

MICROCAPITAL BRIEFS | TOP STORIES

MicroCred Group Receives Investments of \$31m, Mostly for China

MicroCred Group, a unit of French NGO PlaNet Finance with total assets equivalent to USD 103 million, recently announced two capital increases. SNS Institutional Microfinance Fund and AXA Belgium invested a total equivalent to USD 10.2 million. A second raise of USD 20.9 million is specifically directed to finance the development of MicroCred Nanchong and to launch MicroCred Sichuan, MicroCred's subsidiaries in China. These funds were raised with participation from all of MicroCred's shareholders including Agence Francaise du Developpement, European Investment Bank, PlaNet Finance, KfW Entwicklungsbank and International Finance Corporation. March 17. 2011

BASIX Negotiating \$166m Loan from Consortium of Banks

BASIX Group, a for-profit microfinance institution in India, is reportedly involved in negotiations with a consortium led by the Small Industries Development Bank of India to borrow the equivalent of USD 166 million. The investors also include the Reserve Bank of India and four private banks: Housing Development Finance Corporation, ICICI Bank Limited, Axis Bank and IndusInd Bank. USD 100 million of the proceeds would be earmarked to retire existing debt. BASIX reports assets of USD 302 million, 1.1 million borrowers, return on assets of 3.1 percent and return on equity of 23 percent. March 14. 2011

Crowd of 20,000 Protests Yunus Firing, US State Department Expresses "Concern"

Following a ruling by the Bangladesh High Court backing the efforts of Bangladesh Bank, the central bank of Bangladesh, to remove Nobel laureate Dr Muhammad Yunus from his position as managing director of Grameen Bank, a crowd of 20,000 convened in protest and support flowed in favor of Dr Yunus from a range of sources including US Secretary of State Hillary Clinton and nonprofit CGAP (Consultative Group to Assist the Poor). The central bank charges 70-year-old Dr Yunus with having taken office improperly and with holding office past the legal retirement age of 60. Some observers argue that the political leadership of Bangladesh has conspired against Dr Yunus since he made preliminary moves toward forming a political party in 2007. March 2, March 8 and March 14. 2011

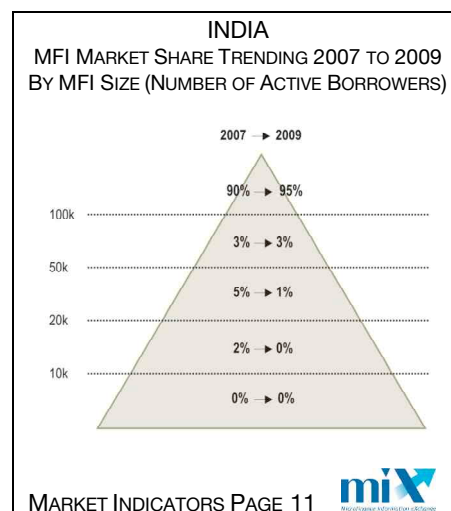
IDB Syndicates \$40m Loan to Banco Continental of Paraguay

The Inter-American Development Bank (IDB), a US-based multilateral finance institution, recently syndicated a USD 40 million loan to Banco Continental, a commercial bank in Paraguay, to fund loans to small and medium-sized enterprises. IDB has pledged a five-year "A" loan of USD 25 million from its own resources and will act as administrative agent for the "B" loan, which will comprise two tranches: a three-year loan of USD 5 million from the Dexia Micro-Credit Fund, a microfinance investment vehicle managed by BlueOrchard Finance; and USD 10 million funded by responsAbility Social Investments of Switzerland, as was announced in the January issue of this newspaper. In 2009, Banco Continental reported a gross loan portfolio equivalent to USD 1 billion. March 3. 2011

Advans SA Launches \$4.7m Microbank in Tanzania

Advans SA, a Luxembourg-based microfinance investment vehicle, recently announced the launch of Advans Bank Tanzania, plans for which were reported in the November 2010 issue of this newspaper. The institution offers savings, domestic transfers and local-currency loans to small and medium-sized enterprises. With initial capital equivalent to USD 4.7 million, Advans Bank Tanzania plans to grow from its current staff of 18 to 41 employees, with a second branch slated to open in December. Including data from the microbanks it controls in the Democratic Republic of the Congo, Ghana and Cameroon, Advans SA reports a loan portfolio of USD 75 million and 245,000 clients. February 28. 2011

| INSIDE | Page |
|---------------------------------|-----------|
| MicroCapital Briefs | 2 |
| Microfinance news | |
| Field Notes | 10 |
| Sex, Money and Microfinance... | |
| Market Indicators | 11 |
| Courtesy of the MIX | |
| Upcoming Events | 12 |
| Industry conferences | |
| Paper Wrap-ups | 13 |
| Latest research and reports | |
| Subscribe to the Monitor | 15 |



MICROCAPITAL BRIEFS

EBRD Loans \$89m in Moldova and Serbia for MSMEs

The European Bank for Reconstruction and Development, a multilateral finance institution based in London, has announced its disbursement of the following loans intended to increase access to finance for micro-, small and medium-sized enterprises: a synthetic, local-currency loan worth USD 5 million to ProCredit Bank Moldova, a unit of Germany's ProCredit Holding with USD 47 million in assets, and the euro-equivalent of USD 84 million as credit line to UniCredit Bank Serbia, a member of Italy's UniCredit Group reporting a loan portfolio of USD 1.2 billion. March 17, 2011

Oikocredit Announces 2010 Financial and Social Returns

Oikocredit, a Dutch ecumenical cooperative institution, has announced its 2010 financial and social results, which include serving 43,000 investors, supporting 592 microfinance investees and growing its development finance portfolio 22 percent to the equivalent of USD 673 million. Two-thirds of Oikocredit's investees report social performance metrics, which indicate that, of 20 million borrowers, 86 percent are female and 44 percent are in rural areas. March 17, 2011

Canada's O'Brian Foundation Pledges \$257k to Riskebiz

The Michael O'Brian Family Foundation of Canada recently pledged the equivalent of USD 257,000 to the Riskebiz Microfinance Fund, also of Canada. Riskebiz provides capital and technical assistance to tier-2 and tier-3 microfinance institutions, including support relating to management information systems and mobile money. Financial details on Riskebiz are not available. March 16, 2011

RMDC Offers Funding to Expand Microcredit in Rural Nepal

The Rural Microfinance Development Centre (RMDC), a Nepalese organization that lends on a wholesale basis in support of microfinance, is offering local microlenders seed loans up to the equivalent of USD 13,800 at an annual interest rate of two percent for those willing to work in remote areas. RMDC CEO Shankar Man Shrestha explains, "Since microfinance institutions have not been interested to go to the remote hilly districts due to high cost of fund[s], we are providing them low-cost fund[s] to go to the remote poor[s]." March 15, 2011

Indian Budget May Include \$22m for Equity Fund

A draft budget under consideration by the Indian government includes a partnership with the government-owned Small Industries Development Bank of India to allocate the equivalent of USD 22 million to establish the India Microfinance Equity Fund to provide "equity to smaller microfinance institutions [to] help them maintain growth and achieve scale and efficiency in operations," according to a quote attributed to Finance Minister Shri Mukherjee. The draft also includes a mandate to deliver banking services to all 73,000 habitations nationwide with a population of 2,000 or more. March 15, 2011

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Philippines May Curtail Microlending Directly from Government

