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MicroCapital Monitor

THE MICROFINANCE NEWSPAPER

MICROCAPITAL BRIEFS | TOP STORIES

OPIC to Guarantee $500m in Loans to SMEs in Egypt, Jordan

The Overseas Private Investment Corporation, a US government agency that supports private sector development, has approved USD 250 million in loan guarantee facilities each for Egypt and Jordan for local banks that lend to microfinance institutions and small and medium-sized enterprises. CHF International and the Middle East Investment Initiative, two US-based nonprofits that promote financial services in developing countries, have been awarded USD 20 million from the US Agency for International Development (AID) to select the local banks and to develop credit standards for the program. AID will also provide technical assistance to the local banks. The guarantees, which are described as "long-term," make up the first part of a USD 2 billion financial support package that was pledged by US Secretary of State Hillary Rodham Clinton during her visit to Egypt and Tunisia in March. July 15. 2011

IDB Commits $10m to Back Building Supply Loans in Latin America

The US-based Inter-American Development Bank has agreed to provide USD 10 million as a partial credit guarantee to Patrimonio Hoy, a microfinance initiative of Mexico-based building materials supplier CEMEX. Patrimonio Hoy, which provides microloans for construction materials, labor and technical building assistance, aims to use the guarantee to reach 750,000 low-income families in Colombia, Costa Rica, the Dominican Republic, Mexico and Nicaragua over the course of five years. Since 2000, Patrimonio Hoy reports having disbursed USD 135 million in loans to 265,000 families. July 4. 2011

India's Janalakshmi Raises $14m, Citi Takes "Significant" Stake

Janalakshmi Financial Services, an Indian microfinance institution (MFI), has raised the rupee-equivalent of USD 14 million through its third round of fundraising. While the identities of the other investors have not been disclosed, Citi Venture Capital International, a US-based private equity investor affiliated with Citigroup, is said to have taken a "significant minority stake." Referring to the repayment drop-off that began in the Indian state of Andhra Pradesh (AP) late in 2010, Eric Savage, president of Unitus Capital - the lead financial advisor on the transaction - was quoted as predicting that "deal-making will pick up in the sector, following the slow period we have had post-AP crisis and with the [Reserve Bank of India] coming out with the guidelines which favour MFIs." Janalakshmi reports total assets of USD 25.5 million, a gross loan portfolio of USD 14.9 million, total deposits of USD 1.98 million, return on assets of -3.05 percent and return on equity of -8.74 percent. June 25. 2011

FINCA Launches LLC With $74m from IFC, KfW, FMO, responsAbility, Triple Jump

FINCA International, a US-based nonprofit network of microfinance institutions in 21 countries, has established FINCA Microfinance Holdings (FMH) LLC, with investments of USD 35 million from the International Finance Corporation, the private-investment arm of the World Bank Group; USD 15 million from KfW Bankengruppe, a German development bank; the euro-equivalent of USD 14 million from the Netherlands Development Finance Company, a Dutch public-private partnership; USD 5 million from the responsAbility Global Microfinance Fund, a microfinance investment vehicle managed by responsAbility Social Investments AG of Switzerland; and USD 5 million from Triple Jump, a Dutch microfinance investment manager and advisory firm. FMH was established with the goal of approximately doubling FINCA's client base to 1.5 million. FINCA will be the majority shareholder in FMH, and the organization's board will include representatives from the founding investors and others. As of 2009, FINCA reported total assets of USD 467 million. June 24. 2011

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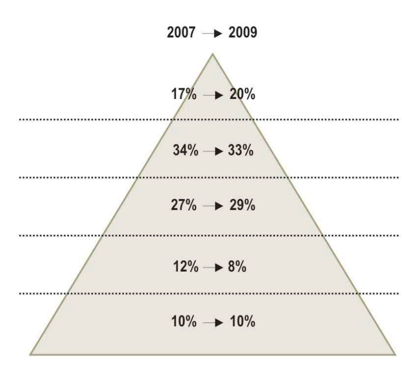
MicroCapital

EUROPE & CENTRAL ASIA
MFI MARKET SHARE TRENDING 2007 TO 2009
BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



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MICROCAPITAL BRIEFS

responsAbility Loans $10m in Peru, Ecuador, Mexico

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it has disbursed local-currency loans equivalent to the following totals from its Global Microfinance Fund and Mikrofinanz-Fonds: USD 3.5 million to Peruvian microfinance institution (MFI) Crear Arequipa, which reports assets of USD 117 million; and USD 2 million to Peruvian MFI Confianza, which reports USD 138 million in assets. The same two funds also made loans to two of the 21 members of Germany's ProCredit Holding: USD 2.9 million to ProCredit Mexico and USD 2 million to ProCredit Ecuador. July 21. 2011

Malaysia Budgets $10m for Chinese Women Entrepreneurs

Malaysian Prime Minister Datuk Seri Najib Tun Razak reportedly has announced that the Malaysian government will spend USD 10 million to set up the nonprofit Malaysian Chinese Women Entrepreneurs Foundation (MCWEF) to provide microcredit to low-income women starting their own businesses. Three-year loans are to be disbursed in amounts ranging from the equivalent of USD 1,700 to USD 3,300. MCWEF Chairperson Jenny Lim was quoted as saying, "The foundation hopes to increase the number of women running their own businesses from 8 percent to 35 percent by 2020." Ethnic Chinese make up approximately 24 percent of Malaysia's population. July 20. 2011

Proposals Sought by African, Caribbean and Pacific/EU Program

The African, Caribbean and Pacific Group of States (ACP) and the EU's Microfinance Framework Programme, an initiative that aims to support best practices in microfinance, is accepting proposals through August 1 to develop inclusive financial systems adapted to the needs of poor and vulnerable populations in ACP. Concept notes for projects costing up to the equivalent of USD 1.1 million may be submitted via http://www.euacpmicrofinance.org. July 20. 2011

"Cosmetics Microfinance" Replacing Gangs in Brazil?

Since February 2011, Brazilian cosmetics firm Natura Cosmeticos SA has been increasing the number of its sales representatives in the Complexo do Alemão neighborhood of Rio de Janerio. The firm has raised the level of allowable preexisting debt for new representatives, who buy Natura products for resale, to the equivalent of USD 315. Those with greater levels of debt may participate by borrowing additional cash from for-profit microlender Santander Microcredito. Luis Bueno, Natura's regional director, reportedly said that recent military actions against drug gangs in the neighborhood "provided us an opportunity to help the community at a time when they need it most, because after the drug gangs leave the local economy dips as the money spent by dealers on services dries up." July 19. 2011

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USAID FROM THE AMERICAN PEOPLE

Horizonti of Macedonia Wins 2011 European Best Practices Award

Microcredit Foundation Horizonti of Macedonia has received the 2011 European Best Practices Award, which is offered jointly by Italy's Foundation Giordano Dell'Amore and the European Microfinance Network, for its "Housing Microfinance for Roma and Marginalized People" program, which is co-run by Habitat-Macedonia, a unit of US-based Christian housing group Habitat for Humanity. July 18. 2011

Branchless Banking Cuts Costs, Boosts Account Numbers in India

The National, a newspaper based in Abu Dhabi, recently reported that the branchless banking model, which involves business correspondents using handheld computers to offer banking services in areas without full bank branches, is "transforming lives" in India. The article cites an unnamed study by the US's Wharton School indicating that the cost of a banking transaction is USD 0.10 if done through an agent, as compared with USD 1 at a bank branch. The total number of bank accounts opened through the new model grew to 74 million as of March, up from 50 million last year, and the Reserve Bank of India has set a goal of connecting 350,000 villages across the country with branchless banking over the next two fiscal years. July 18. 2011

Yale's IPA Offers Funds to Study Savings, Payment Channels

The Microsavings and Payments Innovation Initiative, a program of the US's Yale University and its nonprofit sub-grantee Innovations for Poverty Action, is accepting grant proposals to conduct field research on savings and payment innovations and their impact on poverty. USD 1.2 million will be awarded during multiple funding rounds with preliminary applications for the first round due August 5. July 17. 2011

EBRD Loans $12m in Local Currency in Tajikistan, Kyrgyzstan

The UK-based European Bank for Reconstruction and Development has agreed to make local-currency loans worth USD 6 million each to AccessBank Tajikistan and Bai Tushum and Partners of the Kyrgyz Republic. AccessBank Tajikistan is a subsidiary of Access Microfinance Holding, a German firm with committed capital of approximately USD 37 million and other investments in Madagascar, Azerbaijan, Tanzania, Nigeria and Liberia. Bai Tushum, which plans to direct the new funds to agricultural microenterprises, reports total assets of USD 59 million, a gross loan portfolio of USD 38.5 million, return on assets of 4.48 percent, return on equity of 21.9 percent and 29,600 active borrowers. July 12 and July 17. 2011

