are available via +44 20 8331 7867, first-stop@gre.ac.uk or <http://www.gre.ac.uk/enterprise/business-events/events/current/global-partnerships-microfinance/>

MORE DETAILS COMING SOON ON...

Calgary Microcredit Conference

September 11, 2010, Calgary, Canada

Global Youth Enterprise & Livelihoods Development Conference

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

Fifth Annual Azerbaijan Microfinance Conference

October 5 - October 6, 2010, Baku, Azerbaijan

XIII Inter-American Forum on Microenterprise (Foromic)

October 6 - October 8, 2010, Montevideo, Uruguay

Investment & Innovation in Microfinance

October 26 - October 27, 2010, Washington, DC, USA

Sixth Annual MicroInsurance Conference

November 9 - November 11, 2010, Manila, Philippines

Global Microcredit Summit

November 14 - November 17, 2010, Valladolid, Spain

Global Microfinance India Summit 2010

November 15 - November 16, 2010, New Delhi, India

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PAPER WRAP-UPS

Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya

By *Pascaline Dupas and Jonathan Robinson*, published by the *National Bureau of Economic Research*, March 2009, 48 pages, available at: <http://ideas.repec.org/p/nbr/nberwo/14693.html>

Ms Dupas and Mr Robinson conducted a field experiment to examine whether savings constraints prevent the self-employed from increasing the size of their businesses. The authors opened interest-free savings accounts for a random selection of low-income earners in rural Kenya. Although the bank charged substantial withdrawal fees, take-up and usage was high among women. Furthermore, the savings accounts had substantial, positive impacts on their productive investment levels and expenditures. The results suggest that a significant proportion of daily income earners face important savings constraints and have a demand for formal saving devices.

The authors propose that there are strong theoretical and empirical foundations for the importance of savings. First, standard economic theory suggests that individuals should be able to save their way out of credit constraints, even though building up such savings takes longer than getting credit up-front. Furthermore, many individuals face significant savings constraints: theft, approbation by the spouse or other relatives and present-biased preferences (i.e. they are tempted to spend any cash they hold). These constraints are often so great that many individuals are willing to pay a premium to be able to save securely. Consistent with these observations, recent research suggests the existence of a significant demand for formal savings mechanisms and a substantial positive impact from the provision of these services. For example, a 2007 paper by Don Johnston and Jonathan Morduch indicates that approximately 90 percent of Bank Rakyat Indonesia clients save but do not borrow. A 2005 paper by Joseph Kaboski and Robert Townsend finds a significant impact of savings accounts on long-term asset growth in Thailand.

This paper examines the importance of savings constraints using a random selection of market vendors, bicycle taxi drivers, hawkers, barbers and artisans in Kenya. The savings accounts were interest-free and included substantial withdrawal fees, so the de facto interest rate on deposits was negative (even before accounting for inflation). The demand for such an account should be zero in the absence of savings constraints, and getting access to such an account should have no effect on users' investment and expenditure levels. To test this hypothesis, the authors examined a dataset

collected from 185 self-reported, daily logbooks kept by individuals in both the treatment and the control group (i.e. those with and without access to a savings account).

The analysis produced three main findings:

1. Access to formal savings accounts had substantial positive impacts on business investment for women, but no effect for men. This suggests that women face significant, negative returns on the money they save informally.
2. Access to a savings account had a positive impact on the daily expenditure levels of women, which suggests that the higher investment levels led to higher income levels.
3. Accounts had some effect in making women less vulnerable to illness shocks. While women in the control group were forced to draw down working capital in response to health shocks, women with a savings account were less likely to reduce business investment levels and were better able to smooth labor supply during times of illness. They were also more likely to be able to afford medical expenses for more serious illnesses.

The paper presents two possible explanations for why the return on private savings is negative for so many women. One possibility is that women have present-biased preferences. Alternatively, many women face demands on their income from relatives or neighbors, and it may be difficult to refuse requests for money if it is available in the house. Ms Dupas and Mr Robinson find evidence that both factors may be at work. They find that women in the treatment group (i.e. those with a savings account) spend less of their current profits on consumption and transfer less of their profits outside of the household, which suggests that they are both less likely to spend on immediate consumption and better able to protect their income from others.

Overall, the results of the study suggest that the informal savings mechanisms that are available in rural Kenya are ineffective in allowing many women to save as much as they would like.

The Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods

By *P Hazell, J Anderson, N Balzer, A Hastrup Clemmensen, U Hess and F Rispoli*, published by the *International Fund for Agricultural Development and the World Food Program*, May 2010, 153 pages, available at: <http://www.ifad.org/ruralfinance/pub/weather.pdf>

This paper provides an introduction to agricultural risk and the use of weather index funds to mitigate that risk. Participants in a weather index fund receive financial compensation if an index highly correlated with local crop yields follows an undisclosed

pattern. This pattern is kept secret to reduce the risk of moral hazard.

Weather index insurance is designed to handle highly covariate but infrequent risks. Covariate risks affect an entire community at the same time, such as a flood or drought. An example of a non-covariate risk is the accidental death of a head of household. Many communities have developed informal methods to handle non-covariate risks, though catastrophic covariate events generally outstrip their abilities.