The Philippine government has indicated that it will cease lending directly to poor people, a practice it resumed after a hiatus that ended in 2006. President Benigno Aquino III was quoted as saying that the government must "make sure that microcredit will not be used as a tool for political patronage." Joselito S Almario, Executive Director of the government's National Credit Council, reportedly cited a need for a better legal framework to govern the microfinance sector and for the government to focus on creating a better environment for economic activity in rural areas. March 15, 2011

Philippine PCFC Aims to Disburse \$47m via 170 MFIs

Despite the above news, the People's Credit and Finance Corporation, a government entity in the Philippines that provides resources to retail microfinance institutions (MFIs), recently announced plans to reach 3.2 million active microfinance clients, establish partnerships with 170 MFIs and issue the equivalent of USD 47.1 million in new loans by the end of the year. The effort includes the expansion of acceptable loan purposes to include education, emergency expenses, remittance-linked facilities and loans to pay health insurance premiums. March 15, 2011

ACCION Issues \$1.5m in Guarantees to India's Swadhaar, Saija

ACCION International, a US-based nonprofit with microfinance operations in 23 countries, recently issued letters of credit to two Indian MFIs to assist them in securing local-currency loans. ACCION issued a USD 1 million guarantee for Swadhaar FinServe Private Limited to underwrite a 24-month loan from India's Ratnakar Bank worth USD 1.11 million. ACCION also issued a USD 500,000 letter of credit for Saija Finance Private Limited to secure a 35-month loan worth USD 663,000 from the State Bank of India. In 2009, Swadhaar reported assets of USD 6.3 million, a gross loan portfolio of USD 4.4 million and 27,400 active borrowers. In 2009, Saija reported a gross loan portfolio equivalent to USD 257,000 and 2,900 borrowers. March 15, 2011

Indian MFI Network Launching Credit Bureau

India's Microfinance Institutions Network is collaborating with High Mark Credit Information Services, an Indian credit reporting agency, to launch a tracking system to share client data among its members. In preparation for an April launch, the microlenders have reportedly submitted data on 28 million loan accounts. March 15, 2011

MIX Reaffirms Position Against Yunus's Interest Rate "Red Zone"

The US-based nonprofit Microfinance Information Exchange (MIX) recently updated its argument against the microcredit interest rate cap of 10 to 15 percentage points over cost of funds proposed by Nobel laureate Dr Muhammad Yunus. A review of data from 1,020 microlenders indicates that three of four lenders fall into the "red zone," above 15 percent; most MFIs that have lower average loan sizes (suggesting that they reach poorer clients) are categorized in the red zone, and institutions in this range are more likely to be NGOs than for-profits. MIX argues that rather than cutting profits, increased efficiency in operations is needed to bring down interest rates. March 15, 2011

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Editor Bob Summers

Writers Jacqueline Foelster, John Howard-Smith, Julie Moksim,
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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!

Tanzania Announces Fund for Affordable Housing

The government of Tanzania recently announced plans to launch a housing microfinance fund of undisclosed size to provide affordable housing options to low-income individuals with the aim of reducing the number of slums and addressing the shortage of housing in Dar es Salaam, Arusha and Mwanza. March 15, 2011

MFTransparency, GHAMFIN Push Transparent Pricing in Ghana

MFTransparency, a US-based nonprofit, and the 240-member Ghana Microfinance Institutions Network have partnered to expand MFTransparency's Transparent Pricing Initiative to Ghana with the aim of collecting and publishing pricing data for microfinance products and providing financial literacy training to microfinance clients in Ghana. March 15, 2011

Federal Microfinance Bill in India May Replace State Rules

While the government of the Indian state of Andhra Pradesh works to adjust its microfinance law "to ensure that MFIs [microfinance institutions] adhere to the existing stringent rules," the federal Ministry of Finance is reportedly looking to render moot all local regulation of microfinance with a bill that would also cap interest rates and prohibit MFIs from accepting deposits. March 14 and March 15, 2011

IFC Reports Village Phone Program Reaches 10,000 in Africa

International Finance Corporation, the private-sector investment arm of the World Bank Group, recently announced that its Village Phone Program has helped provide credit to approximately 6,000 women entrepreneurs and trained approximately 10,000 women to set up phone service businesses in Madagascar, Malawi and Nigeria. March 14, 2011

IFC Purchases \$48m Equity Stake in Philippine Rizal

International Finance Corporation, the private-sector investment arm of the World Bank Group, recently invested USD 48 million to acquire an undisclosed equity stake in Rizal Commercial Banking Corporation (RCBC), a Philippine commercial bank, with the intention of increasing lending to microborrowers and small and medium-sized enterprises. With the funding, RCBC also intends to expand into areas beyond Manila in an effort to provide credit for low-cost housing. In 2010, RCBC reported assets equivalent to USD 7.4 billion, return on assets of 1.47 percent and return on equity of 14.07 percent. March 14, 2011

Youth Enterprise Conference Issues Call for Proposals

The Global Youth Enterprise & Livelihoods Development Conference is accepting proposals through April 15 to lead sessions at the event, which will begin September 7 in Washington, DC. March 11, 2011

IFC, Austria, Japan Help Train Bankers in Georgia to Serve SMEs

With support from the governments of Austria and Japan, the International Finance Corporation, a member of the World Bank Group, is training bankers in Georgia to better serve small and medium-sized enterprises. The program, which has previously been presented in many poor countries, covers market segmentation, product design, credit risk management and information systems. March 11, 2011

Mexico's Financiera Independencia Acquires California's Apoyo

Financiera Independencia, a Mexican microfinance institution (MFI), recently announced the closure of its acquisition of 77 percent of the shares of Apoyo Financiero Incorporated, an MFI that operates in the US State of California. The deal, plans for which were announced in the January issue of this newspaper, reportedly increases Independencia's loan portfolio by the equivalent of USD 2.6 million. As of 2009, Financiera reported a gross loan portfolio of USD 368 million, approximately 1.2 million borrowers, return on assets of 8.7 percent and return on equity of 30.3 percent. March 10, 2011

Hope Goes Mobile with Splash, Kopo Kopo in Sierra Leone

Hope Micro, a microbank in Sierra Leone, has partnered with Splash Mobile Money, a local mobile payments platform, and Kopo Kopo, a US-based mobile money integrator, to bring mobile financial services to its 16,000 microfinance customers. As of 2010, Splash Mobile Money has 150 outlets and 50,000 customers. March 9, 2011

responsAbility Loans \$8m in Latin America

Swiss responsAbility Social Investments recently reported to MicroCapital that it has made the following loans from its Global Microfinance Fund: USD 4 million to Vision Banco, a microfinance institution (MFI) in Paraguay with USD 425 million in total assets; USD 2 million to COAC Esperanza y Progreso Del Valle, an MFI in Ecuador that reported USD 389,000 in total assets as of 2007; the local-currency equivalent of USD 1.49 million to Forjadores de Negocios, an MFI in Mexico reporting USD 7.89 million in total assets; the local-currency equivalent of USD 518,000 to Corporacion Narino Empresa y Futuro, a Colombian MFI reporting a gross loan portfolio of USD 14.7 million; and USD 250,000 to Fundación Alternativa, an MFI in Ecuador reporting total assets of USD 6.48 million. March 9, 2011