Habitat Borrows $45m from OPIC for Housing Finance via MFIs

The Overseas Private Investment Corporation, a US government agency that supports private sector development, has approved a USD 45 million loan to Habitat for Humanity International, a US-based Christian home-building organization, to promote and expand housing microfinance lending. Habitat's MicroBuild Fund I, an investment subsidiary that is overseen by Dutch investment manager Triple Jump, will be responsible for on-lending the funds to microlenders, which in turn will disburse microloans to poor families for home renovations, construction and maintenance. Habitat for Humanity reports total net assets of USD 274 million. July 16. 2011

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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!

responsAbility Loans $8m in Kyrgyzstan, Tajikistan, Mongolia

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it made the following loans: USD 3 million to Kyrgyzstan's Kompanion Financial Group, which reports total assets of USD 50 million; USD 2 million to Tajikistan's Eskhata Bank, which has total assets of USD 78.3 million; and USD 3 million to Mongolia's XacBank, which has total assets of USD 380 million. July 15. 2011

Temenos Pilots Cloud-based Software with Six Mexican MFIs

Temenos, a Swiss software company, recently launched its Temenos 24 (T24) platform for microfinance, which operates on a "cloud" basis, meaning that it uses third-party network servers to store data and software that is accessed via the internet. T24 is billed as offering group-lending functionality, the ability to track investors' funds and reporting that is consistent with standards espoused by CGAP (Consultative Group to Assist the Poor). The software has reportedly been piloted successfully with six unnamed Mexican microlenders. July 15. 2011

Aviva Life Insurance India, BSFL Streamline Microinsurance

Bhartiya Samruddhi Finance Limited (BSFL), an Indian non-banking finance company and member of the BASIX Group, reportedly has launched an automated microinsurance processing system in collaboration with Aviva Life Insurance India in a bid to reduce the cost of enrolment and cut the length of the enrollment process to 24 hours. BSFL reports total assets of USD 406 million, a gross loan portfolio of USD 362 million and 1.72 million active borrowers. July 15. 2011

responsAbility Loans $24m in Armenia, Azerbaijan, Turkey

Switzerland's responsAbility Social Investments recently reported to MicroCapital that it has made loans totaling USD 24 million to Turkey's Sekerbank, Agricultural Cooperative Bank of Armenia (ACBA), Armenia's Inecobank and Azerbaijan's DemirBank. The responsAbility Microfinance Leaders Fund and responsAbility Mikrofinanz-Fonds loaned a total of USD 10 million to Sekerbank, which reports assets of USD 6 billion. These funds and the responsAbility Global Microfinance Fund invested USD 7 million in ACBA, which has total assets of USD 425 million, and USD 2 million in its subsidiary, ACBA Leasing. The funds also made loans totaling USD 2.5 million each to Inecobank, a microfinance bank with assets of USD 129 million, and DemirBank, a commercial bank with assets of USD 321 million that lends to small and medium-sized enterprises. July 15. 2011

Credit Information Bureau India to Launch Microfinance Database

India's Credit Information Bureau International Limited (CIBIL) has announced plans to roll out a dedicated credit bureau for microfinance. The firm's managing director, Arun Thukral, reportedly has said that the details of 40 million microfinance accounts have already been collected. CIBIL is backed by a consortium of Indian financial institutions and US-based information companies. July 14. 2011

Defaults, Questionable Disbursements Upset Sector in Ghana

A local news report indicates that Ghana's microfinance sector is "on the verge of collapse" due to defaults and poorly monitored spending at the government's Microfinance and Small Loans Centre (MASLOC). MASLOC issues loans to both individuals and microlenders and was budgeted to disburse USD 24 million in Ghana during 2011. MASLOC CEO Bertha Ansah-Djan reportedly has revealed that the organization currently has no money to lend due to USD 52 million in bad loans. Abdul Salam Rahaman, a senior economist with no identified affiliation, was quoted as saying the fund is insolvent due to practices including the "granting of huge sums of loans to the managers of the fund and [a] low recovering rate...." July 14. 2011

WCCN Loans $400k to FACES of Ecuador

Working Capital for Community Needs, a US-based nonprofit that organizes financial partnerships among individuals and organizations in Latin America and the US, recently reported to MicroCapital that it has loaned USD 400,000 to Fundación de Apoyo Comunitario y Social del Ecuador, a microfinance institution reporting total assets of USD 3 million, a gross loan portfolio of USD 2.9 million and 3,900 borrowers. WCCN also loaned smaller amounts to coffee cooperatives Federación Regional de Asociaciones de Pequeños Cafetaleros Ecológicos del Sur del Ecuador and Asociación de Productores Agropecuarios del Valle Alto Mayo of Peru. July 14. 2011

Vision's Dual Return Fund Loans $3m in Central Asia, Ecuador

Absolute Portfolio Management, an Austrian investment company that specializes in microfinance, recently reported that its Dual Return Fund, a sub-fund of Vision Microfinance, has loaned a total of USD 3 million to unnamed microfinance institutions in Azerbaijan, Georgia, Kyrgyzstan, Mongolia and Ecuador. In June 2011, the volume of the Dual Return Fund stood at the equivalent of USD 119 million with an annualized yield of 7.9 percent and year-to-date returns of 0.32 percent to 0.39 percent depending on share class. July 14. 2011

responsAbility Loans $27m in Russia, Bosnia and Herzegovina

NBD Bank, a commercial bank in Russia, and three microfinance institutions - Microcredit Foundation Prizma of Bosnia and Herzegovina, FINCA Russia and Russia's Forus Bank - recently borrowed the following aggregate amounts from funds managed by responsAbility Social Investments of Switzerland: USD 10 million by NBD Bank, on which financial details are unavailable; USD 7.19 million, of which USD 6.48 million is in local currency, by Prizma, which reports total assets of USD 73.4 million; USD 6 million, of which USD 4 million is in local currency, by Forus Bank, which reports total assets of USD 39 million; and USD 4.18 million in local currency by FINCA Russia, a subsidiary of the 21-member nonprofit FINCA International. July 14. 2011

Creation, Promus Raise $5.5m in Equity for Eko's Mobile Banking

Eko India Financial Services Private Limited, a mobile banking technology provider and business correspondent (BC) for Indian commercial banks, has raised USD 5.5 million in equity through an investment campaign led by Creation Investments Capital Management LLC and Promus Equity Partners, two US-based private investment funds. Eko delivers services from banks, allowing customers to open accounts, transfer funds and deposit and withdraw cash at 1,300 locations including grocery stores and cyber cafes. Eko also offers its technology to other BCs and to microlenders. July 13. 2011

Cuba May Allow Microfinance

News reports indicate that the government of Cuba may soon allow loans to self-employed individuals to finance working capital and asset purchases. However Tomás Marco, head of agricultural development in Cuba for the Spanish Agency for International Development Co-operation, was quoted as saying, "What's opening up is a possibility; it's not even a certainty." July 13. 2011

In Kyrgyzstan, MFIs "Compete" with Banks, Shift to Countryside

President Roza Otunbayeva of Kyrgyzstan reportedly has said that "Today, all banks are developing microfinance." The Kyrgyz microfinance sector serves 390,000 active borrowers and holds a total portfolio equivalent to USD 243 million, as compared with the banking sector's portfolio of USD 574 million. Since the ethnic riots in the country in June 2010, agricultural activity has reportedly increased, with the percentage of microloans directed to agriculture having grown to 50 percent over the past year, up from 37 percent in 2008. June 21 and July 12. 2011

IDB, Deutsche, Calvert, Monarch Loan $3.6m to FOPEPRO

The US-based Inter-American Development Bank (IDB) has arranged a USD 3.6 million syndicated loan to the Fondo para los Pequeños Productores Rurales en América Latina (FOPEPRO) to provide access to finance for associations of small-scale farmers and other producers in nine Latin American countries. Managed in El Salvador, FOPEPRO reportedly holds USD 20.5 million in assets. IDB funded USD 2 million of the loan while the remainder was disbursed in undisclosed proportions by US-based Calvert Foundation, Deutsche Bank Trust Company Americas and Monarch Community Funds. July 11. 2011

Rosalind Copisarow to Lead Oikocredit

Rosalind Copisarow was recently appointed as the new managing director of Oikocredit, a Dutch cooperative investment fund. Ms Copisarow's experience includes founding Fundusz Mikro, a Polish microlender, and serving in leadership positions at nonprofits ACCION International and International Development Enterprises. Separately, Oikocredit USA named Sharlene Brown as its new national director. July 1 and July 11. 2011

