

MICROCAPITAL BRIEFS | TOP STORIES

China to Remove MFI Interest Rate Cap

The People's Bank of China, the central bank of China, has announced plans to legalize private lending and to remove the cap on microfinance institution interest rates that are now capped at four times the prime lending rate, which currently stands at 5.31 percent. March 15, 2010

India's Janalakshmi Raises \$10m from Tree Line, Bellwether, Others

Janalakshmi Financial Services (JFS), an Indian microfinance institution, recently announced that it has raised the local-currency equivalent of USD 10 million in its second round of funding from a group of investors that includes Tree Line Asia Master Fund (Singapore) Private Limited, a hedge fund with offices in Hong Kong and Singapore; Bellwether Microfinance Fund, a private equity fund based in India; and JFS board member Narayan Ramachandran. JFS reports a gross loan portfolio of USD 18.6 million and 100,000 customers. March 9, 2010

IFC Loans \$6m to Fundacion Mundo Mujer of Colombia

The International Finance Corporation, the lending arm of the World Bank, recently announced that it will provide advisory services and a USD 6 million loan to Fundacion Mundo Mujer (FMM), a Colombian NGO that offers microcredit services, in order to help FMM transform into a regulated financial institution to increase its range of product offerings. An affiliate of Women's World Banking, FMM reports a total loan portfolio of USD 154 million, 30 branches and 265,000 clients. March 9, 2010

Central Bank of Kenya Grants First Credit Bureau License

The Central Bank of Kenya recently granted an operational license to Credit Reference Bureau Africa, which currently is active in 12 countries. This is the first licensing of a credit bureau in Kenya, and plans are reportedly under way to establish two additional credit bureaux: Metropol Credit Reference Bureau and Compuscan Limited. March 4, 2010

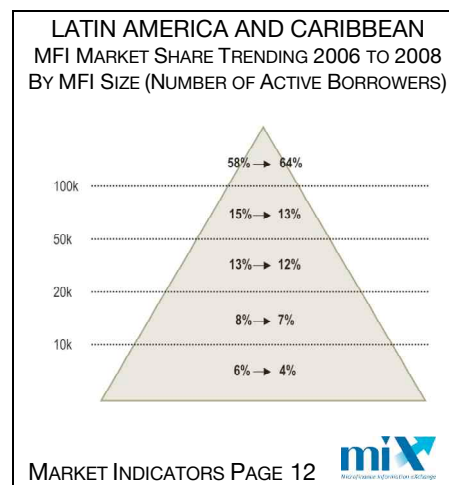
Sri Lanka's LOLC Micro Credit Limited Borrows \$14m

LOLC Micro Credit Limited (LOMC), a Sri Lankan microfinance institution, recently borrowed USD 10 million via Symbiotics SA, a Swiss microfinance investment intermediary, and the euro equivalent of USD 4 million from three Dutch investment funds: Triodos Microfinance Fund, Triodos Fair Share Fund and Hivos-Triodos Fund. Founded in 2009, LOMC is the microfinance arm of Lanka ORIX Leasing Company (LOLC), a Sri Lankan financial services provider that started offering microfinance services in 2003. As of 2008, LOLC reports total assets equivalent to USD 295 million, and LOMC reports a gross loan portfolio of USD 20 million and 22,000 clients served. March 3, 2010

EBRD, FMO, TaiwanICDF Loan \$68m to Turkey's Garanti Bank

The European Bank for Reconstruction and Development; the Netherlands Development Finance Company (FMO); the International Cooperation and Development Fund, a Taiwanese development fund; and five commercial banks recently loaned an aggregate euro equivalent of USD 68 million to Garanti Bank, a Turkish commercial bank, to increase its lending to micro-, small and medium-sized enterprises. The loan will benefit the Women Entrepreneurs' Support Package, which offers special lending rates, letters of credit, long-term loans and pension programs. Garanti Bank reports total assets of USD 65 billion and 8 million customers. February 16, 2010

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MICROCAPITAL BRIEFS

Wall Street Journal Article Examines “Profit Versus Purpose”

A recent article in US daily *The Wall Street Journal* examines the debate of profit versus purpose in microfinance. Have for-profit investors put microfinance institutions “in danger of becoming little better than predatory moneylenders”? March 18, 2010

NORD/LB Luxembourg’s Horizont Fund Invests in EFSE

Norddeutsche Landesbank (NORD/LB) Luxembourg’s Horizont mutual fund recently committed roughly three percent of its volume to the European Fund for Southeast Europe, a microfinance fund. The exact amount of the investment was not made available, but NORD/LB Horizont has a volume equivalent to USD 117 million. NORD/LB Luxembourg is a division of NORD/LB, a German commercial bank with USD 31 billion in assets. March 18, 2010

AccessBank of Azerbaijan Issues Shares Worth \$24.8m

AccessBank, an Azerbaijani microfinance institution, recently issued shares valued at the local-currency equivalent of USD 24.8 million. No purchasers of the shares were identified. AccessBank recently reported that its loan portfolio has surpassed the USD 300 million mark and that it has served 100,000 customers. March 9 and March 16, 2010

Report: 2009 MFI Equity Valuations Rise, Portfolio Quality Falls

A recent report by CGAP (Consultative Group to Assist the Poor) and financial services firm JP Morgan indicates that, despite the global financial crisis, microfinance institution (MFI) equity valuations continued to rise across all regions during 2009. The report states that MFIs in the private equity market were trading at a median of 2.1 times their book value, a 62 percent increase since 2007. On the other hand, during the first five months of 2009, portfolio delinquency rose from a median of 2.2 percent to 4.7 percent, and the median return on equity dropped from nearly 18 percent to 6 percent. March 16, 2010

Elevar Equity Raises \$70m; Fund to Invest in Asia, Latin America

Elevar Equity Advisors Private Limited, a Bangalore-based private equity fund, has raised USD 70 million for a fund that will invest in microfinance and related services in India, the Philippines, Mexico and Peru. Elevar currently manages two other funds that make capital investments in emerging markets: Unitus Equity Fund, which closed in 2007, and Elevar Equity II, which was launched in May 2008. Elevar reports USD 170 million in assets under management. March 16, 2010

Alquity to Launch Fund to Invest in African Microfinance

Alquity Investment Management, founded in 2009 by the Alquity Group, reportedly will soon launch a fund that will invest in listed African equities and direct 25 percent of its volume to microfinance holdings. With USD 130 million in assets under management, Alquity Group has offices in London and Hong Kong. March 16, 2010

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UK’s DFID to Provide \$12m to CGAP Mobile Banking Program

The United Kingdom’s Department for International Development has announced that it will provide the equivalent of USD 12.1 million to nonprofit CGAP (Consultative Group to Assist the Poor) to help policymakers develop regulations that promote mobile banking services for low-income people. March 16, 2010

Pakistan Microfinance Network to Set Up Credit Bureau

The Pakistan Microfinance Network, which claims members covering 90 percent of microfinance outreach in Pakistan, is planning to set up a credit bureau by the end of April. March 16, 2010

Big Players Launch Islamic Microfinance Challenge 2010

CGAP (Consultative Group to Assist the Poor), a policy and research center; Deutsche Bank, a European commercial bank; Grameen-Jameel, a company that supports microfinance institutions; and the Islamic Development Bank recently announced the Islamic Microfinance Challenge, a contest offering a USD 100,000 prize for an innovative model to deliver microfinance services that are consistent with Shariah, which prohibits interest-based contracts. March 15, 2010

