

## MICROCAPITAL BRIEFS | TOP STORIES

### \$9.7m Bond Issue by Tanzania's PRIDE Oversubscribed by 22%

Tanzanian microlender Promotion of Rural Initiative and Development Enterprises Limited has raised the local-currency equivalent of USD 9.7 million through a bond issue that was oversubscribed by 22 percent. The bonds, which bear a fixed interest rate of 11.75 percent, recently began trading on the Dar es Salaam Stock Exchange. The securities are guaranteed by the US Agency for International Development and are expected to benefit 10,000 small businesses and farmers. November 18. 2010

### Indian MFIs Seek Emergency Funding, SKS Shares Drop 18%

With loan recovery at a "standstill" in the Indian state of Andhra Pradesh, Vijay Mahajan, President of the Microfinance Institutions Network, reports that microlenders are seeking the rupee equivalent of USD 221 million in emergency funding from banks. Shares of SKS Microfinance, which sold for INR 985 rupees during its August IPO, fell as low as INR 735 on November 16 before recovering partially. Please see page 7 for special coverage of the fallout from the suicides that have been associated with the over-indebtedness and coercive collection practices that were reported in the October issue of this newspaper. November 17. 2010

### CGAP, UN Group Set Standards for ESG Performance of MIVs

CGAP (Consultative Group to Assist the Poor), a think tank dedicated to expanding financial access for poor people, and the United Nations Principles for Responsible Investment, a network of international investors, have established the following criteria for measuring the non-financial performance of microfinance investment vehicles: environmental (carbon emission compensation, environmental exclusions and exposure to natural disasters); social (average loan size, client protection principles, breadth of services, percentage of consumption loans, percentages of female and rural borrowers and percentage of activity relating to health, education and women's empowerment); and governance (reporting, staff training, investee corporate social responsibility policies, investee anti-corruption policies, whistle-blowing protections and seats on investee boards of directors). November 2. 2010

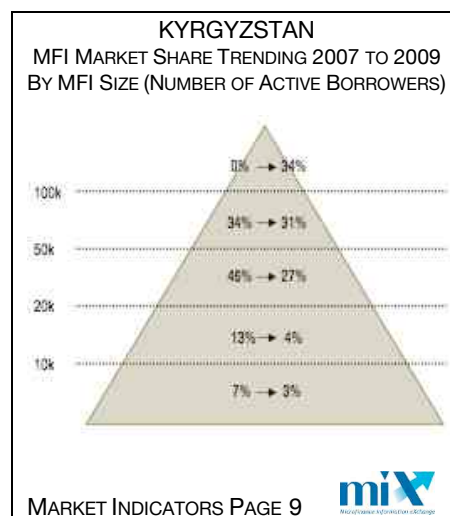
### AfDB, Denmark, Spain to Raise \$300m for African Guarantee Fund

The African Development Bank and the governments of Denmark and Spain together are creating the African Guarantee Fund (AGF), a non-bank financial institution intended to boost the economy and reduce poverty in Africa through improved access to funds for small and medium-sized enterprises. AGF is intended to reach all of Africa, but initially will operate in Ghana, Kenya, Mozambique, Uganda and Zambia. AGF is expected to drum up USD 50 million in capital by the end of 2010, with a long-term funding goal of USD 300 million. While the initial capital will come primarily from donors and development finance institutions, shares are to be offered to private investors in later funding rounds. November 2. 2010

### Uganda Moves to Recover Unpaid Loans from SACCOs

The Ugandan government's Microfinance Support Centre (MSC), which funds savings and credit cooperative organizations (SACCOs), has reportedly hired unnamed agents to recoup unpaid loans from SACCOs in northern Uganda. MSC regional coordinator Jessica Lwanga is said to have announced that nine SACCOs had already been alerted of MSC's intent to sue for repayment. Some members of the delinquent SACCOs reportedly have since gone into hiding. MSC benefits from funding from the African Development Bank. November 1. 2010

INSIDE	Page
<b>MicroCapital Briefs</b>	<b>2</b>
Microfinance news	
<b>Special Coverage</b>	<b>7</b>
Backlash in Andhra Pradesh	
<b>Field Notes</b>	<b>8</b>
Reinventing the MFI Value Proposition	
<b>Market Indicators</b>	<b>9</b>
Courtesy of the MIX	
<b>Upcoming Events</b>	<b>10</b>
Industry conferences	
<b>Paper Wrap-ups</b>	<b>12</b>
Latest research and reports	
<b>Subscribe to the Monitor</b>	<b>14</b>



## MICROCAPITAL BRIEFS

### BlueOrchard Lends \$2.5m in Cambodia from Enhancement Facility

Swiss microfinance intermediary BlueOrchard Finance has disbursed two loans to Cambodian microfinance institutions (MFIs) from the Microfinance Enhancement Facility, which was established by the World Bank Group's International Finance Corporation and German development bank KfW Entwicklungsbank to refinance loans to well-established MFIs in the wake of the global credit crunch. Prasac, which reports USD 71 million in total assets, borrowed USD 2 million. Hattha Kaksekar Limited, which reports assets of USD 33 million, borrowed the local-currency equivalent of USD 515,000. November 18. 2010

### Water.org, MasterCard to Boost Access to Clean Water in Africa

Water.org, a nonprofit working to increase access to clean water in Africa, and Canada's MasterCard Foundation have launched a four-year, USD 3.6 million partnership intended to mobilize USD 15 million for the WaterCredit program, which assists individuals and communities needing facilities ranging from simple water connections to complex piping and tank systems. The effort is also intended to increase the capacity of microfinance institutions by offering cross-sector forums, site visits and impact evaluations. The program is now underway in Kenya with plans in place to expand to Uganda. November 17. 2010

### BlueOrchard Loans \$5.5m in Nicaragua, Ghana, Nigeria

BlueOrchard Finance of Switzerland recently reported to MicroCapital the details of three debt investments it has made from the Dexia Microcredit Fund: USD 2.5 million to Fondo de Desarrollo Local of Nicaragua, which reports total assets of USD 81 million, a gross loan portfolio of USD 69.3 million, return on assets (ROA) of -3.99 percent and return on equity (ROE) of -25.89 percent; USD 2 million to First Allied Savings and Loans Limited of Ghana, which reports total assets of USD 35.9 million, a gross loan portfolio of USD 16.8 million, ROA of 2.92 percent and ROE of 16.58 percent; and the local-currency equivalent of USD 1 million to the commercial Access Bank of Nigeria, which reports total assets of USD 43 million, ROA of 2.8 percent and ROE of 15.8 percent. November 17. 2010

### MicroSave Offers Social Performance Framework for MFIs

MicroSave, an India-based microfinance consultancy, has unveiled a Social Performance Management framework that can assist in the identification and implementation of improvements to help microfinance institutions improve their social and business performance. November 16. 2010

### Philippines Awards \$200k to 30 Microenterprise Projects

The Department of Social Welfare and Development of the Philippines recently awarded seed capital equivalent to USD 6,900 to each of 30 projects that aim to provide communities with access to microcredit services and other support for the development of microenterprises. November 16. 2010

### MASLOC Commits \$24m to Cover All of Ghana

The Microfinance and Small Loans Centre, an institution established by the Ghanaian microfinance industry to administer, coordinate and monitor microcredit schemes in the country, has announced a plan to cover all regions of the country by making available the local-currency equivalent of USD 16 million for on-lending and USD 8 million for small loans. November 16. 2010

### India's IFMR Capital Receives "LA-" Rating from ICRA

ICRA, an Indian rating agency partially held by US-based Moody's Investors Service, recently awarded an "LA-" rating to the long-term bonds program of Indian investment company IFMR Capital, indicating that the bonds carry "average credit risk." IFMR finances institutions in sectors such as financial services, small and medium-sized enterprise, rural infrastructure and agriculture. November 16. 2010