Pakistan's Easypaisa Facilitates $9m in Remittances

Between August 2010 and May 2011, Pakistan's Easypaisa branchless banking service reportedly completed 30,000 international transactions - mainly sent to and from the Middle East - totaling the equivalent of USD 9.3 million. Easypaisa is a joint venture of Telenor Pakistan, a subsidiary of Norwegian mobile communications company Telenor, and Tameer Microfinance Bank Limited, which is controlled by Telenor. July 11. 2011

EBRD Commits $42m to UniCredit for Russian SMEs

The UK-based European Bank for Reconstruction and Development recently announced that it will lend the equivalent of USD 42.8 million for five years to UniCredit Leasing Russia for on-lending to small and medium-sized businesses. The UniCredit Group is a European asset finance company with operations in 22 countries and total assets equivalent to USD 1.33 trillion. July 11. 2011

Incofin Invests $10m in ACME of Haiti, FINCA, Nigeria's LAPO

Incofin Investment Management, a Belgian company that invests in microfinance institutions (MFIs), recently made debt investments in several MFIs and an equity investment of USD 350,000 in Association pour la Cooperation avec la Micro Enterprise (ACME) of Haiti to help recapitalize its loan portfolio following losses sustained after the 2010 earthquake. At year-end 2009, ACME reported assets of USD 16.9 million. Two members of US-based, nonprofit FINCA International borrowed the following aggregate amounts from Incofin funds: the equivalent of USD 6 million - half in local currency - by FINCA Azerbaijan, which reports assets of USD 88 million, and USD 2.5 million by FINCA Guatemala, which reports assets of USD 13.3 million. In Nigeria, Lift Above Poverty Organisation, an MFI reporting assets of USD 51.1 million, borrowed the local-currency equivalent of USD 2 million. July 10. 2011

Philippines Cuts Branch Restrictions, Founds Inclusion Fund

The central bank of the Philippines reportedly has proposed a reduction of the fee for opening new bank branches and the lifting of the cap of two branches per institution in "restricted areas" of the Manila region. The fees would be cut in half to the equivalent of USD 2,300 for commercial banks and to USD 1,200 for non-affiliated thrift banks. Separately, branch licensing fees collected in the restricted areas are to be earmarked for a "Financial Inclusion Trust Fund." July 10. 2011

EFSE Loans $13m in Macedonia, Bosnia and Herzegovina

The European Fund for Southeast Europe (EFSE), a microfinance investment fund incorporated in Luxembourg, recently reported to MicroCapital that it is providing ProCredit Bank Macedonia with loans worth USD 7.3 million - half in local-currency. One of 21 members of Germany's ProCredit Holding, ProCredit Macedonia reports total assets of USD 266 million. Mikrofin Banka Luka, a microfinance institution in Bosnia and Herzegovina reporting total assets of USD 139 million, will borrow USD 5.84 million from EFSE. July 8. 2011

EBRD to Loan $3m in Local Currency to Imon of Tajikistan

The UK-based European Bank for Reconstruction and Development recently announced that it has agreed to issue a four-year, local-currency loan equivalent to USD 3 million to Imon International LLC, a lender to microfinance institutions and small enterprises in Tajikistan. Imon reports total assets of USD 41 million, a gross loan portfolio of USD 34 million, 28,900 borrowers, return on assets of 6.5 percent and return on equity of 24.5 percent. July 8. 2011

Observers Question Impact of Microfinance, Commercialization

A recent post on the website of British newspaper *The Guardian* analyzes a report from the British government's All-Party Parliamentary Group on Microfinance titled "Helping or Hurting: What role for microfinance in the fight against poverty?" and concludes that there is a pressing need for impact evaluations of different microfinance schemes, along with the measurement of social parameters over time to understand the successes and shortcomings of the schemes. An article from the US's *The Wall Street Journal* cites Mary Ellen Iskenderian, CEO of US-based microfinance network Women's World Banking, as arguing that the group-lending model, which has historically focused on women, is declining in popularity as commercial operators look to make more profitable and often riskier loans to individual men and women. July 8. 2011

MFIs in India Continue to Struggle for Funding After Loan Recast

Microfinance institutions in India reportedly continue to struggle after recasting of a significant portion of their wholesale debt and the adoption by the Reserve Bank of India (RBI), the country's central banking authority, of many of the Malegam Committee's proposals to regulate the sector. Referring to conflicts between the new RBI regulations and the Andhra Pradesh Microfinance Act, CEO Mark Stoleson of Legatum, a multi-billion-dollar fund that is a majority shareholder in Indian microlender Share Microfin, was quoted as saying that "Legatum believes in order for debt and equity capital to once again flow into the microfinance sector, any ambiguity in the regulatory framework must first be addressed....RBI must re-establish its authority as the regulator of non-banking financial companies." July 8. 2011

EFSE Loans $65m to Raiffeisen Bank Members in Serbia, BiH

The European Fund for Southeast Europe, a microfinance investment fund, recently reported to MicroCapital that it has made two loans worth the equivalent of USD 65.4 million to members of the Raiffeisen Bank International group, a subsidiary of Raiffeisen Zentralbank Österreich, which has banking operations across Eastern Europe and Central Asia. EFSE is lending USD 36.5 million to Raiffeisen Banka Serbia, which reports total assets of USD 2.55 billion, to support its home improvement loan program. EFSE is also disbursing loans totaling USD 28.9 million to Raiffeisen Bank Bosnia and Herzegovina, which reports total assets of USD 2.75 billion. July 7. 2011

Indian MFIs Look to Act as BCs for Commercial Banks

Indian microfinance institutions (MFIs), which have seen a downturn in business and portfolio quality especially in Andhra Pradesh since late 2010, reportedly are interested in acting as intermediaries between commercial banks and poor people in rural areas. Under this business correspondent model, MFIs would evaluate the creditworthiness of a borrower, disburse microloans, collect repayments and cross-sell other financial products on behalf of commercial bank partners. The Reserve Bank of India, the country's central bank, would have to approve such arrangements after specifically prohibiting MFIs from serving in this role in October 2010. July 7. 2011

Social Performance Start-up Fund for Networks Seeks Proposals

The Social Performance (SP) Start-up Fund for Networks, an initiative aimed at increasing the implementation and transparency of SP processes and tools by microfinance institutions (MFIs), is accepting proposals from national microfinance associations in Asia, Eastern Europe and Africa for projects aiming to support MFIs in improving the well-being of their clients. Applications for up to USD 50,000 may be submitted until July 29 according to guidelines located at http://www.mfc.org.pl/about.html. July 6. 2011

EBRD to Co-finance $10m in Lending by Mongolia's XacBank

The UK-based European Bank for Reconstruction and Development (EBRD) recently committed USD 5 million to co-finance up to 50 percent of loans issued by XacBank, a Mongolian community development microfinance institution reporting total assets of USD 380 million. Philip ter Woort, Head of the EBRD office in Mongolia, said, "This facility...will...facilitate growth of a medium-sized private sector in Mongolia." EBRD holds a 10.5 percent stake in XacBank, which is a subsidiary of Mongolia's TenGer Financial Group. July 6. 2011

IIC Approves $15m Loan to Peru's Mibanco for MSEs

The Inter-American Investment Corporation, a member of the US-based Inter-American Development Bank Group, has approved a USD 15 million loan to Mibanco to on-lend to 1,000 Peruvian micro- and small enterprises. Mibanco reports a gross loan portfolio of USD 1.3 billion, total deposits of USD 1.1 billion, return on assets of 2.41 percent and return on equity of 28 percent. July 6. 2011

BlueOrchard Loans $1m in Local Currency to Advans Cameroun

BlueOrchard Finance SA, a subsidiary of Switzerland's BlueOrchard Microfinance Investment Managers, has announced that it will disburse a local-currency loan worth USD 1.1 million from the Dexia Micro-Credit Fund to Advans Cameroun to increase lending to micro-, small and medium-sized enterprises. Advans Cameroun reports a gross loan portfolio of USD 12.5 million, 7,100 active borrowers and deposits of USD 6.6 million. Advans Cameroun is a member of Advans SA, which also holds stakes in microlenders in Cambodia, the Democratic Republic of the Congo, Ghana and Tanzania. July 5. 2011

Avendus Buys $2.4m in Securitized Loans from Grama Vidiyal

Indian investment bank Avendus Capital reportedly has purchased the rupee-equivalent of USD 2.4 million in securitized debt from Grama Vidiyal Microfinance, which operates in the Indian state of Tamil Nadu. The transaction includes 11,300 microloans, 84 percent of which were bought by Avendus Capital. IFMR Capital, an Indian non-banking finance company, purchased the remainder of the securitization and served as arranger of the transaction. Grama Vidiyal reports total assets of USD 134 million, 772,000 borrowers, return on assets of 3.7 percent and return on equity of 25.5 percent. July 5. 2011