Philippine Cooperatives Mull CLIMBS Weather-index Insurance

Eighty cooperatives in the Philippines have reportedly expressed interest in purchasing weather-index microinsurance from Coop Life Insurance & Mutual Benefit Services (CLIMBS) that pays out if wind or rainfall exceeds a predefined trigger point. The offering is made possible by a partnership among CLIMBS, which is owned by approximately 1,000 cooperative institutions in the Philippines; Munich Re, a German reinsurance company; and German development agency GIZ, which encompasses the former GTZ. March 8, 2011

EFSE Lends \$5m to Minsk Transit Bank of Belarus

Finance in Motion, a German asset management firm, recently reported to MicroCapital that the European Fund for Southeast Europe (EFSE), a microfinance institution investment fund that it advises, has loaned USD 5 million to Minsk Transit Bank of Belarus. While little information is available on Minsk Transit, EFSE is dedicated to supporting the provision of financial services to low-income households and micro- and small enterprises. March 8, 2011

New Foreign Aid Delivery Channels May Boost Access to Finance

A report from the US-based New America Foundation indicates that mobile technology, such as biometric identification tools and point-of-sale devices, are being considered as alternatives to traditional foreign aid delivery mechanisms. The possible shift toward electronic transfers of foreign aid directly to poor people comes at a time of rising concern regarding the susceptibility of traditional foreign aid to corruption and other problems. While such a system might be difficult to implement, it has the potential to greatly expand the use of mobile technology by poor people. March 8, 2011

EBRD to Push Energy Efficiency for SMEs in Bulgaria, Moldova

The European Bank for Reconstruction and Development (EBRD), a development finance institution headquartered in London, recently agreed to support the design and implementation of a Bulgarian fund, worth the equivalent of USD 277 million, to provide grants, loans and technical assistance to small and medium-sized enterprises that aim to lessen their environmental impact. EBRD has also lent the euro-equivalent of USD 9.7 million to BCR Chisinau, a Moldovan commercial bank, as part of a nationwide effort worth USD 27 million, to enable BCR Chisinau to lend to private companies to undertake energy-efficient investments and thus access incentives of up to 20 percent offered by the EU. BCR Chisinau reports share capital equivalent to USD 45.9 million and 12,000 customers. March 8, 2011

Southeast Asian MFIs Borrow \$3m from responsAbility

Swiss responsAbility Social Investments has reported to MicroCapital that it has made the following loans to Cambodian microfinance institutions (MFIs): USD 1 million to Amret, which reports total assets of USD 71.4 million; USD 1 million to Sathapana, which reports assets of USD 43.5 million; and the local-currency equivalent of USD 500,000 to TPC, which has assets of USD 28.3 million. responsAbility also disbursed local-currency loans equivalent to USD 305,000 to Koperasi Mitra Dhuafa (Komida), an Indonesian MFI, and USD 250,000 to Gata Daku, a cooperative in the Philippines. March 8. 2011

Nepalese Insurance Board to Define Microinsurance

Beema Samiti, the insurance regulatory authority of Nepal, recently instituted a taskforce intended to define microinsurance products and identify channels for increasing the delivery of these products to rural and low income-households. March 8. 2011

Nigeria's Classic Ordered to Sell Assets to Repay Depositors

Under the purview of the Nigeria Deposit Insurance Corporation, Classic Microfinance has reportedly been forced to sell off assets such as vehicles, furniture and fans to repay its former depositors. One of the buyers was quoted as saying that, in addition to repaying depositors, "officials involved in the collapse of the banks must be brought to book." March 7. 2011

Vijay Mahajan of BASIX on 75-Day Journey to Learn from Poor

Amidst criticism that his organization charges its 1.1 million borrowers unreasonably high interest rates, Chairman Vijay Mahajan of for-profit microfinance institution BASIX has embarked on a 75-day journey across 12 Indian states to obtain feedback from poor people on the effect of microfinance on their lives. March 7. 2011

CBN Directs Nigerian MFIs to Use Contractors, Technology

As concerns persist regarding the state of microfinance banks (MFBs) in Nigeria, the Central Bank of Nigeria reportedly has mandated that by June MFBs adopt an unspecified level of information technology infrastructure and begin utilizing contractors that provide services such as cash processing and currency sorting for multiple banks. Also, CBN Deputy Director Dr Kingsley Moghalu reportedly indicated that a new microfinance policy framework is forthcoming, aimed at educating MFB operators on the microfinance concept, maintaining adequate capital reserves and the importance of hiring adequately trained employees. March 7. 2011

MFIs in Tajikistan Borrow \$4.7m from responsAbility

Swiss responsAbility Social Investments recently reported to MicroCapital that it made the following loans from funds it manages to microfinance institutions in Tajikistan: USD 2.5 million to Bank Eskhata, which reports total assets of USD 67.5 million; USD 1 million to FINCA Tajikistan, a subsidiary of FINCA International with total assets of USD 10.5 million; USD 700,000 to Oxus Microfinance Tajikistan, an affiliate of the French Agency for Technical Cooperation and Development that reports total assets of USD 6.9 million; and USD 500,000 to Arvand, a provider of microcredit, microleasing and deposit services with total assets of USD 5.3 million. March 7. 2011

Eagle Flight Mistakenly Included on List of Failed Nigerian MFBs

Reports indicate that Eagle Flight Microfinance Bank was mistakenly identified by the Central Bank of Nigeria as having lost its operating license. In an effort to restore confidence in the bank, which reports the equivalent of USD 6.4 million in share capital, Eagle Flight hosted a party during which gifts including vehicles and plasma televisions were given to clients. March 4. 2011



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IFC, Netherlands Partner to Develop South Sudan Private Sector

The government of South Sudan and the International Finance Corporation, the private investment arm of the World Bank Group, recently launched a program to develop the private sector in South Sudan, which is to become an independent state on July 9. The focus of the program, which has funding of USD 9 million primarily from the governments of South Sudan and the Netherlands, consists of attracting new investment, developing small and medium-sized enterprises and improving access to financial services, including leasing and mobile banking. March 4, 2011

UAP, Syngenta, Safaricom Offer Crop Microinsurance

Kenya's UAP Insurance Limited, Swiss nonprofit Syngenta Foundation for Sustainable Agriculture and Kenyan mobile operator Safaricom recently expanded their Kilimo Salama crop insurance program from covering farm inputs to covering the expected harvest value. If any of 30 weather stations reports extreme conditions such as drought or excessive rains, farmers in the affected areas receive payouts from the program via Safaricom's M-Pesa mobile money transfer service. The expanded program, Kilimo Salama Plus, is slated to reach 50,000 farmers this year. March 3, 2011

IFC to Advise Amerika Financiera on Serving Peruvian SMEs

The International Finance Corporation, a member of the World Bank Group, recently partnered with Amerika Financiera, a Peruvian finance organization that specializes in leasing services for small and medium-sized enterprises, to develop and implement new trade financing products. Amerika reports an outstanding loan portfolio equivalent to USD 136 million. March 3, 2011

US-based Nuru Offers Savings in Rural Kenya via M-Pesa

Nuru International, a US-based outfit that offers clean water, food, healthcare, education and microfinance services in the Kuria district of Kenya, recently began using the M-Pesa money transfer service to transfer funds to and from its clients. Vivian Lu, community economic development program manager for Nuru, explains: "one of the biggest problems we face when it comes to finance...is how to disburse loans and payments to our farmers...robbery and theft are real concerns." Nuru reports USD 1.31 million in annual revenues. March 2, 2011