### Venezuela Tightens Reins on Financial System

Venezuela's recently approved financial infrastructure law will replace commercial, mortgage and investment banking operations in favor of universal banking, microfinance banking and money exchange classifications that will require institutions "to adapt to socialist plans" and conform to higher capital requirements, including a minimum of USD 8 million for microfinance banks. November 16. 2010

### Grameen Announces New Bankers Without Borders Program

Grameen Foundation, a US-based nonprofit, has announced the creation of the Alliance Program, within its Bankers Without Borders initiative, which will give selected organizations grants of up to USD 30,000 "to identify their critical needs and structure ways for skilled volunteers to address them through training, technical assistance and advisory services." The first three Alliance members are Promuc of Peru, Contactor of Colombia and Access Development Services of India. A competition to select the next round of members will take place in January 2011 with a focus on Africa. November 15. 2010

### With Z Zurich Backing, Microinsurance Facility Issues RFP

Z Zurich Foundation, the microinsurance arm of global insurer Zurich Financial Services, has contributed the equivalent of USD 3.1 million to the International Labour Organization's Microinsurance Innovation Facility. With this funding, the Facility is offering grants of up to USD 500,000 to research process innovations to expand and improve insurance coverage for low-income households. November 15. 2010

### Georgia, KfW, EFSE Hold Conference on Responsible Finance

The National Bank of Georgia, the Georgian central bank; KfW Entwicklungsbank, the German development bank; and microfinance investment vehicle European Fund for Southeast Europe recently held a conference in Georgia on responsible finance practices. The event included presentations on the role of a central bank in promoting responsible finance, the relevance of credit bureaux to credit risk management and consumer protection, balancing risks and growth objectives, transparency, and mitigating risk for clients and financial institutions. November 15. 2010

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**MicroCapital Monitor** - © 2010 MicroCapital - ISSN 1935-505X  
The MicroCapital Monitor is published monthly by MicroCapital  
Editor Bob Summers

Writers Diana Baide, Witt Gatchell, Trevor Kwong and  
John Howard-Smith; special thanks to Matt Castner,  
Susannah Fuentes and Diego Guerra Tavera

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

### **Equity, Orange Launch Mobile Money Service Iko-Pesa in Kenya**

Equity Bank of Kenya has partnered with French telecommunications company Orange to launch Iko-Pesa, a mobile-to-mobile money transfer service. The service will allow users to pay utility bills and buy consumer products from select businesses through mobile phones. Both companies have expressed interest in launching similar services in Tanzania and Rwanda in the coming year. Equity Bank reports USD 1.27 billion in total assets, a gross loan portfolio of USD 818 million and 716,000 active borrowers. November 15, 2010

### **Two Grameens Guarantee \$5m Loan to Egypt's Lead Foundation**

Two organizations that support microfinance institutions (MFIs) with funding and guarantees, Grameen Crédit Agricole Microfinance Foundation and Grameen-Jameel Pan-Arab Microfinance Limited, have co-guaranteed a three-year, local-currency loan worth USD 5.7 million from the National Société Générale Bank Egypt to Egyptian nonprofit microbank The Lead Foundation, which reports an outstanding loan portfolio of USD 28 million and 190,000 active clients, of which 82 percent are women. November 15, 2010

### **Standard Chartered Kenya Loans SMEP \$3.7m**

Standard Chartered Kenya, a member of the UK-based international bank Standard Chartered, has reported to MicroCapital that it loaned the local-currency equivalent of USD 3.75 million to Kenyan microlender Small and Micro Enterprise Programme (SMEP), with the goal of benefiting 20,000 microfinance borrowers. In anticipation of a surge of demand for the deposit services that it hopes to offer by the end of 2010, SMEP is in the process of opening several additional branches. SMEP reports total assets of USD 17.5 million, a gross loan portfolio of USD 12.6 million, return on assets of 1.01 percent and return on equity of 4.72 percent. November 15, 2010

### **CGAP's Microfinance Gateway Celebrates 10 Years**

Microfinance Gateway, a website provided by CGAP (Consultative Group to Assist the Poor) that features 8,500 publications, news, events and job opportunities in the microfinance sector in four languages, has completed 10 years of operation. Thank you for providing this unparalleled resource! November 12, 2010

### **MIX to Expand Social Performance Initiative**

US-based nonprofit Microfinance Information Exchange (MIX), has received funding from the Michael & Susan Dell Foundation and the Ford Foundation to expand its Social Performance Information Program, which provides data on microfinance institutions' social performance alongside the institutions' operational and financial data on the MIX Market website. November 12, 2010

### **responsAbility Loans \$6.5m in Ecuador, the Philippines, Paraguay**

responsAbility Social Investments AG of Switzerland has reported to MicroCapital that two funds it manages, the Global Microfinance Fund (GMF) and Mikrofinanz-Fonds, loaned USD 500,000 and USD 1 million, respectively, to COAC Progreso, a microfinance institution (MFI) in Ecuador that reported total assets of USD 389,000 and a gross loan portfolio of USD 293,000 as of year-end 2007. GMF loaned Pag-Asa, an MFI in the Philippines, the local currency equivalent of USD 771,000. Pag-Asa, on which no financial data are available, also borrowed USD 257,000 from Mikrofinanz-Fonds. Finally, Vision Banco of Paraguay borrowed USD 3 million from GMF and USD 1 million from Mikrofinanz-Fonds. Vision Banco reports total assets of USD 317 million, a gross loan portfolio of USD 229 million and 64,000 active borrowers. November 12, 2010

### **Anglican Diocese to Launch Microfinance Bank in Nigeria**

Emmanuel Chukwuma, the Anglican bishop of Enugu, Nigeria, has announced that his diocese has applied to the Central Bank of Nigeria for a license that would allow it to establish a microfinance bank that would assist local residents who are engaged in microenterprises and directly employ 80 people. November 11, 2010

### **Charges Filed in Nigeria Against Fraudulent Borrowers**

A firm that sells generators, SIMS Nigeria, and Nigerian businessmen Onochie Nduka and Christopher Eyisi have been charged with forgery and stealing the equivalent of USD 20,000 from an unnamed microbank after it was discovered that a supposed sale of a generator by SIMS to the businessmen never occurred. November 10, 2010

### **EBRD Loans \$50m to Russian Car Lessor Europlan**

The European Bank for Reconstruction and Development has agreed to loan the local-currency equivalent of USD 50 million to Europlan, a Russian automotive leasing company that primarily serves small and medium-sized enterprises. Europlan has operations in 72 of Russia's 83 regions. November 10, 2010

### **Comviva, Bangalink Launch mWallet Service in Bangladesh**

Comviva, a mobile commerce provider based in India, and Bangalink, a cellular service provider in Bangladesh, have partnered to offer an "mWallet" service in Bangladesh that enables subscribers to conduct transactions via their mobile phones, including remittances, utility payments and other services. Customers will be able to perform in-person transactions, such as uploading cash, at approximately 900 retail outlets. November 10, 2010

### **responsAbility Loans \$12.4m to ProCredit, VisionFund Cambodia**

Microfinance investment vehicles managed by Swiss social investment company responsAbility recently disbursed the following four loans: USD 3.13 million from Mikrofinanz-Fonds and USD 7.30 million from the Global Microfinance Fund (GMF) to Germany's ProCredit Holding, which controls 21 banks and reports total assets equivalent to USD 6 billion, and USD 800,000 from GMF and USD 1.2 million from the Microfinance Leaders Fund to VisionFund Cambodia, which is owned by US-based World Vision and reports total assets of USD 26.5 million and 98,000 active borrowers. November 9, 2010