Armenia's Araratbank Borrows $10m from EFSE for MSEs

The European Fund for Southeast Europe, a microfinance fund incorporated in Luxembourg, has agreed to loan USD 10 million to Armenia's Araratbank, to provide "long-term" financing aimed at rural micro- and small enterprises. Araratbank's loan volume reportedly grew by 57 percent during 2010 to the equivalent of USD 67.6 million. July 4. 2011

Myanmar May Liberalize Microfinance

Following a statement in support of microfinance development by President Thein Sein of Myanmar, who took office in March, representatives of aid organizations in the country are hoping for changes to a 1990 law prohibiting collateral-free loans. Microfinance programs in Myanmar currently must be authorized on a case-by-case basis. July 1. 2011

Panelists: MFIs Can Help Mitigate Climate Change

The Climate Investment Funds, which are funded by several multilateral development banks, recently held a "Partnership Forum" in South Africa at which panelists cited a crop-insurance program offered by M-Pesa, a Kenyan mobile banking service, as an example of how microfinance can help poor, rural communities in developing countries address climate change. July 1. 2011

EIF Loans $7m to Siauliu Bankas of Lithuania

The European Investment Fund, a public-private partnership that supports financial institutions in Europe that serve small and medium-sized enterprises, has agreed to loan the euro-equivalent of USD 7.2 million to Siauliu Bankas, a Lithuanian bank that reports total assets of USD 896 million and a gross loan portfolio of USD 636 million. Siauliu Bankas CEO Audrius Ziugzda said, "This microfinance facility is very important [in] expanding the activity of micro-enterprises, stimulating investments into capacities, creating quality jobs and for social inclusion by increasing women's entrepreneurship." June 30. 2011

Fundamo, Bank Andara Aim to Reach 40m Indonesians

Mobile finance platform vendor Fundamo reportedly aspires to reach 40 million Indonesians in poor regions as part of a new partnership with Indonesia's Bank Andara, a wholesale lender to microfinance institutions (MFIs). The service would allow MFI customers to send remittances, pay bills and check bank balances via mobile phones and the internet. Based in South Africa, Fundamo, which was recently acquired by US-based payment technology firm Visa for USD 110 million, operates in approximately 40 emerging markets. June 30. 2011

22 Microfinance-Focused Managers Make "ImpactAssets 50"

ImpactAssets, a US-based nonprofit company specializing in impact investment, recently released its "2011 ImpactAssets 50" list of investment fund managers that "achieve financial performance with positive social and environmental impacts." A listing of the 22 microfinance-focused funds that were recognized may be found at http://microcapital.org. June 30. 2011

Westpac Launches G2P Electronic Payment System in Fiji

Westpac Banking Corporation of Australia has reportedly implemented a system allowing Fiji's Department of Social Welfare to make electronic transfers to poor people in remote parts of the country. The system has distributed welfare payments to 20,000 people through 36 automated teller machines and 700 merchant locations. The model includes financial literacy training and an offer of interest-bearing savings accounts, which are easier to get due to the relaxation of "know your customer" identification requirements by the Reserve Bank of Fiji. June 30. 2011

IFMR, Manipal Link Indians to Government Health Insurance

IFMR Trust, an Indian nonprofit promoter of financial inclusion, and Manipal Education and Medical Group International Private Limited, an Indian operator of academic and healthcare institutions, have been accepted into the Indian government's health insurance program for poor people, Rashtriya Swasthya Bima Yojana (RSBY). IFMR Trust is looking to enroll 170,000 of its customers into RSBY while Manipal will aim to enroll an additional 80,000 households. Launched in 2008, RSBY pays USD 16 per family for private insurance coverage of USD 650 per year in return for a registration fee of USD 0.65. June 29. 2011

Nigeria to Adjust Microbank Capital Requirements

The Central Bank of Nigeria reportedly plans to announce adjusted capital base minimums for microfinance banks, which are divided into the following categories: a new national level with a minimum equivalent to USD 12.8 million; a state level with a minimum cut by a factor of 10 to USD 640,000; and a single-branch level, which remains unchanged at USD 128,000. June 28. 2011

USAID, VEGA/IESC Grow Lebanon Program to $12m

The US Agency for International Development and Volunteers for Economic Growth Alliance/International Executive Service Corps, a US-based private sector development partnership, recently announced funding that will increase the budget of the Lebanon Investment in Microfinance (LIM) program to USD 12 million. For a listing of the seven microlenders to be funded, please see http://microcapital.org. Since 2009, LIM has grown its initial capital of USD 1.05 million to USD 3.5 million. June 27. 2011

Incofin VDK MFI Loan Portfolio Loans $5m to Mongolia's XacBank

Belgium's Incofin Investment Management recently reported to MicroCapital that it loaned USD 5 million from the Incofin VDK MFI Loan Portfolio to XacBank, a community development microfinance institution in Mongolia. Incofin VDK is a microfinance investment vehicle that was launched in 2007 by Volksdepositokas (VDK) spaarbank, a Belgian savings bank that is also a shareholder in Incofin. XacBank reports total assets of USD 380 million. June 27. 2011

Afghanistan to Emulate Pakistan Poverty Alleviation Fund

The Afghan government reportedly will model its microfinance programs after those of the Pakistan Poverty Alleviation Fund, an effort of the Pakistani government that provides services including loans, grants and technical assistance to microfinance institutions. The Afghanistan Rural Enterprise Development Program plans to develop the following: (1) community-led enterprise development intended to reach 7,800 groups impacting 500,000 people; and (2) access to finance for 750 small and medium-sized rural enterprises. June 26. 2011

Philippines Fights Insider Deals

The central bank of the Philippines has imposed a restriction on lending to directors and stockholders by 18 thrift and rural banks that engage in microfinance through affiliated nonprofits. These institutions can now lend a total of no more than 20 percent of their net worth to such parties and no more than 10 percent to any one "insider." Also, at least 50 percent of such loans must be secured by collateral. June 24. 2011

In Reversal, Indian MFIs Look Past Banks to Social Investors

While microfinance institutions (MFIs) often strive to "graduate" from acquiring funding from social investors to accessing the capital markets, some in MFIs in India that have seen new lending from commercial banks dry up since the "Andhra Pradesh crisis" have been instead accessing funds from such investors as: the International Finance Corporation, the private-investment arm of the World Bank Group; ACCION International, a US-based nonprofit organization; MicroVest Capital Management, a US-based family of microfinance investment funds; Aavishkaar Goodwell India Microfinance Development Company Limited, an India-based financing company; UK-based Shore Capital; and Switzerland's BlueOrchard Microfinance Investment Managers. A listing of MFIs involved and the details of representative transactions can be found at http://microcapital.org. June 23. 2011

Youth Loan Fund, Mobile Savings Launched in Uganda

The government of Uganda has launched a "Job Stimulus Programme" through which the equivalent of USD 1.4 million has been earmarked to train youth in business skills and USD 10.3 million will launch a Youth Entrepreneurship Venture Capital Fund to invest in the efforts of trainees that save an unspecified amount of money. Separately, Mobile Telecommunications Network (MTN) of South Africa; Uganda Youth Convention, a platform for youth empowerment and enterprise; and Financial Empowerment Network (FEN), a local venture capital firm, have launched "FEN Savings" whereby youth pledge to save specified amounts of money on a regular basis and can store, send and receive money through the MTN mobile phone network. June 23. 2011

Tanzania's Akiba Offers Loans for Electricity Connections

In a joint initiative with the Tanzania Electric Supply Company, Tanzania's Akiba Commerce Bank has launched "Umeme" loans to cover the cost of connecting homes to the electricity grid, which can cost the equivalent of USD 320 per home. The loans carry terms of six months to one year and bear an annualized interest rate of 19.5 percent, which is paid up-front. June 23. 2011

Oikocredit Invests 80% of New Loans in Smaller MFIs

Oikocredit, a Dutch cooperative investment fund, recently released its "Social Performance Report 2010" indicating that the organization reached approximately 28 million people through its microfinance partners and that 86 percent of those served were women. The document also indicates that 80 percent of new loans disbursed during 2010 were issued to second- and third-tier microfinance institutions, the threshold for which was not disclosed. June 23. 2011

AfDB Guarantees Serve Women Who Have Outgrown Microfinance

The African Development Bank reports that it is scaling up a guarantee scheme aimed at increasing women's access to finance under the "Growth-oriented Women Entrepreneurs" program, which involves partnering with local banks to guarantee half of a woman entrepreneur's loan, with a minimum loan amount of USD 10,000. June 22. 2011

