

MICROCAPITAL BRIEFS | TOP STORIES

Compartamos Banco of Mexico Issues \$80m in Long-term Bonds

Mexico's CompartamosBanco has announced that it has raised the peso-equivalent of USD 80 million through the issuance of five-year bonds in the local debt capital markets at an interest rate 130 basis points over the Mexican interbank rate (THIE). The bonds were rated by Standard & Poor's at "mxAA" and by Fitch Ratings at "AA-(mex)". Compartamos reports assets of USD 708 million, a loan portfolio of USD 577 million and 1.5 million active borrowers. October 21, 2010

After Suicides in India, Lawmakers React, MFIs Call Their Lawyers

Reports of 24 suicides by Indian microborrowers in recent months have raised questions about the interest rates and collections practices of microfinance institutions (MFIs). Both the federal and local governments are considering responses such as barring multiple lending, capping microloan interest rates at 24 percent per year and requiring microlenders to register data with local authorities, including locations of operations, interest rates, due diligence systems and collections practices. The Microfinance Institutions Network (MFIN), which represents non-banking MFIs that control the majority of the market in India, is reportedly planning legal action to stall the proposed legislation. Although limited information is available on MFIN, it is reputedly supported by US-based philanthropic investor Omidyar Network and the World Bank Group's International Finance Corporation. October 18 and October 19, 2010

Global Partnerships Closes \$20m Fund for Latin America

Global Partnerships, a US-based nonprofit organization that supports microfinance institutions (MFIs) in Latin America, recently announced that it has closed its Social Investment Fund 2010, its fourth fund, at USD 20 million. Global Partnerships will invest in 20 MFIs through the five-year debt fund, which carries stronger social criteria than its previous funds - in areas such as sustainability, financial access for poor people in rural areas and services such as business education and preventive health services. Investors include the Inter-American Development Bank, the Overseas Private Investment Corporation, Seattle University, the Mercy Partnership Fund, the Linked Foundation and the Perls Foundation. October 18, 2010

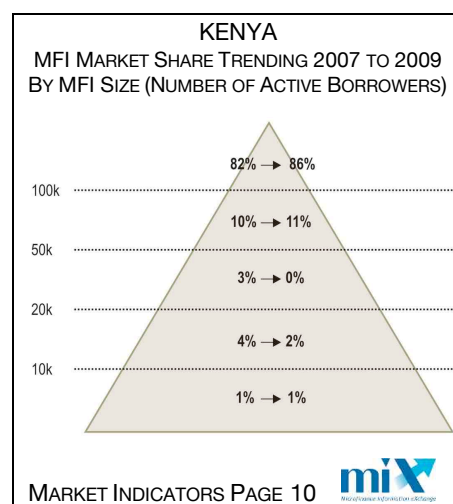
East African Community May Drop MFI Licensing

The East African Community, an intergovernmental organization comprising Burundi, Kenya, Rwanda, Tanzania and Uganda, is reportedly discussing eliminating microfinance institution licenses with the aim of facilitating the rapid expansion of microfinance operations. October 4, 2010

CEE Microfinance Holdings Acquires Three Eastern European MFIs

Central and Eastern Europe Microfinance Holdings NV, a Dutch private-equity holding company owned by Development Finance Equity Partners' Balkan Financial Sector Equity Fund of the Netherlands and US-based private-equity fund Creation Investments Capital Management, recently announced the purchase of three microfinance institutions: Opportunity Albania, which reports serving 16,000 clients through 23 branches and was purchased from Opportunity Transformation Investments Incorporated of the US; Inicjatywa Mikro, a non-banking financial institution that reports serving 2,000 clients in Poland and was purchased from Opportunity Microfinance Investments Limited of the UK; and Forus Bank, a registered Russian bank with 10,000 customers and a 42-branch network that was purchased from Russia's Fora Fund. September 30, 2010

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MICROCAPITAL BRIEFS

EBRD Loans \$8m to Export and Credit Bank of Macedonia

The European Bank for Reconstruction and Development (EBRD), a development finance institution headquartered in London, has loaned the Export and Credit Bank (ECB), a commercial bank in Macedonia, the equivalent of USD 8.3 million for on-lending to businesses looking to invest in sustainable energy or otherwise improve competitiveness. EBRD holds a 25 percent stake in ECB, which operates 21 branches. As of 2008, ECB had total assets of USD 150 million and a loan portfolio of USD 99 million. October 20. 2010

India's SHARE, Asmitha May Merge

Two Indian microfinance institutions, SHARE Microfin and Asmitha Microfin, have reportedly discussed a possible merger. While there was speculation that the goal was to boost valuations ahead of SHARE's anticipated public issue, there have since been reports that such an IPO has been delayed due to uncertainty in the sector associated with recent suicides among Indian microborrowers (see Page One of this newspaper). SHARE reports assets of USD 577 million, a loan portfolio of USD 490 million, 2.4 million active borrowers, return on assets of 5.5 percent and return on equity of 45.18 percent. Asmitha reports total assets of USD 389 million, a gross loan portfolio of USD 315 million and 1.3 million active borrowers. October 13 and October 20. 2010

Self-help Groups Get Outside Help

The Indian government has hammered out a scheme to facilitate the refinancing of loans that self-help groups owe to microfinance institutions with lower-interest loans from banks. October 19. 2010

Uganda to Release \$26m for Rural Microfinance

The government of Uganda has ordered the release of the equivalent of USD 26 million to registered savings and credit cooperative societies (SACCOs) as part of an effort by the African Development Bank and the Islamic Development Bank to reach 1.4 million people in rural areas with loans and skills training. October 19. 2010

Aiyar Suggests Dividend Cap as Alternative to Interest Rate Cap

A column by angel investor Swaminathan Aiyar recently published by the *Economic Times* newspaper argues that interest rates charged by microfinance institutions in India should not be subject to caps now under consideration by the government. Instead Mr Aiyar proposes a cap on dividends as a "least bad" solution. October 19. 2010

EBRD Loans Masterlease \$28m to Support MSMEs in Poland

The European Bank for Reconstruction and Development (EBRD), a development finance institution headquartered in London, has loaned the local-currency equivalent of USD 28.6 million to Masterlease, a provider of car leasing and fleet services to 11,000 micro-, small and medium-sized enterprises in Poland. October 19. 2010

LuxFLAG Grants Label to KCD, Finethic, Triodos, Wallberg Funds

The Luxembourg Fund Labeling Agency, which certifies whether microfinance investment vehicles (MIVs) actually invest in the microfinance sector, has granted its label to five funds: Finethic Microfinance SCA, KCD Mikrofinanzfonds I Global, KCD Mikrofinanzfonds II Latin America, Triodos SICAV II (Triodos Microfinance Fund) and Wallberg Global Microfinance Fund. The 14 MIVs now certified by the NGO have met criteria including at least half of total assets invested in microfinance and at least 25 percent invested in microfinance institutions rated by an approved firm. October 19. 2010

Coop Life Insurance, Munich Re, GTZ Partner in the Philippines

Coop Life Insurance & Mutual Benefit Services (CLIMBS) of the Philippines; Munich Re, a German reinsurance company; and Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), a development organization operated by the German government, are developing a microinsurance product to protect microloan portfolios in the Philippines against losses due to extreme weather. The product will offer protection to cooperatives whereby once a certain measure of rainfall or wind speed is reached in an area, local lenders will receive a predefined percentage of their loan portfolio as a benefit. For 2008, CLIMBS reported USD 5.5 million in assets. October 19. 2010