### **In Favor of Regulation in Nicaragua**

The Vice President of the Economic Commission of the National Assembly of Nicaragua, Freddy Torres, reportedly has warned that the country may lose up to USD 400 million in international investment over a five-year period if a microfinance law is not approved by December. Under the current proposal, microfinance institutions whose assets total USD 2 million or more would be supervised by the Superintendencia de Bancos while smaller institutions would be supervised by the Ministry of Governance. November 9, 2010

### **responsAbility Loans \$2.6m in Mexico, Colombia**

Two microfinance investment vehicles managed by Swiss social investment company responsAbility - the Global Microfinance Fund and the Microfinance Leaders Fund - loaned the local-currency equivalent of USD 978,000 and USD 489,000, respectively, to Crezcamos, a Colombian microfinance institution that reports total assets of USD 8.29 million, a gross loan portfolio of USD 6.29 million and return on assets of 0.02 percent. Also, both funds plus responsAbility's Mikrofinanz-Fonds each loaned USD 403,000 to KapitalMujer, a microfinance institution in Mexico that does not report data to the Microfinance Information Exchange. November 9, 2010

**responsAbility Loans \$7.9m to ACBA of Armenia, WAGES of Togo**

responsAbility Social Investments AG of Switzerland, has reported to MicroCapital that it has disbursed - from its Global Microfinance Fund, Microfinance Leaders Fund and Mikrofinanz-Fonds - the following aggregate loan amounts: USD 5 million to Armenia's ACBA-Credit Agricole Bank, which reports the equivalent of USD 425 million in total assets, a gross loan portfolio of USD 223 million and USD 97 million in deposits; USD 2 million to ACBA Leasing of Armenia, which reports assets of USD 21 million; and the equivalent of USD 970,000 - mostly in local currency - to Women and Associations for Gain both Economic and Social of Togo, which reports total assets of USD 25.3 million, a gross loan portfolio of USD 22 million, return on assets of 2.9 percent and return on equity of 25.3 percent. November 9. 2010

**Researchers to Study Compartamos Customer Behavior, Impact**

Compartamos Banco, a microfinance bank based in Mexico, and researchers Dean Karlan of Yale University and Jonathan Zinman of Dartmouth University have announced that they will conduct a four-year study to determine how microfinance bank customers use financial products and to quantify the impact those products have on customers' lives. Speaking about the study at a recent New York conference, Compartamos Co-Founder Carlos Danel commented: "We're an industry built on assumptions, and we've gotten to a point where we have to test those. Research is showing us that we actually don't know a lot about the customers we serve." November 9. 2010

**Plan, AFMIN, Smart Campaign to Promote Client Protection**

The Smart Campaign, an initiative housed at ACCION International's nonprofit Center for Financial Inclusion, has partnered with the African Microfinance Network (AFMIN), an association of African microfinance networks, and Plan International, a UK-based children's aid NGO, to promote and institutionalize client protection among microfinance institutions. AFMIN will encourage its members to endorse the Smart Campaign's Client Protection Principles, which include avoiding overindebtedness and implementing appropriate collection practices. Plan International will work to institutionalize client protection among microbanks in Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, the Philippines and Sri Lanka. November 9. 2010

**ADB, Australia Launch \$24m Effort in Papua New Guinea**

The Asian Development Bank (ADB) and AusAID, the development finance institution of Australia, have launched the "Microfinance Expansion Project" in a bid to increase financial access in Papua New Guinea and to give financial literacy training to 120,000 people in the country by 2017. ADB will finance 54 percent of the USD 24.1 million project through loans to the Papua New Guinea government, with the government, AusAID and implementing partners providing the remainder of the funds. November 8. 2010

**European Microfinance Platform Calls for "Deeper" Reform**

Christoph Pausch, Executive Secretary of the European Microfinance Platform, recently argued in the UK's *Financial Times* newspaper that the microfinance industry must go beyond measures such as implementing pricing transparency to prohibit multiple lending and to conduct regular checks of client needs and cash flows. He adds that information exchange must be a "two-way process" whereby clients are fully informed of the financial products at their disposal and of the consequences for failing to repay. Based in Luxembourg, the European Microfinance Platform is a network of approximately 120 microfinance organizations and individuals. November 8. 2010

**G-20 Commits \$528m to Scale Up Winning SME Finance Ideas**

The G-20, a group of financial ministers and central bankers, has committed USD 528 million to scale up the 14 ideas that won its recent SME Finance Challenge, which was held in conjunction with the Changemakers program of US-based nonprofit Ashoka. The organizations judged to have the best proposals for catalyzing finance for small and medium-sized enterprises were: Peace Dividend Trust, Equity for Africa Limited, responsAbility BOP Investments, Aavishkaar India Micro Venture Capital Fund, TREFI, Medical Credit Fund, Barefoot Angels Fund, MFX Solutions, Bank of the Philippine Islands, Root Capital, Entrepreneurial Finance Lab, East African Rural Enterprise Facility, BiD Network and the European Fund for Southeast Europe. November 8. 2010

**responsAbility Loans \$4m to Peru's CMAC Ica, Proempresa**

responsAbility Social Investments AG has reported to MicroCapital the following two loans made by funds it manages to microlenders in Peru: the local-currency equivalent of USD 3 million from Microfinance Leaders Fund to Caja Municipal de Ahorro y Crédito Ica, which reports USD 140 million in total assets, a gross loan portfolio of USD 121 million and 58,100 borrowers, and USD 1 million from the Global Microfinance Fund to Proempresa, which reports assets of USD 61.9 million, a gross loan portfolio of USD 49.6 million, return on assets of -0.23 percent and return on equity of -1.34 percent. November 8. 2010

**Serbia Considers Law to Simplify Microlending**

Deputy Prime Minister Bozidar Delic of Serbia recently announced that the Serbian government is reviewing a law that would allow microfinance institutions to lend directly to clients instead of lending through banks, as is currently required. The law was drafted by the Ministry of Finance and the Microfinance Working Group of Serbia, a group of government officials, international donors and microfinance institution representatives that was formed for this purpose. The law would allow microloans up to the euro equivalent of USD 4,225, with certain institutions permitted to make loans of up to USD 35,200. November 8. 2010

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### **AfDB Provides \$23m to Tanzania for On-lending, Staff Training**

The African Development Bank is reportedly set to provide USD 23 million in new loans to the Tanzanian government's Small Entrepreneurs Loan Facility to make loans directly to small businesses, provide training to approximately 1,600 officers of microfinance institutions and make unspecified improvements to the financial infrastructure. November 8. 2010

### **MHFC, Tata Offer Homeownership Packages**

Micro Housing Finance Commission (MHFC), an Indian housing company that provides home loans to low-income families, has partnered with Tata Housing, an Indian real estate developer, in the launch of the Shubh Griha housing project near Mumbai, in which 208 housing units out of 1,200 will be reserved for families that require non-traditional mortgage loans. MHFC will provide these loans, which do not require standard documentation of borrower income. Founded in 2008, MHFC offers loans with maximum terms of 15 years with a prime annual lending rate of 12 percent as of 2009. MHFC reports total assets equivalent to USD 2.7 million. November 5. 2010

### **MFIs in Namibia Grow 24%, Concerns of "Recklessness" Persist**

It has been reported that the forthcoming annual report of the Namibia Financial Institutions Supervisory Authority (NAMFISA) indicates that Namibians borrowed 24 percent more in 2009 than they did in 2008 - approximately 120 percent more than they did five years ago. The 329 registered microlenders in the country disbursed 518,000 loans during 2009 to 146,000 individuals, who borrowed an average amount equivalent to USD 240, a 31 percent increase over 2008. NAMFISA also states that inspections show a significant amount of "reckless lending," where clients are allowed to borrow more than half their take-home salary or qualify for subsequent loans without having paid off a previous loan. The practice of rolling over loans - reissuing a loan on its due date without requiring payoff of the original loan - also continues, despite being illegal in Namibia. November 5. 2010