IFC to Loan $20m to Khan Bank of Mongolia for SMEs

The International Finance Corporation (IFC), a member of the World Bank Group, has announced it will loan USD 20 million to Khan Bank LLC of Mongolia to help strengthen its capital position and increase lending to small and medium-sized enterprises. The seven-year subordinated loan will allow the bank to offer 14,000 new loans. Khan Bank reports that it serves 80 percent of Mongolian households and that most of its borrowers are women. Hyun-Chan Cho, IFC's Country Manager for China and Mongolia, commented, "Khan Bank is becoming a role model for reform in Mongolia's banking system." Khan Bank reports total assets equivalent to USD 1.2 billion, a gross loan portfolio of USD 616 million, 310,000 borrowers, return on assets of 1.9 percent and return on equity of 20.5 percent. June 22. 2011

Frankfurt School to Provide TA to Incofin Investees

Incofin Investment Management, a Belgian investor in microfinance institutions, recently reported that the EU-member-owned European Investment Bank (EIB) has appointed the Frankfurt School of Finance and Management, a German university, to provide technical assistance (TA) for investees of Incofin's Rural Impulse Fund II in Africa, the Caribbean and the Pacific. EIB recently contributed USD 1.4 million to impart TA to the fund's investees in the region on topics including operations, strategy, product design and rural outreach methodologies. Incofin plans to spend USD 3.6 million on TA for the fund's investees worldwide. Rural Impulse Fund II reports assets equivalent to USD 139 million. June 22. 2011

M-Pesa Users Better Prepared for Health Emergencies

Financial Sector Deepening Kenya, a Kenyan trust that seeks to develop the capacity of the financial services industry, in partnership with Microfinance Opportunities, a US-based microenterprise resource center, recently hosted a workshop on "financial diaries," year-long surveys that examine financial management in poor households. A report on use of the diaries indicates that 5 percent of transactions are made through the M-Pesa mobile payment system; 80 percent of these e-money flows are among family and friends; 75 percent of these remittances are cashed out, mostly within a day; and M-Pesa users are "less vulnerable to health shocks." June 21. 2011

Teixeira Praises Brazil's Microcredit Efforts, Says More Needed

Between 2004 and 2010, Brazil's National Productive Microcredit Programme reportedly generated the equivalent of USD 4 billion in credit for low-income households, of which one million now have outstanding loans. Marcelo Azevedo Teixeira, manager of the Urban Microfinance Unit at the state-run Banco do Nordeste do Brasil, stated, "The initiative has played an important role…. New actors entered the market, new products were developed, and regulations evolved.... [However] only 10 percent of small-scale entrepreneurs who need credit now have access to it." Proposals include "more innovative" mechanisms, more group loans and different ways for lenders to assess credit risk. June 21. 2011

After Farmers Reject Cards, China's Harbin Tries Mobile Banks

In an effort to facilitate access to finance for farmers, China's Harbin Bank has deployed a three-vehicle fleet, consisting of an armored four-wheel-drive vehicle and a mobile loan station accompanied by a police car, to carry the equivalent of USD 1.54 million in bank notes per trip to various rural areas. "Farmers prefer cash," said Che Dawei, a manager at Harbin. "We tried to distribute bank cards for security and convenience, but they would withdraw cash immediately. They love the feel of bank notes." Loans are disbursed to groups of five families after their finances are probed and the entire village undergoes a risk assessment. Harbin reports assets equivalent to USD 13 billion. June 21. 2011

Frankfurt School, Protestant University Offer Masters Degree

The Frankfurt School of Finance and Management, a private German university, in partnership with the Protestant University of Congo, which is based in the Democratic Republic of the Congo, is issuing a call for applications for a masters degree in microfinance to be administered at the Protestant University of Congo. The majority of the coursework of the two-year program, which is set to begin in October, will be delivered in French, with 30 percent delivered in English. June 21. 2011

TuranBank of Azerbaijan Borrows $7m from IFC for Rural MSEs

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has agreed to loan USD 7 million to TuranBank, a microfinance institution in Azerbaijan, in an effort to increase lending to rural micro- and small enterprises. Since 2009, TuranBank has participated in IFC's Corporate Governance Advisory Services and Financial Markets Crisis Management Projects. TuranBank reports total assets of USD 171 million, a gross loan portfolio of USD 141 million and 8,500 active borrowers. June 21. 2011

Fonkoze Insurance Pays Off for Clients Affected by Rains in Haiti

Fonkoze, a Haitian microfinance institution, reports that it has initiated the insurance claims process for its clients that were affected by the heavy rains that caused mudslides and flooding in the country during June. Fonkoze will be making payments under its catastrophe recovery product, which all borrowers have been required to purchase since January. Clients who lost their homes or businesses as a result of the rains will receive a cash payout equivalent to USD 125 to meet emergency needs. Fonkoze reports, "these clients will also receive a reimbursement of the balance of their existing loan and a new loan when they are ready to restart their business." Nonprofit Fonkoze and its commercial affiliate Fonkoze Financial Services report a combined gross loan portfolio of USD 9.2 million, 55,000 borrowers and 250,000 depositors. June 21. 2011

Ghana to Bring Biometric ID System to Rural Areas

Ghanaian Finance Minister Kwabena Duffuor has been quoted as saying that the government of Ghana has budgeted the equivalent of USD 10.6 million for the Ghana Interbank Payment and Settlement System "to implement a countrywide biometric system as well as undertake a rural banking project that uses the National Switch and Smart Card payment system, branded as e-zwich…. This technology will permit offline transaction and fingerprint recognition making it highly suitable for rural areas and for the uneducated people in our country." June 21. 2011

Bangladesh to Keep 27% Rate Cap, Cut Grace Period, Installments

Reportedly at the request of microfinance institutions (MFIs) in the country, Bangladesh's Microcredit Regulatory Authority has agreed to lower the number of installments for microloans and reduce the grace period allowed, so that MFIs may begin collecting repayments 15 days after loan disbursement. Although an interest rate cap of 27 percent per year will continue to be imposed, the cut in repayment installments from 50 to 46 will increase the amount of each installment. June 20. 2011

SME Finance Innovation Challenge Fund Launched in Tanzania

Tanzania's foreign-funded Financial Sector Deepening Trust has launched the SME Finance Innovation Challenge Fund (ICF) to encourage financial service providers to develop innovative business models to deliver improved services and new products to small and medium-sized enterprises (SMEs). ICF will finance up to USD 500,000 to cover half of the cost of developing new technologies, credit scoring systems, outreach partnerships, service channels and marketing and customer service strategies. No application deadline has been disclosed. June 18. 2011

IFC to Loan $13m to FINCA Azerbaijan, FINCA Kyrgyzstan

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, reportedly will provide local-currency loans of USD 7 million to FINCA Azerbaijan and USD 6 million to FINCA Kyrgyzstan, two members of US-based microfinance nonprofit FINCA International. Established in 1998, FINCA Azerbaijan reports total assets of USD 100 million, a gross loan portfolio of USD 89 million and 105,000 active borrowers. Established in 1995 with support from the US Agency for International Development, a US government agency that supports global economic and humanitarian assistance, FINCA Kyrgyzstan reports total assets of USD 61 million, a gross loan portfolio of USD 52 million and 108,000 active borrowers. FINCA International serves approximately 700,000 people through subsidiaries in 21 countries with total assets of USD 467 million. June 16. 2011

This feature is sponsored by: Developing World Markets

MEET THE BOSS

Judy Kirst-Kolkman, Managing Partner and Head of Fund Management & Administration, and Peter Johnson, Partner and Head of Capital Markets

Judy Kirst-Kolkman and Peter Johnson

Developing World Markets (DWM) is an asset manager and investment bank dedicated to making socially positive investments in order to promote sustainable economic and social development on a global scale. Managing over USD 900 million assets as of March 31, 2011, DWM has invested in more than 140 microfinance institutions (MFIs) in over 40 countries since 2004.

Judy Kirst-Kolkman and Peter Johnson started DWM in 1994. From 1999 to 2004, Judy co-managed, alongside Peter, the DWM I Fund LP, the firm's legacy activity, which participated in approximately 350 IPOs on local stock exchanges. Prior to DWM, she worked in financial management positions for Control Data, 3M Corporation and a real estate development business.

Peter, also a DWM Partner, manages the Capital Markets team. Before co-founding DWM, Peter spent 14 years with Bankers Trust, focused exclusively on emerging markets and opening the company's Egypt office. As an investment banker in London, he restructured Middle Eastern institutional clients' direct investments in Asia, Latin America and Eastern Europe.

MicroCapital: DWM started out managing more traditional emerging markets investments. At what point did you make microfinance the firm's core investment focus?

Peter Johnson: When we started DWM, we managed one of the first emerging markets IPO funds. While not an advertised strategy, we decided that all of the investments we selected would have to meet certain agreed upon socially responsible investment criteria. This was just something we felt strongly about from the outset. But the transition to microfinance really came out of our own philanthropic interests. In 1996, we both became actively involved on the board of Pro Mujer, which provides financial services, healthcare and training to women entrepreneurs in Latin America. Through this initial experience in microfinance, we gained an inside perspective on the financing challenges of MFIs.