EBRD, Crédit Agricole Serbia to Loan Against Warehouse Receipts

The European Bank for Reconstruction and Development (EBRD), a UK-based development finance institution, and Crédit Agricole Serbia, a subsidiary of French financial institution Crédit Agricole, have partnered to accept warehouse receipts as collateral for loans totaling the euro-equivalent of USD 27 million to agribusinesses in Serbia. The effort is supported by technical assistance grants from EBRD's Shareholder Special Fund, UN's Food and Agricultural Organization and US Agency for International Development. March 1, 2011

**Thailand's Government Housing Bank Downscaling Mortgages**

The Government Housing Bank (GHB) of Thailand has announced a plan to streamline its operations in order to improve access to mortgages for low-income households. Facing increased competition from commercial banks, GHB intends to cut costs, expand rural parts of its branches network and partner with private banks to reach the estimated 2.3 million households in Thailand that have the potential to purchase their own homes. March 1, 2011

Manulife Philippines to Downscale Insurance Offerings

The Philippine arm of Canada's Manulife Financial recently announced that it will offer life and accident insurance to low-income Philippine households with distribution handled by NGOs and possibly stores and post offices. In 2010, Manulife Philippines reported income from (macro-)insurance premiums equivalent to USD 112 million, up 40 percent from 2009. Manulife Financial currently runs a microinsurance business in Vietnam that is said to be profitable. March 1, 2011

Commercial Banks Look to Serve SMEs in Honduras

Since the enactment of the Secured Transaction Law in 2010, which allows non-real estate property in Honduras to be used as collateral for loans, local commercial banks have expressed increasing interest in lending to small and medium-sized enterprises, according to a report from Honduran newspaper *Impulso Microempresarial*. March 1, 2011

Royal Exchange MFB of Nigeria Co-branching with Fidelity Bank

Royal Exchange Microfinance Bank of Nigeria recently partnered with Fidelity Bank, a Nigerian commercial bank, to enable its customers to access financial services through Fidelity's automated teller machines and branch locations. March 1, 2011

Japan Fund Grants \$1.9m for Cambodia's MSEs

The Japan Fund for Poverty Reduction, which was established by the Japanese government and is administered by the Asian Development Bank (ADB), recently donated USD 1.9 million to help entrepreneurs in Kampong Thom, Cambodia, develop micro- and small businesses in advance of the completion of an ADB-funded road project that is expected to increase the number of visitors to the area. March 1, 2011

Report: Philippine Banks Strong in Rural Areas, Technology

A report from the *Malaya Business Insight*, a Philippine newspaper, cites an unspecified study on the domestic banking sector from the Bangko Sentral ng Pilipinas, the central bank of the Philippines, indicating that five or more banking offices exist in every municipality, there is a banking office for every 10,700 people and 207 microfinance banks exist nationwide. Also, Philippine-owned banks are said to offer 56 automatic teller machines compared with seven offered by foreign banks, and 20 local banks offer mobile and internet transactions versus three foreign banks offering the same. March 1, 2011

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Developing World Markets to Manage Daiwa Fund

Since it was covered in the February issue of this newspaper, more details have become available on the microfinance investment fund launched by Japan's Daiwa Securities Group, which will accept investments as small as JPY 1,000 (USD 12). The fund, which is managed by US-based Developing World Markets, has so far raised USD 236 million. March 1. 2011

Thailand Launches \$321m Community Banking Program

As part of a five-year financial sector plan, Thailand's Ministry of Finance and the central Bank of Thailand have launched a community banking program aimed at rural areas. The initiative will establish banks that are partly owned and run by community members with financial support provided by state-owned banks. Personal guarantees will serve as loan collateral. The government-owned Bank for Agriculture and Agricultural Cooperatives has budgeted the equivalent of USD 192 million to train staff for the effort and USD 129 million for loans ranging up to USD 1,600 each for 300,000 farmers. March 1. 2011

responsAbility Loans \$2m to MicroCred Senegal, Jordan's MEMCC

responsAbility Social Investments of Switzerland recently reported to MicroCapital that it disbursed local-currency loans totaling the equivalent of USD 1.4 million from funds it manages to Jordan's Middle East Micro Credit Company, which reports a gross loan portfolio of USD 17 million and approximately 8,800 borrowers. responsAbility also loaned the equivalent of USD 681,000 to MicroCred Senegal, a subsidiary of MicroCred Group that is a member of French nonprofit PlaNet Finance and also operates microbanks in Madagascar, China, Nigeria and Cote d'Ivoire. MicroCred Senegal reports total assets of USD 13.7 million, a gross loan portfolio of USD 9.9 million, approximately 11,600 borrowers, return on assets of -14.3 percent and return on equity of -92.1 percent. February 28. 2011

India's Grameen Koota Raises \$7m through NCDs

Grameen Koota, a division of Grameen Financial Services Private Limited, has raised the local-currency equivalent of USD 7.7 million through the issuance of secured, redeemable, nonconvertible debentures to Developing World Markets, a US-based asset manager and investment bank. Grameen Koota Managing Director Suresh Krishna calls the transaction, which was structured by India's Unitus Capital, a "great milestone" given the current credit squeeze in Indian microfinance. Grameen Koota reports total assets of USD 68.1 million, a gross loan portfolio of USD 52.1 million, return on assets of 0.40 percent and return on equity of 2.56 percent. February 28. 2011

MIX Showcases Social Data, Releases 11 Indicators with SPTF

The nonprofit Microfinance Information Exchange (MIX) has upgraded its MIX Market website to offer social performance data on microfinance institutions (MFIs) directly in each MFI profile. In collaboration with the Social Performance Task Force, which consists of 850 microfinance professionals, MIX also identified the following 11 indicators of the social performance of MFIs: mission and social goals, governance, range of products and services, client outreach by lending methodology, client retention, social responsibility to clients, transparency of client pricing, human resources and staff incentives, employment creation and enterprises financed, environmental responsibility, and poverty outreach. February 28. 2011

Rwandan Police Blamed for Delay in Recovery of Microloans

A government taskforce in Rwanda has reportedly blamed the national police force for delays in the recovery of the equivalent of USD 12 million from delinquent microfinance borrowers. March 21 has been set as a deadline for microlenders to provide lists of defaulters "for legal pursuit." Police are also reportedly investigating 100 cases of embezzlement by microbank staff that have resulted in losses totaling USD 132,000. February 28. 2011

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IDB Syndicates \$9m Loan to COAC Jardin Azuayo of Ecuador

The Inter-American Development Bank (IDB), a US-based development finance organization, recently announced that it has syndicated a USD 9 million loan to Cooperativa de Ahorro y Crédito, Jardin Azuayo, a savings and credit cooperative in Ecuador. USD 3 million of the loan has been funded by IDB, with an equal amount from Dutch cooperative investment fund Oikocredit, USD 2 million from Belgian investment manager Incofin and USD 1 million from private US nonprofit Calvert Foundation. The loan will fund investments by Jardin Azuayo in local organizations and municipalities to improve “social infrastructure” such as public schools, roads, water treatment systems, marketplaces and parks. As of 2010, Jardin Azuayo reports assets of USD 181 million, a gross loan portfolio of USD 155 million, return on assets of 2.7 percent and return on equity of 19 percent. February 28, 2011