### **Pakistan Sends \$116m to Flood Zone, Pushes Loan Rescheduling**

In an effort to improve access to finance in areas affected by the major flooding that occurred earlier this year, the State Bank of Pakistan has launched a scheme to route the local-currency equivalent of USD 116 million through agriculture banks and other finance institutions at an interest rate of 5 percent per annum, to which retail lenders will be permitted to add a maximum spread of 3 percent. In other news, a circular issued by the Microfinance Department of the State Bank of Pakistan advises microfinance banks (MFBs) to "reschedule/restructure loans to such borrowers, as per existing Prudential Regulations for MFBs, where the possibility of recovery exists. For all such...advances, MFBs may defer loan provisioning up to 31st December 2011." November 4. 2010

### **RBAP, G-Xchange Launch ATM "FaceCard" in the Philippines**

The Rural Bankers Association of the Philippines' Microenterprise Access to Banking Services initiative has partnered with G-Xchange, the mobile commerce subsidiary of Philippine telecommunications provider Globe Telecom, to launch an automated teller machine (ATM) card that offers expanded access to GCash mobile phone banking accounts, which the organizations have offered since 2004. In addition to servicing their mobile accounts at 18,000 retail locations, holders of "FaceCards" will be able to use 9,000 ATMs in the Philippines. The card doubles as an identification card, and users can customize its appearance with personal photographs or other images. November 4. 2010

### **EFSE Loans \$34m in Kosovo, Serbia**

The European Fund for Southeast Europe (EFSE), a microfinance investment vehicle with an outstanding investment portfolio of USD 831 million, has reported to MicroCapital that it loaned USD 13.9 million to NLB Prishtina, a commercial bank in Kosovo, and USD 20.9 million to ProCredit Bank Serbia, which focuses on serving small and medium-sized enterprises. With total assets equivalent to USD 455 million, NLB Prishtina is a member of the Slovenian NLB Group, a financial institution with operations in the UK and Eastern Europe and USD 27.1 billion in total assets. ProCredit Bank Serbia has 79 offices, total assets of USD 1.05 billion, return on assets of 1.2 percent and return on equity of 9.2 percent. ProCredit Bank Serbia is one of 21 members of ProCredit Holding, which reports USD 6 billion in total assets. November 3. 2010

### **Advans Set to Launch in Tanzania**

Advans SA, an investor in microfinance institutions (MFIs), has announced that it will open the first branch of its sixth MFI, Advans Bank Tanzania, in December. Advans SA incorporated the MFI in July, with a minority stake held by FMO (the Netherlands Development Finance Company). Advans Bank Tanzania has initial local-currency capital equivalent to USD 4.7 million. With total assets of USD 15 million as of 2009, Advans was originally created by Horus Development Finance of France with backing from Agence Francaise de Developpement, the European Investment Bank, FMO, the International Finance Corporation and Germany's KfW Entwicklungsbank. November 2. 2010

### **MIVs Receive ESG Awards from CGAP, LuxFLAG, UNPRI, Eurosif**

Three microfinance investment vehicles, Oikocredit of the Netherlands, Triodos Investment Management BV of the Netherlands and the Rural Impulse Fund I of Belgium's Incofin, were recently recognized for the quality of their environmental, social and governance (ESG) performance by CGAP (Consultative Group to Assist the Poor), a research center dedicated to increasing financial access for the world's poor; the United Nations' Principles for Responsible Investment network of international investors; LuxFLAG, an organization that certifies that microfinance vehicles actually invest in the microfinance sector; and the European Social Investment Forum, a network aiming to foster sustainable development through European financial markets. In a separate announcement, Vision Microfinance, which is managed by Absolute Portfolio Management of Austria, was also recognized for its ESG practices. November 2. 2010

### **MicroVentures Lends \$680k to India's Swadhaar Finserve**

MicroVentures India, a private equity fund that invests in microfinance institutions (MFIs), recently loaned the rupee equivalent of USD 680,000 to Indian MFI Swadhaar Finserve, which provides microcredit and microinsurance services to poor people. Swadhaar Finserve reports total assets of USD 6.3 million, a gross loan portfolio of USD 4.4 million and 27,391 active borrowers. MicroVentures India is a holding of Italy's MicroVentures SpA, which reported euro-denominated assets equivalent to USD 27.6 million as of 2008. November 1. 2010

### **India's Bhartiya Samruddhi to Offer Stake for \$56m**

Bhartiya Samruddhi Finance Limited (BSFL), a microfinance institution that is part of the BASIX group, is planning to raise the equivalent of USD 56.3 million by selling an undisclosed stake to private equity firms. BSFL reports total assets of USD 302 million, a gross loan portfolio of USD 223 million and 1.1 million active borrowers. November 1. 2010

### **Grameen Certifying Users of Progress Out of Poverty Index**

The US-based Grameen Foundation has launched a program to recognize organizations that comply with its standards for using its Progress out of Poverty Index, a tool intended to document changes in the economic well-being of clients over time. November 1. 2010

### **BlueOrchard Invests \$8m in Peru, Nicaragua, Bolivia**

BlueOrchard Finance SA, a subsidiary of Switzerland-based commercial microfinance intermediary BlueOrchard, recently reported to MicroCapital the details of four debt investments made to the following microfinance institutions: the local-currency equivalent of USD 2.7 million to Peru's Caja Municipal de Ahorro y Crédito Ica, which reports USD 140 million in total assets, a gross loan portfolio of USD 121 million and 58,100 borrowers; USD 3 million to Peru's Crear Arequipa, which reports USD 117 million in total assets, a gross loan portfolio of USD 106 million and 79,300 borrowers; USD 1.95 million to the Bolivian branch of Pro Mujer; and USD 300,000 to Fundación para el Desarrollo Socio Económico Rural de Nicaragua. November 1. 2010

### **India's IFMR Maps Operations of Subsidiary MFI**

The Institute for Financial Management and Research (IFMR), an Indian nonprofit, has announced that it plans to roll out an interactive map service offering information to the public on its subsidiary microfinance institution, Kshetriya Gramin Financial Services. The service, which is soon to be made available on the IFMR website, will offer analyses such as count, mean and variance at the macro level and will answer queries across various parameters such as transaction frequency in a particular village or the number of insurance customers within a certain radius of a branch location. November 1. 2010

### **Rwanda Aims to Reach 80% of Population with Financial Services**

Rwanda's government has reportedly launched a seven-year program to bolster economic activity, including increasing electricity generation and providing financial services that reach at least 80 percent of the country's population. Prime Minister Bernard Makuza reportedly noted that the financial services effort will be led by microfinance institutions, with the aim of private sector credit constituting 27 percent of gross domestic product by 2017. November 1. 2010

### **BlueOrchard Invests \$7m in Armenia, Georgia, Philippines**

BlueOrchard Finance of Switzerland has reported to MicroCapital the details of three recent debt investments: USD 5 million to Inecobank, a microfinance bank based in Armenia with nine branches, 40,000 borrowers, total assets of USD 129 million, a gross loan portfolio of USD 72.5 million, return on assets of 2.15 percent and return on equity of 10.16 percent; USD 1 million to Credo, a non-bank financial institution based in Georgia with total assets of USD 25.4 million, a gross loan portfolio of USD 20.5 million, return on assets of 3.16 percent, return on equity of 21.9 percent and 22,892 borrowers; and a local-currency loan equivalent to USD 920,000 to Pag-Asa of the Philippines, on which details are not available. November 1. 2010