In 1999, DWM had a very successful year, so Judy and I decided to use a portion of the business's profits and our investment banking skills to structure the Pro Mujer Loan Fund. Based on our emerging markets experience, we thought this could really work as a funding mechanism, and, well, we found out it did. The now USD 3 million fund is still making loans to Pro Mujer subsidiaries.

We had no idea that this would not only transform our own business but transform the microfinance industry as well. After launching the Pro Mujer Fund, we were approached to structure the first cross-border microfinance securitization instrument in 2004, and we continued to develop the field with additional capital markets transactions in 2005 and 2006 that totaled more than USD 150 million.

Prior to this, microfinance and other social enterprises in the developing world had little or no access to mainstream capital markets. It was at this point that we both just knew that this was the footprint we wanted our business to make, and we have focused on microfinance investments ever since.

MC: What lessons have you learned over 10 years of investing in microfinance?

Judy Kirst-Kolkman: I think one of the most important things we have learned is that not all MFIs are the same. Having invested in over 140, we recognize that there is a wide range of strengths and weaknesses. Due diligence and strong relationship management are the keys to really understanding the organizations that we support in order to provide the most appropriate and sustainable financing solutions.

PJ: That's definitely right. From the beginning, we have been very attuned to the fact that MFIs have a diversity of funding needs across capital structures. To address this, we have developed a portfolio of financing solutions that we are able to offer to our microfinance clients. We provide access to funding through short- and long-term debt, equity and direct capital raises in hard and local currencies. In 2007, DWM structured the first international bond issuance for AccessBank in Azerbaijan, raising USD 25 million. This is definitely something we would like to provide to more institutions in the future, where it would be appropriate. One of the most critical products we offer is funding in local currencies, which provides a much cheaper source of capital for MFIs as compared to funding in euros or US dollars. This is an area I believe that differentiates DWM from similar firms in the microfinance investing space.

From the beginning, we have been very attuned to the fact that MFIs have a diversity of funding needs....

MC: In addition to financial services, what other services do you provide to meet the social elements of your mission?

JKK: Social impact is something we are starting to evaluate much more concretely. Part of our due diligence process is to evaluate and monitor investees on our own social scorecard, which we developed with SNS Asset Management and Oikocredit. It evaluates an MFI's social impact across five areas - outreach and targeting, governance, client benefit and welfare, responsibility to community and staff, and the environment.

Strategic advisory support services is an area around which we have been developing a more coordinated effort as well. For MFIs in which DWM has an equity stake, we provide support to achieve both financial as well as social goals. This requires an experienced in-house team, which we have been building over the past year. Our Operations Manager is regularly working with investees to provide on-the-ground, hands-on technical assistance as needed.

This includes shorter- and longer-term projects in a range of areas, such as human resource development, financial management and capacity building, expansion of products and geographies, risk management and other areas of strategic planning. Our goal is to create added value in our microfinance clients by identifying these opportunities in the origination and post-investment stages.

PJ: I don't think that either Judy or I ever imagined that what we started over 15 years ago would morph and grow this immensely. And the scale that we can now hope to achieve in promoting sustainable development through our company's investments has grown proportionately. So this is an exciting point in DWM's journey, and we are looking forward to see what we can make happen in the next 15 years.

FIELD NOTES

Microinsurance and MFIs…Coverage Against Whose Funeral?

I am back from a week in the Philippines, where I was launching the first study by the Microinsurance Learning and Knowledge (MILK) project on the value of microinsurance for the poor. Microinsurance in the Philippines is quite commonplace and has been growing fast. According to the local department of finance, 59 percent of NGOs and other financial providers targeting low-income people offered microinsurance in 2009. Today, many more of these "delivery channels" are offering microinsurance. This year, rural banks will be allowed to offer insurance directly, which has local players abuzz. Microfinance institutions (MFIs) and rural banks have pretty good profit margins and returns. They've been growing at a solid pace based on their lending business. Why complicate their lives with new products? I suspect there are dual objectives.

The first, of course, is to better serve clients. There seems to be consensus among regulators, insurers and intermediaries in the Philippines that insurance is a good thing for the poor. While hardly a "proven" case (one of the MILK project's goals is to better understand this issue), I was encouraged that a handful of people I visited had benefited from these products. These men and women had been paid claims on funeral and life insurance, which helped them avoid or limit additional borrowing, make new investments and avoid having to beg local authorities for help. One woman's 40-year-old husband died unexpectedly, leaving her with five young children. She had only a low-paying job cleaning a house to fund the entire household budget. As a client of an MFI, she received a funeral and life insurance benefit, which allowed her to pay for most of her husband's funeral costs and pre-pay her eldest son's school fees. It wasn't a perfect solution, but it offered her a bridge while she looked for additional house-cleaning work to support herself and her children as a single parent.

The second reason I believe MFIs and rural banks are attracted to microinsurance is their need to boost returns on their fixed costs. Financial institutions earn commissions on microinsurance and typically require purchase of these products by clients taking out group loans. They can make additional marginal income with almost no effort by using their existing operating structure. This is important because their existing structure is costly. MFIs and banks serving the poor are still quite inefficient by international standards, with operating expenses of the larger institutions hovering between 35 percent and 40 percent. Inefficiency is not the only culprit behind high costs. Weakening credit quality is creeping into the market, and provisioning costs are likely increasing. Lenders face significant competition in urban areas, and there are concerns about client over-indebtedness. The reliance on remittances to repay loans and widespread consumer lending also suggest some risk concentration and vulnerability to macroeconomic risk. Meanwhile, a recently approved credit bureau is still not fully operational.

While microinsurance might provide benefits to lenders on the revenue side of the equation, MFIs and other microlenders seem due for improvements in competitiveness with regards to efficiency, credit-risk management and the development of more appropriate loan products. This will require hard work, transparent pricing and innovation. Slow movers could end up losing out…it may be their funerals rather than their clients' that they need to worry about.

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, or you may follow her on Twitter at BarbaraatEA.

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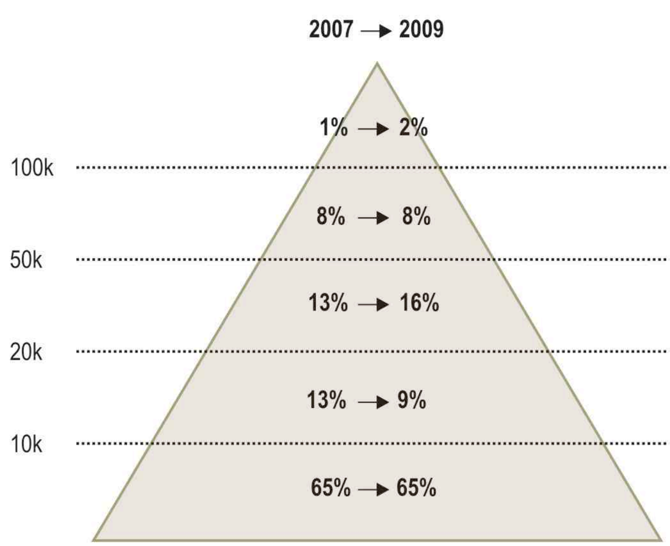
MICROCAPITAL MARKET INDICATORS I EUROPE AND CENTRAL ASIA

151 MFIs REPORTING[1]

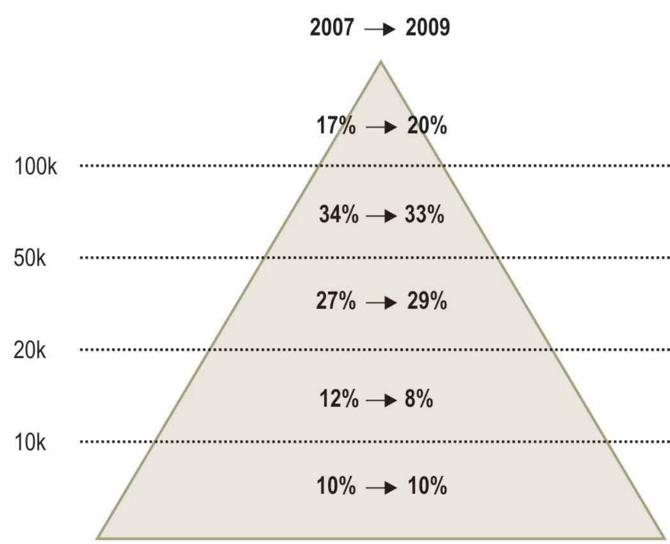
TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
DemirBank	Azerbaijan	97,780,952	102	63,638,096	259,200,000
AccessBank	Azerbaijan	93,050,447	62	114,242,856	300,343,750
ProCredit Bank Kosovo	Kosovo	83,574,142	15	502,260,288	669,408,571
ProCredit Bank Bulgaria	Bulgaria	66,982,520	13	480,351,136	614,316,176
Mikrokredit Bank of Uzbekistan	Uzbekistan	45,201,185	49	74,598,360	165,000,729
ProCredit Bank Georgia	Georgia	37,710,501	15	240,525,152	315,946,154
ProCredit Bank Serbia	Serbia	35,804,406	6	560,842,240	632,451,051
ProCredit Bank Albania	Albania	29,737,240	17	161,462,896	220,937,376
XacBank	Mongolia	25,935,851	27	85,208,600	137,080,303
ProCredit Bank Macedonia	Macedonia	22,043,984	13	154,182,352	198,270,320