AGFUND to Open Microfinance Banks in Jordan, Lebanon, Sudan

The Arab Gulf Program for United Nations Development Organizations (AGFUND), recently announced that it will establish new microfinance banks in Jordan, Lebanon and Sudan within the next several months. AGFUND has previously helped to establish one microfinance bank each in Jordan, Egypt, Yemen and Bahrain. March 15, 2010

XBRL International Publishes Case Study on MIX Taxonomy

XBRL International, the coordinating body for the use of eXtensible Business Reporting Language (XBRL), has published a case study from the Microfinance Information Exchange (MIX) outlining MIX’s efforts to develop and implement an XBRL taxonomy for microfinance, which is intended to allow for improved data sharing among microfinance institutions, investors and other stakeholders. March 15, 2010

Nonprofits Commit \$8.8m for Savings in Tajikistan, Rwanda

Three Canadian nonprofits, the MasterCard Foundation, CARE Canada and the Aga Khan Foundation Canada (AKFC), recently announced that they are providing the equivalent of USD 8.8 million to fund two new programs that aim to extend savings services to 900,000 residents of Tajikistan and Rwanda. Over the next three years, CARE will create village savings and loan associations (VSLAs) in Rwanda as part of a USD 3.9 million program to be funded equally by the MasterCard Foundation and CARE. AKFC will introduce VSLAs to Tajikistan over the next five years with USD 3.9 million from the MasterCard Foundation and USD 975,000 of its own funding. AKFC is a member of the Switzerland-based Aga Khan Development Network. March 15, 2010

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

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Bangladesh to Publicize MFI Interest Rates

The Microcredit Regularity Authority of Bangladesh has announced that it will begin to publicize - through unspecified avenues - the interest rates charged by microfinance institutions. March 16. 2010

Sarona Raises \$12m for Frontier Markets Fund

Canada's Sarona Asset Management (SAM), which manages USD 200 million in assets in developing countries, recently closed its Sarona Frontier Markets Fund I LP after raising USD 12 million in commitments in three months. Targeting a return on equity of 15 percent, the new private equity fund intends to offer investors an aggressive range of investments in micro-, small and medium-sized enterprise funds and debt instruments in developing countries. A holding of nonprofit Mennonite Economic Development Associates, SAM brought in 35 private investors to launch the fund. March 15. 2010

Angola's Banco de Comércio e Indústria Offering Microcredit

Banco de Comércio e Indústria, a government-controlled bank in Angola, recently launched a microcredit program that is intended to benefit 50,000 people across the country by 2012. Initial loans will be made in the amount of USD 500, with successful borrowers eligible to graduate to loans as large as USD 250,000. March 12. 2010

Indian Microfinance Institutions Launching Credit Bureau

India's Microfinance Institutions Network (MFIN), a self-regulatory organization of 31 Indian microfinance companies with 20 million borrowers, is investing the equivalent of USD 400,000 to create a new credit bureau, Alpha Micro Finance Consultants Private Limited. The company will have an unspecified relationship with established credit bureaux Credit Information Bureau (India) Limited and High Mark Credit Information Services Private Limited, in which MFIN recently took a five-percent stake, as reported in the January issue of this newspaper. March 11. 2010

IFC, IBM, Republic Bank Expand Website for Caribbean SMEs

The International Finance Corporation, a member of the World Bank Group; IBM, the US-based multinational computer corporation; and Republic Bank Limited of Trinidad and Tobago, recently expanded their online SME Toolkit Caribbean to Guyana in an effort to help more small and medium-sized enterprises become more competitive. March 9. 2010

India's SKS Microfinance Expected to File for IPO by April

SKS Microfinance Limited, an Indian microfinance institution, is reportedly planning to file for its much-anticipated initial public offering by early April. Unnamed sources quoted by Reuters news service estimate that the deal could raise up to USD 300 million. Citigroup, a US-based financial services company; Kotak Mahindra, an Indian bank; and Credit Suisse, a Swiss financial services company, are said to be arrangers of the deal. As of 2009, SKS reported 3.5 million active borrowers and 1,676 branches. As of 2008, SKS reported total assets of USD 596 million, a return on assets of 3.68 percent and return on equity of 18.7 percent. March 9. 2010

PlaNIS Study: Microfinance Funds Grew by 16% in 2009

According to a study by PlaNIS, a Planet Finance entity that advises microfinance investment funds, European funds dedicated to microfinance increased their assets by 16 percent during 2009. This compares with 31 percent growth during 2008. Earning rates of European funds dedicated to microfinance were found to range from 1.74 percent to 2.31 percent in 2009, compared with an average of 4 percent for the decade up until 2009. March 9. 2010

Aavishkaar Goodwell Seeks \$100m for Second Fund

Aavishkaar Goodwell, a company that provides equity finance for microfinance institutions, is currently working to secure commitments totaling USD 100 million for its second fund. The fund is expected to seek investments from current investors such as the International Finance Corporation, the investment arm of the World Bank; the BlueOrchard Private Equity Fund; the Netherlands Development Finance Company (FMO); and Deutsche Bank, a German commercial bank. Besides microfinance, the fund will invest in housing finance and technology related to social ventures. Aavishkaar Goodwell's first fund, which closed in May of 2008, raised USD 18.3 million. March 9. 2010

Local Government to Launch Microfinance Program in Malaysia

The government of the Malaysian state of Selangor recently announced the allocation of the equivalent of over USD 117 million to set up a microfinance program intended to help low-income residents increase their earnings. March 9. 2010

Standard Chartered Loans \$1.6m to MBK Ventura of Indonesia

Standard Chartered, an international commercial bank headquartered in London, has provided a local-currency loan worth USD 1.6 million to Mitra Bisnis Keluarga (MBK) Ventura, a microfinance institution (MFI) located in Indonesia. The loan is backed by a USD 750,000 guarantee from the Grameen Foundation, a US-based nonprofit. With this loan, its first microfinance loan in Indonesia, Standard Chartered now has investments in MFIs in 23 countries. MBK Ventura reports total assets of USD 7.4 million, a gross loan portfolio of USD 5.1 million, 103,734 active borrowers, return on assets of 1.16 percent and return on equity of 7.02 percent. March 8. 2010

ACCION International Launches ACCION Microcredit China

ACCION International, a US-based nonprofit with 32 partner microfinance institutions (MFIs), recently announced the launch of ACCION Microcredit China, an MFI located in Inner Mongolia, China. Loan sizes begin at the local-currency equivalent of USD 146. March 8. 2010

Advans Banque Congo Increases Capital to \$13m

Advans Banque Congo, a microfinance institution (MFI) controlled by Luxembourg-based Advans SA, recently met the Congolese central bank's requirement to have a minimum of USD 13 million in capital. The unspecified amount of new capital was provided by existing shareholders Advans SA, the African Development Bank, the German development bank KfW and the World Bank's International Finance Corporation. Advans SA also holds stakes in the following MFIs: Advans Ghana, Advans Cameroun and Cambodia's Amret. March 8. 2010

