

## MICROCAPITAL BRIEFS | TOP STORIES

### SHARE Microfin of India Places \$11m in NCDs

SHARE Microfin Limited, an Indian microfinance institution with 2.4 million clients and a gross loan portfolio of USD 353 million, recently raised the local-currency equivalent of USD 11 million through a private placement of two-year, non-convertible debentures. "A heartening feature of the SHARE issue is its two-year tenure, compared to the one-year tenure of the previous issues," said Joseph Silvanus, Head of Development Organizations in Southern Asia at Standard Chartered Bank. May 17. 2010

### Andhra Pradesh to File Criminal Cases Against Coercive MFIs

The government of the Indian state of Andhra Pradesh recently announced that it will file criminal cases against any microfinance institution found to have used coercion to recover loans. Officials will also reportedly seek to have the license of such lenders revoked by the Reserve Bank of India. May 17. 2010

### Ecuador's Interest Rate Cap Inflates Loan Sizes

Ecuador's central bank, Banco Central del Ecuador, recently further reduced the cap on annual interest rates to 30.5 percent from 33.9 percent for retail microlenders, and to 27.5 percent from 33.3 percent for all other lenders. According to Javier Vaca, executive director of Red Financiera Rural, an Ecuadorian network of organizations that promotes access to financial services, previous tightening of the rate cap has already led various unnamed microbanks to increase their average loan sizes to approximately USD 600 to USD 2,500, an increase of USD 400 to USD 1,000 per loan. May 17. 2010

### Central Bank of Kenya Loosens Agency Banking Rules

The Central Bank of Kenya (CBK) passed a law allowing banks, deposit-taking microfinance institutions and mortgage finance companies to open "agency banks" in branch locations of third-party businesses. CBK Governor Njuguna Ndungu praised the opportunity for banks to "leverage additional cost-effective distribution channels." May 14. 2010

### BMZ, KfW Launch \$150m Fund for African MSMEs

The German Federal Ministry of Economic Cooperation and Development (BMZ) and German development bank KfW recently launched a regional investment fund for micro-, small and medium-sized enterprises in Sub-Saharan Africa. The fund, which has raised USD 150 million in commitments, will provide direct funding for 50 microfinance institutions, which are expected to lend in local currency to a total of 300,000 small businesses. Other investors include Spanish development agency AECID, the World Bank Group's International Finance Corporation and the European Investment Bank. May 11. 2010

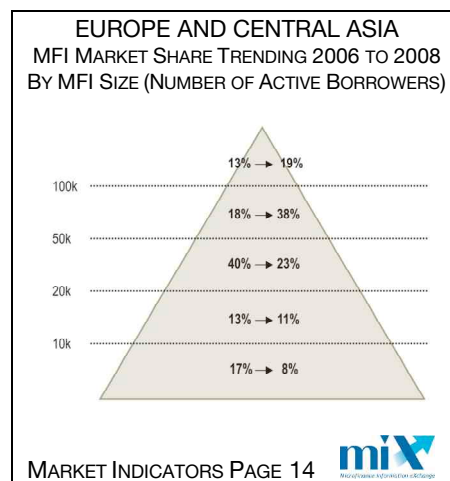
### responsAbility to Stop Issuing Global Microfinance Fund Shares

Effective May 26, the responsAbility Global Microfinance Fund, which reports total assets of USD 358 million, will temporarily stop accepting new investments. The move is attributed to high net investment inflows at a time of slowing demand from microfinance institutions for credit. The suspension, which has no stated duration, is aimed to reduce the fund's share of liquid assets from 30 percent to less than 10 percent. Secondarily, responsAbility stated that reducing liquidity will strengthen returns. May 10. 2010

### Russia May Legislate Microloan Terms

The Russian parliament's lower chamber is reviewing a draft law that would establish a legal framework for companies offering microfinance services, create a register of microfinance institutions and set the terms and amounts of microloans. April 19. 2010

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## MICROCAPITAL BRIEFS

### LuxFLAG, MicroRate Announce MIV Information Service

The Luxembourg Fund Labeling Agency (LuxFLAG), a microfinance investment vehicle (MIV) certification organization, and MicroRate, a microfinance institution rating agency, have agreed to create LUMINIS Microfinance, an MIV information service intended to allow investors to make better-informed investment decisions based on a comprehensive database of MIV performance metrics. The pricing scheme for the service has not yet been announced. May 18. 2010

### EBRD Participates in \$2.6m Capital Raise by ARARATBANK

The European Bank for Reconstruction and Development (EBRD) has added the local-currency equivalent of USD 650,000 to its investment in ARARATBANK, an Armenian bank that provides banking services primarily to micro-, small and medium-sized enterprises. The investment is part of ARARATBANK's total capital increase of USD 2.6 million, in which EBRD's ownership stake will remain at 25 percent plus one share. ARARATBANK reports total assets of USD 112 million and a gross loan portfolio of USD 41.4 million. As of 2008, EBRD reports assets equivalent to USD 7 billion. May 18. 2010

### Microinsurance Innovation Facility: 2.1% of Africa Covered

According to a study entitled "The Landscape of Microinsurance in Africa" recently published by the Microinsurance Innovation Facility of the International Labour Organization, 2.1 percent of Africa's 700 million working poor have insurance coverage. The authors estimate the potential African microinsurance market at USD 25 billion, as compared to the current market size of USD 257 million. May 18. 2010

### responsAbility Invests \$2.7m in MFIs in Colombia, Peru

The responsAbility Global Microfinance Fund, founded in Luxembourg in 2003, recently reported to MicroCapital that it has executed local-currency debt investments totaling the equivalent of USD 2.76 million in three microfinance banks in South America. With total assets of USD 358 million, the fund is loaning USD 1.47 million to Coomuldesa of Columbia, which reports assets of USD 67 million; USD 981,000 to Crezcamos Colombia, which reports total assets of USD 8.29 million; and USD 299,000 to Nueva Vision of Peru. May 18. 2010

### EBRD Loans \$63m to Polish Bank BGZ for MSMEs

The European Bank for Reconstruction and Development has provided Bank BGZ, a Polish bank that offers financing primarily to rural entrepreneurs, with the euro-equivalent of USD 63 million for on-lending to micro-, small and medium-sized enterprises. For 2008, BGZ reported local-currency assets equivalent to USD 7.6 billion, a gross loan portfolio of USD 5.6 billion, net profit of USD 68 million and return on equity of 9.8 percent. May 18. 2010

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### Jamaica to Loan \$8m in Support of Microenterprises

The government of Jamaica has announced that it will provide the local-currency equivalent of USD 8.3 million in loans to support microenterprises, which will be disbursed through the government-managed Self Start Fund and three Jamaican for-profit institutions: the Micro Investment Development Agency, Development Options Limited and Pan Caribbean Bank. May 18. 2010

### responsAbility Funds Invest \$750k in India via IFIF, Lok

Two Luxembourg-registered microfinance investment vehicles (MIVs), responsAbility Global Microfinance Fund (GMF) and responsAbility Microfinance Leaders Fund (MLF), recently reported to MicroCapital that they have executed equity investments totaling USD 750,000 in MIVs that invest in Indian microfinance institutions. The Indian Financial Inclusion Fund, with fund assets of USD 90 million, received USD 172,000 from GMF and USD 76,200 from MLF. Lok Capital, with assets of USD 22 million, received USD 167,000 from GMF and USD 335,000 from MLF. May 17. 2010

### Indian Chambers of Commerce Request Government-owned MFIs

The Associated Chambers of Commerce and Industry of India, an organization representing 100,000 Indian companies, is reportedly asking the national government to open microfinance institutions in rural areas because those currently serving such areas charge "exorbitant" interest rates of 36 to 60 percent per year. May 17. 2010

### EBRD Loans \$1.3m to Albania's LandesLease for SMEs

The European Bank for Reconstruction and Development has loaned the euro-equivalent of USD 1.3 million to LandesLease, an Albanian leasing company, to expand its leasing of vehicles, equipment and machinery to small and medium-sized enterprises. No financial data are available on LandesLease, which was founded in 2005. May 17. 2010

### IGNIA Invests \$4m in Collateral-free Mobile Provider Finestrella

IGNIA Fund I, a venture capital fund that aims to support low-income people in Latin America, recently invested USD 4 million in Finestrella, a Mexican company that offers postpaid mobile phone plans to consumers without requiring a credit history or deposit. The investment is part of a USD 7 million Series A financing round that includes tech-oriented venture funds Bay Partners and Storm Ventures. May 17. 2010