Philippines Approves Expansion of Microfinance

The central bank of the Philippines has dropped several restrictions so that microfinance institutions can now start operations in areas that have no similar programs aimed at low-income groups. Most transactions carried out must relate to microloans or microinsurance, but remittance and deposit services may also be offered. October 19. 2010

Equitas Sells \$22m in Securitized Loans

Equitas Microfinance India Private Limited has announced that it has securitized the rupee-equivalent of USD 22 million of its microloans. India's IFMR Capital arranged the deal and invested in the transaction as well. As part of the offer, which was also subscribed to by UTI Mutual Fund, HDFC Bank and Reliance Capital, Equitas provided cash collateral of USD 3.5 million to protect investors against losses. Equitas reports assets of USD 165 million, a gross loan portfolio of USD 134 million, 888,600 active borrowers, return on assets of 4.5 percent and return on equity of 12.38 percent. October 19. 2010

224 Nigerian MFIs Lose Licenses, May Reapply Under Stiffer Rules

The Central Bank of Nigeria recently revoked the licenses of 224 of the country's 820 microbanks citing insolvency, undercapitalization, high rates of arrears, poor governance and corruption. Microdepositors will be reimbursed for lost deposits up to the equivalent of USD 643 through the Nigeria Deposit Insurance Corporation. The banks may reapply for new licenses if they can meet new minimum capital base requirements equivalent to USD 650,000 for local entities and USD 13.1 million for state banks. These thresholds were raised from USD 132,000 and USD 6.6 million, respectively. October 1 and October 19. 2010

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Writers Diana Baide, Matthew Fox, Witt Gatchell,
Trevor Kwong and Lindsey Shaughnessy
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For questions, comments or suggestions, please write to
info@microcapital.org or call +1 617 648 0043, Boston, USA

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!

Citi Studying Feasibility of Microfinance in Hong Kong

The Citi Foundation, the charitable arm of the global financial services provider, has reportedly partnered with Tung Wah Group of Hospitals, a local charity, to study whether a microfinance program would be feasible in Hong Kong. Citi is looking to dedicate USD 50,000 to the study, which may include a set of trial loans. October 18, 2010

Changamka Microhealth Offering Medical Smart Card in Kenya

Changamka Microhealth Limited, an organization that aims to improve health outcomes in Kenya through technology, has recently gained notice for its "Medical Smart Card," which offers advantageous pricing for services such as clinic visits and childbirth. Funds on the card do not expire and can be "topped off" via M-PESA, a local cellphone-based cash-transfer service. October 18, 2010

UCLA's Chowdhry Promotes "Financial Access @ Birth"

Dr Bhagwan Chowdhry, professor of finance at the Anderson School of Management in the US state of California, has begun a campaign entitled "Financial Access @ Birth" encouraging countries to contribute 0.02 percent of their gross domestic product to give every child USD 100 in a savings account at birth. No withdrawal of the initial deposit would be allowed until the child reaches 16 years of age. Dr Chowdhry is in the process of formalizing an organization to carry out the campaign with support from the Center for Financial Inclusion, a nonprofit based in Washington, DC. October 18, 2010

SIDBI Sets Up Forum to Promote Responsible Lending

Small Industries Development Bank of India (SIDBI) and other lenders to microfinance institutions (MFIs) in India have agreed to set up a "Lenders' Forum" to promote transparent, responsible and commercially sustainable industry practices and codes of conduct so as to better safeguard the interests of the unbanked. Participating institutions include the following, which reportedly account for 80 percent of lending to MFIs in the country: Axis Bank, HDFC Bank, HSBC, ICICI Bank, Industrial Development Bank of India, Rabo India, Royal Bank of Scotland, IndusInd Bank, SIDBI, Syndicate Bank and Union Bank of India. October 18, 2010

In India, Door Opens to Business Correspondents, Not to NBFCs

The Reserve Bank of India, India's central banking authority, recently announced that it will allow individuals, NGOs, retailers, cooperatives and others to serve as business correspondents to "raise deposits; disburse tiny loans; recover bad loans; sell micro insurance, mutual funds, pension products and other third-party products; and receive and deliver small value remittances." Correspondents must be located within 30 kilometers of a base bank branch. Non-banking financial companies will not be permitted to act as correspondents. October 16, 2010

First Microfinance Institution of Syria Addresses Drought

In an effort to relieve drought-related poverty, the Aga Khan Foundation, a development organization based in Switzerland, is working with its local subsidiary, First Microfinance Institution, to provide loans to Syrian farmers to install drip irrigation systems that use water more efficiently. Over 1 million Syrians have reportedly been affected by the drought that started in 2006. October 15, 2010

Bangladesh May Set Long-term Interest Rate Cap

A permanent ceiling on microloan interest rates may be imposed in Bangladesh this month by the Microcredit Regulatory Authority. The president of local microlender ASA, Shafiqul Haque Choudhury, said, "Many [small institutions] will not be able to run their business with less than 15 percent," referring to the temporary maximum "flat" interest rate, which has been in effect - along with a maximum effective rate of 30 percent - since early 2009. October 15, 2010

Everest Bank Among 24 in Nepal Looking to Offer Microfinance

Everest Bank Limited, a private bank owned partly by India's Punjab National Bank, is among 24 organizations that have reportedly applied recently to Nepal Rastra Bank, Nepal's bank regulator, to start microfinance operations in the country. Everest, which offers loans, deposits and remittances, reported assets equivalent to USD 516 million for 2008. October 15, 2010

SKS Stock Drops 12% After Expulsion of Gurumani

Publicly traded SKS Microfinance has confirmed that it has received an inquiry from the Securities and Exchange Board of India (SEBI) about the microlender's recent expulsion of former CEO Suresh Gurumani. It has been suggested that SEBI is concerned that plans to force out Mr Gurumani were hidden from the public in the run-up to SKS's July IPO. Responding to worries about the company, M R Rao, who has been elevated from deputy chief executive to CEO, insists that, "There is no crisis. The stock price crashing is not a concern, as it will bounce back. There will be no change in management strategy." SKS reports assets of USD 897 million, a gross loan portfolio of USD 653 million, return on assets of 4.96 percent, return on equity of 21.56 percent and 5.79 million active borrowers. October 5 and October 14, 2010

responsAbility Loans \$3m in Peru, Ecuador, El Salvador

responsAbility Social Investments AG of Switzerland, has reported to MicroCapital that it has made loans to Fondo de Desarrollo Regional (Fondesorco) of Peru, Fundación ESPOIR of Ecuador and Apoyo Integral of El Salvador through the following transactions: its Global Microfinance Fund (rAGMF) loaned the local-currency equivalent of USD 500,000 to Fondesorco at a fixed annual interest rate of 9.25 percent for a period of 14 months, rAGMF loaned nonprofit ESPOIR USD 1.5 million at 8.5 percent interest for a period of 18 months, rAGMF loaned Apoyo USD 750,000 at an annual interest rate of 7.75 percent for a period of 25 months and Mikrofinanz-Fonds loaned USD 250,000 to Apoyo under the same terms. October 14, 2010