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., July 2011, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Third Pacific Microfinance Week 2011
July 25 - July 29, 2011, Port Vila, Vanuatu
This series of gatherings engages microfinance institutions, learning institutions, government agencies, commercial banks and other private companies in promoting inclusive and sustainable financial services in the Pacific. There is no fee to attend, but registration officially closed in June. More information is available via http://www.microfinance-pasifika.org/pmw2011-home.html, info@microfinance-pasifika.org or +679 310 0855.

MFTransparency Uganda Data Launch
July 27, 2011, Online
This webinar will cover pricing dynamics in the Ugandan microfinance market, training on transparent communication of prices and data recently collected in Uganda. Free registration is required by July 26. More details may be had via Jordan Filko at +1 717 473 0638 or jordan@mftransparency.org or via http://www.mftransparency.org/pages/uganda-data-launch-webinar-register-now/.

CEO and Senior Leader Roundtable
September 6 - September 7, 2011, Mumbai, India
This event is a forum for bankers, investors, donors, regulators and experts to discuss innovations, models and challenges in small business banking including industry benchmarks, risk mitigation and human capital management. The sponsor is the Small Business Banking Network, an initiative of US-based nonprofit CapitalPlus Exchange. The fee to attend is USD 2,400 for a three-person team, with discounts available. For additional information you may contact Elizabeth Vivirito via evivirito@capplusexchange.org or via +1 312 540 1580, extension 4, or you may visit http://www.sbbnetwork.org/roundtable-2011.

Global Youth Enterprise & Livelihoods Development Conference
September 7 - September 9, 2011, Washington, DC, USA
This conference will offer 25 breakout sessions in five focus areas: workforce development; financial services and literacy; enterprise development; adolescent girls and young women; and monitoring, evaluation and impact assessment. Registration is due by August 19 and costs USD 695. For additional information, you may contact Whitney Harrelson via +1 202 783 4091 or whitney@makingcents.com, or you may visit http://www.youtheconomicopportunities.org.

TBLI Conference Asia 2011 (Revised Dates)
September 15 - September 16, 2011, Tokyo, Japan, or Online
Summary of Events: Originally scheduled for May 2011, this event will cover environmental, social and governance issues and impact investing. The fee to attend is JPY 100,000 with discounts available for one-day passes, online attendance and speakers. More details are available from Esther Van Der Weij at +31 (0)20 428 6752 or asia2011@tbli.org or via http://www.tbliconference.com/tbli-asia2011.html.

5th African Micro Finance Conference
September 19 - September 22, 2011, Addis Ababa, Ethiopia
Themed "The Future of Inclusive Finance in Africa," this event will address innovations in products and delivery systems, social impact, the role of technology in improving access to finance, financial literacy, consumer protection and improving youth employment. The event is organized by the Association of Ethiopian Microfinance Institutions and the Microfinance African Institutions Network. The standard registration fee is USD 650 with a rate of USD 500 available until August 20. For additional information, you may call +251 011 5503829, +251 011 5511567 or +251 911 405241; email aemfi@ethionet.et; or visit http://www.5th-microfinance.com/site/.

Impact Investing Summit:
Advanced Investment Strategies for the Bottom of the Pyramid
September 20 - September 21, 2011, Washington, DC, USA
Organized by Hanson Wade, this summit will bring together commercial, institutional and private investors as well as social entrepreneurs and microbanks to cover capitalizing on impact investing, how to penetrate the market and standardizing impact measurement. The standard registration fee for for-profit organizations is USD 2099, with add-on workshops available. Lower rates are available for representatives of certain types of organizations, and a 10-percent discount is available to MicroCapital readers indicating the priority code "MicroCapital". More details may be had via info@hansonwade.com, http://impactinvesting-usa.com/ or +44 (0)203 141 8700.

Mobile Money Southern Asia
September 26 - September 29, 2011, Mumbai, India
This event will cover how to launch mobile money systems, get to market more quickly, structure complex relationships between network operators and banks and extend access to financial services in developing nations. The standard fee to attend is GBP 1599 with add-on workshops and multiple discounts available including tiered rates for registrations completed by July 29 and September 2. More details may be had from Paul Hemmings at paul.hemmings@clarionevents.com or +44 (0)20 7370 8881 or via http://www.mobile-money-transfer.com/southern-asia/.

Arusha Savings Groups Summit
October 4 - October 6, 2011, Arusha, Tanzania
This conference for "practitioners of savings group methodologies" will bring together international and local representatives to discuss problems, review the latest trends and "uncover demand-driven innovations." The registration fee of USD 350 is due September 20. Separately priced workshops on "Community Managed Microfinance" program design and management, "Village Finance" and "How to Add Value to Savings Groups Through Other Activities" will be offered following the summit. For additional information, you may contact Sanjeev Sharma of the Carsey Institute at the University of New Hampshire via smdp.info@unh.edu or +1 603 862 2821, or you may visit http://www.arushasavingsgroupssummit.org/

MORE DETAILS COMING SOON ON…

XIV FOROMIC 2011: Inter-American Forum on Microenterprise
October 10 - October 12, 2011, San Jose, Costa Rica

Near Field Communications - Mobile Payments Forum 2011
October 11 - October 13, 2011, Beijing, China

European Microfinance Week
November 2 - November 4, 2011, Luxembourg

Seventh International Microinsurance Conference 2011
November 8 - November 10, 2011, Rio de Janeiro, Brazil

TBLI Conference Europe 2011
November 10 - November 11, 2011, London, UK

Microcredit Summit Campaign 2011
November 14 - November 17, 2011, Valladolid, Spain

Microfinance India Summit 2011
December 12 - December 13, 2011, New Delhi, India

PAPER WRAP-UPS

Foreign Capital Investment in Microfinance: Reassessing Financial and Social Returns

By Xavier Reille, Sarah Forster and Daniel Rozas; published by CGAP (Consultative Group to Assist the Poor); May 2011; 16 pages; available at: http://www.cgap.org/gm/document-1.9.50967/FN71.pdf

This document examines the landscape of foreign investment in microfinance including the financial and social performance of foreign capital in the sector. The analysis includes data from CGAP's "Annual Survey on Foreign Investment" and the Microfinance Information Exchange's Funding Structure Database.

The authors consider the investment landscape within the following three categories:

1) Development finance institutions (DFIs): DFIs provide approximately half of the foreign investment in microfinance, their share having grown from USD 1.7 billion in 2006 to USD 7.5 billion in 2010. The authors conclude that these investments, which are largely hard-currency, fixed-income (debt) instruments, are concentrated in the larger, more established microfinance institutions (MFIs) of Eastern Europe and Central Asia (ECA) and Latin America and the Caribbean (LAC).

2) Institutional investors: Accounting for approximately 30 percent of foreign investment, this group includes a broad range of institutions and funds, including international banks, private equity funds, pension funds and insurance companies. According to the authors, some international banks are now considering offering microfinance products through their own banking networks, thus directly investing in microfinance in local currencies. Others are diversifying their portfolios through investments in agriculture, health and renewable energy. Despite these trrends, the authors argue that opportunities for institutional investors in microfinance are limited by the risk-reward thresholds of these institutions.

3) Retail investors: The authors cite social performance as the primary driving force behind retail investments, which account for approximately 16 percent of foreign investment and are mainly raised through financial cooperatives, such as Oikocredit of the Netherlands, and public placement funds, such as responsAbility Social Investments of Switzerland. The authors state that the growth of retail investments has been hampered by regulations that limit the distribution of microfinance investment funds to retail investors in the US and Europe.

The authors' findings indicate that approximately 50 percent of cross-border investment is channeled through microfinance investment intermediaries, with microfinance investment vehicles (MIVs) comprising most of this volume. The authors argue that competition among asset managers will lead to the consolidation of microfinance asset management firms, thereby bringing down transaction costs and creating efficiency gains for investors and investees.