Babyloan Website Facilitates \$807k in Microloans

The French microlending site Babyloan recently reported that it has facilitated the euro equivalent of USD 807,000 in microloans to finance 2,150 projects since its launch in 2008. "We are not very big yet but our development in the first year corresponds to the big American sites," said co-founder Arnaud Poissonier. March 5. 2010

Economist Unit Dubs Philippine Regulatory Framework Tops

A study conducted by the Economist Intelligence Unit, the business information arm of the group that publishes *The Economist* weekly magazine, has ranked the Philippines first in the world in terms of its microfinance regulatory framework and third in the world in terms of its microfinance business environment, following Peru and Bolivia. The study was based on data from 55 countries, assessing regulatory framework, investment climate and institutional development. March 5. 2010

Pakistan Microfinance Network Develops Benchmarking Software

The Pakistan Microfinance Network has recently developed two benchmarking software applications: Pakistan Microfinance Review (PMR) software and Microfinance Connect. The PMR software allows for the analysis of 88 indicators on Pakistan's microfinance industry that are updated annually in June. Microfinance Connect tracks 29 outreach indicators for the Pakistani microfinance industry based on data from the quarterly MicroWATCH publication. March 4, 2010

NABARD Invites Comments on Draft Regulation Framework

India's National Bank of Agriculture and Rural Development is now accepting comments via mcid@nabard.org on a draft plan intended to streamline regulation and development planning for the Indian microfinance industry. March 4, 2010

ADB Provides \$300m to Indian Development Banks for MSMEs

The Asian Development Bank recently announced that it will provide USD 300 million for on-lending to micro-, small and medium-sized enterprises in India: USD 50 million as a loan to the Small Industries Development Bank of India (SIDBI) and USD 250 million as a partial credit guarantee for unspecified public-sector banks. The SIDBI loan has a 15-year term with a grace period of three years and an interest rate based on LIBOR. The guarantees are expected to be US dollar-denominated loans or bonds with tenors of five years. Established by the Indian Parliament in 1990, SIDBI provides credit to large and medium-sized microfinance institutions. March 3, 2010

Botswana's Letshego Holdings to Focus on Consumer Microloans

Letshego Holdings Limited, a sub-Saharan financial services provider, is reportedly finalizing the sale of its insurance divisions to Botswana Insurance Holdings Limited for the equivalent of USD 8.2 million so that it can concentrate its resources on unsecured consumer lending. The capital raised through the sale will allow Letshego Holdings to expand in Mozambique, Namibia, Swaziland, Uganda and Zambia. Founded in Botswana in 1998, Letshego reported USD 85.2 million in total assets in 2008. March 2, 2010

Southern Sudan Facility Inks First Funding Agreement

The government-supported Southern Sudan Microfinance Development Facility recently signed its first funding agreement, which entails providing the local-currency equivalent of USD 92,000 over three years to Rural Finance Initiative (RUF), a microfinance institution in Southern Sudan. The facility includes both an on-lending segment and a grant to provide technical assistance to RUF, which was founded in 2008 and serves 300 clients. March 2, 2010

Georgian MFIs Generate \$9m in Profits During 2009

According to a recent article in *Georgian Business Week*, the Georgian microfinance sector saw profits equivalent to USD 9.3 million for 2009, during which time 12 new microfinance organizations were registered by the National Bank of Georgia, resulting in a total of 39. March 2, 2010

Independencia Closes on Finsol, Will Apply to Take Deposits

Financiera Independencia, a Mexican microfinance institution (MFI), has closed its deal - worth the equivalent of USD 41 million, as reported in the December issue of this newspaper - to acquire another Mexican MFI, Financiera Finsol. Independencia also has decided to apply for a banking license, which would allow it to offer a wider range of products and services, including accepting retail deposits. As of September 2009, Independencia reported a total outstanding loan balance of USD 371 million and operated 198 branches. Finsol reports an outstanding loan balance of USD 49 million, 143,045 clients and 158 branches. March 1 and March 2, 2010

EBRD Loans \$25m to UniCredit Leasing Ukraine for SMEs

The European Bank for Reconstruction and Development recently loaned USD 25 million to UniCredit Leasing Ukraine as part of a USD 125 million financing package approved in 2009 for international leasing company UniCredit Leasing. With operations in 17 European countries, UniCredit Leasing is a member of UniCredit Group, which has total assets worth the equivalent of USD 1.4 trillion. March 1, 2010

BPI Globe BankO to Provide Investment Services to MFIs

Bank of the Philippine Islands (BPI) Globe BankO recently announced plans to expand its operations to include the provision of liquidity management services and technical assistance to microfinance institutions (MFIs) in the Philippines. BPI Globe BankO now provides MFIs with wholesale funding and technology support and has recently started its own pilot retail microfinance program. During 2010, the bank plans to lend the equivalent of USD 21.7 million and open five branches. BPI Globe BankO is held by the Bank of the Philippine Islands, Ayala Corporation and Globe Telecom. March 1, 2010

Angola Youth Program Issues Status Report

According to a recent *AngolaPress* article, 262 youths in the southern Angola province of Cuene received microloans in 2009 from the "Angola Youth" microcredit program, which was launched in 2007 by Angola's Ministry of Youth and Sports. Although the amount disbursed to date was not released, the program is funded by USD 5 million from the state-owned Savings and Credit Bank. March 1, 2010

Kathryn C Mayer to Run WWB Center for Microfinance Leadership

Women's World Banking, an organization that provides technical and advisory services to a worldwide network of microfinance institutions, recently appointed Kathryn C Mayer to serve as director of its Center for Microfinance Leadership, which provides workshops, coaching and support to senior managers in the microfinance industry. March 1, 2010

Compartamos Banco Reports 33% Increase in Income, Portfolio

Compartamos Banco, a Mexican microfinance bank, reports that both its net income and total loan portfolio increased by 33 percent in 2009, resulting in a portfolio equivalent to USD 591 million. March 1, 2010

Opportunity International Granted \$16m to Reach African Farmers

The US-based Bill and Melinda Gates Foundation and the MasterCard Foundation of Canada are awarding grants totaling USD 16 million to Opportunity International, an international nonprofit with a microfinance program headquartered in Malawi. The funding is to be used to provide 1.4 million people with access to savings accounts and to provide comprehensive financial services to 90,000 farmers in sub-Saharan Africa. The program will begin in Malawi and Ghana and may be expanded to three additional countries over five years. March 1, 2010

Fitch Rates ProCredit Banks in Bosnia & Herzegovina, Kosovo

Fitch Ratings recently released ratings of ProCredit Bank of Bosnia & Herzegovina, which reports a gross loan portfolio of USD 225 million, and ProCredit Bank of Kosovo, which reports a gross loan portfolio of USD 609 million. Frankfurt-based ProCredit Holding AG holds a controlling stake in both banks. For details, please see MicroCapital.org. March 1, 2010

Reserve Bank of India Warns MFIs to Improve Governance

The Reserve Bank of India (RBI), India's central bank, has warned that microfinance institutions (MFIs) could be taken off the priority sector lending list if the industry does not improve its governance standards. Alleged infractions include doctored board minutes, embezzlement and the advancement of fresh loans to hide bad debt. The priority sector lending list includes entities to which banks are required to direct a certain amount of their investment. The loss of this status could result in a credit squeeze for MFIs. March 1, 2010