### EFSE Invests \$11.3m in Mikrofin of Bosnia and Herzegovina

Finance in Motion, fund advisor to the European Fund for Southeast Europe (EFSE), a microfinance investment fund based in Luxembourg, recently reported to MicroCapital that EFSE has invested USD 11.3 million in Mikrofin, a for-profit microfinance institution in Bosnia and Herzegovina. Mikrofin reports USD 174 million in total assets, return on assets of 0.21 percent, return on equity of 0.97 percent and 51,000 active borrowers. Initiated in 2005 by German development bank KfW, EFSE reports an outstanding investment portfolio equivalent to USD 775 million. May 17. 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!*

### **MIV Assets Reach \$3.6b in 2009 Despite Decreasing Yields**

Total assets of the top 10 microfinance investment vehicles (MIVs) grew by 23 percent in 2009, reaching USD 3.6 billion, while MIVs' investments in microfinance institutions (MFIs) grew by only 12 percent, according to a report by CGAP (Consultative Group to Assist the Poor), an independent policy and research center. Furthermore, yields decreased in 2009 to 3.08 percent in US dollars and 2.06 percent in euros compared with 5.95 percent and 5.55 percent, respectively, for 2008. The report authors argue, "MIVs may need new investment approaches, such as expanding to new markets (e.g., Africa and Asia), funding in local currency, taking equity positions, or reaching beyond the top tier of MFIs." May 17. 2010

### **responsAbility Invests \$4.6m in Four MFIs in Russia, Central Asia**

The responsAbility Global Microfinance Fund, a USD 358 million fund domiciled in Luxembourg, has loaned the equivalent of USD 4.6 million to four institutions: USD 2.5 million to Inecobank of Armenia, USD 1 million to Lazika Capital of Georgia, USD 600,000 to Aregak of Armenia and the ruble equivalent of USD 498,000 to Centurion Capital of Russia. Inecobank reports total assets of USD 147 million, return on assets of 4.29 percent and return on equity of 21.2 percent. Lazika Capital reports total assets of USD 5 million and a return on assets of 12.2 percent. Aregak reports total assets of USD 30.8 million, return on assets of 4.02 percent and return on equity of 14.2 percent. Financial details are unavailable on Centurion Capital, which provides local-currency financing to microfinance institutions. May 14. 2010

### **Microfinance Law Expected in Uganda by June**

Ruth Nankabirwa, Uganda's minister for microfinance, said at a recent conference that a new law to regulate the microfinance sector is expected by June. The law is intended to increase public confidence in the sector, which includes 1,340 unregulated institutions. May 14. 2010

### **Nigerian MF Association to Partner with Universities**

Chief Jethro Akun, Vice President of Nigeria's National Association of Microfinance Banks, has announced plans to partner with the quasi-governmental National University Commission to facilitate the offering of courses in microfinance banking. The partnership is intended both to supply the "manpower" needed to achieve growth in microfinance and to increase public confidence in the sector. May 14. 2010

### **MIX Seeks Nominations for Social Performance Awards**

The nonprofit Microfinance Information Exchange (MIX) is seeking nominations of microfinance institutions to receive Social Performance Reporting Awards. The deadline is September 30. May 14. 2010

### **responsAbility Invests \$2m in Tanzania's PRIDE**

Promotion of Rural Initiative and Development Enterprises Limited, a Tanzanian microfinance institution, has borrowed USD 500,000 and USD 1.5 million, respectively, from responsAbility Mikrofinanz-Fonds (MF) and responsAbility Global Microfinance Fund (GMF), two funds overseen by Swiss investment manager responsAbility Social Investments. MF reports total assets of USD 108 million, and GMF has total assets of USD 358 million. PRIDE, which offers group loans worth the equivalent of USD 36 to USD 72,706, reports total assets of USD 36.8 million, a gross loan portfolio of USD 27.9 million and return on assets of 1.93 percent. May 14. 2010

### **Grameen Foundation's Pioneer Fund to Focus on Smaller MFIs**

The US-based Grameen Foundation, which has projects in 37 countries, recently introduced its Pioneer Fund, which seeks to provide direct financing to smaller microfinance institutions (MFIs), especially those in Sub-Saharan Africa. Over 90 percent of funding in the microfinance sector reportedly goes to 150 of the largest MFIs, which precludes investment in many underserved areas. May 13. 2010

### **Loans Foster Social Reconciliation in Rwanda**

Faustin Zihiga, CEO of Urwego Opportunity Bank, a Rwandan microfinance bank, recently reported that group-lending programs allow survivors of the 1994 Rwandan genocide to mix with perpetrators of the genocide, allowing individuals to associate themselves by their lending group instead of their ethnic background. According to Zihiga, this social change is often more visible than the economic change brought on by the lending. Urwego reports USD 7.5 million in total assets, 35,300 active borrowers and 49,500 depositors. May 13. 2010

### **Pro Mujer Launches Publication on Innovative MF Services**

Pro Mujer, a microfinance organization serving 200,000 clients in Latin America, recently released the first issue of a publication that will evaluate field research on new microfinance services. The first issue, entitled "Delivering Integrated Services to the Rural Poor: Pro Mujer's FERIA Product in Peru," discusses the implementation, results and risks of Pro Mujer's FERIA product, which offers group loans, savings and healthcare services at "ferias," rotating rural markets. May 13. 2010

### **Aavishkaar Goodwill India Invests \$450k in Belstar**

Aavishkaar Goodwill India Microfinance Development Company Limited, a USD 18 million Indian-Dutch fund that invests in microfinance institutions, recently placed an equity investment of USD 450,000 in Belstar Investment and Finance Limited, an Indian non-bank finance company. Belstar is the microfinance arm of Hand in Hand, a nongovernmental organization with 75,000 active borrowers and total assets of USD 6 million. May 13. 2010

### **In Kenya, Mainstream Insurers Look to Microinsurance**

According to Kenyan newspaper *Business Daily Africa*, the number of Kenyan insurance firms offering microinsurance has increased from one to six in the last three years. "The formal insurance market is saturated, and we are looking at microinsurance as an area that makes a profound impact on most of the population," said CEO James Wambugu of UAP Insurance, a Kenyan firm with USD 121 million in assets. May 12. 2010

### **Remittance Proposals Wanted**

The International Fund for Agricultural Development's Financing Facility for Remittances, a USD 18 million fund that seeks to reduce poverty by leveraging remittances in rural areas of developing countries, recently announced its Call for Proposals 2010. Themes include mobile financial services, postal networks, microfinance networks, innovation in financial services, housing, microinsurance, securitization, migrant pensions and migrant entrepreneurship and investment. May 12. 2010

### **Global Remittances Down 11.5% in 2009**

According to a report by the United Nations' International Fund for Agricultural Development, global remittances declined by up to 11.5 percent in 2009 due to the financial downturn. The report states, however, that the trend seems to have bottomed out, with remittances rising in countries such as Georgia, Turkey, Bangladesh and the Philippines. May 12. 2010

### **Azerbaijani Parabank to Downscale, Focus on Microfinance**

Azerbaijan's Parabank, which reports total assets of USD 79 million and a gross loan portfolio of USD 54.5 million, recently reported to MicroCapital that it is shifting its focus to develop its rural microfinance branches. While microfinance currently accounts for 18 percent of its loan portfolio, Parabank plans to increase this share to as much as 30 percent. As part of this effort, the bank is considering raising its cap on unsecured group loans from the local-currency equivalent of USD 2,450 to USD 3,720. For 2008, Parabank reported return on assets of -1.66 percent and return on equity of -9.19 percent. May 12. 2010

### CEOs of ACCION Defend IPOs

In anticipation of the upcoming IPO by India's SKS Microfinance, a recent article in *Forbes* magazine features Michael Schlein, CEO of nonprofit ACCION International, and Michael Chu, senior lecturer at Harvard Business School and a former CEO of ACCION, arguing that above-average returns are necessary to persuade investors to participate in growing microfinance institutions. May 12. 2010

### Students Commit to MF at Clinton Global Initiative Meeting

At the third annual Clinton Global Initiative University meeting, which took place at the University of Miami, USA, commitments of USD 42 million were made to address global challenges. These include the establishment of an alliance of student-led microfinance organizations, a "Women's Microfinance Empowerment Project" that will promote sustainable farming practices and the provision of microloans to Vietnamese families with children disabled by the US government's use of Agent Orange in the 1960s and 1970s. May 12. 2010