Bandhan of India May Lend Wholesale to Smaller MFIs

Bandhan Financial Services, a retail microlender in India, recently announced that it is considering providing credit to smaller microfinance institutions. "We cannot reach out to every village, and it is only logical that chance should be given to the local players there," says Chandra Shekhar Ghosh, chairman and managing director of Bandhan. It is unclear whether the Reserve Bank of India would be likely to approve such an activity. Bandhan reports a gross loan portfolio of USD 333 million, total assets of USD 424 million and 2.3 million active borrowers. October 14, 2010

Calvert, Giving Assets, Cordes to Establish "Global Impact 50"

With support from the Rockefeller Foundation, three US-based social investment fund managers - the Calvert Foundation, the Cordes Foundation and Giving Assets Inc - recently announced plans to establish the "Global Impact 50" index for measuring the social, environmental and financial impacts of the top 50 impact investment fund managers. October 14, 2010

BlueOrchard Loans \$6.9m in Asia

BlueOrchard Finance SA, a subsidiary of Swiss microfinance intermediary BlueOrchard, recently reported to MicroCapital the details of three loans: USD 5 million to Inecobank of Armenia, which reports assets of USD 129 million; USD 1 million to Micro Finance Organization Credo LLC of Georgia, which reports assets of USD 25 million; and the local-currency equivalent of USD 920,000 to Pagasa, which reports USD 8.3 million in loans outstanding and operates as the Philippine division of Bangladeshi microlender ASA. October 14, 2010

BlueOrchard Loans \$7.6m in Peru, Bolivia

BlueOrchard Finance also recently reported to MicroCapital that it disbursed a loan of USD 1.95 million to Pro Mujer Bolivia and two local-currency loans in Peru: one equivalent to USD 3 million to Crear Arequipa, which reports assets of USD 115 million, and USD 2.7 million to Caja Municipal de Ahorro y Credito Ica, which reports assets of USD 140 million. With assets of USD 32 million, the Bolivian operations of Pro Mujer are part of a nonprofit that serves 200,000 clients in five Latin American countries. October 14. 2010

YouChange, Grameen Foundation Launch Beijing MFI

Several Chinese businesses, US-based nonprofit Grameen Foundation and the China Social Entrepreneurship Foundation, also known as the YouCheng or YouChange Foundation, recently agreed to launch a new microfinance institution in China, the Beijing YouChange PuRong Information Advisory Company Limited. October 14. 2010

Omidyar Commits \$25m to Mobile Technology at CGI

US-based social investor Omidyar Network announced at the recent annual meeting of the Clinton Global Initiative, a forum on international development founded by former US President Bill Clinton, that it will invest USD 25 million in mobile platforms that connect poor people with resources such as financial services, health care, agriculture, commerce and education. October 14. 2010

responsAbility Loans \$5.5m in Cambodia, Mongolia

Switzerland's responsAbility Social Investments AG has reported to MicroCapital that it recently made five loans in Asia totaling USD 5.5 million. Prasac of Cambodia, which reports assets of USD 71.3 million, borrowed USD 2.5 million from the Global Microfinance Fund (rAGMF), USD 1.5 million from Mikrofinanz-Fonds and USD 1 million from the Microfinance Leaders Fund. Each was loaned at a fixed annual interest rate of 6.3 percent for a period of 24 months. Mikrofinanz-Fonds and rAGMF also each loaned USD 250,000 at 9.25 percent interest for 24 months to Credit Mongol, a Mongolian non-banking finance institution reporting USD 4.9 million in assets. October 13. 2010

EFSE Loans \$11m in Montenegro, Armenia

The European Fund for Southeast Europe, a microfinance investment vehicle managed by Oppenheim Asset Management Services, has reported to MicroCapital that it loaned USD 6.8 million to Hipotekarna Banka, a commercial bank serving small and medium-sized enterprises in Montenegro with the equivalent of USD 138 million in assets, and USD 5 million to Ararat Bank, a commercial bank based in Armenia reporting assets of USD 126 million. The loan to Ararat is earmarked for lending to micro-, small and medium-sized enterprises, especially in rural areas. October 13. 2010

Hatton National Bank of Sri Lanka Reaches 100,000

Hatton National Bank of Sri Lanka has reportedly reached the milestone of serving 100,000 microentrepreneurs through its "Gami Pubudwa" (Village Awakening) program whereby 150 "barefoot bankers" regularly interact with the rural population to educate individuals on financial services and to create a more welcoming environment for customers, who may borrow up to USD 8,000. Hatton reports assets of USD 2.4 billion and return on assets of 1.6 percent. October 12. 2010

EFSE Loans \$27m to Banka Kombetare Tregtare of Albania

The European Fund for Southeast Europe, a microfinance investment vehicle initiated by Germany's Kreditanstalt für Wiederaufbau, has told MicroCapital that it has made loans totaling USD 27.2 million to Banka Kombetare Tregtare ShA (BKT), a bank with 68 branches in Albania and Kosovo. BKT reports USD 1.3 billion in assets, a loan portfolio of USD 494 million and return on equity of 13 percent. October 12. 2010

responsAbility Loans \$2.8m in Uganda, Albania

responsAbility Social Investments AG of Switzerland has reported to MicroCapital that it made the following loans during September: USD 1.5 million from its Global Microfinance Fund (rAGMF) to Uganda's Pearl Microfinance Limited at a fixed rate of 9.5 percent for a period of 12 months; the euro-equivalent of USD 1 million from rAGMF to fondiBESA, an Albanian urban microcredit project with USD 43 million in assets; and USD 350,000 from Mikrofinanz-Fonds to fondiBESA. Both loans to fondiBESA are for a term of 36 months and bear floating interest rates based on the six-month euro LIBOR. October 11. 2010

responsAbility Loans \$4.4m in Armenia, Kazakhstan

Swiss responsAbility Social Investments AG also has reported to MicroCapital that it has made the following loans in Armenia: USD 1 million at an interest rate of 6.5 percent for a period of 48 months to Inecobank, which reports USD 129 million in assets, from the Microfinance Leaders Fund; USD 300,000 at 8 percent interest for a period of 25 months to SEF International, which reports total assets of USD 8.8 million, from responsAbility's Global Microfinance Fund; and USD 150,000 under the same terms to SEF from Mikrofinanz-Fonds. Finally, Kazmicrofinance (KMF) of Kazakhstan borrowed a sum equivalent to USD 3 million from the same three funds at 7.75 percent interest for 12 months. KMF reports total assets of USD 48.2 million and return on assets of 3.31 percent. October 11. 2010

India Asks MFIs to Push Swavalamban Pension Scheme

The Indian government has launched a pension scheme named "Swavalamban" for workers in the unorganized sector through which the government will match individuals' contributions of the equivalent of USD 23 per year for three years. Microfinance institutions are being asked to encourage their members to participate. Mr Rani Nayer, executive director of the Pension Fund Regulatory and Development Authority, said, "If microfinancial companies can offer microcredit [to people to start businesses], this will provide a disposable income for these workers which they can use for a pension...." October 11. 2010