### **Central Bank of Nigeria Reinstating 121 Microbank Licenses**

After announcing that Nigerian microfinance banks (MFBs) would have to fulfill stricter capital requirements to recover their licenses, the Central Bank of Nigeria (CBN) has begun to grant provisional approval for new licenses to approximately 121 out of the 224 MFBs whose licenses were revoked earlier this year. CBN spokesperson Malam Mohammed M Abdullahi said the move came in response to many MFBs having improved their financial positions by increasing their capital reserves and loan recovery rates. The MFBs whose licenses were revoked have until December 2011 to meet the new capital reserve requirements. October 29. 2010

### **Clinton Bush Haiti Fund Grants \$1.5m to Fonkoze, Gheskio**

The Clinton Bush Haiti Fund, a relief organization founded to alleviate the effects of the 2010 Haiti earthquake, has announced the release of grants of USD 500,000 to nonprofit microfinance institution Fonkoze to assemble local expertise relating to small and medium-sized enterprise and skills training for microentrepreneurs and USD 1 million to NGO Les Centres Gheskio to launch job training for the construction trades and microcredit services for 7,000 tent city residents. October 28. 2010

### **MFTransparency Expands to Rwanda, Uganda**

MFTransparency, a US-based NGO that provides information on credit products and pricing, the Association of Micro Finance Institutions in Rwanda and the Association of Microfinance Institutions of Uganda are partnering as part of a larger initiative known as Enabling Africa to Price Responsibly and Educate on Interest Rates. The program is also planned for expansion into Ghana, Tanzania, Zambia, South Africa and Mozambique in addition to Malawi, where it was launched in August. October 28. 2010

### **Lok II Completes First Close at \$52m, with Help from CDC**

Lok Capital II, a private equity fund managed by Lok Capital, which reported USD 22 million in assets under management as of 2009, has secured an investment of USD 10 million from CDC Group, the UK government's development finance institution, to complete its first close with a total of USD 52 million in commitments. Lok II, which has a target of USD 80 million, makes long-term equity investments in Indian microfinance institutions. The deal boosts CDC Group's total exposure to microfinance to USD 120 million. October 28. 2010

### **Norwegian Microfinance Initiative Loans \$4.5m in Kenya, Uganda**

The Norwegian Microfinance Initiative (NMI), a partnership between the Norwegian public and private sectors that has so far raised the equivalent of USD 100 million, recently loaned the local-currency equivalent of USD 4 million to Kenya Women Finance Trust - Deposit Taking Microfinance (KWFT), a microfinance institution (MFI) in Kenya, and USD 548,000 to Uganda Finance Trust, an MFI in Uganda. The loans, which are intended to support microenterprises, were funded by NMI's Frontier Fund, which makes direct investments in emerging MFIs in Sub-Saharan Africa and South Asia. KWFT reports total assets of 194 million, a gross loan portfolio of USD 134 million and 334,000 active borrowers, while Uganda Finance Trust reports total assets of USD 19.7 million, a gross loan portfolio of USD 14.8 million and 20,000 active borrowers. October 28. 2010

### **Southern Sudan Association Warns of Opacity in Donor Funding**

Vincent Olweny Oywak, chairman of the Microfinance Association of Southern Sudan (MASS), a coalition of six microfinance institutions (MFIs), recently complained about the opacity of foreign donor funding to MFIs in the region, asserting that funding intended for the entire local microfinance industry has instead ended up at a small number of unspecified MFIs. Officials of MASS are also urging the government to increase its financial support of MFIs. October 28. 2010

### **India's SKS Microfinance Q2 Profits Jump by 116%**

On October 24, SKS Microfinance, a publicly traded microfinance institution in India, announced the release of its financial report for the quarter ending September 30, 2010, which included a jump in net profit of 116 percent to the rupee equivalent of USD 18.1 million, up from USD 8.38 million during the same period last year. Revenues in the quarter rose by 75 percent to USD 83 million, up from USD 48 million. Earnings per share rose 51.1 percent to USD 0.265. October 25. 2010

## SPECIAL COVERAGE

*The backlash against microfinance in the Indian state of Andhra Pradesh is now affecting the entire country and seemingly others. As reported in last month's issue of this newspaper, overindebtedness and unscrupulous collection practices have been blamed for dozens of suicides among microborrowers in the region. Borrowers, practitioners, regulators and investors have reacted strongly.*

### Indian Microfinance on Brink of "Collapse" Due to Credit Freeze

The UK's *Financial Times* newspaper has declared India's microfinance industry on the verge of "collapse" due to banks' freezing loans to microlenders that normally amount to the equivalent of USD 133 million per week. In the Indian state of Andhra Pradesh, outstanding loans reportedly total USD 2.7 billion distributed to 6.7 million borrowers. With microborrower repayments very low, fears have arisen that the impasse will cause a series of bank defaults. Commercial and state banks reportedly have USD 6 billion at stake in India's microfinance sector. November 15. 2010

### India Considers Legislation Banning Multiple Lending

Legislators in India are reportedly considering banning microlenders from multiple lending. The Finance Ministry is holding talks with the Unique Identification Authority of India, which is working to issue identity cards to citizens nationwide, to develop a system to allow lenders to identify persons who have loans outstanding. November 15. 2010

### Government Leads Payment Strike in Andhra Pradesh

Government officials in Andhra Pradesh told microfinance borrowers to stop repaying lenders during October, even if they have the money to do so. The suspension order reportedly created false expectations among some borrowers of a permanent loan waiver, and many are still refusing to pay. November 9. 2010

### SKS Agents Arrested Following Complaints of Harassment

Three agents of Indian microfinance institution SKS Microfinance have been arrested for allegedly harassing borrowers in Andhra Pradesh. Police said the arrests were made after a borrower complained of being illegally pressured by agents of SKS Microfinance and a second microlender, Spandana Sphoorty, to repay outstanding loans totaling the equivalent of USD 1,300. November 9. 2010

### Five MFIs Agree to Cut Interest Rates to 24%

After meeting with Financial Services Secretary R Gopalan, the CEOs of major Indian microfinance institutions (MFIs) SKS Microfinance, BASIX, Spandana Sphoorty, Share Microfin and Asmitha Microfin have reportedly agreed to reduce microloan interest rates to 24 percent per year. The new interest rates are set to be implemented immediately in the Indian state of Andhra Pradesh, where MFIs have been accused of improper collection practices. The move follows pressure from banks that make wholesale loans to the microlenders to reduce rates, soften recovery practices and obtain external audits and ratings. October 26 and November 8. 2010

### Indian MFIs' Priority Sector Lending Status Remains Threatened

The Reserve Bank of India is reportedly preparing a study that will recommend changes to the regulations that govern non-banking finance companies. Unnamed sources confirm reports published in the September issue of this newspaper that anticipate reconsideration of microlenders' priority sector status, which allows them to borrow on a wholesale basis at favorable rates to help commercial banks meet government requirements to finance rural and other underserved sectors. November 5. 2010

### Drabu Calls Regulatory Efforts "Flawed"

Haseeb Drabu, former CEO of government-owned Jammu and Kashmir Bank, has called recent efforts by authorities to rein in the Indian microfinance industry "flawed," arguing that tight regulation of interest rates will limit the credit supply for poor people and that instead rates can be brought down by facilitating "competition (market entry and regulations), access to and cost of funds (financial market development), [and improving] communications infrastructure and efficiency." Mr Drabu also argued that the National Bank for Agriculture and Rural Development is not a suitable institution for supervising the microfinance industry due to potential conflicts of interest related to its own work with self-help groups. November 4. 2010