European Commission Launches \$135m Microfinance Facility

The European Commission recently launched the “European Progress Microfinance Facility,” which will be funded with the equivalent of USD 135 million and make loans of up to USD 34,000 to microentrepreneurs in the European Union who do not have access to traditional banking services. February 17 and February 26, 2010

Fiji Creates Taskforce to Increase Access to Finance

The Reserve Bank of Fiji (RBF) recently created a National Financial Inclusion Taskforce made up of 11 members, including four private sector representatives, to oversee the extension of financial services to poor residents of Fiji. This follows RBF’s 2009 decree requiring all commercial banks to establish microfinance units. February 25, 2010

On the Pitfalls of Competition in Microfinance

The US-based Financial Access Initiative recently published a series of papers written by regulatory expert Dr David Porteous of US-based consultancy Bankable Frontier Associates concerning the tradeoffs that regulators face in trying to encourage “healthy” competition in the microfinance industry. “Part of the regulator’s dilemma is that encouraging competition can increase the pressure on microfinance institutions (MFIs) to make more and larger loans to keep up with their competitors,” which can lead to an increase in borrower defaults. February 25, 2010

Indonesia Brings 13 More Banks into KUR Program

The government of Indonesia recently enrolled 13 additional banks into the Association of Regional Development Banks (Asbenda), allowing them to participate in the government-run Kredit Usaha Rakyat program, which provides government guarantees to commercial banks that expand into the microfinance sector. February 24, 2010

Nigeria’s Satellite Fighting Fraud with Text Messages

To improve customer service and prevent fraud, Nigeria’s Satellite Microfinance Bank recently started using the Clickatell text message (SMS) alert system to notify customers of account activity. Clickatell’s CEO, Pieter de Villiers, cited the microbank’s use of his SMS alert system as an example that, “Emerging markets are showing a tremendous ability to leapfrog developed markets in terms of technology adoption.” February 24, 2010

SKS Raises \$21m from Debentures, Commercial Paper

SKS Microfinance, a microfinance institution in India, recently raised the local-currency equivalent of USD 21 million, half from an issuance of non-convertible debentures to Bajaj Allianz Life Insurance Company, an Indian life insurance provider, and half through a sale of commercial paper to Religare Asset Management Company, a mutual fund. While non-convertible debentures are medium- to long-term debt instruments, commercial paper generally has a fixed maturity of less than one year. As of September 2009, SKS reported 3.5 million active borrowers and 1,676 branches. Its total assets as of 2008 were USD 596 million, with a return on assets of 3.68 percent and return on equity of 18.7 percent. February 24, 2010

Basel Committee Seeks Feedback on Microfinance Paper

The Basel Committee on Banking Supervision, a committee established by the central bank governors of the G10 group of rich countries, recently issued for consultation a report entitled “Microfinance Activities and the Core Principles for Effective Banking Supervision.” The report contains supervisory guidance on microfinance activities and reviews practices on regulating and supervising such activities. Comments on the report will be accepted at baselcommittee@bis.org until May 7, 2010. February 23, 2010

On the Importance of MFIs in Post-Disaster Environments

A recent article in US magazine *Newsweek* examines the role of microfinance institutions in mitigating disaster situations. “Microfinance institutions are used to dealing at grassroots levels in a way that large commercial lenders cannot,” said Don Terry, a former Inter-American Development Bank official, adding that “devastation typically paralyzes the big banks.” Examples cited included Funcación León 2000 after Hurricane Mitch hit Nicaragua and Honduras in 1998 and Grameen Bank in the aftermath of the 2004 Asian tsunami. As noted in the January issue of this newspaper, Fonkoze was reportedly “the only bank able to stay open for customers making withdrawals and receiving money transfers” immediately following the January 12 earthquake in Haiti. February 23, 2010

IFC, SONAM, Bank of Africa Invest \$2m in MicroCred Senegal

Three organizations have announced that they will make local-currency equity investments totaling the equivalent of USD 2.25 million in MicroCred Senegal, a microfinance institution (MFI) that was founded by the MicroCred Group, a member of the PlaNNet Finance Group. The International Finance Corporation, the investment arm of the World Bank, will invest USD 1.2 million and provide a grant of an unspecified amount for advisory services. SONAM, an insurance company located in Senegal, will invest USD 850,000, and the Bank of Africa, a multinational bank, will invest USD 200,000. MicroCred Senegal reports 12,000 clients and assets of USD 9.5 million. MicroCred Group, which develops new MFIs, reports the euro equivalent of USD 37.7 million in assets as of year-end 2008. February 23, 2010

Grameen Foundation Promotes Use of Poverty Index in Africa

The US-based Grameen Foundation has announced a two-year initiative to assist African microfinance institutions (MFIs) in tracking clients using its poverty assessment tool, the Progress out of Poverty Index (PPI). The initiative will be facilitated by the PPI Users Collaborative in Africa (PUCA), a group made up of Oikocredit, a microfinance funder based in the Netherlands; Catholic Relief Services, a charity group based in the US; Terrafina Microfinance, a program that provides technical and financial support to MFIs; Planet Rating, a microfinance rating agency; and the Grameen Foundation. PUCA will begin by working with three MFIs in Mali and Senegal to determine the effectiveness of the MFIs in targeting poor clients and reducing poverty over time. February 23, 2010

Central Bank of Kenya to Review Microfinance Act

Governor Njuguna Ndungu of the Central Bank of Kenya recently announced that the central bank will consider regulatory changes intended to make it less expensive for the public to access funds from microfinance institutions (MFIs) via agents. Governor Ndungu also commented on the importance of deposits for the financial future of MFIs and that MFIs have thus far had trouble complying with restrictions on single shareholders holding more than 25 percent of an MFI. February 22, 2010

IFC, KfW to Establish MFIs in Zambia, Senegal

The International Finance Corporation (IFC), the investment arm of the World Bank, and KfW Entwicklungsbank, a German development bank, have announced that they will establish microfinance institutions in Zambia and Senegal during 2010. To date, IFC and KfW have together established six microbanks, one each in the Democratic Republic of Congo, the Republic of the Congo, Ghana, Madagascar, Nigeria and Tanzania. February 22, 2010

StanChart Loans \$1.5m to CARD Bank of the Philippines

Standard Chartered recently provided a local-currency loan worth USD 1.5 million to CARD Bank, a Philippine microfinance institution with 360,000 active borrowers and assets of USD 44 million. The loan is supported by a USD 500,000 guarantee from Women's World Banking, a network of 54 microfinance providers and banks in 30 countries. Expected to serve 15,000 borrowers, the loan is Standard Chartered's first in the Philippines. At the time, this brought to 22 the number of countries in which the Standard Chartered had invested in microfinance. (That number has since reached 23.) February 18, 2010

ADA Launches "Discussion Paper" Series

Appui au Développement Autonome, a Luxembourg-based NGO specializing in microfinance, has launched the first issue of its "Discussion Paper" series, a publication aimed at initiating debate among microfinance professionals. The theme of the first issue is "Does foreign ownership in microfinance interfere with local government?". February 18, 2010