### JP Morgan, TIAA-CREF Help LeapFrog Jump to \$137m

LeapFrog Investments, a microinsurance fund, recently announced investments totaling USD 25 million that bring its size to USD 137 million. New investments include USD 10 million from global investment bank JP Morgan, USD 7 million from US-based pension fund TIAA-CREF and an undisclosed amount from Preparco, a subsidiary of French development agency AFD. Leapfrog reportedly plans to place up to USD 37 million of its investments in India. In all regions, LeapFrog intends to invest in insurers as well as distributors such as microfinance institutions, retailers, religious groups and mobile phone operators. April 29 and May 11. 2010

### ACCION, Ecobank Form EB-ACCION Microfinance in Cameroon

EB-ACCION Microfinance, a microfinance institution (MFI) formed by ACCION International, a nonprofit with partner MFIs in approximately 20 countries, and Ecobank, a pan-African bank with USD 8.3 billion in assets, recently launched its first two branches in Cameroon. The World Bank Group's International Finance Corporation will take a 15-percent stake in EB-ACCION, with a 30-percent stake to be taken by ACCION Investments in Microfinance, a microfinance investment vehicle that invests primarily in equity stakes in MFIs in Africa and Latin America. May 11. 2010

### Experts Debate Code Adopted by Microfinance India Network

A recent article on Livemint.com, an Indian website owned by *The Wall Street Journal*, discusses the code of conduct recently adopted by the Microfinance India Network, whereby 38 non-banking finance companies agreed not to loan any one borrower an aggregate over the equivalent of USD 3,380. N Srinivasan of SAGE Publications argued that the code is an attempt to dissuade regulators from clamping down on the industry. Nachiket Mor, President of ICICI Foundation, argues that the code may "stifle competitive forces" and "will result in denial of access." May 11. 2010

### Vision Microfinance Fund Invests \$2m in EcoFuturo of Bolivia

Austrian alternative investment manager Absolute Portfolio Management recently reported to MicroCapital that it will manage a USD 2 million investment recently made by Luxembourg-based Vision Microfinance Fund in EcoFuturo, a Bolivian microfinance institution. EcoFuturo reports total assets of USD 118 million, 43,000 active borrowers, return on assets of 0.99 percent and return on equity of 10.13 percent. Vision Microfinance Fund reports assets equivalent to USD 122 million. May 11. 2010

### Shaka, TransferTo Offer Cross-border Mobile Transfer Service

Shaka Mobile, a mobile money transfer service provider for African immigrants in the US, has signed an agreement with TransferTo, a Singapore-based company that operates a global airtime transfer network, to allow its customers to send wireless recharge credit to friends and relatives in Africa. May 11. 2010

### MasterCard, Citigroup Pledge \$5m to Rebuild MF in Haiti

The MasterCard Foundation, a private Canadian foundation that supports microfinance, recently announced it will give USD 4.5 million to Fonkoze, a Haitian microfinance institution. The grant will allow Fonkoze to provide 5,000 women with a range of loans, training and stipends. The grant will also aid Fonkoze in restoring its headquarters, which was destroyed during the January 12 earthquake. Citigroup, a major US-based financial services company, has pledged USD 1 million in grants to help Fonkoze and two other microfinance providers recover from the earthquake: Société Générale de Solidarité and FINCA-Haiti. April 27 and May 11. 2010

### US GROWTH Act Would Support Women in Poor Countries

The Global Resources and Opportunities for Women to Thrive Act was recently introduced in the US House of Representatives with the intent of providing a range of economic tools to help women in developing countries improve their financial situations. The bipartisan bill includes funding for microfinance and measures to enhance women's property rights, wages and working conditions. May 10. 2010

### CGAP Announces Photography Contest Winners

CGAP (Consultative Group to Assist the Poor) recently announced the winners of its 2009 Microfinance Photography Contest, including top finisher Sudipto Das of India. The 2010 contest is now open for entries. May 10. 2010

### MicroSave Podcast Reviews Compartamos IPO

MicroSave, a resource center for microfinance organizations, has released a podcast discussing issues surrounding 2007's controversial USD 458 million initial public offering of Mexican microfinance bank Compartamos. May 10. 2010

### EBRD Loans \$1m to Tajikistan's Amonatbank for Small Ag

The European Bank for Reconstruction and Development recently loaned USD 2 million to Tajik agricultural bank Amonatbank. The funds will be divided evenly between a revolving credit line administered through the Tajik Agricultural Finance Framework (TAFF) and a trade finance facility. The funds Amonatbank appropriated through TAFF will be used for on-lending to small and medium-sized farmers to stimulate foreign trade. The trade finance facility component will act to establish financing of these exports. State-owned Amonatbank reports USD 480 million in assets and a credit portfolio of USD 230 million. May 7. 2010

### IFC Places \$15m of Equity in Lok II

The World Bank Group's International Finance Corporation recently announced that it will make an equity investment of USD 15 million in Lok II, a venture capital fund investing primarily in Indian microfinance institutions. Lok II is sponsored by the Lok Foundation, a nonprofit corporation based in New York, and is advised by the foundation's subsidiary Lok Advisory Services of India. Lok II, which is targeted to raise USD 80 million, follows Lok Capital LLC, a USD 22 million fund that was founded in 2006. No other investors in Lok II have so far been specified. May 6. 2010



### Micro lenders in Nigeria Unite to “Survive”

A group of microfinance institutions (MFIs) in Nigeria, including microfinance banks, co-operative societies and NGOs, has joined together to form the Association for the Survival/Sustenance of Microfinance Institutions, with the aim of securing funding from international financial institutions such as the International Monetary Fund and the International Finance Corporation. According to the association’s spokesperson, Pastor Glory Abrefera, the union is largely a response to the “weak national economy and the recent banking reforms, which have brought about the collapse of almost 75 percent of licensed MFIs in Nigeria in the past 8 months.” May 5. 2010

### Five Employees Steal \$400k from Nigerian MFI

The Nigerian Police Force recently detained five employees of the Christ Embassy microfinance bank for defrauding the organization of the equivalent of USD 400,000. Parishioners of Christ Embassy have reportedly been arrested in the past for stealing funds that were later donated to Christ Embassy. However, this appears to be the first instance in which those associated with the institution have defrauded their own organization. May 4. 2010

### Esther Duflo Receives John Bates Clark Medal for Economics

Esther Duflo, co-author of the controversial paper “The Miracle of Microfinance? Evidence from a Randomized Evaluation,” has been awarded the John Bates Clark Medal for young US economists. Previous winners of the medal include Milton Friedman, who was a professor at the Chicago School of Economics and economic advisor to US President Ronald Reagan, and Lawrence Summers, the current director of US President Barack Obama’s National Economic Council. May 4. 2010

### Bandhan Interest Rate Cut to Start “Rate War”?

Bandhan Financial Services Private Limited, an Indian microfinance institution, has decreased its annual lending rate from 24 percent to 19.1 percent on a reducing balance. Indian newspaper *The Economic Times* stated that this could cause a “rate war” among microlenders. Bandhan reports total assets of USD 170 million, a gross loan portfolio of USD 103.8 million, 1.4 million active borrowers, return on assets of 8.66 percent and return on equity of 125 percent. May 4. 2010

### Tajikistan Invests in Credit Bureau

The Credit Information Bureau in Tajikistan was recently launched by the International Finance Corporation, the investment arm of the World Bank; the National Bank of Tajikistan, the country’s central bank; and the Swiss government’s Azerbaijan-Central Asia Financial Markets Infrastructure Advisory Services Project. Six unnamed microfinance institutions, four unnamed commercial banks and the Association of Microfinance Organizations of Tajikistan have reportedly become shareholders. May 3. 2010

### Pakistan’s MCB Delivers Mobile Banking to 60,000 Customers

Since its launch in June 2009, MCB Mobile, a partnership between Pakistan’s MCB Bank and South African mobile technology developer Fundamo, has reached 60,000 people who have transacted the local-currency equivalent of USD 11.9 million. The service allows balance checks, money transfers and bill payment through mobile devices. MCB Bank reports assets of USD 6 billion. May 3. 2010

### Global Partnerships Dubs Mark Coffey Chief Investment Officer

Mark Coffey has been named the first chief investment officer of Global Partnerships, a US nonprofit that manages microfinance investments of USD 30 million. May 3. 2010

### Nigerian Tech Firms Eye Microfinance

Two Nigerian technology firms, SystemSpecs and Maxim-Pro, recently committed to jointly developing a technological infrastructure for Nigerian microfinance banks. In March 2010, the companies released Remita, an e-payment service that is reportedly used by 125 microfinance banks in Nigeria. April 30. 2010