### CEO of India's BASIX Denies Charging Over 24% Interest

Responding to accusations from unnamed Andhra Pradesh officials, CEO Sajeew Viswanathan of BASIX, which provides microfinance services through Bhartiya Samruddhi Finance Limited (BSFL), denied that BSFL charges interest rates as high as 60 percent per year on microloans. Mr Viswanathan countered that BSFL does not have a loan product that charges more than 24 percent, although he concedes that after factoring in fees, the effective interest rate might be around 28 percent. BSFL reports total assets of USD 302 million and 1.1 million active borrowers. November 2. 2010

### Legislation in Andhra Pradesh Expected to Reduce Profitability

Referring to the various restrictions now under consideration - including limiting total interest payments to the original principal amount and prohibiting lending to borrowers with other outstanding loans - D R Dogra, CEO of rating agency Credit Analysis and Research, recently argued that such legislation will "have a bearing on resource-raising abilities and profitability of MFIs." November 2. 2010

### MFIs in Andhra Pradesh Offer Debt Restructuring

In response to anger at the microfinance industry in Andhra Pradesh, microlenders are offering borrowers - who owe payments of at least 40 percent of their income - the option of extending their loan terms from the typical 51 weeks to 75 weeks without additional interest charges. CEO Alok Prasad of India's Microfinance Institutions Network said members expect 30 percent of their borrowers in the state to opt in, at a total cost of USD 23 million. October 26. 2010

### NABARD's Regulatory Role May Increase

The Indian government is considering giving the National Bank for Agriculture and Rural Development (NABARD), which formulates banking policy for the rural sector, more supervisory powers over microfinance institutions (MFIs). The Micro Financial Sector (Development and Regulation) bill, first proposed in 2007, will be fast-tracked in the upcoming parliament session by the Finance Ministry. "The state governments are not equipped to handle supervision and a sector supervisor is the need of the hour," says Matthew Titus, executive director of Sa-Dhan, an Indian microfinance industry association. The bill would bring nonprofit MFIs under the jurisdiction of NABARD, and the ministry may separately bring non-banking finance companies under NABARD. Currently, MFIs are not regulated as financial institutions but do generally fall under the supervision of the Reserve Bank of India in accordance with non-financial regulations. October 26. 2010



## FIELD NOTES

### Reinventing the Value Proposition of MFIs: Distribution, Distribution, Distribution

I have just returned from the sixth annual Munich Re Microinsurance Conference in Manila where - as always - few microfinance institutions (MFIs) were represented. It's largely a crowd of insurers, donors, regulators and researchers, with a peppering of MFIs and other delivery channels. Yes, MFIs, I just called you "delivery channels," as did most of the crowd in Manila. You were lumped in with churches, hospitals, telephone companies, retailers and others; and, in many cases, we were told that you were not even the best of these delivery channels! Churches can be more committed, retailers can achieve scale more quickly and cheaply through passive sales and phone companies can figure out payments more easily. Michael McCord of US-based consultancy The Microinsurance Centre emphasized throughout the event that the key to microinsurance sales is "distribution, distribution, distribution," and your value proposition as a distributor was seriously questioned.

It's time to rethink the value proposition of MFIs, many of which see themselves primarily as lending outfits. Vertical growth (in number of clients and portfolio size), profitability and even social impact have been tough in mature markets where multiple loans are already in the hands of many of the poor. So how can MFIs get more bang for their buck? US-based nonprofit Freedom from Hunger has found that leveraging existing MFI infrastructure could keep the cost of delivering health education down to USD 1.50 per client per year. Pro Mujer has been "delivering" health education and services with loans for 20 years. Other MFIs are broadening their range of financial services to include savings, remittances and insurance. Some MFIs, such as India's SKS, explicitly incorporated the idea of being a delivery channel into their strategies from the start. Their philosophy was that a loan platform could serve as a platform for anything. The trick is, of course, is to define what clients

actually want, need and trust you to offer. Does it make sense for MFIs to sell soda and beer? Would that crowd out savings, for instance? Could or should MFIs sell political messages? The possibilities are endless, as are the strategic and ethical dilemmas.

It's important to consider that new services may not translate into vertical growth. More likely, they can help MFIs grow horizontally. They may contribute to consolidating growth, reducing the marginal cost of obtaining new clients and broadening social impact, but few expect add-on services to be even close to loans in terms of profitability. In Manila, it was noted that few MFIs have excelled in delivering insurance to the poor. Adding insurance to an existing platform requires strong governance, solid vision and smooth processes. MFIs should consider these improvements imperative if they are to reinvent themselves as delivery channels for more and better services.

On the other side of the coin, I would like to encourage the microinsurance community to give MFIs a bit more time to show that they can leverage client relationships to expand the range of financial products they successfully offer their customers. Many have nowhere to go but sideways, and as they come to terms with this they should see that products such as insurance are worth the effort. Once that happens, I have confidence that many can excel as delivery channels, perhaps even better than the neighborhood retailer or house of worship. Like credit and savings, after all, insurance is part of a sound risk management strategy, unlike new shoes and at least somewhat less like prayers.

*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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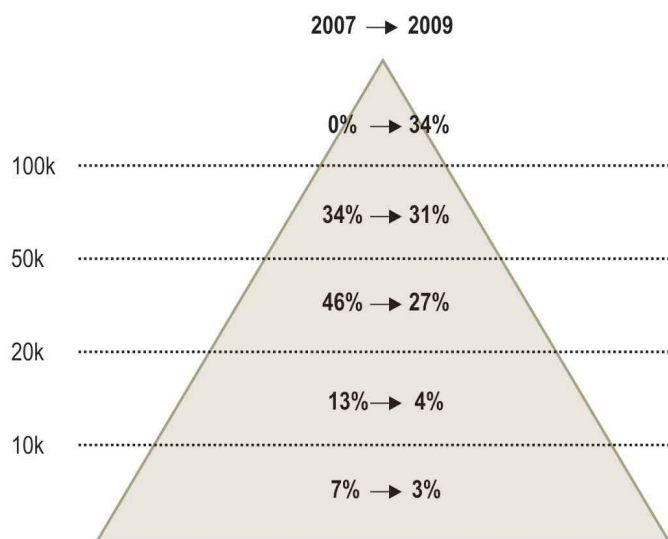
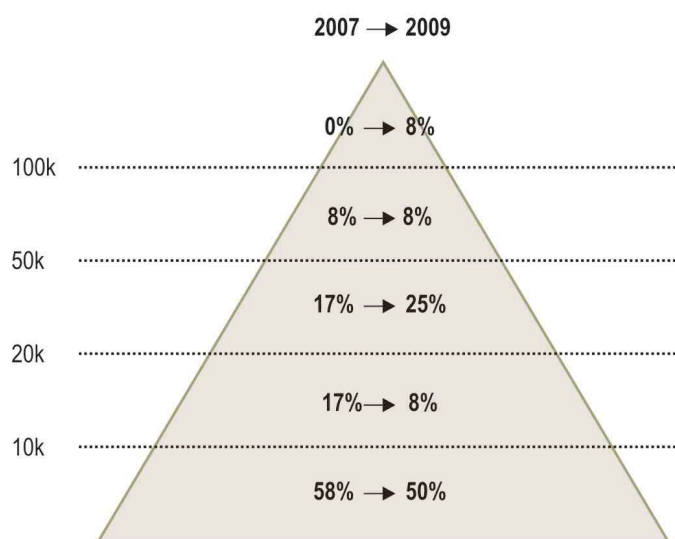
## MICROCAPITAL MARKET INDICATORS | KYRGYZSTAN

12 MFIs REPORTING<sup>1</sup>

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

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
FINCA MicroCredit Company - formerly FINCA Kyrgyzstan	9,619,628	25	33,741,752	52,981,007
Bai Tushum and Partners	7,349,015	28	23,423,822	38,121,852
MCC Mol-Bulak	5,136,609	327	597,237	10,870,456
MCC Kompanion Financial Group	4,454,178	19	21,270,904	30,179,260
First MicroCredit Company	1,338,746	20	6,174,699	8,852,190
MCC Elet-Capital	295,486	46	520,964	1,111,936
MCA Agrocredit Plus	279,084	72	286,329	844,497
CU Zakawat	137,310	17	757,656	1,032,276
OXUS Kyrgyzstan	27,528	6	491,269	546,325
MCC Bereke-credit	(16,705)	-10	177,164	143,754

## 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 2007 - 2009 to MicroBanking Bulletin (MBB) or MIX Market.

Source: Microfinance Information Exchange, Inc., November 2010, based on MFIs reporting to MBB or MIX Market.