ACCION Microfinanças Begins Disbursing Microloans in Brazil

ACCION Microfinanças, the Brazilian subsidiary of US-based nonprofit ACCION International, recently disbursed its first loan. The Multilateral Investment Fund, a member of the Inter-American Development Bank group, holds an 18.1-percent stake in ACCION Microfinanças, with a total of less than 10 percent held by several private investors. As of 2009, ACCION International’s network reports 3.3 million active clients served and a gross loan portfolio of USD 31.8 billion. February 28, 2011

Asian MFIs Borrow \$2.9m from responsAbility

responsAbility Social Investments of Switzerland recently reported to MicroCapital that its Microfinance Leaders Fund disbursed a loan of USD 862,000 to CREDIT, a Cambodian microfinance institution (MFI) reporting total assets of USD 24.5 million. The responsAbility Global Microfinance Fund disbursed the following loans: USD 287,000 to CREDIT; USD 1 million to Cambodian MFI Sathapana Limited, which reports total assets of USD 43.5 million; USD 500,000 to Tajikistan’s HUMO and Partners, an MFI with total assets of USD 6.2 million; and the local-currency equivalent of USD 300,000 to Community Economic Ventures Incorporated, an MFI in the Philippines with total assets of USD 3.7 million. February 25, 2011

Vikram Akula of SKS Foresees Consolidation

Vikram Akula, chairman of Indian for-profit microlender SKS Microfinance, has reportedly stated that the recommendations released by the “Malegam Committee” of the Reserve Bank of India would give a boost to the microfinance sector by encouraging bank lending to microfinance institutions. Mr Akula added that the proposed microloan interest rate cap of 24 percent would not impact SKS but would push smaller institutions, that have not achieved efficiencies of scale, toward consolidation. On the Livemint website, researcher MS Sriram panned as too restrictive the proposed caps on rates, loan sizes (equivalent to USD 548), microborrower annual income (USD 1,090) and markup over borrowing cost (10 percent). February 22 and February 25, 2011

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- Received €1.9m in new funding from AECID/ICO and a private investor
- Disbursed \$14.8m as 31,438 microloans averaging \$469 and
- Maintained a “new portfolio” PAR 30 of 1.67%

<http://www.fundeser.org.ni>

responsAbility Loans \$5.8m in Ecuador, Peru, El Salvador

responsAbility Social Investments, an investment company based in Switzerland, recently reported to MicroCapital that it has made the following loans from its Global Microfinance Fund: USD 3 million to Banco Solidario, an Ecuadorian microlender with total assets of USD 298 million; USD 500,000 to Fundación de Apoyo Comunitario y Social del Ecuador, which reports total assets of USD 3 million; the local-currency equivalent of USD 1.8 million to Edpyme Alternativa, a Peruvian non-banking financial institution (NBFI) with total assets of USD 30 million; and USD 500,000 to Apoyo Integral, a Salvadoran NBFI reporting total assets of USD 66.5 million. February 25, 2011

Mexico’s Compartamos Sees Flat Profit, 33% Staffing Increase

Banco Compartamos, a Mexican microfinance bank established in 1990, reported a net profit equivalent to USD 41.6 million for the fourth quarter of 2010, compared with USD 42.5 million for the same quarter of 2009. The company attributed the flat results to an increase in hiring, as Compartamos increased its staffing by 33 percent during the year to 9,770. During the year, Compartamos began offering microinsurance, home-improvement loans and debit cards. February 25, 2011

Indian Bank Aims for 60 Microfinance Branches by March 2012

Government-owned Indian Bank recently announced plans to expand its microfinance branch network from 32 to 60 by March 2012. These branches cater specifically to rural self-help groups, wherein individuals take joint responsibility for one another’s loans. Indian Bank Chief Marketing Director T M Bhasin claims that the bank’s microfinance initiative has achieved a loan recovery rate of 99.5 percent since its launch in 2007. Loan sizes range from the equivalent of USD 1,300 to USD 27,000 per group. As of March 2010, Indian Bank reports total assets of USD 20 billion. February 24, 2011

NMB of Tanzania Loans \$105m to 354 Coffee Farming Groups

Tanzania’s National Microfinance Bank (NMB) recently loaned the equivalent of USD 105 million to 354 coffee farming cooperatives in Tanzania as part of Kilimo Kwanza, a nationwide effort to revamp the country’s agricultural sector. Although the loans will be used for operating costs, farmers argue that an extension of the repayment period from one year to three years will help them to invest in productive farming technologies. NMB also reported that its total assets rose during 2010 by 26 percent to the equivalent of USD 1.47 billion. Dutch Rabobank owns a 34.9-percent stake in NMB, and the Tanzanian government owns a 30-percent stake. February 17 and February 24, 2011

Mozambique’s BCI, IFC Support Female Entrepreneurs

The International Finance Corporation, a member of the World Bank Group, recently conveyed its two-weeks Business Edge management training program to 50 female entrepreneurs in Mozambique, who were then connected to financing from Banco Comercial e de Investimentos, a local commercial bank. February 24, 2011

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Microfinance Center Launches Social Performance Start-up Fund

The Microfinance Center for Central and Eastern Europe and the New Independent States, a network of 110 microbanks, has announced that in May it will launch the Social Performance Start-up Fund to provide technical and financial assistance to microfinance associations to address social performance. The fund, which is of unspecified size, is sponsored by the US-based Ford Foundation. February 24. 2011

Industry Players Mixed on \$250m Guarantee Fund

The USD 250 million Asian Development Bank initiative to offer guarantees to banks that loan to Asian and Pacific microlenders, which was announced in the January issue of this newspaper, has received mixed reviews from industry players. While enjoying the support of President Vijay Mahajan of India's Microfinance Institutions Network, CEO Vineet Rai of Aavishkaar India Micro Venture Capital Fund argues that the facility's fee structure would make it unviable if the interest rate cap of 24 percent recently proposed by the Reserve Bank of India is adopted. February 24. 2011

Tokio Marine Middle East Eyes Egypt Shake-up as Opportunity

Chief Executive Ajmal Bhatti of Tokio Marine Middle East, a provider of Islamic insurance, reportedly argued that the recent political turmoil in Egypt will increase demand for financial protection there. The division of Japan's Tokio Marine and Nichido Fire Insurance Company is looking into offering micro-takaful in conjunction with microloans offered by other entities, whereby a portion of the credit extended pays for insurance coverage for death, disability, accidents and losses to crops and livestock. In 2010, Tokio Marine estimated that the annual premiums generated from its operations in Egypt would reach USD 3.5 million for the fiscal year ending June 2011. February 24. 2011

MFTransparency Engages 15 Ugandan MFIs

In partnership with the Association of Microfinance Institutions of Uganda, US-based nonprofit MFTransparency has brought its Transparent Pricing Initiative to Uganda, with nine microlenders participating to date plus six now submitting data. February 23. 2011

BBVA Microfinance Appoints Montolo in Puerto Rico

The Corporación para las Microfinanzas Puerto Rico, a microfinance institution controlled by the Banco Bilbao Vizcaya Argentaria (BBVA) Foundation, recently appointed Annette M Montolo as its new president. The other five MFIs run by BBVA Foundation, all of which are in Latin America, report aggregate loans outstanding of USD 450 million and 630,000 borrowers. February 22. 2011