### Sequoia Cashes in \$70m Stake in Gold Lender Manappuram

Sequoia Capital, a major venture capital firm, recently took in USD 70 million in return for its stake in Manappuram General Finance and Leasing, an Indian non-banking financial company that provides loans in exchange for gold. Sequoia made a hefty profit on the 13-percent stake, which it bought in 2007 for USD 14 million. April 29. 2010

### “Impact Investing” Predicted to Reach \$500b by 2014

The nonprofit Global Impact Investing Network recently projected that investments that “aim to solve social or environmental challenges while generating financial profit,” will grow from today’s USD 50 billion to USD 500 billion by 2014, which would total roughly 1 percent of managed assets worldwide. April 29. 2010

### New York Times Criticizes “Whopping” Interest Rates, Kiva

A recent article in *The New York Times* newspaper argues that there is growing mission drift among microfinance providers and discusses the need for more transparency in the industry. After referring to microfinance’s “saintly aura,” the author cites Mexican microfinance institution Te Creemos’ “whopping 125 percent average annual rate” and adds that, “Web sites like Kiva or MicroPlace...admit that they cannot guarantee every interest rate they quote. Indeed, the real rate can prove to be markedly higher.” April 28. 2010

### Pakistan Issuing Banking Licenses to Retailers, Mobile Firms

Pakistan’s government is currently reviewing applications for microfinance banking licenses from large retailers and mobile network operators. The companies would likely use models of branchless banking similar to either (1) kiosks operating from existing retail locations such as a partnership between Habib Bank Limited and the Pakistan Post that has reached 40,000 rural borrowers through 68 kiosks or (2) telephonic networks such as Easypaisa, a partnership between Tameer Microfinance and Norway’s Telenor, which has reached 25,000 people, who have transacted the equivalent of USD 47.6 million. April 28. 2010

### Luxembourg Fund Labelling Agency Renews, Adds Funds

Luxembourg Fund Labelling Agency (LuxFLAG) a microfinance institution vehicle (MIV) certification body founded in 2006, has recertified eight MIVs for 2010 and added a ninth, the BlueOrchard Microfinance Fund for US Investors. The nine funds, whose LuxFLAG label confirms that they actually invest in the microfinance sector, report total assets of USD 2.24 billion. April 28. 2010

### ADB to Loan \$50m to Three Banks in Uzbekistan

The Asian Development Bank has agreed to loan three commercial Uzbekistani banks a total of USD 50 million and to provide technical assistance grants totaling USD 600,000 to grow their financing to micro- and small enterprises. The banks are HamkorBank and Agrobank, which will each borrow USD 20 million, and Ipak Yuli Bank, which will borrow USD 10 million. A minimum of one quarter of the new microfinance accounts opened will be for women, and the banks will match the loans with their own resources on a one-to-one basis. As of 2007, Ipak Yuli Bank reported total assets equivalent to USD 120 million, a loan portfolio of USD 54.2 million and 126,000 customers. Limited financial information is available on HamkorBank, which had 24 branches as of 2007, and Agrobank, which has 186 branches and 723 “mini-banks.” April 27. 2010

### Remittance Fees Dip 8%

The World Bank recently published the fourth iteration of its Remittance Prices Worldwide database, which indicates that the global average cost for sending USD 200 is down since the third quarter of 2009 to 8.72 percent. Data on 178 country corridors may be found at <http://remittanceprices.worldbank.org/>. During 2009, remittances estimated to total USD 420 billion were sent home by 192 million migrants. April 27, 2010

### Mainsail Trading to Invest \$400m in Nigerian MFIs

According to an unconfirmed report, Africa Capital and Business Support (ACBS) Limited, a Nigerian financial intermediary, has arranged a USD 400 million investment in Nigerian microfinance institutions (MFIs) by Mainsail Trading Limited, an investment company based in Dubai. MFIs participating in the preexisting Mechanised Agricultural and Microcredit Investment Scheme, an ACBS agricultural funding program for small-scale farmers in Nigeria, will have the first opportunity to access the local-currency funds via subordinated convertible debentures, debt instruments with a maturity of at least 10 years that can be converted into common stock. Any such issuance of stock to Mainsail would be at the option of each MFI. Financial data on Mainsail are not publicly available. April 27, 2010

### Pakistan's Kashf Foundation to Host Deposit Kiosks

Kashf Foundation, a microfinance institution in Pakistan, and Kashf Microfinance Bank, a full-service microfinance bank founded by the Kashf Foundation in 2008, have signed an agreement to set up savings kiosks at Kashf Foundation branches, which do not directly offer savings accounts. Kashf Foundation reports total assets of USD 62.9 million, a gross loan portfolio of USD 44.2 million, 313,000 active borrowers, 154 branches, return on assets of -16.71 percent and return on equity of -59.33 percent. Kashf Microfinance Bank reports total assets of USD 15.2 million, a gross loan portfolio of USD 7 million, 18,000 active borrowers, 27 branches, return on assets of -7.25 percent and return on equity of -12.21 percent. April 27, 2010

### Multilateral Investment Fund Offers Microenterprise Awards

The Multilateral Investment Fund, which is housed at the Inter-American Development Bank, has launched the Inter-American Awards for Microenterprise Development 2010, which will be given at the Inter-American Forum on Microenterprise (Foromic), being held in Uruguay beginning on October 6. Applications are being accepted for some of the awards, with deadlines as soon as May 21. April 27, 2010

### Website Addresses Access to Finance, Remittances in Africa

The Partnership for Making Finance Work for Africa, an initiative that aims to coordinate financial sector development among the private sector, African governments and development organizations, recently launched a website, [www.mfw4a.org](http://www.mfw4a.org), that offers financial sector data and background information on access to finance, rural finance, remittances and regional financial integration. April 27, 2010

### Nigerian Association of Microfinance Banks Elects New Leaders

Mathias Omeh, chairman of Nsukka Microfinance Bank, recently was elected President of the Nigerian National Association of Microfinance Banks. On the occasion, Mr Omeh directly addressed the recent problems in Nigerian microfinance, blaming them on "intruders who disguised themselves as microfinance operators." He stated that the association would solve the problem through increased regulatory scrutiny and public education about microfinance banks. Femi Fabanwo, director of Other Financial Institutions Department at the Central Bank of Nigeria, stated that any trace of malpractice would be thoroughly investigated by the Economic and Financial Crimes Commission. April 27, 2010

### MFTransparency to Publish Indian Microlending Rates

The Microfinance Institutions Network (MFIN), a self-regulatory organization of 38 Indian microfinance companies, has asked Microfinance Transparency, a US-based nonprofit that disseminates microfinance product cost information, to post on its website the interest rates charged by as many Indian microfinance institutions as possible. MFIN has also asked the National Council of Applied Economic Research (NCAER), an Indian nonprofit research institution, to be involved with this project. Founded in 2008, Microfinance Transparency has so far organized transparent pricing efforts in Bosnia, Peru, Cambodia, Azerbaijan, Kenya and Bangladesh. April 27, 2010

### Reserve Bank of Fiji Announces Progress on Microfinance

The Reserve Bank of Fiji (RBF) has announced that a program to create microfinance units within commercial banks is progressing smoothly and that the program should be fully operational by the end of the year. In December 2009, RBF created a set of guidelines directing all commercial banks to establish microfinance units in existing branches. No consequences have so far been threatened against banks that do not comply. April 27, 2010

### Microinsurance Poised to Take Off in Nigeria?

In a recent opinion piece in Nigeria's *Daily Champion* newspaper, Akin Ogunbiyi, managing director of Nigerian insurance provider Mutual Benefits Assurance Plc, argued that Nigeria offers a conducive environment for microinsurance. Pointing to the questionable example of the microcredit industry in Nigeria, Mr Ogunbiyi said that the "Nigerian insurance industry has a new and enormous market waiting to be explored." Kingsley Obuvie, the president of the Association of Registered Insurance Agents of Nigeria, argued in favor of more public education on insurance. April 27, 2010

### CHF Finance Group to House Commercial MFIs

CHF International, a US-based international development and humanitarian assistance nonprofit, has set up a private holding company, CHF Finance Group, to house its commercial microfinance institution (MFI) subsidiaries. CHF Finance Group will initially consist of four MFIs: Express Finance SA of Romania, Ameen SAL of Lebanon, Middle East Micro Credit Company of Jordan and Lider MicroCredit Company in Bosnia. CHF Finance Group plans to raise USD 100 million in debt, equity and technical assistance grants to expand its operations and build staff capacity. The World Bank Group's International Finance Corporation has agreed to purchase a 19.9 percent stake in the entity for USD 10 million and to loan it USD 30 million. April 27, 2010