## UPCOMING EVENTS

### 2010 African Microfinance Transparency Investors Fair

November 18 - November 19, 2010, Douala, Cameroon

This fair aims to facilitate the link between rated African microfinance institutions and microfinance investors with a focus on financial transparency. The cost to attend is EUR 100 for up to two people from African Microfinance Transparency Forum member microfinance institutions, EUR 150 per nonmember institution for one person, EUR 500 per investor for one person and EUR 100 for additional attendees. For additional information you may contact Emma-Jayne Paul via [info@amt-forum.org](mailto:info@amt-forum.org) or +352 45 68 68 31, or you may visit <http://www.amt-forum.org/en/activites/foireinvestisseurs/la-foire-aux-investisseurs-2010.html>.

### Inclusive Financial Services Stakeholders' Conference 2010

November 28 - November 30, 2010, Erbil, Iraq

The theme of this conference is "Putting the Poor First: Improving the Regulatory Environment, Industry Infrastructure and Institutional Performance for Greater Impact." There is no cost to attend. More information is available at [mfconference2010@tjara-iraq.com](mailto:mfconference2010@tjara-iraq.com) or <http://www.imfi.org/?q=en/node/182>, but no telephone number is offered.

### Impact Investing Forum 2010

November 29 - December 1, 2010, London, UK

This event will cover the role that impact investing plays within a portfolio, assessing rates of return, measuring impact to decrease risk and increase returns and ensuring strong partnerships between for-profits and nonprofits to reach a wider audience. The fee is GBP 849 for investors and GBP 1599 for asset managers, with add-on workshops and partial registrations available. Details are available via +44 (0)20 3141 8700, [info@hansonwade.com](mailto:info@hansonwade.com) or <http://www.hansonwade.com/events/positive-impact-investing-forum-2010/>.

### European Microfinance Week

November 30 - December 1, 2010, Luxembourg

This event is targeted at European microfinance actors working in developing countries. The fee to attend is EUR 400 or EUR 50 for students. Topics will include risk management, post-disaster services, client protection, social performance, regulation, microinsurance, youth services and more. Details are available via [contact@e-mfp.eu](mailto:contact@e-mfp.eu), <http://e-mfp.eu/microfinance-week> or +352 26 27 13 55.

### Microfinance Investment Summit - Hong Kong

December 2 - December 3, 2010, Hong Kong, China

This event will cover topics such as reforming NGO microlenders to match the demands of investors while minimizing change to social missions, implementing sustainable business practices to increase efficiency and performance and establishing cost-effective strategies to reach rural areas. The cost to attend is USD 1395 for microfinance institution representatives, USD 1495 for investors and USD 1595 for others. More details are available via +44 20 7878 6888, <http://www.c5-online.com/microfinancehongkong.htm> or [enquiries@c5-online.com](mailto:enquiries@c5-online.com).

### International Impact Investing Summit 2010

December 2 - December 3, 2010, New York, USA

This conference will cover the emergence and the future of impact investing and how its growth can be accelerated using lessons learned from microfinance. The registration fee is USD 1795, and more information is available from Kristy Perkins at +1 212 352 3220, [customerservice@americanconference.com](mailto:customerservice@americanconference.com) or <http://www.americanconference.com/finance/impactinvesting.htm>.

### Microfinance and Sustainable Livelihood Promotions in India

December 15 - December 16, 2010, Karnataka, India

Organized by the National Bank for Agriculture and Rural Development, this seminar will showcase achievements of microfinance in India and offer discussions regarding promoting sustainable livelihoods through microfinance innovations. The cost to attend is INR 750 for delegates from the microfinance industry and INR 500 for researchers. Additional information is available from Naveen K Shetty at [pgdmsrcsit@gmail.com](mailto:pgdmsrcsit@gmail.com) or +91 0980785999 or via <http://www.sit.ac.in/>.

### Mobile Money Transfer Asia Pacific Conference and Expo 2011

January 17 - January 20, 2011, Manila, Philippines

The event is comprised of a one-day pre-conference workshop on regulation, a two-day conference and one day of site visits to the offices of Smart Communications and Globe Telecom in Manila. The conference will cover topics including international remittances services, country-specific case studies, mobile money transfers and microfinance as a tool for financial inclusion. The cost to attend is USD 600 for the workshop, USD 1999 for the conference, and USD 800 for the field visits. Various discounts are available for registrations received before November 19 and December 18, as well as for groups. More details are available from Sonum Puri at +44 (0) 20 7067 1846 or [sonum.puri@clarionevents.com](mailto:sonum.puri@clarionevents.com) or via <http://www.mobile-money-transfer.com/apac>.

### Investment and Innovation in Microfinance

January 25 - January 26, 2011, Singapore

The theme of the conference is tackling overindebtedness and embracing innovative financial products to secure a sustainable microfinance industry. The conference will cover emerging markets in Asia that are ready for investment, the next generation of investors in the region and technology. The cost per person is USD 2224 for for-profit organizations, USD 1824 for microfinance institutions and USD 1524 for nonprofit organizations. Add-on workshops and discounts for registrations completed before December 10 are available. More details can be had from Liz McAleer at +44 (0) 203 141 8700, +1 212 537 5898 or [info@hansonwade.com](mailto:info@hansonwade.com) or via <http://www.hansonwade.com/events/mfsworld-singapore/index.shtml>.

## MORE DETAILS COMING SOON...

### Fourth International Conference on Microfinance

January 27 - January 29, 2011, Pondicherry, India

### Microfinance Investments Summit 2011

February 3 - February 4, 2011, Amsterdam, Netherlands

### World Card and Payments Summit 2011

February 14 - February 16, 2011, Dubai, UAE

### Microfinance Investment Summit India

February 22 - February 24, 2011, Mumbai, India

### Mobile Financial Inclusion 2011

February 22 - February 24, 2011, Dubai, UAE

### Second Annual MicroInsurance Summit Latin America

March 28 - March 31, 2011, Miami, USA

### HBS-ACCION Program on Strategic Leadership for Microfinance

April 25 - April 30, 2011, Boston, USA

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## PAPER WRAP-UPS

### African Financial Systems: A Review

By Franklin Allen, Isaac Otchere and Lemma Senbet;  
published by The Wharton Financial Institutions  
Center; March 2010; 69 pages; available at:  
<http://www.microfinancegateway.org/gm/document-1.1.8282/African%20financial%20systems.pdf>

The paper analyzes the economic markets in four regions of Africa: Arab North Africa, West Africa, East and Central Africa and Southern Africa. It covers each region's central banks, banking infrastructure, government bond markets, stock markets and microfinance markets. The authors note that prior to the market downturn in 2008, African economies began to experience a "growth renaissance," which has now slowed significantly. The authors also examine the impact of microfinance on African economies during the financial crisis. This paper wrap-up focuses on the elements of the study that relate to microfinance.