Khosla Touts For-profit Microfinance

Vinod Khosla, former CEO of Sun Microsystems, recently argued that nonprofit microfinance institutions (MFIs) are important for developing new business models, but that successful ideas can be carried to scale more quickly by for-profit entities. Admitting that commercial investors are likely to pressure MFIs to increase interest rates and raise fees, leaving the burden on the borrower, he calls for social investors to take a lead role to mitigate "abandonment of the less profitable ultra poor." October 8. 2010

Zafèn Raises \$140k for Haiti in First Six Months

Zafèn, an online fundraising program for small and medium-sized business in Haiti, has reportedly raised USD 140,000 in its first six months of operation. Funds are disbursed as grants or loans by local microlender Fonkoze. October 8. 2010

ACCION International Ranked Most Effective by Philanthropedia

US-based microfinance network ACCION International has announced that nonprofit evaluator Philanthropedia has ranked it highest among microfinanciers based on "impact in the field." October 7. 2010

Opportunity Expands Savings-based Microfinance in Africa

Opportunity International, a US-based nonprofit, has announced that it will expand its "Banking on Africa" campaign to Ghana, Tanzania, Uganda and Mozambique, with the goal of growing from 605,000 clients served to 5 million by 2015. The program offers savings services in rural areas through avenues such as mobile banking. October 6. 2010

Tanzanian Housing Market Gets \$70m Boost

Shelter Afrique, a Kenya-based real estate development facilitator, has set aside the local-currency equivalent of USD 30 million for real estate developers and lenders to finance 600 housing units in Tanzania. This is in addition to a USD 40 million soft loan from the World Bank intended to develop the housing mortgage finance market through the creation of the Tanzania Mortgage Refinancing Company (TMRC), a medium- to long-term mortgage liquidity facility. Additional funds for TMRC may be raised in the future through a bond issue. John Chiligati, Tanzania's Minister of Lands and Human Settlement Development, stated that the aim is to "make housing loans accessible to the disadvantaged, specifically the low-income groups in our society." October 6. 2010

India May Allow MFIs to Accept Deposits

India's Finance Minister, Pranab Mukherjee, recently stated that, "The central bank will...soon allow new entities to take up banking activities," potentially paving the way for India's 26 million microborrowers to access savings services. October 5. 2010

UYDO Launches Website Targeting Young People in Kenya

The United Youth Development Organization, a youth-led nonprofit in England, has launched a website through which people can donate money to be loaned to poor entrepreneurs aged 15 to 29. Once website "members" fully fund a prospective borrower, the loan is distributed and serviced by microlender Kenya Youth Business Trust. Once the loan has been repaid, members may lend to other entrepreneurs, but funds cannot be withdrawn. The average loan size is equivalent to USD 540, and the reported repayment rate is 95 percent. October 5. 2010

Nigerian Borrowers Reportedly Skip Town to Escape Debt

Microfinance banks in Nigeria are reporting that borrowers are building up such high levels of debt that they are fleeing their homes and have sometimes given false guarantor names, making them difficult to trace. Some observers have argued that improved staff training can aid growth while defusing the - often unfounded - fears that might provoke a creditor to give up on repaying a loan. October 4. 2010

MFTransparency, Africa Microfinance Network Partner

MFTransparency, a US-based nonprofit, and the Africa Microfinance Network (AFMIN), a Benin-based association of microfinance networks, are partnering to encourage the participation of AFMIN members in MFTransparency's Transparent Pricing Initiative, which provides training on interest rate calculations, publishes pricing information online and promotes consumer protection. AFMIN's 22 member networks count 1,118 microfinance institutions as members, who in turn reported reaching 13 million borrowers and 9.7 million savers as of 2007. October 4. 2010

SHARE Microfin of India Receives Highest Rating from ICRA

SHARE Microfin Limited, a microfinance institution based in India, has announced that ICRA Limited, a rating agency in India that is partially held by Moody's Investors Service, awarded SHARE the highest microfinance grade of M1, up from last year's grade of M2. SHARE reports assets of USD 576 million, a loan portfolio of USD 490 million, 990 branches, 2.3 million active borrowers, return on assets of 5.5 percent and return on equity of 45.18 percent. October 4. 2010

BRAC Infrastructure to Aid in Flood Relief in Pakistan

The American Pakistan Foundation is collecting donations to alleviate damage caused by the recent flooding in Pakistan, with funds to be distributed via the Pakistani division of Bangladeshi microfinance institution BRAC. The goal of the partnership is to enable 200 households to rebuild, although it is unclear whether the "support" will take the form of grants, loans or other assistance. October 4. 2010

India's Sanchetna Cuts Interest Rate to 27%

Sanchetna Financial Services, an Indian microlender, recently announced that it will lower interest rates on its flagship loan product, Samridhi, from a flat interest rate of 15 percent over 46 weeks to 12.5 percent over 45 weeks, resulting in an effective annual interest rate of 27.2 percent. Sanchetna reports total assets of USD 596,000, a gross loan portfolio of USD 459,000 and 4,233 borrowers. October 1. 2010

MIX Offers Online Training Sessions for MFIs

The nonprofit Microfinance Information Exchange (MIX) has announced the release of the first of several training videos that aim to familiarize users with the MIX Market, its database providing financial and social performance information on microfinance institutions (MFIs), funders and service providers. The first video, available at http://mixmarket.na5.acrobat.com/increase_MFI_visibility, covers how MFIs can raise their visibility on the website. October 1. 2010

responsAbility Loans \$1.7m in Indonesia, South America

responsAbility Social Investments AG, a Swiss investment manager, has reported to MicroCapital that its Global Microfinance Fund (rAGMF) loaned Indonesia's Mitra Bisnis Keluarga (MBK) Ventura the local-currency equivalent of USD 746,000 at a fixed rate of 11.8 percent for one year. Under the same terms, responsAbility Mikrofinanz-Fonds loaned the euro-equivalent of USD 248,680 to MBK Ventura, which reports USD 14.6 million in assets. In Peru, rAGMF loaned the local-currency equivalent of USD 250,000 to Cooperativa de Ahorro y Credito Norandino, which reports USD 3.8 million in assets, at a fixed rate of 10.25 percent for two years. Mikrofinanz-Fonds loaned the euro-equivalent of USD 500,000 at a fixed rate of 6.5 percent for two years to Ecuador's Cooperativa de Ahorro y Credito Mushuc Runa, which reports USD 86.9 million in assets. October 1. 2010

Absolute Portfolio Management Launches Local Currency Fund

Absolute Portfolio Management of Austria recently announced the launch of its second microfinance fund, Dual Return Fund-Vision Microfinance Local Currency, as a sub-fund of its Dual Return Fund-Vision Microfinance. The new fund is intended to limit the exchange rate risks faced by microfinance institutions that borrow across borders. The existing Vision Microfinance fund reports total assets equivalent to USD 123 million and a portfolio yield of 8.3 percent as of August 2010. September 30. 2010

WWB's Iskenderian on Avoiding Mission Drift

Mary Ellen Iskenderian, chief executive of Women's World Banking (WWB), an organization that provides technical and advisory services to a network of microfinance institutions (MFIs), recently commented on a WWB study indicating that the microfinance industry is beginning to focus less on women, suggesting that by choosing "investors who are passionate about preserving the mission," MFIs can stay focused on serving underprivileged groups. She also proposed that MFIs offer services such as savings and insurance in addition to microcredit in order to "give women the ability to build assets and move toward having control over their economic well-being." September 30. 2010