The authors further examine the financial performance of fixed-income and equity investments, the two main forms of investment in microfinance. Fixed-income agreements, which represent 85 percent of all MIV investment and 70 percent of direct DFI investment, recorded a historic low return of 2.5 percent in 2010. The authors attribute these low returns to: 1) excess supply of and stagnating demand for foreign debt; and 2) lower portfolio quality in some markets leading to higher defaults, thereby necessitating the need for higher loan-loss provisioning. The authors expect returns on fixed-income investments to remain low over the next few years.

Foreign equity, which addresses the lack of risk capital within emerging markets, recorded a compounded annual growth rate of 60 percent over the last four years, exceeding the demand of investment-ready MFIs. Furthermore, "crises" in markets such as Bosnia and Herzegovina, Nicaragua and India and the overall slowdown in the sector are causing equity investors to lower their return expectations. The authors also cite an emergence of domestic equity investors in developing countries and the down-market expansion of commercial banks through acquisitions of MFIs in mature markets.

The authors suggest that a small number of countries in the ECA and LAC regions receive the bulk of foreign investment and experience relatively high levels of financial inclusion. The authors argue that while foreign investment has aided the growth of investee MFIs and helped them to scale up in these regions, investors need to do more to invest in the undeserved markets of Africa and Asia. The authors further state that there is evidence in some markets - particularly Bosnia and Herzegovina and Nicaragua - of excess capital and insufficient oversight.

In conclusion, the authors cite the following lessons learned from the lower performance of microfinance investments in 2009 and 2010 and the periods of turmoil in Bosnia and Herzegovina, Nicaragua and - most recently - India:

•Risk-adjusted returns on microfinance investments should be reassessed in the context of the downturns.

•There are disparities among asset managers, and investors should place greater emphasis on engaging those managers with sound investment strategies, robust investment processes and a commitment to social performance.

•Increasingly there is a trend of funds diversifying into investments within the broader impact-investment class such as fair trade, health, education, agriculture and renewable energy. While this is viewed as a diversification of risk, the authors note that these areas of impact investing require a different set of evaluation techniques and that the returns on such investments are less predictable than the returns from sound MFIs.

An Emerging Platform: From Money Transfer System to Mobile Money Ecosystem

By Jake Kendall, Bill Maurer, Philip Machoka and Clara Veniard; published by University of California, Irvine School of Law; May 2011; 15 pages; available at: http://ssrn.com/abstract=1830704

This research paper examines the question: "Has M-Pesa achieved the scale necessary to form an infrastructure backbone to Kenya's financial system?" The authors investigated approximately 90 financial institutions in Kenya to evaluate whether the Kenyan retail electronic payment system is in the early stages of transformation to a network infrastructure for the exchange of cash and electronic value among various economic actors including individuals, retailers, government agencies and financial services providers.

The authors' investigation indicates that: 1) there is significant integration of mobile money into the products and services offered by financial institutions in Kenya; 2) an ecosystem of firms has sprung up to facilitate the technical integration of existing financial institutions' back-end systems with the new mobile money platform; and 3) there are a number of new businesses that operate solely over the mobile money platform.

Despite these findings, the authors also identify significant barriers to a more fully developed ecosystem. They include: 1) money transfer pricing that the authors deem high; 2) the difficulty of integrating with mobile money interfaces, especially that of M-Pesa, and; 3) that firms wishing to outsource their day-to-day cash transactions to the mobile money system must find new opportunities for interactions with their clients to build trust, educate and cross-sell new products.

Micro-loans, Insecticide-Treated Bednets and Malaria: Evidence from a Randomized Controlled Trial in Orissa (India)

By Alessandro Tarozzi, Aprajit Mahajan, Brian Blackburn, Dan Kopf, Lakshmi Krishnan and Joanne Young; published by the Center for Microfinance at the Institute for Financial Management and Research; March 2011; 58 pages; available at: http://ifmr.ac.in/cmf/publications/wp/2011/Bednets.pdf

This paper describes the design and results of a randomized controlled trial intended to evaluate the relationship between microcredit and malaria prevention through an experiment conducted in a poor and rural area of Orissa, India. In partnership with Bharat Integrated Social Welfare Agency (BISWA), an Indian nonprofit microfinance institution (MFI), the authors made insecticide-treated bednets (ITNs) available through two schemes and measured the results against a control group that did not receive ITNs. The goals of the study were to test: a) the use of microcredit to promote ITN ownership; b) the impact of ITN usage on the prevention of malaria and anemia; c) the efficacy of prepayment in increasing net re-treatment rates; and d) the difference between charging full price for the ITNs and not charging for them.

A baseline household study was conducted in May and June 2007, wherein the authors randomly sampled BISWA households and collected a variety of household data, including expenditures, individual demographic profiles, health events and relevant costs, and blood samples to measure hemoglobin levels and to test for malaria. The number of pre-existing bednets, along with self-reported usage of those bednets, was also collected.

Mr Tarozzi et al randomly divided 141 villages served by BISWA into three categories: a) a control group, which was not eligible for any interventions; b) a "free" group, in which households were provided complimentary ITNs; and c) and a "microfinance" group, which was sold ITNs and re-treatment packages at unsubsidized prices.

In the "microfinance" group, participants could either pay in cash or borrow the money from BISWA. ITN borrowers were charged the standard BISWA annual interest rate of 20 percent, with a one-year term. Households from the final group were also given the option of prepaying the cost of two future re-treatments of the bednets, although they were also informed that survey personnel would visit the village after six months and one year, at which time the households could pay cash for the re-treatment.

As a first step, Mr Tarozzi et al wanted to test the uptake of ITNs and specifically the differences in usage between the free groups and microfinance groups. In the sample villages, the authors found that 52 percent of households purchased at least one ITN, with the vast majority choosing a BISWA loan contract as their method of payment. In these villages, the average purchase was 2.3 ITNs per household, versus 2.8 ITNs per household in the free distribution group. The authors concluded that the value placed on bednets is dependent upon "past exposure to malaria" and finds "earlier [bednet] usage perhaps associated with higher perceived benefit."

Self-reporting indicated that households in microfinance villages used ITNs more commonly than the control villages, but less frequently than free-distribution villages. In the microfinance villages, Mr Tarozzi et al found that many families used the new ITNs to replace their old, un-treated bednets, with an emphasis on providing higher quality coverage to younger members of the household.

By offering prepaid re-treatment plans, the experiment was designed to test the impact of "sunk-costs," in which prepayment may make households more likely to take advantage of a service in the future. Indeed, the authors found a "remarkable difference" between households in the villages that chose to purchase an ITN along with two prepaid re-treatments and those that waited to decide until representatives visited their village six months and one year later, finding a "very strong association between re-treatment rates and pre-commitment to re-treat." Because educational campaigns informed villagers of the importance of re-treatment, it is posited that the expense may have been too much to bear at the decision time.

Some of the problems associated with the study included a heavy reliance on self-reporting, which is prone to both misrepresentation and unintentional errors. Because the bednets were offered only at full cost, the price elasticity of demand was not captured.

In the analysis of health outcomes, the authors found no significant reduction in the incidence or prevalence of malaria infections. Despite stark differences across age groups and genders, there was no statistically significant decrease in malaria or anemia. Among the possible explanations are the timing of the baseline study (conducted during the dry season, when new infections are unlikely), measurement error from the blood tests and continued usage of older, untreated bednets. The inconclusive health outcomes are a concern for the broader field of malaria prevention, because ITNs have traditionally been seen as a very effective prophylactic.

In consideration of microcredit, the authors found that 49 percent of households repaid their loans in full, while approximately 20 percent made no progress toward repayment.

Mobile Financial Services Development Report 2011

Published by the World Economic Forum, 2011, 209 pages, available at: http://www.weforum.org/reports/mobile-financial-services-development-report-2011

This report assesses the development of the mobile financial services (MFS) ecosystem in 20 countries, identifying areas that might be addressed to build scale in MFS thus bringing more people into the formal economy. The report indicates that, despite high enthusiasm about the sector, the adoption of financial services such as credit, savings and microinsurance in these markets is nascent.

The report emphasizes that regulatory frameworks, consumer protection, market competitiveness and financial literacy can be used as indicators of "readiness" for the long-term development of MFS. Also, a thoroughly developed agent network can be crucial to achieving scale.

Deposit Assessment in South Asia

By MicroSave, published by the International Finance Corporation, March and May 2011, available at: http://www.ifc.org/ifcext/globalfm.nsf/Content/Deposit+Assessment+in+South+Asia1

This set of four country-specific studies aims to improve the understanding of the demand and supply of savings products for low-income individuals in Bangladesh, India, Nepal and Sri Lanka. The reports also underline the regulatory and operational difficulties faced by financial institutions and mobile banking platforms operating in the space.