### IFC to Loan \$30m to Argentina's Banco Patagonia for Ag SMEs

The International Finance Corporation, the investment arm of the World Bank, has agreed to provide a 5.5-year, USD 30 million loan to Banco Patagonia SA, a commercial bank in Argentina, for on-lending to farmers and small and medium-sized agribusinesses. Majority-owned by the commercial Banco do Brasil, Banco Patagonia reports assets of USD 3.6 billion and 155 branches. April 26, 2010

### Compartamos Banco Seeking Acquisition in South America

Fernando Alvarez Toca, CEO of Mexican microfinance bank Compartamos Banco, recently stated that his company is planning to acquire a Latin American lender as part of its plan for rapid expansion. Mr Alvarez Toca names Colombia, Peru and Brazil as the primary targets. Compartamos, which reports a loan portfolio equivalent to USD 591 million, was also recently upgraded by credit rating agency Standard and Poor's to "mxAA" for its long-term outlook. April 19 and April 26, 2010

### Less Government Helps Philippine Microfinance Hit \$200m

Presenters at a recent conference in the Philippines reported that microfinance in the country has grown to be worth the equivalent of USD 200 million, with 500 microfinance institutions (MFIs) serving about 7 million borrowers. The event featured a paper entitled “Mainstreaming Micro” that was recently published by the Pinoy Me Foundation, a Philippine nonprofit investor in MFIs, and the Hanns Seidel Foundation, a German nonprofit. The authors of the paper argue that “the phase-out of government-directed credit programs, helped spur the growth of microfinance in the country.” April 23, 2010

### IFC to Invest \$15m in Second Aavishkaar Goodwill Fund

Aavishkaar Goodwill India Microfinance Development Company Limited, a microfinance-focused private equity firm, has secured a USD 15 million commitment from the World Bank Group’s International Finance Corporation for its second fund. The fund, which is slated to raise USD 100 million, will invest in microfinance, housing finance and technology related to social ventures. Aavishkaar Goodwill’s first fund, which closed in May of 2008, raised USD 18.3 million. April 23, 2010

### Kenya Women Finance Trust Acquires Deposit-taking License

Microfinance institution Kenya Women Finance Trust (KWFT) was recently granted a license to accept deposits from the public. Established in 1982, KWFT reports total assets of USD 121 million, return on assets of 6.84 percent, return on equity of 33.3 percent and 208,000 borrowers. April 22, 2010

### Pakistan’s Insurance Penetration Deemed “Miserable”

The executive director of insurance at the Securities and Exchange Commission of Pakistan, Nasreen Rashid, recently described insurance penetration in Pakistan - at 0.7 percent of GDP - as “miserably” low and possibly the lowest in the region. (For reference, the rate in India is estimated at 4.7 percent.) Ms Rashid expressed her intent to create an “enabling environment for the promotion of insurance” as part of a new focus on microinsurance. April 22, 2010

### EBRD to Loan \$18.5m to Russia’s NBD Bank

The European Bank for Reconstruction and Development (EBRD), will provide an unsecured local-currency loan worth USD 18.5 million to NBD Bank, a Russian commercial bank that specializes in providing loans to micro-, small and medium-sized enterprises. The three-year loan will be used to provide loans to micro- and small enterprises with longer terms than are usually available to such firms. In 2001, EBRD took a 25 percent stake in NBD, which now has a network of 17 offices, for an undisclosed price. April 20, 2010

### New Regulations a “Death Knell” for Nigerian MFIs?

A recent editorial in Nigeria’s *BusinessDay* newspaper cites a wide range of reactions to a proposed repeal of universal banking by the Central Bank of Nigeria. Under the proposal, microfinance banks would be regulated separately from other types of banks. Unnamed sources characterized the development as a “death knell” for microfinance, while Michael Barleon, managing director of AB Microfinance Bank Nigeria Limited, said, “I do not expect any effect on microfinance, neither positive nor negative.” April 20, 2010

### BlueOrchard Loaning \$5m Belarusian Bank for Small Business

BlueOrchard Finance, a Swiss asset management company, will provide a USD 5 million loan to the Belarusian Bank for Small Business (BBSB), a microfinance institution held by eight international investors, through its Dexia MicroCredit Fund. The loan will mature in April 2012. BBSB reports a loan portfolio of USD 19.8 million and 1,290 clients. Dexia has total assets of USD 535 million, with USD 390 million allocated to microfinance. April 20, 2010

### India’s SKS to Apply for Commercial Banking License

SKS Microfinance, an Indian non-banking financial company, reportedly plans to apply for a commercial banking license to lower its cost of funds. A *Press Trust of India* article states that “the cost of capital for microfinance players stands at 12 to 13 percent,” as opposed to 6 percent per year for commercial banks; the new licensure would hence enable institutions like SKS to lower lending rates from an “average of 28 percent to about 21 to 22 percent.” SKS reports total assets of USD 596 million, 3.5 million active borrowers, return on assets of 3.68 percent and return on equity of 18.72 percent. April 19, 2010

### US Budgets \$4m for USAID-Tijara Program in Iraq

The US Agency for International Development (AID) has announced a USD 4.45 million grant to USAID-Tijara, a microfinance program based in Iraq. Tijara has created and funded 11 microfinance institutions, which have loaned USD 343 million to 150,000 borrowers. Each loan has a one-year repayment term and is for no more than USD 3,000. USAID estimates the new funds will reach 5,000 individuals between the ages of 18 and 35 through business training and individual and group enterprise loans. April 19, 2010

### BSFL of India to Raise \$16m via Non-convertible Debentures

Bhartiya Samruddhi Finance Limited (BSFL), an Indian microfinance institution that is a member of the Bhartiya Samruddhi Investment & Consulting Service (BASIX) Group, is reportedly planning to raise the local-currency equivalent of USD 16.8 million in non-convertible debentures within the next several months. The Small Industries Development Bank of India would subscribe to the debentures and list them on an unspecified stock exchange. CEO Sajeer Viswanathan said that his company may make an initial public offering in 2013. BSFL reports total assets of USD 111 million, a gross loan portfolio of USD 73.6 million, return on assets of 1.8 percent, return on equity of 15.6 percent and 499,000 active clients. April 19, 2010

### Cambodian MF Association Reports Performance Boost

The Cambodian Microfinance Association reports that from the fourth quarter of 2009 to the first quarter of 2010, non-performing loan rates largely remained steady, with microloan disbursement increasing in the range of 3 to 11 percent at several sample microfinance institutions. Net profits declined over the same period due to lower interest rates and increased investment in expansion. April 19, 2010

### Zafén Begins Funding Microloans, Donations to Haiti

Zafén, a partnership of four organizations from three countries, is launching an internet portal to collect donations and fund microloans that will be disbursed to businesses and organizations in Haiti. The Vincentian Family, a nonprofit operating in more than 135 countries, is funding the venture, and members of Chicago’s DePaul University faculty have developed the website and lending criteria. Fonkoze, a Haitian microfinance institution, and The Haitian Hometown Associations Resource Group, an international organization representing the Haitian diaspora, are acting as advisors to the program. April 16, 2010

### Indian Microinsurer Vimo SEWA to Advise Namibia

Vimo SEWA (Self-Employed Women’s Association), an Indian insurance cooperative owned and run by women working in the informal sector, has been hired by the Namibian government to advise on the implementation of a similar microinsurance program in Namibia. Vimo SEWA provides a variety of social insurance services to 125,000 women across five Indian states. April 16, 2010

## SPECIAL REPORT

### Microfinance Cracking the Capital Markets South Asia 2010

BlueOrchard Finance and Grameen Capital India have just been announced as “Supporting Sponsors” of Microfinance Cracking the Capital Markets South Asia 2010 (MCCM), a conference and investment marketplace that will take place in Delhi on June 23 and June 24. Four associated investment-readiness trainings for microfinance institutions (MFIs) have already been held, two in India and one each in Nepal and Sri Lanka. The conference organizers and lead sponsors are US-based nonprofit ACCION International, the Citi Foundation and Indian consultancy EDA Rural Systems.