Mexico: Most Municipalities Lack Access to Finance

The National Banking and Securities Commission of Mexico recently released a report indicating that approximately 10 percent of adults in the country, or some six million people, live in the majority of Mexico's 2,456 municipalities that lack access to any type of financial institution. The report indicates that commercial banks operate in 802 municipalities, development banks in 417, credit unions in 450 and microlenders in 311. September 30. 2010

EFSE Loans \$26m to Raiffeisenbank of Bulgaria for Housing

The European Fund for Southeastern Europe recently loaned the euro-equivalent of USD 26.7 million to Raiffeisenbank EAD of Bulgaria for on-lending to low-income households for renovating, enlarging or purchasing homes. Raiffeisenbank EAD holds the local-currency equivalent of USD 4.7 billion in assets and a gross loan portfolio of USD 3.1 billion. September 29. 2010

Moody's Developing Standards for Assessing Social Performance

Moody's Corporation, a US-based credit ratings and financial analysis company, has announced that it is developing a quantitative, "globally consistent" set of standards for measuring the social performance of microfinance institutions. In partnership with unspecified partners, Moody's is conducting an initial market survey with investors and microlenders "to assess current perceptions of the key factors influencing social performance," the initial findings of which will be announced in October. September 29. 2010

Microinsurer Makes First Payout to Kenyan Farmers

Kilimo Salama, a Kenyan microinsurance partnership of Switzerland's Syngenta Foundation for Sustainable Agriculture and two Kenyan firms, UAP Insurance and mobile-phone service provider Safaricom, has made its first payout to farmers in the town of Embu as a result of low rainfall. Based on calculations indicating a 15-percent decrease in yield, farmers who paid a 5-percent insurance premium on purchases of seeds and fertilizer at the beginning of the season received payouts of up to the local-currency equivalent of USD 30 via M-PESA, Safaricom's mobile payment system. Syngenta Executive Director Marco Ferroni was quoted as saying, "In this case, the projected losses, and thus the payouts, were fairly small. In seasons with less rain, the payout could be far greater." September 29. 2010

SEEP Releases Tools for Internal Audit of MFIs

Through its Financial Services Working Group, the Small Enterprise Education and Promotion (SEEP) Network, a global association of microfinance practitioners, recently released two tools to facilitate the internal audit functions of microfinance institutions, namely an Internal Audit Toolkit and a Board Audit Guide. Interested parties may contact SEEP regarding the use of these tools at no charge via Lauren Clark at +1 202 534 1414. September 28. 2010

Leijon Reflects on First Year Leading MIX

Microfinance Information Exchange Executive Director Marten Leijon recently argued for microfinance actors to increase their commitment to social performance management, client protection, financial inclusion and fostering sustainable growth through risk management. Mr Leijon also said his nonprofit is working to expand its MIX Market website in terms of geography and to cover topics such as pricing, profitability, risks and regulatory data. September 28. 2010

IFC to Advise PT Bank Internasional Indonesia on SMEs

The International Financial Corporation (IFC), the private sector arm of the World Bank Group, recently agreed to advise PT Bank Internasional Indonesia, a private bank in Indonesia, on expanding the provision of credit to women and small and medium-sized enterprises. According to IFC, in Indonesia, "82 percent of women-owned or -managed small [and] medium enterprises have monthly revenue of less than USD 5,000." A subsidiary of Malaysia's Mayban Offshore Services, PT Bank Internasional Indonesia offers wealth management services, credit cards, mortgages and foreign exchange services. The bank has total assets equivalent to USD 6.8 billion. September 28. 2010

Crisil: \$166m SKS Short-Term Debt Program "Very Strong"

Standard and Poor's subsidiary Crisil recently assigned a "P1+" rating to the short-term debt program - worth the local-currency equivalent of USD 166 million - of SKS Microfinance, a publicly traded microlender based in India. SKS Microfinance reports a gross loan portfolio of USD 961 million, 5.8 million active borrowers, return on assets of 4.96 percent and return on equity of 21.56 percent. September 28. 2010

Trustco Expands "Free" Life Insurance to Zimbabwe

Trustco Group Holdings, a Namibian finance company, has announced that it will offer mobile phone users in Zimbabwe free life insurance coverage each time they purchase airtime from Econet Wireless of Zimbabwe, which reported 4.5 million customers as of 2009. First Mutual Life Assurance of Zimbabwe will provide the coverage of 100 times the value of airtime purchased, up to USD 10,000, valid for a period of 30 days. Econet will pay Trustco USD 1 per month for each subscriber as a license fee for offering the "Trustco Mobile" product. Since 2008, 250,000 Namibian customers of mobile network operator Powercom have benefited from a similar product. As of March 2010, Trustco reports total assets of USD 137 million. September 28. 2010

Kashf, Sitawi, Lumni Make Commitments at CGI

Among the commitments announced at the recent annual meeting of the Clinton Global Initiative, a forum on international development founded by former US President Bill Clinton, were the following: Sitawi, a Brazilian social enterprise fund, pledged to raise USD 1.5 million for its Social Fund, which provides loans of up to USD 250,000 to organizations with social missions; Lumni, a fund that helps students finance higher education, has pledged to provide loans to 10,000 students in Chile, Colombia, Mexico and the US in return for a fixed percentage of their income for several years after graduation; and Kashf Foundation, a microfinance institution based in Pakistan, committed to launching a fund for the rehabilitation of 10 communities affected by the recent floods in that country through cash grants and microfinance services focused on women. September 22 and September 27. 2010

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IFC Loans \$1.1m to Advans Ghana

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, has announced that it will invest the local-currency equivalent of USD 1.1 million in Advans Ghana, a microfinance institution established in 2008 as part of Advans Group, which is managed by Horus Development Finance of France. The five-year loan is aimed at expanding Advans Ghana's activities in Accra. Advans Ghana reports an outstanding loan portfolio equivalent to USD 2.6 million and voluntary deposits of USD 517,000. Advans Group reported total assets of USD 7.1 million as of 2008. September 27. 2010

Indonesia to Accelerate Disbursement of \$1.45b in Loans

In an effort to accelerate the disbursement of the equivalent of USD 1.45 billion in government-sponsored loans, especially to small and medium-sized enterprises, the government of Indonesia has increased the ceiling on non-collateralized microcredit from USD 558 to USD 2,230, offered 80-percent guarantees for loans disbursed to migrant workers, provided 13-year loans for cash-crop farms and increased its guarantee on sectors including agriculture and fisheries to 80 percent. September 27. 2010

Banks in India Pressure MFIs to Cap Lending Rates

With government prompting, several banks that loan on a wholesale basis to microfinance institutions (MFIs) in India have added contingencies to the loans, such as lower rates for end borrowers (an annualized maximum of 24 percent has been discussed) and external audits of MFI books. The government-owned State Bank of India plans to require its MFI clients to disclose lending rates and to obtain ratings. September 27 and October 21. 2010

Aavishkaar Reportedly Raising \$100m for Third PE Fund

Aavishkaar India Micro Venture Capital (AIMVC) is reportedly raising the equivalent of USD 100 million to set up its third "microfinance-focused" private equity fund through Aavishkaar Goodwell, a for-profit joint venture of AIMVC and Goodwell Investments, a Dutch business development company with USD 25 million in assets that aims to alleviate poverty and promote sustainable development. The new fund will have a lifetime of 10 years and is "said to be targeting investments in microfinance institutions (MFIs), non-banking financial companies (NBFCs), and the cleantech, agriculture and rural infrastructure sectors." September 24. 2010

Sanchetna's Singh on Governance in Indian Microfinance

Lokesh Kumar Singh, managing partner at Indian microfinance institution (MFI) Sanchetna Financial Services, recently argued on the India Microfinance Business News website that the founders of MFIs mostly enjoy "unchecked powers" over daily operations, some independent directors do not demonstrate sufficient knowledge about the industry, "hidden charges" are often designed to obscure the true cost of microloans from consumers, audit reports are rarely standardized and thus could potentially mislead investors and field staff are underpaid even as top-level managers receive generous pay. Despite these concerns, Mr Singh expects attention from foreign investors and private equity firms to help improve transparency and management practices. September 23. 2010



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FIELD NOTES

Is Social Responsibility Enough?