Azerbaijan Clarifies Regs for Non-Bank Credit Organizations

Azerbaijani President Ilham Aliyev recently signed a law aiming to increase access to finance in rural areas of the country. The law creates licensing procedures for non-bank credit organizations (NBCOs) and creates a legal distinction between NBCOs that are and are not authorized to hold collateral. The law does not apply to nonprofit organizations, but restricts international organizations from opening NBCOs unless their country of origin has an agreement with Azerbaijan that specifically permits their establishment. February 16, 2010

Egypt to Grant Commercial Status to Microfinance Institutions

Egypt is expected soon to change the status of microfinance institutions (MFIs) from philanthropic organizations to commercial entities. The new law would grant customers of MFIs "access to commercial finance, transactional services support, [and] savings," according to Aftab Ahmed, the chairman of Citibank Egypt. The new legislation will grant regulatory power over MFIs to the Egyptian Financial Services Authority and is intended to enable the development of new finance products such as microinsurance, to serve more individuals seeking microcredit, to attract international funding and to increase transparency. February 16, 2010

Cambodian MFIs Receive Deposit-taking Licenses

Two microfinance institutions (MFIs) in Cambodia, Hattha Kaksekar Limited (HKL) and Angkor Mikroheranhvatho Kampuchea (AMK), recently became the third and fourth MFIs to have received deposit-taking licenses from the National Bank of Cambodia. The MFIs expect to offer interest rates of 9 percent to 11 percent for fixed-term deposits in local currency and 8 percent for fixed-term deposits in USD. For 2008, HKL reported total assets of USD 36.1 million, a gross loan portfolio of USD 29.1 million, 44,467 borrowers, return on assets of 6.86 percent and return on equity of 39.72 percent. AMK reports total assets of USD 29.5 million, a gross loan portfolio of USD 23.4 million, 188,696 borrowers, return on assets of 4.28 percent and return on equity of 12.69 percent. February 16, 2010

Bangko Sentral ng Pilipinas Loosens Microinsurance Rules

With the aim of lowering transaction costs, Bangko Sentral ng Pilipinas recently began allowing the 3,500 rural, cooperative and thrift banks in the Philippines to sell insurance products that cost no more than five percent of the daily minimum wage and that offer guaranteed benefits of no more than 500 times the daily minimum wage. Minimum wage in the Philippines varies by region and employment sector from the equivalent of USD 3.90 to USD 8.40 per day. February 16, 2010

Nepal May Subsidize Microfinance Interest Rates

At the recent "Microfinance Summit Nepal 2010," Nepalese Finance Minister Surendra Pandey expressed concern about rising microloan interest rates, raising the specter of increased government intervention with a statement that government will "bear the cost" to counter the trend. February 16, 2010

Global Partnerships Loans \$500k to Mexican MFI

Global Partnerships, a US-based NGO that supports microfinance institutions (MFIs) in Latin America, has announced its expansion to Mexico through a USD 500,000 loan made to the nonprofit Fundación Realidad (FRAC). According to a Global Partnerships press release, FRAC provides 82 percent of its loans to women, provides 87 percent of its loans to rural clients and offers an interest rate that is 12 percentage points lower than the Mexican microfinance industry median. As of December 2008, FRAC reports total assets of USD 4.8 million, a gross loan portfolio of USD 4.3 million, 12,604 borrowers, return on assets of 0.62 percent and return on equity of 1.53 percent. Global Partnerships' three funds together hold assets of USD 15.4 million. February 16, 2010

EBRD, EFSE Loan \$10m to ProCredit Bank Moldova

The European Bank for Reconstruction and Development and the European Fund for Southeast Europe, a microfinance investment fund, recently loaned the equivalent of USD 10 million to ProCredit Bank Moldova, a member of Germany's ProCredit Holding, to expand its micro- and small enterprise lending. Half of the loan is denominated in Moldovan lei (MDL), with the remainder in USD. For 2008, ProCredit Bank Moldova reported USD 32 million in total assets. ProCredit Holding, with 22 banks in Eastern Europe, Africa, and Latin America reports assets worth USD 6.5 billion. February 15, 2010

Syria "Struggles" to Find Sustainable Microfinance Model

According to a recent article in *Business Today Egypt*, although Syria has been "a regional front-runner in microfinance regulation, [it] is still struggling to find a sustainable model to finance its rural poor." The article argues that demand can be met by lifting the 9 percent cap on interest rates and by encouraging the entry of private commercial banks into the microfinance market. February 15, 2010

Incofin Set to Raise \$139m for Rural Impulse Fund by June

According to an article published on the Microfinance Focus website, Belgium-based microfinance fund manager Incofin Investment Management is on track to meet its target of raising the equivalent of USD 139 million by midyear for its second Rural Impulse Fund. Incofin Investment Management currently manages five microfinance-focused funds that support 72 microfinance institutions in 32 countries. February 12, 2010

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**MEET THE BOSS**

Florian Meister is one of the founders and managing directors of Finance in Motion

Florian Meister

MicroCapital: What is your professional background?

Florian Meister: I spent 13 years in investment banking after I completed my MBA, which is not the typical background for people working in microfinance. I rose through the ranks, eventually managing a 30-man team at the Frankfurt subsidiary of a large investment bank. While I was working in corporations and consultancy and investment banking, I wondered why we in the Western world had so many luxurious televisions and cars and why 80 percent of the world's people had very little of these sorts of things. This fundamental inequality in development was something that puzzled me and weighed on my conscience, which is not good for a long-term career in investment banking. As time went on, there was a declining number of value-added projects available in the Western world, which resulted in the asset bubbles we have seen recently. I decided I didn't want to push the next hype or participate in building the next bubble.

MC: Please describe Finance in Motion.

FM: Finance in Motion was set up in September of 2009. It currently consists of 55 people and is still expanding. We advise structured development finance funds with a public-private partnership approach. Our original focus was on the microfinance investment vehicle (MIV) European Fund for Southeast Europe (EFSE). We have recently received a mandate to focus on energy efficiency and renewable energy through the Green for Growth Fund, Southeast Europe (formerly Southeast Europe Energy Efficiency Fund), which was initiated by Germany's KfW and the European Investment Bank. KfW is also the initiator of EFSE, which currently has the equivalent of USD 850 million in assets under management, while the new energy fund has committed capital of USD 135 million.

MIVs and development finance funds are our primary customers. The asset side includes customers like microfinance institutions (MFIs), banks and initiators of renewable energy or energy efficiency projects. However, the ultimate customer is the receiver of the credit that we make available. EFSE, for example, has over 100,000 end borrowers.

On the liabilities side, our customers span a wide range, including private investors that want to diversify their assets and receive a risk-weighted return while drawing a certain social dividend. We also work with donors whose focus is primarily to achieve a desired social change and to leverage their available resources in doing so. By way of illustration, EFSE has about one third large, international donors, one third international finance institutions and one third private investors.

MC: What partnerships are central to your work?

FM: Sal. Oppenheim, a large bank that is in the process of merging with Deutsche Bank, serves as investment manager for both of the funds we advise. It is responsible for acquiring investors for the fund, making

certain dispositions of cash and looking after risk ratios. Finance in Motion leads the process of structuring the funds, sets up the governance and policies, leads identification of possible assets, completes due diligence and creates the investment proposals that are presented to the funds' investment committees. Once investments have been extended, we are in charge of monitoring risk. If we detect any sign of weakness in the institution, we can provide technical assistance. We are also responsible for social performance reporting and the coordination of



service providers. When there is a crisis, Finance in Motion makes the first move to set up a working group to address the issue.