Smart Campaign to Certify MFI Client Protection Efforts

The Smart Campaign, an initiative to improve accountability regarding microfinance client protection, recently announced a plan to launch a certification process by the end of 2011 that will enable microlenders to verify their commitment to its "Client Protection Principles" through third-party reviewers. The campaign is part of the US-based Center for Financial Inclusion of ACCION International. February 22. 2011

Indian Banks Remain Wary; MFIs Look Outside Andhra Pradesh

Since the Indian state of Andhra Pradesh passed its Micro Finance (Regulation of Money Lending) Act, many microlenders are reportedly considering shifting their operations to other states. Since the law was enacted late last year in response to complaints of high interest rates and coercive loan recovery practices, commercial banks have cut funding to MFIs, and the banks continue to restrict lending despite encouragement to the contrary from the Reserve Bank of India, India's central banking authority, including the relaxation of asset classification rules for bank loans to the sector. February 22. 2011

Freedom from Hunger Health Work Hits Peru, Vietnam, Cambodia

US-based nonprofit Freedom from Hunger recently announced that, having completed its four-year Microfinance and Health Protection pilot initiative in 2009, which added health protection services to the financial offerings of five microfinance institutions (MFIs), it is now working with those MFIs to provide technical assistance to six additional MFIs to replicate the program: Village Welfare Society, KAS Foundation and Gram Utthan of India; VisionFund Cambodia; TYM Fund of Vietnam; and FINCA Peru. February 21. 2011

Salary of \$1.6m for SHARE Microfin's Kumar Exceeds Legal Limit

Udaia Kumar, the managing director of SHARE Microfin Limited, a non-banking financial institution in India, reportedly was paid the equivalent of USD 1.6 million for the last fiscal year, an amount that exceeds the maximum 5 percent of net profit that may be paid to a director without government permission. SHARE Microfin reports total assets of USD 576 million, a gross loan portfolio of USD 376 million, approximately 2.4 million borrowers, return on assets of 5.5 percent and return on equity of 45.1 percent. February 21. 2011

responsAbility Parks \$11m with UTI for Indian MFIs

responsAbility Social Investments, a Swiss investment company, recently reported to MicroCapital it invested funds totaling approximately USD 11 million from three funds it manages in a money market fund via UTI Wealth Creator 4, a fund organized under the USD 15 billion UTI Asset Management Company of India. Because of Indian rules on foreign investment, such a move was required to preserve the option of investing the funds in Indian microlenders at a future date. February 21. 2011

East African Community Gets \$16m to Develop Financial Sector

The East African Community, an intergovernmental organization whose members include Kenya, Uganda, Tanzania, Rwanda and Burundi, recently announced that it received a USD 16 million grant from the World Bank, a multilateral development finance organization based in the US, for the first phase of its Financial Sector Development and Regionalization Project, which aims to improve financial inclusion, strengthen market participants, develop a regional bond market and coordinate financial regulation and infrastructure. February 18. 2011

Al Amal Bank of Yemen Wins Islamic Microfinance Challenge

Al Amal Bank, a microfinance bank in Yemen, will be awarded USD 104,000 as winner of the Islamic Microfinance Challenge 2010 for its proposal to test-run an Islamic leasing product that will be funded through the bank's Islamic investment product and break even by 2012. February 18. 2011

IFC to Help Maldives Establish Credit Bureau

The International Finance Corporation, the private-investment arm of the World Bank Group, recently announced that it is working with the Maldives Monetary Authority to set up a credit information bureau in the Maldives, with the intent of improving access to financial services for small and medium-sized enterprises. February 17. 2011

Nigeria Deposit Insurance Corp Struggles with Liquidated MFIs

The Nigeria Deposit Insurance Corporation (NDIC), an agency of the federal government of Nigeria that guarantees bank deposits, recently met with the directors of 19 liquidated microfinance institutions (MFIs) to discuss the repayment of deposits to their former customers. While NDIC has begun payouts to the customers of several failed MFIs, as was reported in the February issue of this newspaper, the 19 MFIs have yet to make their customers' deposit records available for this purpose. February 17. 2011

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FIELD NOTES

Sex, Money and Microfinance...Made You Look!

In celebration of women's history month, I set out to honor some of the female thought leaders who are driving industry dialogue about women in microfinance. I came up a bit short. Many of the early leading women in microfinance have left the industry, semi-retired or passed away; others are focused on issues that touch the gender space only tangentially. Other inspiring women are in the trenches with little time to think about the big picture. Still others play an important role in microfinance as clients, making up over 65 percent of the client base most recently reported by the Microfinance Information Exchange (MIX) as well as much of the low-salaried labor force that serves these clients. Yet we know very little about them. The MIX Market website offers only one indicator by which to assess the situation facing women clients. This year's *Banana Skins* report on risks in microfinance, which was sponsored by financial services giant Citi and nonprofit CGAP (Consultative Group to Assist the Poor), makes no mention of risks as they relate to women, despite the fact that many of the risks mentioned, including mission drift, have a direct impact on women, who are often poorer than men.

My colleague Jennifer Powers and I prepared a study in 2010 for the Inter-American Development Bank and Multilateral Investment Fund that indicated that women-owned businesses are typically 20 to 35 percent smaller and less profitable than those owned by men. The differential is due primarily to: 1) women entering low-skilled sectors that offer minimal returns; 2) women re-investing in the home, rather than the business; 3) poor access to financial services, such as savings and longer-term loans; and 4) limited training. Much of this was intuitive, but we put figures to the story and have been sharing the results vocally for a year.

But who is listening? Fortunately, many women; unfortunately, not many men. A few days ago, Jennifer and I discussed the paper in New

York City at an event co-sponsored by financial services conglomerate Morgan Stanley and the New York chapter of the nonprofit Women Advancing Microfinance (WAM-NY). Of the 50 or so people in the audience, only two were men.

Why is this imbalance important? Because more and more men are leading this space. It would be handy if they were equally informed and prepared to tackle gender issues as are women. I asked Sarah Leshner, Senior Investment analyst at BlueOrchard and outgoing WAM-NY co-chair, for her thoughts on engaging men in this space. Sarah notes that "men need to be part of the dialogue. If we rely only on women to champion these issues, we are doing ourselves a disservice." She believes that men, philosophically, might be less interested in the success of women in microfinance, but that a strategy for engaging men is to "show them the numbers." Ms Leshner recently looked to see whether there is a correlation between share of women clients and efficiency and 30-day portfolio-at-risk at the institutions in which BlueOrchard invests. "Given that we found a statistically significant correlation between microbanks that lend mostly to women and superior business performance, it seems that listening to women and tailoring microfinance products to their needs makes business sense."

I have been wondering: if women suddenly started *underperforming*, how would we get the attention needed to focus on their needs? Considering the publicity given in the last few weeks to Charlie Sheen and Silvio Berlusconi, maybe we need a series of events entitled "Sex, Money and Microfinance...Listening to Women."