“With the majority of speakers from the local capital markets, the MCCM program promises to delve into the challenging details of recent and future debt and equity investment in the South Asian microfinance sector,” commented Bob Annibale, Citi’s Global Head of Microfinance. “Panelists will examine factors that affect capital flows into the sector, particularly in India, such as MFI valuations, a changing risk profile and rapid growth.”


The organizers note that USD 200 million in private equity has been invested in microfinance in India in the last 18 months. Equity discussions will not only explore several emerging exit and capital-raising strategies - aside from IPOs - but also methodologies for valuing Indian MFIs which have recently seen their valuations rise significantly.

Another panel will explore the opportunities and risks facing investors in microfinance, including the market’s often single-product focus and significant dependence on bank funding.

Conference sessions also will review some of the innovative debt structures that have surfaced including bond issues, securitizations, syndications and non-convertible debentures, all of which are providing diversification of funding and access to new domestic and international funding sources. The need for - and impact of - these debt structures will be evaluated in light of government-mandated priority sector lending to MFIs by Indian banks, on which many MFIs are highly dependent.

Future investment strategies will be explored, taking into account that structured finance has begun to allow foreign debt capital into the Indian market. MFIs are strongly positioned to issue new debt instruments, more domestic investors are coming into the picture and there are signs of possible mergers within the sector. The conference’s closing session will look specifically at which investors and promoters are building the pipeline for the future.

An investment marketplace will be held as part of the conference on June 24, allowing investors and MFIs to put words into action. For more details on both the conference and marketplace, please visit <http://southasia.crackingthecapitalmarkets.com/>.

*This report is sponsored by the conference organizers.* 

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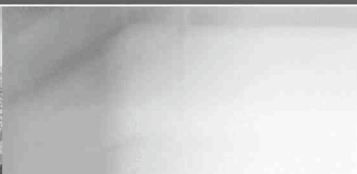
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## EDITORIAL

### Banking on Remittances

I have been attending the Inter-American Development Bank/Multi-lateral Investment Fund's Remittance Forum for the last three years, but this year's REMESAMERICAS 2010 was by far the most impressive, with over 300 participants. The recent passage of a controversial immigration law by the US state of Arizona made the selection of Mexico City as a host for the event especially relevant.

The remittance market is significantly different from the microfinance market. A representative of one Mexican microfinance institution (MFI) told me that only 30 percent of its clients receive remittances. In El Salvador, only 20 percent of FEDECACERES' clients receive remittances. However, the microfinance and remittance industries do have important characteristics in common: (1) they both serve low-income or vulnerable populations, generally outside of the formal labor force and formal banking system; (2) they provide access to liquidity for families that are often strapped for cash; and (3) there is significant discourse in both markets about how to turn liquidity into investment or savings.

Ambassador Carlos García de Alba of the Institute for Mexicans Abroad (IME) noted that 86 percent of remittances are used to cover household expenses. While such use of funds serves a clear need, the money could be leveraged further. The Mexican government's 3x1 program seeks to do just that, offering migrant communities a matched investment from federal, state and local authorities when migrants invest in infrastructure back home. Fonkoze's new website, Zafen.org, is beginning to channel diaspora investment to finance entrepreneurial and infrastructure loans that Fonkoze pre-approves. While these projects are admirable, they fail to scratch the surface of the potential volume for remittance-linked retail

savings. In Latin America alone, remittances reached USD 58.8 billion in 2009.

Remittance operators have been innovating to compete in a fast-changing market, primarily by introducing new technologies to cut costs and by linking up with retail channels. Yet getting remittance senders and recipients "banked" remains a challenge. In EA Consultants' 2007 paper "Hand Up or Hand Out: Microfinance, Remittances and Entrepreneurship in Nicaragua," we found that microentrepreneurs receiving remittances were less likely to have a savings account or a loan than were those not receiving remittances. Mexico's BANSEFI, has developed a bank-to-bank transfer product, Directo a Mexico, that allows banked migrants to send money home for USD 0.60. Yet money transfers through BANSEFI's other channels are more frequently used despite their higher cost. In Bolivia, BancoSol's remittances are sold as part of a package of various services, including savings accounts. Payments for BancoSol's microinsurance products sent from abroad must be withdrawn from savings accounts.

Linking savings and remittances is difficult, and legal restrictions against marketing financial products from abroad makes this challenge even harder in many countries. However, if we want to see remittances leveraged in significant amounts, we need to encourage more appropriate and accessible financial products and services, coupled with financial education on both sides of the border.

*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](mailto:bmagnoni@eac-global.com).*



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## SPECIAL REPORT

### Mitigating Risk in Volatile Times: microRISK Alliance Develops Tools to Help Microfinance Industry Understand and Manage Exposure

The economic shocks and currency swings of the past two years have changed the way the microfinance industry thinks about risk. Long-held concerns about the risks of cross-border debt financing in dollars and euros were realized as many microfinance institution (MFI) balance sheets were hit by currency fluctuations. Others had shifted this exposure on to their vulnerable end borrowers by lending in dollars or euros. At the same time, lack of portfolio awareness meant that some institutions and their investors were caught off guard when spikes in portfolio at risk (PAR) and defaults illustrated problems in their lending practice or stronger correlation with the broader economy than they had anticipated.

Cygma, MFX Solutions and TriLinc Global (formerly PAES) are all new ventures launched to address market gaps in risk management for MFIs. The Microenterprise Development office at the US Agency for International Development (USAID) identified them as important innovations and good candidates for support to broaden their impact and speed their time to market. The approach was to combine USAID's extensive experience building public-private alliances and promoting knowledge management with the innovation of new private enterprises to foster organic and systemic solutions addressing these industry challenges.

The result was the microRISK Alliance, a grant-supported effort that created analytical tools and a learning network that developed a resource for the industry. Together, the microRISK Alliance sought to identify and promote effective and replicable risk management practices for microfinance by articulating challenges faced by the industry; identifying best practices and guidelines; raising awareness of risk management issues; partnering with other industry actors; informing policy decisions; and promoting adoption of innovative tools and approaches.

The microRISK Alliance collaboratively developed learning products to share with the microfinance industry to improve practice and most importantly mitigate risk. Looking at the continuum of actors in the system, identifying best practices quickly became a focus for the group, with the result being a set of guiding principles for good risk management, case studies and analytical tools for MFIs and investors to better understand their risk exposure. These resources can be accessed at [www.microlinks.org/mra](http://www.microlinks.org/mra):

- Principles of Risk Management in Microfinance: A comprehensive guide for actors in the microfinance industry
- Case Studies: Illustrative risk management examples
- Tools: Innovative tools that have been developed by the participating organizations to manage risk

The microRISK Alliance was a natural extension of USAID's support for MFI transition to private capital. Over the past 30 years, USAID has been the largest bilateral donor in microfinance, providing funding and leadership for some of the important innovations that have helped propel the sector. It also maintained a commitment to moving beyond the limits of donor funding to scale the microfinance industry through savings mobilization and access to private capital.

The transition to private capital remains an essential component for scaling up microfinance, but it presents new challenges and risks for the entire industry. USAID's support of the microRISK Alliance delivered expert solutions to manage these challenges and mitigate the risks.

About the alliance members:

Founded in 2008, Cygma developed out of the collaborative efforts of Chatham Financial Corp, a leading capital markets consulting firm specializing in interest rate and foreign exchange risk management and other leading microfinance players.

MFX Solutions was created after a group of forward thinking microfinance organizations (lenders, investors, raters, networks, and foundations) came together in 2005 to seek an answer to the problem of currency risk in microfinance. MFX is an industry vehicle for increasing foreign exchange risk management know-how and sharing affordable and accessible currency risk management tools and services with the industry.

PAES Incorporated was acquired by TriLinc Global LLC, a global social impact investment firm focused on high-impact entrepreneurs generating a triple-bottom-line return. PAES became TriLinc Analytics Systems, which was developed to offer a suite of analytics that gives institutions in emerging markets insight into portfolio behavior and decision-making ability that their peers in advanced markets enjoy.

For more information, visit <http://www.microlinks.org/mra> or email Catherine Horn at [chorn@qedgroupllc.com](mailto:chorn@qedgroupllc.com).