Other important relationships include the custodian, the auditor and the lead counsel. All of these relationships need to interlink, otherwise there are delays. And most importantly, we also maintain good partnerships with the banks and MFIs in the regions where we invest through our network of seven regional offices across Southeast Europe. Maintaining relationships with people like central bank governors who are spokespersons for the sector is also important.

MC: What is the next challenge in microfinance?

FM: One challenge for investors is making sure that an investment intended to be made in microfinance is actually invested in the sector. The institutions to which we lend money keep changing and developing. It is important that investors work with MIVs that make it clear where investments are going and whose management is able to

deal with crises, to apply technical assistance and to maintain strong relationships in the field. This is a structure that Finance in Motion can provide.

MC: What trends do you see going forward in microfinance?

FM: Microfinance is maturing in some markets, so there is a healthy degree of institutional competition now. Small institutions that started with donor money have grown, have expanded their balance sheets and are now competitive. MFIs will expand their governance structures and be open to additional business lines. There will be consolidation through mergers or outright purchases, with the better positioned MFIs becoming deposit-taking institutions or regulated institutions. MFIs will be more aware of risks in their balance sheet, such as balance gaps or lending in local currencies. For example, borrowers in Southeast Europe are asking for options besides the euro. Thus, we've just completed a local-currency deal in Moldova. MFIs will also pay more attention to providing socially responsible products because there is backlash from politicians and consumers, as well as investors.

Some markets will naturally become more saturated. That's a sign that we've done a good job. In a way, we are there to make ourselves at least regionally superfluous. We will find increasing geographic diversity in given regions and differences between urban and rural areas. We have to look harder for the niches. ■



MICROFINANCE DEALBOOK

POWERED BY MicroCapital

TOP FEBRUARY 2010 MICROFINANCE TRANSACTIONS

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

Investor	Investee	Region	Amount (USD)	Type
Asian Development Bank	Small Industries Development Bank of India	SA	35,000,000**	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Spandana	SA	15,000,000	Debt
Bajaj Allianz Life Insurance Company	SKS Microfinance	SA	~10,500,000	Debt
Religare Asset Management Company	SKS Microfinance	SA	~10,500,000	Debt
Unspecified	Financiera Independencia	LAC	~10,500,000	Equity
Unspecified (arranged by Symbiotics)	LOLC Micro Credit Limited	SA	10,000,000	Unspecified
Unspecified	Spandana	SA	~5,300,000	Debt
European Bank for Reconstruction and Development	ProCredit Bank Moldova	ECA	5,000,000	Debt
European Bank for Reconstruction and Development & European Fund for Southeast Europe	ProCredit Bank Moldova	ECA	~5,000,000	Debt
Triodos Microfinance, Triodos Fair Share & Hivos-Triodos Funds	LOLC Micro Credit Limited	SA	4,000,000	Debt
ASN-Novib Fund (Triple Jump)	Crear Arequipa	LAC	3,000,000	Debt
Development Fund of Kyrgyzstan & Asia Universal Bank	AUB-AGRO Microcredit Company	ECA	~2,200,000	Equity
MicroVentures India	Sahayata Microfinance Pvt Ltd	SA	~2,200,000	Debt
ASN-Novib Fund (Triple Jump)	Demir Bank	ECA	2,000,000	Debt
Impulse Microfinance Investment Fund (Incofin)	Financiera Confianza	LAC	~1,580,334	Debt
ASN-Novib Fund (Triple Jump)	Edpyme Alternativa	LAC	1,500,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Kompanion Financial Group	ECA	1,500,000	Debt
Standard Chartered	CARD Bank	EAP	~1,500,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	CREDIT MFI	EAP	1,200,000	Debt
International Finance Corporation	MicroCred Senegal	SSA	~1,200,000	Equity
responsAbility Global Microfinance Fund	Nueva Vision	LAC	~1,127,954	Debt
Oikocredit	Cashpor	SA	~1,083,503	Debt
Oikocredit	Interactuar	LAC	~1,029,476	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	TPC	EAP	~1,025,022	Debt
responsAbility Global Microfinance Fund	Contactar	LAC	~1,012,160	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	Hattha	EAP	1,000,000	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	Crezcamos	LAC	1,000,000	Debt
SONAM	MicroCred Senegal	SSA	~850,000	Equity
Oikocredit	EMFIL	SA	~845,132	Debt
ASN-Novib Fund (Triple Jump)	Findev	ECA	800,000	Debt
Oikocredit	FUCAC	LAC	~792,066	Debt
responsAbility SICAV Microfinance Leaders Fund	BFSF	WW	~756,230	Equity

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 to microfinance

EDITORIAL

Honoring International Women's Month: Thoughts on Reducing Women's Financial Vulnerability

This week, the International Labour Organization's Microinsurance Innovation Facility received proposals for a fourth round of grants aimed at encouraging innovation and learning in microinsurance. The response, we hear, has been very positive. Earlier this year, I suggested that savings would be the next big thing in microfinance. I still believe that to be the case. However, let's look at some numbers to see where insurance can fit into the "access to finance" puzzle.


In a study EA Consultants will be publishing soon on gender and microfinance for the International Development Bank's Multilateral Investment Fund, we looked at some figures in Nicaragua. (My apologies in advance for repeatedly using this country as an example, but I have really good data from Nicaragua.) A 2007 survey of over 2,000 market vendors showed that women were able to set aside about USD 30 per month - not necessarily directed into formal savings accounts. In 2008, this dropped to about USD 15 a month. Savings balances of women also declined sharply from USD 161 to USD 77. Interestingly, men's savings balances increased over the period from USD 138 to USD 240.

We interviewed some of these businesses to understand why. It seems that women's businesses, which are typically smaller, have had a harder time staying afloat as margins have been squeezed. As a result, women are drawing down on savings to cover household expenses. Men's

businesses, which are typically bigger, still seem to be providing enough of a positive return to set money aside (up from USD 23 per month in 2007 to USD 28 per month in 2008).

The data are suggestive. Women's ability to save, which was greater than men's despite their smaller business size in 2007, enabled them to use their savings as a way to smooth out cash flows in harder times. But this leaves them with limited savings left over for investing in their businesses or for emergencies that may arise such as critical illnesses, accidents, loss of property or a death in the family. These women just don't have the ability to save enough to cope with such losses, which can cost upwards of USD 1,000. At 2008 savings levels (USD 15 per month), it would take eight years to save USD 1,000, assuming zero interest.

There are two implications: the first is that women, with typically smaller businesses, will need help getting their businesses to grow. The second is that when unexpected and costly events happen, women will likely turn to borrowing, often making payments in the area of USD 90 per month to cope. Finding the right insurance product for women may allow them to reduce their risk management strategy's dependence on borrowing in favor of more effective options.