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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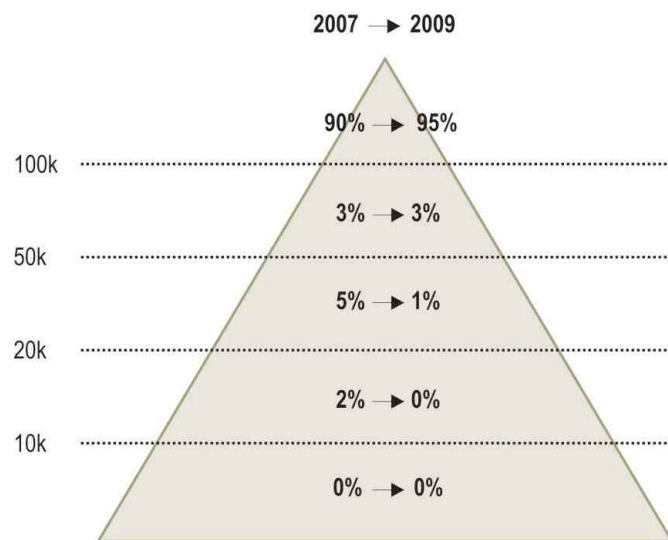
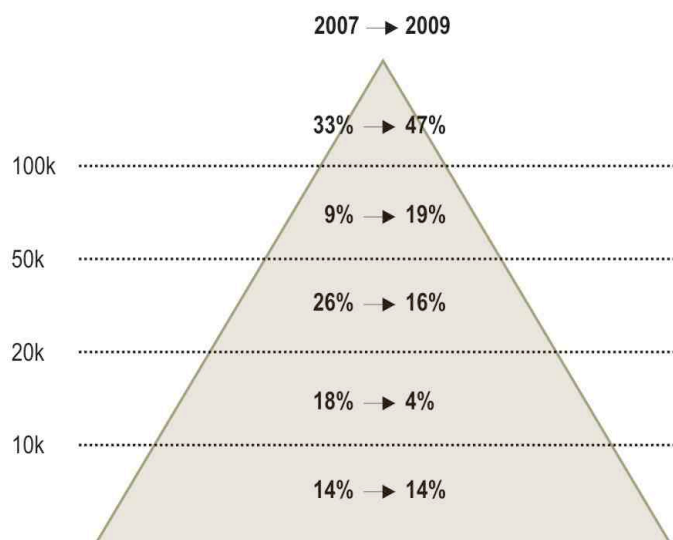
57 MFIs REPORTING¹

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

| MFI NAME | AVERAGE ANNUAL USD INCREASE | AVERAGE ANNUAL % INCREASE | 2007 | 2009 |
|---|--------------------------------|------------------------------|-------------|-------------|
| SKS Microfinance Private Limited | 349,553,810 | 92 | 261,686,368 | 960,793,988 |
| Spandana Sphoorty Innovative Financial Services Limited | 302,576,763 | 108 | 182,150,736 | 787,304,262 |
| Bandhan | 125,015,510 | 101 | 82,431,184 | 332,462,204 |
| Asmitha Microfin Limited | 115,895,505 | 94 | 83,648,776 | 315,439,786 |
| SHARE Microfin Limited | 112,464,201 | 58 | 151,664,960 | 376,593,362 |
| Equitas Micro Finance India | 65,214,252 | 468 | 4,168,870 | 134,597,374 |
| Bhartiya Samruddhi Finance Limited | 61,542,847 | 87 | 49,399,252 | 172,484,946 |
| Grama Vidiyal | 52,943,784 | 117 | 28,681,182 | 134,568,751 |
| Ujjivan Financial Services Private Limited | 36,669,064 | 201 | 9,109,012 | 82,447,140 |
| Grameen Koota | 26,418,036 | 89 | 20,584,356 | 73,420,428 |

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

UPCOMING EVENTS

Microfinance: A Development Tool or a Profit-Making Device?

March 21, 2011, Brussels, Belgium

The event will cover the effects of the global economic downturn on the microfinance sector, the impact of microfinance on economic development, social performance, delivery methods and the role of technical assistance. The registration fee is EUR 300, with discounts available for students and nonprofit staff. More details are available from Marlene Biard at conferences@planetfinance.org or +33 1 49 21 26 26, or you may visit <http://www.planetfinanceconferences.org/>.

MMT Americas 2011

March 21 - March 24, 2011, Sao Paulo, Brazil

The primary, two-day portion of this conference covers mobile money trends in Latin America, analyzing business models for mobile banking and case studies on launching mobile banking in Colombia and Peru. The fee to attend is USD 1,699 plus USD 600 each for the pre- and post-conference sessions. Group discounts are available. More details can be had via <http://www.mobile-money-transfer.com/americas>, mmtamericas@clarionevents.com or +44 (0)20 7067 1831.

Second Annual MicroInsurance Summit Latin America

March 28 - March 31, 2011, Miami, USA

This conference focuses on reaching the microinsurance market through innovative product design, cross-selling and up-selling. The fee to attend is USD 1,999, with a rate of USD 1,499 for microfinance institutions. Add-on workshops are also available. For more information, you may contact Nicola Freeman via nicola.freeman@hansonwade.com or +44 7976 953 219, or you may visit <http://microinsurance-latin.com/>.

Skoll World Forum on Social Entrepreneurship

March 30 - April 1, 2011, Oxford, United Kingdom

The theme for this forum is "Large Scale Change—ecosystems, networks and collaborative action." Registration has closed for most events except for the awards ceremony and opening and closing sessions. The cost to attend each of these sessions is GBP 50 for the general public or GBP 30 for students plus value-added taxes. More information is available from Emily Baker at emily.baker@sbs.ox.ac.uk or +44 (0) 1865 422737 or from <http://skollworldforum.org/forum-2011>.

Microfinance Investment Summit Africa

April 5 - April 7, 2011, Johannesburg, South Africa

This conference will cover topics such as branchless banking, microinsurance, small and medium-sized enterprise banking opportunities, raising the visibility of new institutions and solutions to cross-jurisdictional legislation. The fee to attend is USD 1,595 with various discounts available. Additional information may be had via enquiries@c5-online.com, +44 (0) 20 7878 6886 or <http://www.c5-online.com/MFAfrica.htm>.

M-Commerce World Summit

April 6 - April 7, 2011, Singapore

The event will cover topics including regulatory impacts, profitable business models, opportunities and challenges facing banks offering mobile financial services and various case studies. The pricing structure is not public, but may be requested via enquiry@symphonyglobal.com, +65 6221 8119 or http://www.symphonyglobal.com/index.php/event/page/m-commerce_2011/.

HBS-ACCION Program on Strategic Leadership for Microfinance

April 25 - April 30, 2011, Boston, USA

This event encourages participants to expand their strategic thinking using a case-study approach. Registration has officially closed for this event, but more information is available via +1 617 625 7080, <http://www.accion.org/Page.aspx?pid=494> or hbsaccion@accion.org.

Page 12

Fourth Annual Global Microfinance Investment Congress

May 16 - May 17, 2011, New York, USA

The conference will cover investment risks and opportunities, strategies for microlenders seeking to source funds and measuring social performance. The fee to attend is USD 1,795 with an add-on workshop available and a discount of USD 100 for registrations paid by April 15. Details may be had via Miles Levit at m.levit@americanconference.com or +1 480 927 8200 or via <http://www.microfinancecongress.com/>.

Transformational Microfinance LATAM

May 17 - May 19, 2011, Mexico City, Mexico

This event will cover achieving scale through technology, transformational microfinance through the mobile channel and educating the financially excluded. The standard registration fee is USD 2,149, with a range of discounts available including a 10 percent discount available to *MicroCapital* readers indicating the Priority Code "MicroCapital" and tiered discounts for those responding by March 25 and April 8. More details may be had via Miles Harley at +44 (0) 20 3141 8700 or info@hansonwade.com or via <http://microfinance-latam.com/>.