This month, I am excited to share that I am beginning my second year of contributions to the *MicroCapital Monitor*. To celebrate, I looked at my editorial from October 2009, entitled “The Winds of Change,” which I wrote coming back from the Inter-American Development Bank’s (IDB’s) Foromic 2009 conference. Back then, I suggested that the commercial microfinance model was becoming outdated, and I challenged the industry to reshape the discourse to generate new and enthusiastic demand for socially responsible investment in microfinance. Well, I am just back from the 2010 Foromic in Montevideo, where I felt the crisp spring air was welcoming the birth of a new era in microfinance. Two panels were completely dedicated to social performance - relating to internal operations - and social impact - relating to changes in clients’ standards of living. IDB President Luis Alberto Moreno noted that his institution is ready to support efforts to measure social performance, improve transparency and protect microfinance clients. Uruguay’s own president alluded to formal microfinance as a tool for “liberating” the poor.

Perhaps the most well-attended panel was “Financial and Social Performance in Microfinance.” Investors from BlueOrchard, Deutsche Bank, Incofin, Oikocredit and responsAbility took the stage, awkwardly navigating through a complex discussion about how social performance is more appropriate for microfinance investment vehicles (MIVs) to measure than social impact. The consensus, it seems, is that socially responsible behavior vis-à-vis clients is enough to satisfy most MIVs - and is much easier to measure. According to Chuck Olson of Deutsche Bank, microfinance operations that are not transparent with their clients, that charge extremely high interest rates or place clients at risk of over indebtedness just don’t make good business sense. Oikocredit went a step further than this “do no harm” approach, claiming that it expects to get a social return and make life better for clients. However, much of the

focus of social performance management aims at ensuring microfinance institutions (MFIs) are not harming clients. As investors, the panelists agreed that they have neither the resources nor the expertise to tell us whether their investments are alleviating poverty. So on whom does the responsibility of measuring impact fall? MFIs at Foromic had mixed views. ProCredit’s Pedro Arriola noted that they don’t promise to alleviate poverty, thus don’t need to measure it. Others, such as Banco ADOPEM of the Dominican Republic, are measuring change in poverty, but say that initial steps out of poverty are so subtle that they can be hard to measure. Many MFIs talked about social responsibility rather than social impact.

In April, a number of high-profile MFI networks issued a short paper on measuring microfinance impact that was met with disappointment and criticism. Warm stories without methodological rigor will no longer fly. This week, some of the world’s top groups studying the impact of microfinance will be hosting the Microfinance Impact and Innovation Conference, aimed at examining some of these issues with greater academic rigor. The star promises to be the impact study started in 2007 by nonprofit Innovations for Poverty Action (IPA) with Banco Compartamos of Mexico. On IPA’s website, Compartamos’ Executive Vice President Carlos Danel hints at some of the results that we can expect at the conference: “I think we tend to oversell the benefits of financial inclusion as a poverty alleviation tool.” This echoes BlueOrchard’s Jean-Pierre Klumpp in Montevideo, who stated: “We have a responsibility to reduce expectations and promise less to our investors.”

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



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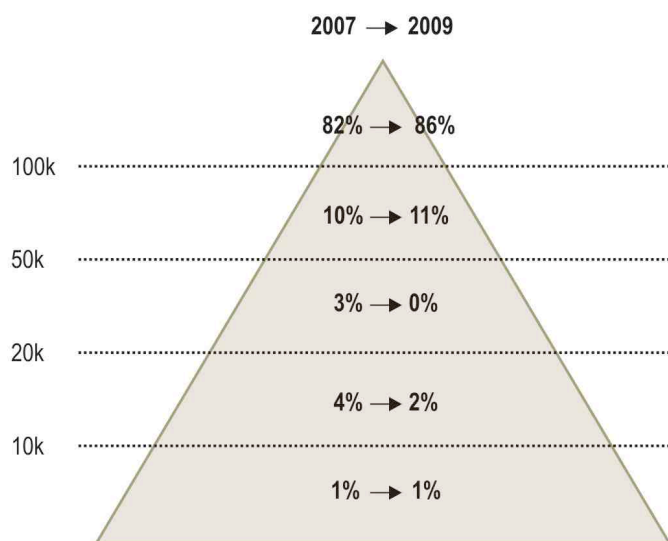
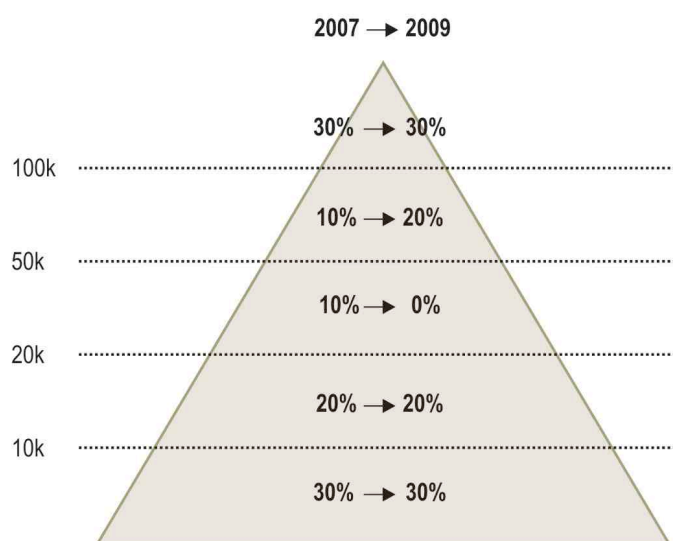
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9 MFIs REPORTING ¹

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

MFIs NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
Equity Bank	234,576,662	53	348,948,192	818,101,516
Kenya Women Finance Trust	37,054,573	49	60,131,420	134,240,567
Faulu - Kenya	6,118,085	20	27,407,324	39,643,494
Small and Micro Enterprise Project	1,405,482	14	9,574,105	12,385,069
Opportunity Kenya Ltd	766,567	35	1,843,881	3,377,015
Micro Africa Limited	314,368	19	1,517,802	2,146,539
Kenya Agency to Development of Enterprise and Technology	54,853	1	6,178,392	6,288,097
Business Initiative and Management Assistance Services	(37,070)	(1)	2,705,961	2,631,820
K-Rep Bank	(5,170,450)	(7)	81,469,008	71,128,108

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

UPCOMING EVENTS

Microfinance Impact and Innovation Conference

October 21 - October 23, 2010, New York, USA

Hosted by a group of nonprofit, academic and for-profit organizations, this event is an opportunity for microfinance researchers and practitioners to meet and discuss microfinance innovation and research. The standard registration fee is USD 800, with a nonprofit rate of USD 400. For details, you may refer to <http://poverty-action.org/2010microfinanceconference>, +1 203 772 2216 or contact@poverty-action.org.