*About the Author: Conan French served as the Advisor to the microRisk Alliance and is a former Director of the USAID Microenterprise Development office.*

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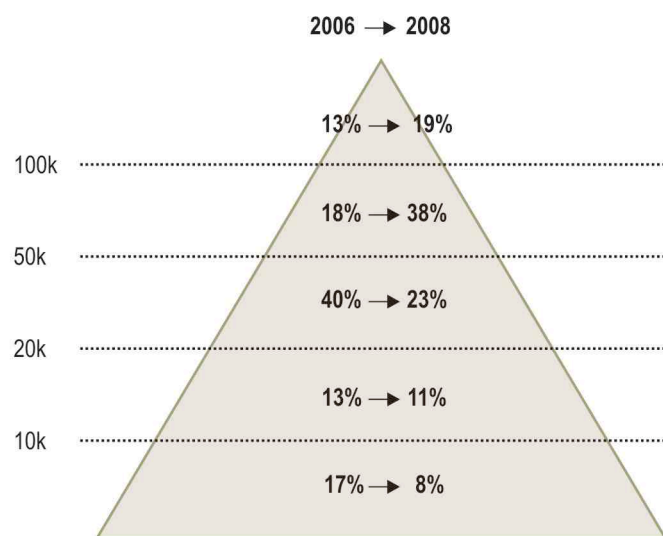
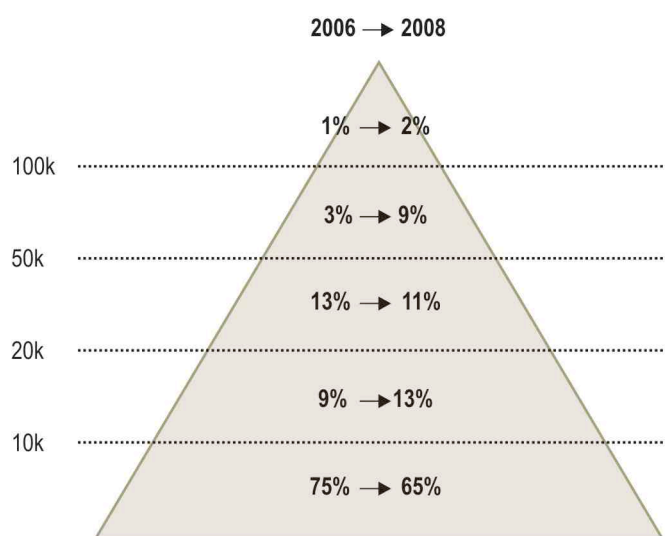
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MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
KMB Bank	Russia	534,192,258	55	756,943,808	1,825,328,324
ProCredit Bank Kosovo	Kosovo	160,512,320	45	288,168,416	609,193,056
Khan Bank LLC	Mongolia	137,715,637	54	201,904,720	477,335,994
ProCredit Bank Bulgaria	Bulgaria	134,663,699	36	321,279,744	590,607,143
DemirBank OJSC	Azerbaijan	94,105,513	188	25,765,518	213,976,543
ProCredit Bank Serbia	Serbia	92,467,793	21	401,675,072	586,610,658
ACBA Credit Agricole Bank	Armenia	81,080,202	67	90,460,344	252,620,749
AccessBank	Azerbaijan	79,917,540	109	47,306,896	207,141,975
ProCredit Bank Georgia	Georgia	64,423,086	30	184,352,624	313,198,795
MIKROFIN Banja Luka	Bosnia and Herzegovina	48,758,612	59	64,094,832	161,612,057

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

## UPCOMING EVENTS

### Third Annual Global Microfinance Investment Congress

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

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

### 2010 Mobile Money Summit

May 24 - May 27, 2010, Rio de Janeiro, Brazil

This event will focus on the mobile money industry and how the sector has evolved in the past year. It will also showcase innovative mobile money products and services. The registration fee is USD 1,299 or USD 910 for GSMA members. No phone number is offered, but more details are available via [mmsregistration@gsm.org](mailto:mmsregistration@gsm.org) or <http://www.mobilemoneysummit.com/>.

### 2010 MFC Annual Conference - Post-Crisis Microfinance:

#### What Is the Responsible Way Forward?

May 26 - May 28, 2010, Astana, Kazakhstan

This conference will consider risk factors for microfinance institutions in Europe and Central Asia and the types of funding products that are needed to meet demand. The registration fee is USD 500 for Microfinance Centre (MFC) members and USD 680 for non-members. More details are available via [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl), +48 22 622 3465 or <http://www.mfc.org.pl/conference2010/>.

### Microinsurance Summit Miami 2010

May 26 - May 28, 2010, Miami, USA

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

### TBLI Conference Asia 2010

May 27 - May 28, 2010, Tokyo, Japan

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

### International Disaster and Risk Conference

May 30 - June 3, 2010, Davos, Switzerland

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

### Money Transfers Moscow 2010

June 7, 2010, Moscow, Russia

MTM 2010 promises to cover regulation, implementing innovative technologies and cost-effective ways of marketing to lower the price of transactions while meeting the highest levels of security and service. More details are available via Girts Licis at [girts.licis@iamtn.org](mailto:girts.licis@iamtn.org), +44 (0) 203 291 2634 or <http://mtm2010.iamtn.org/>.

### Fifth Annual Underbanked Financial Services Forum

June 9 - June 11, 2010, Miami, USA

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

### Microfinance Cracking the Capital Markets - South Asia

June 23 - June 24, 2010, Delhi, India

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

### Global Microinsurance Summit

June 30 - July 1, 2010, Paris, France

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

### 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 and all registrations received before May 28. Add-on workshops are available at additional cost. For additional information, you may contact [info@hansonwade.com](mailto: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](mailto:registrations@iir-telecoms.com), +44 (0)20 7017 7483 or <http://www.iir-telecoms.com/event/mmsa>.

## MORE DETAILS COMING SOON ON...

### Microinsurance Summit Asia

August 3 - August 4, 2010, Singapore

### Global Partnerships in Microfinance

September 6 - September 7, 2010, London, UK

### Global Youth Enterprise & Livelihoods Development Conference

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

### XIII Inter-American Forum on Microenterprise (Foromic)

October 6 - October 8, 2010, Montevideo, Uruguay

### Sixth Annual MicroInsurance Conference

November 9 - November 11, 2010, Manila, Philippines

## PAPER WRAP-UPS

### All Eyes on Asset Quality: Microfinance Global Valuation Survey 2010

By Xavier Reille, Christoph Kneiding, Daniel Rozas, Nick O'Donohoe and Frederic Rozeira de Mariz; published by CGAP (Consultative Group to Assist the Poor); March 2010; 40 pages; available at: <http://www.cgap.org/gm/document-1.9.42531/OP16R.pdf>

The authors of this paper offer benchmarks for the valuation of microfinance assets using two datasets, one being a sample of 200 private equity transactions between 2005 and 2009 and the other being data on eight publicly listed low-income financial institutions (LIFIs). Four development finance institutions, 13 microfinance investment vehicles and 14 microfinance institutions (MFIs) contributed information on transactions that occurred from 2005 to September 2009 to create the private equity transaction dataset. The eight publicly listed LIFIs were chosen as proxies for MFIs because their client base closely overlaps with that of MFIs. However according to the authors, "LIFIs do not necessarily have an explicit social agenda, and their loan portfolios tend to feature more consumer loans than microenterprise ones." As the datasets carry through to September 2009, they encompass a large portion of the global financial downturn.

The authors first describe MFI asset quality over time and how it has affected profitability. For their analysis, the authors use the Sym50 dataset, which includes data from 50 MFIs collected by Symbiotics, a Swiss microfinance investment intermediary. The key factor used to judge asset quality is portfolio at risk (PAR), which is the value of loans outstanding with at least one payment of interest or principal that is overdue (typically by at least 30 days) divided by total loans outstanding.

Starting in January 2009, PAR30 increased rapidly. In May 2009, the median PAR30 had risen to 4.7 percent from 2.2 percent at the beginning of 2009. The authors found that, as expected, there was a close parallel between the rise in delinquency and the fall of profitability represented by both return on equity (ROE) and return on assets (ROA). Since hitting a three-year low in mid-2009 of around 7 percent, ROE has slowly started to come back, with ROE at around 10 percent, which is about half the level recorded over the two previous years.

The second part of the paper addresses trends in valuation benchmarks in microfinance private equity transactions and the key drivers thereof. Surprisingly, the authors found that although asset quality and profitability of MFIs dropped significantly in 2009, valuations did

not. Median price-to-book-value multiples were 2.0x in 2008, and they actually increased in 2009 to 2.1x. This trend was consistent across all regions. The authors believe valuations were pushed upwards because investors concentrated their investments in the top 400 or so MFIs.