While individual farmers can purchase weather index insurance, the cost is often prohibitive. As a result, weather index funds have been primarily funded by governments and relief agencies. Regardless of how the premiums are collected, they can be used in a variety of ways. Some programs coordinate relief efforts directly; others make payouts to aid agencies; and still others make direct payments to the insured individuals.

While the paper documents 36 separate weather index fund pilot programs in 21 countries, these programs have yet to achieve sustainability. Eight principles of sustainability are, however, proposed:

- Offer real value to the insured and package it with other services;
- Locate and develop local champions of such programs;
- Increase client awareness of index insurance products;
- Graft onto existing, efficient delivery channels, engaging with the private sector from the beginning;
- Access international risk-transfer markets;
- Improve the quality of weather data and the infrastructure used to collect it;
- Promote enabling legal and regulatory frameworks and
- Monitor and evaluate products to promote continuous improvement.

The paper concludes with nine case studies totaling 86 pages. The case studies demonstrate the variability among existing weather index fund programs, as well as elements of the sustainability framework identified above.

Microfinance Trend Reports

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

The Microfinance Information Exchange (MIX) recently released the Russia Microfinance Trend Report 2008-2009 (available in English and Russian) and the Latin America and Caribbean Trend Report 2005-2009 (available in Spanish).

Microfinance Foreign Exchange Facilities: Performance and Prospects

By David Apgar and Xavier Reille, published by CGAP (Consultative Group to Assist the Poor), April 2010, 12 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.9.43712/>

This paper reviews methods microfinance institutions (MFIs) and microfinance investment vehicles (MIVs) use to manage foreign exchange risk. It considers the nascent microfinance hedging market by detailing the operations of The Currency Exchange Fund (TCX), Cygma Corp and MFX Solutions LLC. It concludes by examining the importance of local-currency markets and further development of the microfinance hedging market.

Foreign exchange risk, a key issue to the development of microfinance, is most significant when an MFI operating in an illiquid domestic currency accepts a hard-currency loan. Fluctuating exchange rates through the term of the debt may adversely affect the MFI, though some MFIs pass this risk on to borrowers, meaning that even successful borrowers may be unable to pay back a loan. While large organizations operating in relatively liquid currencies can execute swaps and forwards, many MFIs are either too small or operating in markets where those instruments are not readily available. In a currency forward, two parties agree to exchange future payments in different currencies at an exchange rate that reflects expected future interest rates associated with the two currencies. A swap occurs when two parties exchange equal-value loans in two different currencies with interest rates reflecting anticipated currency movement and institutional credit quality. These tools allow an institution to replace uncertain currency movement with a locked-in exchange rate.

TCX, a microfinance-only currency hedging fund created in 2007, addresses this problem by offering swaps and forwards to institutional investors in emerging market currencies. TCX has raised USD 590 million, including roughly

USD 89 million from the Dutch government, as of April 2010. TCX plans to hedge three to six times the total amount invested and requires a minimum investment of USD 5 million. TCX was designed to manage only emerging market foreign exchange and interest rate risk, accepting no default risk. As a result, use of TCX is limited to institutional investors, a requirement effectively disqualifying MFIs from direct contact.

MFX offers non-deliverable swaps and forwards to MIVs and MFIs that cannot deal directly with hedging organizations such as TCX. In non-deliverable instruments, the principal, or notional amount, of the hedge is not exchanged, which means parties only exchange the net difference between their positions. Such tools are commonly used to hedge relatively illiquid currencies. MFX has raised USD 13 million and hedges 10 to 18 times that amount. The organization has a USD 20 million guarantee from the Overseas Private Investment Corporation, an agency of the United States government acting to promote international economic development. Commercial investors accept this guarantee in lieu of collateral or a formal rating. To work with MFX, MFIs must also be rated by MicroRate, an MFI rating agency established in 1997.

Founded in 2007 to advise MIVs on managing foreign exchange risk, Cygma plans to offer a fund to absorb the foreign exchange risk MIVs bear on currency swaps. The fund is intended to raise USD 50 million and cover up to 10 times that amount.

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Indian Microfinance – Coming of Age

Published by Intellectap, June 2010, available for purchase at <https://www.microfinanceinsights.com/store-details.php?pid=8>

This third edition of “Inverting the Pyramid,” an annual publication about the Indian microfinance sector, explores issues such as, “Is there a bubble growing in Indian microfinance?”, “Are the social aims of microfinance losing out to commercial interests?” and “Are Indian MFI valuations too high?”. It also includes data from 29 microfinance institutions that together make up 85 percent of the microfinance sector in India.

Performance-Based Agreements: Incorporating Performance-Based Elements into Standard Loan and Grant Agreements

By Mayada El-Zoghbi, Jasmina Glisovic-Mezieres and Alexia Latortue, published by CGAP (Consultative Group to Assist the Poor); May 2010; 12 pages; available at: http://www.cgap.org/gm/document-1.9.43934/Performance_Based_TechGuide_ENG.pdf

This technical guide is intended to assist funders in incorporating performance targets and sanctions for poor performance into loan agreements, with the goal of reducing the frequency of misunderstandings and incentivizing better performance. 📄

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