Innovation in Microfinance

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

Chaired by David Satterthwaite, the founder of MicroCapital, this event will include an award ceremony and will focus on new product innovation, distribution channels and investors entering the market. The base fee to attend is USD 2149 with discounts for certain groups and add-on workshops available. More information is available from Liz McAleer at +1 212 537 5898, info@hansonwade.com or <http://www.hansonwade.com/events/mfsworld-washington/>.

2010 SEEP Annual Conference

November 1 - November 5, 2010, Arlington, Virginia, USA

Concurrent with an annual meeting only for Small Enterprise Education and Promotion members, this event includes two days each of workshops and training on risk, social performance and increasing the growth and social impact of microenterprise development. Registration fees range from USD 1,045 to USD 1,385 with member discounts available. For more information, you may visit <http://www.seepnetwork.org> or contact Lindsey Longendyke at +1 202 534 1404 or annualconference@seepnetwork.org.

Sixth Annual MicroInsurance Conference

November 9 - November 11, 2010, Manila, Philippines

Sponsored by the Munich Re Foundation and the Microinsurance Network, this event will cover economic analysis of microinsurance markets, new distribution channels, claims handling, solutions for natural disasters, insurance literacy and takaful microinsurance. The registration fee is EUR 790 through October 28, after which the fee rises to EUR 1190. Discounts are available for nonprofit organizations. For additional information, you may visit <http://www.microinsuranceconference.org/2010> or email to info@munichre-foundation.org. No phone number is provided.

Triple Bottom Line Investments Conference Europe

November 11 - November 12, 2010, London, UK

The conference is an annual global networking and learning event on environmental, social and governance investing in Asia and Europe. The registration fee is GBP 745 for one day or GBP 1,245 for two days. More information is available via +31 20 428 6752, info@tbli.org or <http://tbliconference.com/>.

Global Microfinance India Summit & Awards 2010

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

This event serves to promote and share experiences of the Indian microfinance sector and will include the release of the "Microfinance India State of the Sector Report 2010." The registration fees are INR 8,500 for domestic attendees and USD 620 for those from abroad, with discounts available for students and ACCESS Microfinance Alliance members. More details are available via Yesu Bansal at +91 11 2651 0915, microfinanceindia@accessdev.org or <http://www.microfinanceindia.org/annual-microfinance-india-summit-2010.php>.

Microfinance 2.0: Going Beyond Microcredit

November 15 - November 17, 2010, San Francisco, USA

This event will cover topics such as microsavings, microinsurance, micromortgages, comparisons of savings versus credit programs and microfinance in energy, technology and health. Standard pricing is USD 1099 for the conference plus USD 299 for each workshop, with discounts available for multiple workshops and for all registrations received by October 22. For more details, you may contact Taryn Rosada at +1 212 885 2703 or taryn.rosada@iqpc.com, or you may visit <http://www.microfinanceconference.com>.

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 (MFIs) and microfinance investors. The focus will be on financial transparency. The cost to attend is EUR 100 for up to 2 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 or +352 45 68 68 31, or you may visit <http://www.amt-forum.org/en/activites/foireinvestisseurs/la-foire-aux-investisseurs-2010.html>.

European Microfinance Week

November 30 - December 1, 2010, Luxembourg

This series of events is mainly targeted at European microfinance actors working in developing countries. The fee to attend is EUR 400 or EUR 50 for students. Details are available via 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 changes to social missions, implementing sustainable business practices to increase efficiency and performance and establishing cost-effective strategies to reach rural areas. More details are available via +44 20 7878 6888, enquiries@c5-online.com or <http://www.microfinancesummits.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 with a discount of USD 100 for registrations received by November 5. More information is available from Kristy Perkins at +1 212 352 3220, customerservice@americanconference.com or <http://www.americanconference.com/finance/impactinvesting.htm>.

MORE DETAILS COMING SOON ON...

Microfinance and Sustainable Livelihood Promotions in India

December 15 - December 16, 2010, Karnataka, India

Investment and Innovation in Microfinance

January 25 - January 26, 2011, Singapore

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PAPER WRAP-UPS

Building Houses, Financing Homes

By Anamitra Deb, Ashish Karamchandani and Raina Singh; published by Monitor Inclusive Markets; July 2010; 16 pages; available at: http://www.monitor.com/Portals/0/MonitorContent/imported/MonitorUnitedStates/Articles/PDFs/Monitor_Inclusive_Markets_Building_Houses_Financing_Homes_exec_summary.pdf

In this paper, the authors examine the future of housing development and finance for the low-income, urban population of India, specifically Ahmedabad and Mumbai. The authors refer to a 2007 Monitor Inclusive Markets study that concluded that even the cheapest houses available on the market were at best affordable for only the richest 15 percent of the urban population. Using this study as a foundation, the authors describe the changes that have taken place since that time and make recommendations for a new business model for the low-income housing market.

The authors assert that in the last three years the low-income housing market in India has benefited from both a “macro-economic recession,” in which up-market developers have down-scaled their target customer segments, and from the efforts of development organizations that are introducing “market-based, alternative models of building commercially viable housing for the lower-income segments.”

Leading this growth in supply, the authors cite successful pilot projects, the emergence of large developers with experience in high-volume business models and an emphasis on the implementation of more efficient business practices. The authors suggest that innovation in low-income housing is directly proportional to increases in construction technologies and designs that incorporate environmental sustainability.

Innovation in construction may increase supply, but without capable housing finance corporations (HFCs) the increase may be ineffectual. The authors note a growing presence of HFCs that are equipped to serve lower-income segments and emphasize the importance of addressing the unique characteristics of those working in the informal sector. Much like the “innovation imperative” faced by developers, HFCs must increase the effectiveness of customer risk assessment procedures.

Concerning the commercial viability of a market-based approach, the authors created a theoretical model of an HFC in urban India that uses a model with “hub” retail branches and “spoke” kiosks located at the sites of housing unit construction. Over a 10-year interval, it was predicted that the HFC would disburse 260,000 loans averaging the

equivalent of USD 8,600 each at an annual interest rate of 14 percent. Such an HFC would theoretically turn a profit in three years, with return on assets of 2.5 percent in the fifth year and return on equity of 17 percent in the seventh year.

The authors argue that developers and HFCs both are faced with making significant changes to their business models when expanding to low-income markets. Developers must adopt a drive toward scale while incorporating efficient construction methods. HFCs must adapt to customers that rarely have proof of income or expenditures. The authors maintain that if these two types of actors can make the necessary adjustments, there is little doubt that these markets will grow.