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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2005 - 2006: MicroCapital begins reporting original microfinance news at MicroCapital.org and in *The MicroCapital Monitor* monthly news digest

2007 - 2008: Readership of *The MicroCapital Monitor* exceeds 6,000; investors dominate paid readership

2009 - 2010: The complete edition of *The MicroCapital Monitor* is delivered every month to an additional 2,000 MFI leaders

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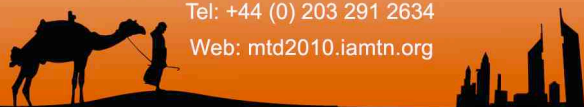
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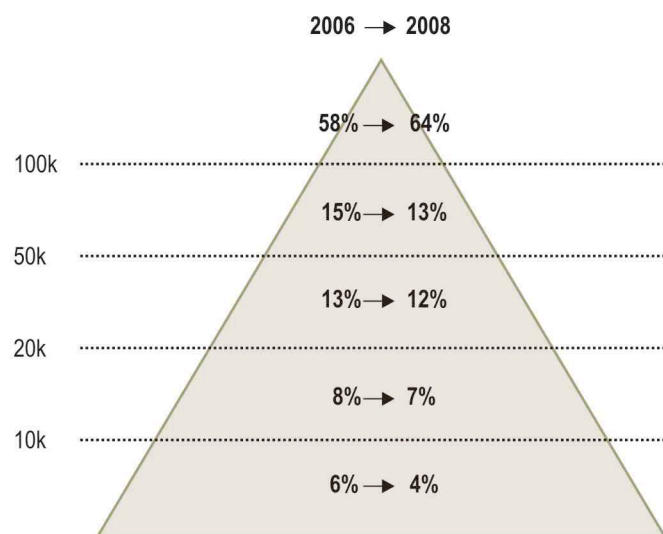
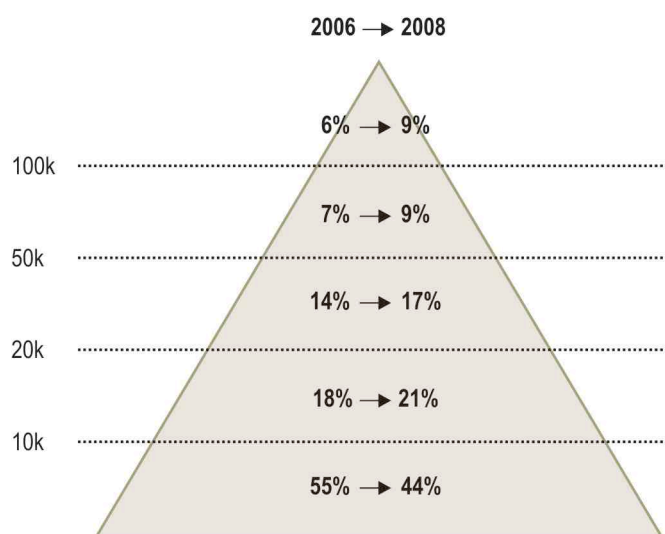
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MICROCAPITAL MARKET INDICATORS | LATIN AMERICA AND THE CARIBBEAN
266 MFIs REPORTING¹
TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	Country	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
Banco Caja Social Colombia	Colombia	262,001,477	15	1,651,012,608	2,175,015,562
MiBanco	Peru	230,296,814	56	320,620,384	781,214,013
BancoEstado	Chile	133,772,777	21	569,779,136	837,324,690
Banco Los Andes ProCredit	Bolivia	76,945,528	35	189,042,096	342,933,151
Banco Compartamos S.A. Institución de Banca Múltiple	Mexico	71,711,259	24	271,111,104	414,533,623
Fondo Financiero Privado para el Fomento a Iniciativas Economicas	Bolivia	71,687,931	56	101,057,704	244,433,565
Caja Municipal de Ahorro y Crédito - Arequipa	Peru	69,493,985	33	182,764,896	321,752,866
CMAC Piura	Peru	68,215,418	33	176,791,456	313,222,293
BancoSol	Bolivia	65,543,999	34	163,126,816	294,214,815
Caja Municipal de Ahorro y Crédito de Trujillo	Peru	62,013,339	28	193,425,552	317,452,229

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

UPCOMING EVENTS

M-Commerce World Summit 2010

March 16 - March 19, 2010, Singapore

This event will focus on mobile remittances and banking, near field communication technologies and microfinance. The full fee is SGD 5,950, but discounts are available. Details may be had via +65 6221 8119, registration@symphonyglobal.com or <http://symphonyglobal.com/index.php/event/page/m-commerce/>.

Money Transfers Dubai 2010

March 22, 2010, Dubai, United Arab Emirates

The event will cover topics such as technical solutions, reducing costs and adding value to remittance services. The registration fee is GBP 495, with various discounts available. Details are available via Girts Liciis at girts.licis@iamtn.org, +44 (0) 203 291 2634 or <http://mtd2010.iamtn.org/>.

Eighth Annual Women's World Banking Microfinance and the Capital Markets Conference

March 23 - March 24, 2010, New York, USA

This event will cover the recent downturn, return expectations, identifying the next generation of rising microfinance institutions and other topics. The registration fee is USD 600. More information is available via <http://www.swwb.org/cmc2010>, wwb@swwb.org or +1 212 768 8513.

Luxembourg Fund Industry Microfinance Conference

March 25, 2010, Luxembourg

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

Second China Microfinance Investor Conference 2010

March 25 - March 26, 2010, Beijing, China

This event is sponsored by the Peoples Bank of China and the German development agency GTZ. There is no fee to attend, but registration was requested by February 1. Details are available via mfinvestors2010@banking-gtz.cn, +86 010 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 400, with various discounts available. Further information is available via info@microcreditsummit.org, +1 202 637 9600 or <http://regionalmicrocreditsummit2010.org/>.

Microfinance and Small Enterprise Investments:

Eastern Europe and Central Asia Regional Summit

April 15 - April 16, 2010, Budapest, Hungary

This event will address issues ranging from the effects of the global financial crisis on microfinance institutions to opportunities for commercial banks to begin offering microcredit. The fee for registrations entered by March 19 ranges from GBP 599 to GBP 1199 depending on organization type, with separately priced workshops available. More information is available via <http://www.microfinanceeca.com/>, registrations@c5-online.com or +44 (0) 20 7878 6888.

Sixth Chicago Microfinance Conference

May 7, 2010, Chicago, USA

This event is hosted by the Zell Center for Risk Management at Northwestern University's Kellogg School of Management. The standard registration fee is USD 50, with various discounts available. No telephone number is offered, but registration is expected to open shortly at <http://www.chicagomicrofinance.com/>. Inquiries may be directed to chicagomicrofinance@gmail.com.

Micro Financial Services World Conference

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

This event will offer three tracks to cover the interests of microfinance institutions, investors and others, including client protection, microinsurance and a range of other topics. If paid by March 26, the registration fee is EUR 1,799 with discounts and add-on workshops available. More information is available via +44 (0) 20 3141 8700, <http://hansonwade.com/events/micro-financial-services-world/> or info@hansonwade.com.

AITEC Banking & Mobile Money West Africa

May 11 - May 12, 2010, Lagos, Nigeria

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

Third Annual Global Microfinance Investment Congress

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

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

TBLI Conference Asia 2010

May 27 - May 28, 2010, Tokyo, Japan

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


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 March 31 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/>.

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. 