In Arab North Africa, the authors find that microfinance appears to be experiencing steady growth, with the exception of Algeria, where all microlending programs are run by the government. In Tunisia in 1997, the Tunisian Solidarity Bank was established to support microenterprises by channeling funds to microfinance institutions (MFIs) whose

interest rates may not exceed 5 percent per year. Morocco boasts 10 MFIs, but all are limited by restrictions that prevent them from offering savings and limit them to supporting "productive activities" with loans of no more than USD 3,000 each.

In West Africa, microfinance has had a presence for many years, experiencing significant growth under the supervision of the Central Bank of French West Africa (known by the French acronym BCEAO). There are approximately 400 financial institutions offering microcredit services in West Africa with about 3,000 branches, but the authors note that these services cater disproportionately to urban populations, at the expense of rural customers.

In English-speaking West Africa, Gambia began adopting microfinance operations in the early 1970s through the creation of Indigenous Business Advisory Services, a government agency seeking to support indigenous microenterprises. The Gambian microfinance sector has seen growth among village savings and credit associations, retail non-banking financial institutions, rural microfinance projects and commercial banks. Microfinance practitioners in Gambia so far reach 17 percent of the population and are very focused on rural women, relative to their peers in other countries. Nigeria's microfinance sector is

growing in large part due to the shift by informal businesses from using moneylenders and tribal credit and savings groups to formal MFIs. Still in its infancy, the formal Nigerian microfinance industry serves 1 million clients.

East and Central Africa are known for government-sponsored MFIs. Microfinance in Mozambique and the Congo has had a great impact on the agriculture sector by allowing farmers to use loans to buy tools and seeds. Congo's microfinance sector is said to contribute 1.1 percent to its gross domestic product.

In Southern Africa, Namibia demonstrates a strong microfinance sector with approximately 100 registered MFIs. A microfinance support network was launched in 2008 through the Development Bank of Namibia, which has channeled USD 4.2 million to MFIs that offer a network of 7,000 service locations in all nine provinces. Swaziland's and Zambia's microfinance markets are still in their infancy, with Zambia's MFIs serving just 0.005 percent of the country's population.

In conclusion, the authors state that African economies are struggling but are indeed improving, in part due to microfinance acting as "an important driver in the development of the economies in this region and [continuing] to play a key role as a grassroots financial tool."



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## The Impact of International Influence on Microbanks' Performance: A Global Survey

By Roy Mersland, Trond Randoy and Reidar Oystein Strom; forthcoming in the *International Business Review*; available for purchase at: <http://dx.doi.org/10.1016/j.ibusrev.2010.07.006>

International influence on microfinance institutions (MFIs) comes in many forms: MFIs borrow money from international capital markets, have international directors, may be founded by international organizations (international initiators) or be members of an international microfinance network such as Women's World Banking, FINCA or Opportunity International. The authors investigate the impacts of each of these influences on the social and financial performance of MFIs.

Using financial data from 2001 to 2008 obtained from rating reports by microfinance rating agencies such as MicroRate, Microfinanza, Planet Rating, Crisil and M-CRIL, the authors conduct regression analysis to tease out the effects of various international influences.

They find that international influence is correlated with enhanced social returns, but has an inconclusive correlation with financial sustainability, contrary to the widely held view that international influence boosts MFIs' financial performance over time. In particular, the paper considers the four following hypotheses:

**Hypothesis 1:** MFIs with an international initiator achieve better financial and social performance

The authors find that MFIs with an international initiator on average have higher levels of outreach to women and lower levels of rural outreach. It is argued that most international initiators have an "exit strategy" in mind and thus tend to stay away from efforts to bolster rural outreach, which are often considered to be costly.

After adjusting for unspecified subsidies, the paper found no statistically significant correlation between being founded by international actors and improved financial performance. However, a negative relationship between having an international director and operational self-sufficiency was identified. The authors posit that costs related to having international directors, such as high salaries, might represent a significant cost burden for MFIs.

**Hypothesis 2:** MFIs that have undertaken international commercial or subsidized debt have better social performance

The authors find that MFIs that undertake international commercial debt have higher levels of rural outreach, while MFIs that undertake more subsidized debt generally have greater outreach to women. The authors argue that this is because most international lenders are concerned with the double bottom line (social and financial returns) and thus specifically want MFIs to target female clients.

**Hypothesis 3:** MFIs that have an international board member have better financial and social performance

The study found a negative correlation between international directorship and financial performance, but a positive relationship with social performance. This, the authors argue, is because international board directors might bring along a "culture of higher costs" along with a focus on outreach.

**Hypothesis 4:** MFIs affiliated with an international network have better financial and social performance

The study found that being affiliated with an international network improves social performance with regard to both women and rural outreach but not financial performance.



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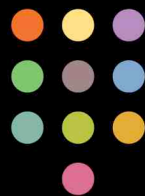
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## The Adoption and Impact of M-PESA: A First Look at Some New Data

By Billy Jack and Tawneet Suri, published by *Mobile Money for the Unbanked*, October 2010, available at: <http://mmublog.org/africa-east/the-adoption-and-impact-of-m-pesa-a-first-look-at-some-new-data/>

Early results from a survey of Kenya's M-PESA, a cellphone-to-cellphone money management service, examines the impact of the service on its users. The survey indicates that, in 2008, 43 percent of households nationwide had at least one member using M-PESA and that this increased to 69 percent in 2009. The number of M-PESA agents where cash can be deposited or withdrawn increased from 4,000 in 2008 to 12,000 in 2009. Impact in rural areas has also been significant, with the portion of rural households using M-PESA doubling from 29 percent in 2008 to approximately 60 percent in 2009.

M-PESA is also reaching women, with the portion of females using the program rising from 38 percent in 2008 to 44 percent in 2009. The authors find that increased use of M-PESA is correlated with growing numbers of remittances, both sent and received. Of those who were M-PESA users and non-users both years, there was little change in the number of remittances sent. But among users who adopted the program between surveys, the frequency of remittances sent increased from 37 percent in 2008 to 55 percent in 2009, with the frequency of remittances received following the same pattern.

In conclusion, the authors argue that the program has contributed to better household financial management and has the capacity to partially protect users from the negative consequences of job loss or business failure.

### 2009 MFI Benchmarks

Published by the Microfinance Information Exchange, October 2010, spreadsheet format, available at: <http://www.themix.org/sites/default/files/2009%20MFI%20Benchmarks.xls>

This data set includes information on financing structure, outreach, macroeconomics, revenues, expenses, efficiency, productivity, risk and liquidity from approximately 1,000 microfinance institutions that reportedly serve 85 percent of microfinance borrowers worldwide.


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### Listed Microfinance Institutions' Shareholder Valuations and Their Stocks' Results

Published by Wall's Street Advisor Services, October 2010, 13 pages, available at: [http://wallstreetadvisor.com/yahoo\\_site\\_admin/assets/docs/Listed\\_MFIs\\_Shareholder\\_Values\\_and\\_Their\\_Stocks\\_Results\\_-\\_Oct\\_2010.298111424.pdf](http://wallstreetadvisor.com/yahoo_site_admin/assets/docs/Listed_MFIs_Shareholder_Values_and_Their_Stocks_Results_-_Oct_2010.298111424.pdf)

This report considers the valuation of shares of the following publicly traded microfinance institutions: Compartamos and Financiera Independencia of Mexico, Equity Bank of Kenya and SKS Microfinance of India. It investigates the liquidity of the stocks over time and the implications of limited liquidity for determining valuations. The report concludes that while the MFIs' public share price movements have been generally good, thin trading activity means that public prices may not be reliable sources of valuations. 

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