Saving Through the Mobile Phone – The Case of M-PESA

By Olga Morawczynski, published by the Microfinance Information Exchange (MIX) in Issue 19 of the MicroBanking Bulletin, December 2009, 8 pages, available at: <http://www.themix.org/sites/default/files/MBB%2019%20-%20Saving%20Through%20the%20Mobile%20Phone.pdf>

M-PESA is a mobile-phone-based service for sending and storing money offered by Safaricom, a mobile service provider in Kenya. From its launch in March 2007 through the writing of this paper, M-PESA acquired 7 million users. While M-PESA was designed to be a money-transfer service, evidence suggests that customers are using it for savings as well. Olga Morawczynski studies data from “financial diaries” that record the savings practices of 14 M-PESA users for a period of one month. Eight users from the Kenyan city of Kibera represent the “urban” customers, while six users from smaller villages represent the “rural” customers.

Of the four most common savings mechanisms, home banks (storing money at home), rotating savings and credit associations (ROSCAs), regulated banks and M-PESA, Ms Morawczynski found that - on average - participants used two. The chosen mechanisms usually complemented each other, each serving different purposes, such as: accessibility, safety, interest rate gains, organizing personal finances or building credit confidence.

Concerning the urban users, Ms Morawczynski found the most popular mechanisms for savings were home banks and M-PESA. The diaries revealed that an average of 4 percent of total income was deposited in home banks, while 18 percent was put into M-PESA (any amount of which may have been used for paying bills rather than for long-term savings).

Concerning the rural users, the most popular mechanism was the home bank, capturing an average of 32 percent of total income. Again,

funds were not necessarily saved for long periods of time. None of the rural users claimed using M-PESA as a savings mechanism, stating either that they did not know it was possible to save with M-PESA or that cash shortages at rural M-PESA outlets dissuaded them.

Ms Morawczynski argues that M-PESA is not appropriate for “big savings” because it does not pay interest on money held. Ms Morawczynski suggests M-PESA partner with microfinance institutions and banks to facilitate users opening and maintaining accounts with these institutions. She claims this would help M-PESA manage its growth and allow it to pay interest to users. This would not require any change in design or operation, she states: “Safaricom would continue transferring all stored funds through M-PESA with the chosen bank, but now they would be stored on behalf of the M-PESA clients, not on behalf of M-PESA itself.” This model, where the service is branded and operated by a mobile provider, but the mobile “wallet” accounts are issued by banks, provides users with improved deposit safety.

Because M-PESA was designed to serve merely as a money-transfer service, the author argues that its inefficiencies as a savings mechanism are not surprising. To begin offering expanded financial services to a large customer base, Ms Morawczynski stresses the need for a new business model. She claims that M-PESA can provide a platform on which various savings mechanisms can be accessed. She asserts that the importance of M-PESA is that it offers a new form of value, electronic money (e-money), which makes it easier for users to organize and keep track of their accounts: “Rather than going from one mechanism to the next to check balance and make deposits and withdrawals, all the accounts would be centralized and made accessible via the mobile phone.”

If Safaricom can strengthen the M-PESA technical platform and the cash-out options of users, she believes this will significantly increase users’ opportunities to save.

Microfinance Americas: The Top 100

By Renso Martínez, María Cecilia Rondón and Arturo Valencia; published by the Multilateral Investment Fund; October 2010, 18 pages, available at: <http://www.themix.org/publications/2010-microfinance-americas-top-100>

This ranking of microfinance institutions in Latin America and the Caribbean is based on outreach, efficiency and transparency. Rising to the top of the rankings from sixth place last year is CrediAmigo of Brazil, which reports a gross loan portfolio of USD 302 million, 528,000 borrowers, return on assets of 11.5 percent and return on equity of 36.4 percent.

CGAP 2010 MIV Survey Report

By Symbiotics, published by CGAP (Consultative Group to Assist the Poor), August 2010, 42 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.11.142715/>

This fourth survey of microfinance investment vehicles (MIVs) from CGAP (Consultative Group to Assist the Poor) offers analysis and benchmarks from 90 MIVs. It focuses on two dimensions: financial performance (benchmarks on growth, risk, return, efficiency and funding patterns) and environmental, social and governance (ESG) commitment.

The MIVs manage assets equivalent to USD 7.7 billion as of December 2009, representing an estimated 93 percent of the MIV market. Asset growth slowed for the third consecutive year to 25 percent in 2009 (against 86 percent in 2007 and 34 percent in 2008), and survey respondents forecast a growth of only 15 percent for 2010. Private equity funds are growing faster (75 percent growth in assets) than others, fueled by new commitments from institutional investors, with investments concentrated in India. Local currency investments jumped by 54 percent in 2009 and now account for 31 percent of all direct debt investments.

The continuing impact of the credit crisis in several large microfinance markets translated into new loan-loss provisions representing 2 percent of the MIV direct debt microfinance portfolio. The average net portfolio yield reached a historical low of 7.9 percent at the end of 2009. The liquidity level jumped to a new high (17 percent of assets). In this context, the average net return for fixed income funds in euros dropped to 3.2 percent against 5.9 percent in 2008.

MIVs are increasingly committed to report on ESG practices: 40 percent are using an environmental exclusion list; 81 percent have endorsed client protection principles; and 69 percent report on ESG issues to their investors.

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Global Microscope on the Microfinance Business Environment 2010

Published by the Economist Intelligence Unit, October 2010, 73 pages, available at: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35379430>

This study ranks Peru as the country most friendly to microfinance businesses for the third year in a row, followed by the Philippines and Bolivia, while Venezuela finishes last of the 54 countries evaluated on regulatory framework, institutional development and investment climate. In addition to GDP growth and political stability, the study cites political will and regulatory capacity to support private microfinance institutions (MFIs) as factors that are important to a healthy microfinance sector. The remainder of the top 10 are Ghana, Pakistan, Ecuador, El Salvador, India, Colombia and Kenya.

The authors argue that microfinance is increasingly gaining global recognition as a viable business model, with technology in particular assisting growth. While it highlights MFIs that have tapped into commercialization, allowing growth at a "breakneck speed," it also points out that the industry suffers from issues perpetuated by this growth: irresponsible lending, frequent loan defaults and increasing levels of portfolio at risk. The report cites the need for a pause to create a holistic regulatory framework of checks and balances that should include strengthening management practices, promoting reporting through credit bureaus and regulating financial operations.

Microfinanzas en América Latina y el Caribe: El Sector en Cifras

By Paola A. Pedroza; published by the Multilateral Investment Fund; October 2010, 14 pages, available at: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35385530>

This survey indicates that the loan portfolios of microfinance institutions (MFIs) in Latin America and the Caribbean rose by 13 percent in 2009. The increase is less than in 2008, when MFIs' portfolios grew by 18 percent. According to the survey, over 700 MFIs in Latin America and the Caribbean serve 10.5 million customers.

Mexico was found to have the largest market for microfinance with 2.3 million customers, followed by Peru with 1.9 million and Colombia with 1.4 million. In terms of loan portfolio, Peru ranks first with the equivalent of USD 3.2 million in outstanding microloans, followed by Ecuador with USD 1.7 million and Colombia with USD 1.4 million.

The average loan size in the region was USD 1,178 in 2009, and the annual average interest rate on microloans was an annualized 28.6 percent.

The survey found that microfinance penetration varies greatly from country to country. Estimated penetration levels in Nicaragua, Bolivia, El Salvador and Ecuador exceed 30 percent, while in Venezuela, Argentina, Uruguay and Brazil they are under 5 percent. 🇺🇸

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