PAPER WRAP-UPS

Due Diligence Guidelines for the Review of Microcredit Loan Portfolios

By Robert Peck Christen and Mark Flaming, published by CGAP (Consultative Group to Assist the Poor), December 2009, 58 pages, available at: http://www.cgap.org/gm/document-1.9.36521/DueDiligence_TechGuide_ENG.pdf

This paper offers a method of evaluating the underlying quality of loan portfolios of microfinance institutions (MFIs), offering “a comprehensive checklist of what to analyze, some instruction about appraisal technique, and very little guidance about how to interpret the results.”

The authors argue that MFIs have become more integrated into regulated financial systems and now operate more like commercial banks, taking deposits and leveraging commercial funding. Also, they state that conventional methods fail to adequately assess the underlying portfolio quality of MFIs, which can lead to liquidity crises. According to this paper, conventional methods, such as “external audits, ratings, evaluations and even [direct] supervision, too often fail to identify the primary risk - the inaccurate representation of portfolio quality.” Based on the existence of an audit report, conventional appraisal methods typically assume that the information reported about an MFI’s portfolio quality is correct.

The paper guides the analyst through a three-tiered approach for assessing the performance of an MFI’s loan portfolio and how well it is managed, including ascertaining the accuracy of accounting and performance reports about the portfolio and the MFI’s compliance with its own portfolio management policies.

Tier I is a five-day review of the MFI’s basic policies, procedures and systems for managing and reporting on its loan portfolio. The primary objective of this review is to determine if the MFI has adequate policies, operating systems and management capacity to support portfolio quality. The Tier-I assessment is based largely on (1) on-site interviews with senior management about portfolio trends and (2) the policies, procedures and systems for managing the loan portfolio. The analyst will collect documents and reports, such as audited financial statements, accounting policy manuals, credit policy and procedure manuals, loan portfolio reports and manuals that govern the management of external auditors. In addition, the field visit provides the analyst with an opportunity to check for consistency between MFI policies and management’s understanding of those policies. Ultimately, the analyst should be able to form an opinion about senior management capacity. The field visit also provides an opportunity to gather missing information and ask clarifying questions about policy documents or reports.

Tier II is a 10- to 14-day assessment of “whether MFI operational practices are consistent with policies and procedures and with standards of best practice in microcredit portfolio management.” The essential question is whether the policies and procedures are reflected in daily business operations and whether those practices are sound. The analyst consults with several departments to confirm how transactions are recorded, how reports are generated and how each loan management procedure is actually carried out. At least three full days should be spent with the loan officers, away from senior management, to capture the reality of field operations. A Tier-II review is a minimum requirement for donors, investors and rating agencies that evaluate MFIs for potential investment because this level of review provides more robust evidence of actual performance.

Tier III is a three- to four-week exercise that includes “detailed testing of transactions to confirm the portfolio quality through a sampling of loan files, accounting files and the loan tracking management information system.” The Tier-III assessment uses statistical sampling methods about real arrears levels and the risks related to accounting practices and credit policy. This level of assessment is recommended for investors or regulators that need a quantitative and statistically certain measure of portfolio performance and management.

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

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Microfinance and Inequality

By Hisako Kai and Shigeyuki Hamori, published by the Macrothink Institute, 2009, 12 pages, available at: <http://www.macrothink.org/journal/index.php/rae/article/viewFile/304/183>

This study analyzes cross-sectional data from 61 low-income countries to determine whether microfinance is associated with reduced income inequality. The focus on microfinance is in contrast to considering financial institutions in general because the authors take the position that traditional commercial financial institutions focus on wealthy borrowers, potentially worsening income inequality.

The “intensity” of microfinance in a given country is measured by the number of microfinance institutions (MFIs) and the number of borrowers from MFIs. The first model uses microfinance intensity to examine whether there is a correlation of microfinance intensity with inequality, while the second model uses the logarithm of microfinance intensity for the same purpose.

Inequality is measured using the Gini coefficient, a common measure of statistical dispersion. Several control variables are used, such as GDP per capita, inflation, democracy, openness (as indicated by trade to GDP ratio) and several dummy variables to correct for regional variations. World Bank data on income inequality from 2003 to 2007 is used, as is 2007 data for the number of MFIs and pooled data for the number of borrowers from 2005 to 2007.

The main results are as follows: There are significant, negative relationships between the number of MFIs and inequality and between the logarithm of the number of MFIs and inequality, both of which indicate an equalizing effect for microfinance. Similarly, there are significant, negative relationships between the number borrowers and inequality, and between the logarithm of the number of borrowers and inequality, thus further indicating an equalizing effect for microfinance. Therefore the authors believe that microfinance is likely to aid in decreasing income inequality.

The authors find microfinance more useful for equalization in low-income countries than economic growth, which is correlated with increased inequality until a certain level of GDP per capita is reached, based on the data analyzed in this study.

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2009 MIX Global 100

Published by the Microfinance Information Exchange (MIX), February 2010, 15 pages, available at: <http://www.themix.org/publications/2009-mix-global-100-composite>

This third annual ranking of microfinance institutions (MFIs) by the Microfinance Information Exchange (MIX), is based on criteria such as outreach, efficiency and transparency. MBK Ventura of Indonesia repeated as the top-ranking institution. With 20 MFIs in the Top 100, India had more than any other country.

Blaine Stephens, COO and director of analysis for MIX, said, “This year’s ranking shows a lot of movement and activity in the microfinance market throughout the developing world, with 34 MFIs entering the rankings for the first time....”

Mobile Banking: A Global Strategic Business Report

Published by Global Industry Analysts Incorporated, February 2010, 1117 pages, available for purchase at: http://www.strategy.com/Mobile_Banking_Market_Report.asp

This report estimates that the global customer base for mobile banking will reach 1.1 billion in five years. The report provides annual forecasts by region through 2015 and includes profiles on 84 of the larger players worldwide.

Microfinance Institution Benchmarks

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

The Microfinance Information Exchange recently released microfinance institution benchmarking reports on Eastern Europe and Central Asia (in English), Kosovo (in Albanian), Mexico (in English and Spanish) and Paraguay (in Spanish).

Consumer Protection Regulation in Low-Access Environments: Opportunities to Promote Responsible Finance

By Laura Brix and Kate McKee, published by CGAP (Consultative Group to Assist the Poor), February 2010, 32 pages, available at: <http://www2.cgap.org/p/site/c/template.rc/1.9.42343/>

This Focus Note examines “what consumer protection regulation should look like in places where consumers are poor, access to finance is limited and regulatory capacity is often overstretched.” It includes a tool to help regulators assess consumer protection concerns - such as transparent pricing, truth in advertising and fair collection practices - in their own markets and consider options to address them.

“But whatever the strategy, the best way to put consumer protection principles into practice in low-access environments is to tailor the solutions to each individual context,” says co-author Kate McKee.

Implementing the Client Protection Principles: A Technical Guide for Investors

By Sarah Forster, Estelle Lahaye and Kate McKee, published by CGAP (Consultative Group to Assist the Poor), September 2009, 34 pages, available at: <http://cgap.org/p/site/c/template.rc/1.26.11503/>

As part of a wider consumer protection campaign focusing on fair lending within the microfinance industry, this guide encourages investors to adopt six client protection principles: avoidance of overindebtedness, transparent pricing, appropriate collections practices, ethical staff behavior, mechanisms for redress of grievances and privacy of client data. In making this commitment, investors are encouraged to provide specific action steps and concrete examples of relevant tools currently being used or developed by investors and fund managers. 📄