Lastly, the authors use the proxy of eight publicly listed LIFIs to compare the MFI equity market to the broader equity market. From November 2003, the stocks comprising the LIFI index outperformed traditional banks significantly. The indices are started at a base of 100, and the LIFI index increased to around 800, while the MSCI World Financials Index decreased to around 86. Since September 2008, the start of the global financial downturn, the LIFI index outperformed the MSCI World Financials Index by 79 percent.

The authors found that although LIFIs outperformed traditional banks, they still trade on the public market at a discount of approximately 23 percent based on price-to-earnings trading multiples. The same trend is seen in price-to-book trading multiples, where LIFIs trade at a discount of 13 percent compared with mainstream banks.

### Microfinance and Financial Sector Development

By Annabel Vanroose and Bert D'Espallier, published by the Emile Bernheim Center Research Institute in Management Sciences at the Solvay Brussels School of Economics and Management, September 2009, 41 pages, available at: <http://www.solvay.edu/EN/Research/Bernheim/documents/wp09040.pdf>

This paper assesses the impact of the development of the formal banking sector on several microfinance institution (MFI) performance measures. The study is based on data from 1,073 MFIs reporting to the Microfinance Information Exchange from 1997 through 2006. The dataset includes cooperatives, non-bank financial institutions, banks and nonprofit organizations.

The main findings are that lower formal financial sector development is generally associated with better performance for MFIs in terms of profitability and outreach. For MFIs, the number of active borrowers, total loan portfolio, operational self-sufficiency (OSS), return on assets (ROA) and return on equity (ROE) are all negatively correlated with the number of automated teller machines (ATMs), a measure of financial access. These same measures of MFI profitability and outreach are also negatively correlated with domestic credit disbursed per capita, a measure of financial depth. The negative correlation between the profitability measures (OSS, ROA, ROE) and domestic credit disbursement is particularly strong. These results indicate that MFIs can

achieve profitability and high outreach when there are a larger number of potential borrowers that are not served by the formal financial sector.

It is also important to note that financial access (number of ATMs) is significantly correlated with outreach (active borrowers and total loan portfolio), but financial depth (domestic credit disbursement) is not. This provides evidence that there is a distinction between financial access and financial depth.

Despite these results, there are also some indicators that a more developed formal financial system can be beneficial to MFI performance and outreach. For instance, lower interest rates, measured by both average annual deposit rate and average annual lending rate, are associated with greater profitability and outreach. As lower interest rates are generally associated with a more developed financial system due to greater bank competition, this result demonstrates how MFIs may benefit from financial system development.

Inflation is also negatively correlated with all measures of MFI profitability and outreach. As banking activity is generally lower in places with high inflation, this is an indication that a well-functioning financial system can provide a positive environment for MFI performance.

Lastly, in countries in the lowest quartile of financial system development in terms of number of ATMs as well as domestic credit disbursement, MFIs generally perform worse in terms of profitability and outreach. The average returns on assets and equity for MFIs in these countries is negative. In contrast to the overall trend mentioned earlier, this indicates that a certain level of financial system development is beneficial to the performance of MFIs.

### Is Information and Communication Technology Fueling the Growth of Microfinance?

Published by Microfinance Insights, April 2010, available for purchase by non-subscribers at: [https://www.microfinanceinsights.com/store\\_details.asp?productid=18](https://www.microfinanceinsights.com/store_details.asp?productid=18)

This report considers data from 180 microfinance institutions (MFIs) exploring the use of technology in the microfinance industry. The survey indicates that while 70 percent of MFI clients use a mobile phone, only 14 percent of MFIs offer services through mobile phones. In addition, 17 percent of MFIs have a concrete plan to start mobile banking, and 78 percent are interested in offering loan repayments through mobile phones.



## Outlook for Remittance Flows 2010-2011

By Dilip Rath, Sanket Mohapatra and Ani Silwal; published by the Migration and Remittances Team of the World Bank's Development Prospects Group; April 2010; 18 pages; available at: <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationAndDevelopmentBrief12.pdf>

The Migration and Remittances Team of the World Bank's Development Prospects Group, an organization providing information and analysis on global economic trends, recently published this paper covering trends in remittances with statistics from 2008 and 2009 and estimates related to remittances over the next few years.

Remittances decreased from USD 336 billion in 2008 to USD 316 billion in 2009. This was the first decrease since the 1980s. However, remittances were more resilient during the financial downturn relative to other flows such as private debt, equity and foreign direct investment.

Eastern Europe and Central Asia saw the largest decrease in remittances, 21 percent from 2008 to 2009. South Asia saw the highest increase in remittances (5 percent), though this is modest compared with increases in the preceding years. India and China by far received the largest amount of remittances in 2009, with approximately USD 49 billion and USD 48 billion, respectively.

The authors predict that remittances worldwide will increase by 6.2 percent in 2010 and 7.1 percent in 2011. These estimates are lower than they would have otherwise been due to high unemployment rates and low demand for high-skilled foreign workers in Organisation for Economic Co-operation and Development (OECD) countries.

The study also covers some general trends related to remittances. For example, countries such as El Salvador, Ethiopia, Nepal, the Philippines, Rwanda and Sri Lanka have issued or are considering issuing diaspora bonds, debt instruments issued by a country to raise funds from its diaspora population.

Many banks and operators across the world are cutting remittance fees. The corridor from the United Arab Emirates to South Asia, for instance, often costs less than USD 1 per transaction. (Please see the brief "Remittance Fees Dip 8%" on page 6.)

Another important trend is the introduction of mobile money transfer technologies, which have become vital to the remittance market in places such as Africa, South Asia and the Philippines.

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## Investing into Microfinance Investment Funds

By Karel Janda and Barbora Soárovská, published by the Institute of Economic Studies, Faculty of Social Sciences Charles University in Prague, 2009, 35 pages, available at: <http://www.microfinancegateway.org/gm/document-1.9.41460/Investing%20into%20Microfinance%20Investment%20Funds.pdf>

This paper aims to measure the performance of microfinance investment vehicles (MIVs) in terms of risk and returns to investors. The study included 11 MIVs (in the form of mutual funds) and their sub-funds that publish data monthly. The authors describe the funds as "commercial MIVs that focus mainly on financial objectives while their social and development contribution is a sort of value added that sets these funds apart of traditional mutual funds." The funds primarily invest in debt instruments with maturities of no more than five years and have more than half of their investments in the microfinance sector. The period for the study is January 2006 to March 2009, which notably includes a major portion of the global financial downturn.

The mean monthly return on assets (based on net asset values per share) for the MIVs was modest but positive throughout the study period. The average monthly return for the MIVs was 0.36 percent. This compares favorably to the Morgan Stanley Capital International (MSCI) World Index, which measures the performance of developed country equity markets (-0.99 percent), and the MSCI Emerging Markets Diversified Financials Index, which measures equity performance in emerging markets (-0.40 percent). It also compares favorably to the JP Morgan Emerging Bond Index (EMBI+, 0.27 percent) and the four-week US Treasury Bill, an asset that is considered to be virtually risk-free (0.26 percent). The MIVs, however, did not perform as well as the Markit iBoxx USD Overall Index, which consists of corporate bond issues and bonds issued by the US government and government-sponsored agencies (0.41 percent).

Though MIVs in this study saw increased annual returns each year from 2006 to 2008, the authors point out that these MIVs could suffer from the downturn further into 2009 and 2010.

The MIVs also compared favorably to the above-mentioned benchmarks in terms of risk. In terms of total risk, measured by standard deviation in monthly returns, the MIVs had a lower mean (0.32 percent) than all other indices except for the "risk-free" Treasury Bills (0.15 percent). There was increased volatility for the benchmarks in monthly returns starting in 2008 due to the financial downturn, but this is not seen in the MIVs data, though the earlier warning about possible repercussions after March 2009 again applies.

Additionally, the authors find that there is no positive correlation between mean MIV returns and either equity market index, indicating that MIV investments may serve well in portfolio diversification. The same cannot necessarily be said for the correlation with fixed-income indices, as there were not enough statistically significant results to make a conclusion in this regard.

Lastly, the authors compare MIV performance to the same indices using a risk-adjusted monthly return measurement. Including only statistically significant results, MIVs outperformed the other indices by 14 to 16 basis points. However, during times of positive global market sentiment (pre-financial downturn), MIVs lagged behind the MSCI World Index (other indices were not included in this regression).

## Microfinance Institution Benchmarks

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

The Microfinance Information Exchange recently released microfinance institution benchmarking reports for 2009 on Africa, the Arab region, Brazil (currently available in Spanish only) and Eastern Europe and Central Asia (available in English and Russian).