14th Annual Microfinance Centre Conference

May 18 - May 20, 2011, Prague, Czech Republic

This event, subtitled "Reorienting Microfinance Towards Balanced Growth," will feature lessons learned from the financial crisis, responsible microfinance investing, asset building, microfinance models emerging in the European Union, financing microenterprise start-ups and a workshop on over-indebtedness. The full registration fee is EUR 520, with tiered discounts available for registrations received by March 31 and April 15 and for members of Microfinance Centre for Central and Eastern Europe and the New Independent States. More information is available via <http://www.mfc2011.com/>, mfc2011@guarant.cz or +420 284 001 444.

Investment and Innovation in Microfinance Europe 2011

May 24 - May 25, 2011, London, United Kingdom

This event includes the MicroFinance Recognition Awards and strategies for investing, tackling over-indebtedness, examining social impact, strengthening regulation, handling unfavorable media coverage and addressing foreign exchange risk. The cost to attend, excluding VAT, is GBP 1,599 for representatives of for-profit organizations and GBP 1,099 for those from nonprofits, with a 10 percent discount available to *MicroCapital* readers indicating the Priority Code "MicroCapital." Add-on workshops may be had for an extra fee. More details are available from Miles Harley at +44 (0) 20 3141 8700 or info@hansonwade.com or via <http://microfinance-europe.com/>.

MORE DETAILS COMING SOON ON...

TBLI Conference Asia 2011

May 26 - May 27, 2011, Tokyo, Japan

SOCAP Europe

May 30 - June 1, 2011, Amsterdam, Netherlands

FT/IFC Sustainable Finance Conference and Awards 2011

June 16, 2011, London, UK

Sixth Annual Microfinance Investment Summit

July 5 - July 8, 2011, Geneva, Switzerland

Mobile Payments & NFC (Near Field Communications) Asia 2011

July 13 - July 15, 2011, Hong Kong, China

Global Youth Enterprise & Livelihoods Development Conference

September 7 - September 9, 2011, Washington, DC, USA

PAPER WRAP-UPS

Exploring Linkages:

Women's Empowerment, Microfinance and Health Education

By Lora du Moulin, Jean Pouit, Leyla Sharafi, Aminata Toure, Kai Lashley, Barbara Ryan, Gayle Nelson and Divya Alexander; published by the United Nations Population Fund; 2011; 15 pages; available at: <http://www.unfpa.org/public/home/publications/pid/7262>

This study by Lora du Moulin et al offers the results of a survey of approximately 2,500 female clients of 32 microfinance institutions (MFIs) in 14 countries across Asia, Africa and Latin America. Only married women and others living with a male partner were invited to participate. Two groups were identified for the study: (1) clients who have been members of an MFI for a period of no more than one month, serving as the control group; and (2) clients who have been members of an MFI for a period of three or more years, serving as the treatment group. The study examines the links between microfinance and women's empowerment as well as the linkage between social services provided by MFIs and women's sexual and reproductive health.

Empowerment: The effects of microfinance on women were measured using the following components of empowerment: the right of

women to control their own lives, both within and outside the home; the right to access outside opportunities and resources; the right to have choices within the household such as decisions on use of earnings and how many children to have; and a sense of self-worth. The indicators used to measure the level of empowerment included the following: support from the husband or domestic partner, having a separate income stream from the partner, level of personal savings and assets, involvement in household decision making, confidence and instances of domestic violence. Approximately 87 percent of participants informed their husband or domestic partner about their microfinance involvement, 85 percent of the partners supported the client in the endeavor, 81 percent of the women had an income stream separate from the partner, 91 percent of the study participants were convinced that microfinance would benefit them positively by allowing them to grow their assets over the following year and participants recorded increases in personal savings between 42 and 48 percent.

Health education services: The study also examines the extent to which health education services provided by MFIs affected the sexual and reproductive health of clients. Approximately 30 percent of participants were enrolled with MFIs that provided health education. The control group, ie clients who had been members of the MFI for a period of no more

than one month, were excluded from this portion of the study. The survey indicated that 67 percent of the participants (compared with 61 percent of the clients associated with MFIs not offering health education) were likely to use contraceptives, and 55 percent of the participants (compared with 45 percent of the clients associated with MFIs not offering health education) were likely to seek medical support during childbirth. The results also indicate that the health education offered by the MFIs resulted in increased awareness about HIV/AIDS, an increased voice for women in family planning discussions with their partners and a lower incidence of domestic violence.

Synergies between microfinance and health education:

The study indicates that the benefits of health education to women are further enhanced through their access to resources and opportunities such as long-term financial planning and increased savings. A higher level of assets and savings was correlated with a higher investment in health education, which is expected to lead to the adoption of healthier practices such as use of contraceptives.

In conclusion, the authors argue that microfinance can expand the role of women and empower them in terms of financial independence and improving sexual and reproductive health. The authors recommend that MFIs join forces with international organizations to increase the integration of social services and microfinance.

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Donor Strategies for Advancing Social Performance through Microfinance Associations

By the Associations Social Performance Working Group of the Social Performance Task Force (SPTF), published by SPTF and the Small Enterprise Education and Promotion Network, October 2010, 12 pages, available at: <http://networks.seepnetwork.org/en/node/2306>

This technical note suggests that donors should encourage associations of microfinance institutions (MFIs) to expand and improve the social performance of their members by: (1) serving as local ambassadors and implementers of global initiatives by sensitizing their members to the importance of social performance; (2) requiring social performance transparency from members; (3) developing and promoting standards of practice; (4) developing member capacity in social performance through training and technical assistance; and (5) disseminating research via a range of communication channels. Donors are encouraged to support microfinance associations committed to advancing social performance by: (1) endorsing capacity-building programs; (2) providing training programs for association members; (3) fostering market awareness and advocacy; (4) supporting the development of relevant information systems; and (5) encouraging the hiring of social performance management officers.

Charting the Course: Best Practices and Tools for Voluntary Debt Restructuring in Microfinance

Published by the International Association of Microfinance Investors, 2011, 44 pages, available at: <http://www.iamfi.com/documents/LAMFIChartingtheCourse2-2011.pdf>

This report offers guidelines for debt restructuring for microfinance institutions (MFIs). Key findings include that: (1) the estimated face value of microlender debt currently in restructuring worldwide is approximately USD 407 million; (2) rising portfolio-at-risk ratios signal deteriorating asset quality and hence the need for debt to be restructured; and (3) most of the MFIs that are undergoing restructuring are in Latin America and Eastern Europe.

Recommendations for creditors of MFIs include improving the quality of loan documentation, creating a voluntary creditor group to improve the governance of MFIs, promoting the training of MFI staff regarding the restructuring process and increasing the level of transparency of the process. The authors also offer the following four tools: a framework for the creation of voluntary workout groups; a template for inter-creditor agreements; a list of restructuring options available to MFIs; and a review of loan covenants that encompasses the financial, legal and social elements of microfinance.

State of the Microcredit Summit Campaign Report 2011

By Larry R Reed, published by the Microcredit Summit Campaign, March 2011, 92 pages, available at: http://www.microcreditsummit.org/SOCR_2011_EN_web.pdf

This report indicates that 128 million poor people received microloans in 2009, more than the organization has ever previously documented. In 1997, 7.6 million were recorded as having received microloans.

The report also announces the Microcredit Summit Campaign's Seal of Excellence for Poverty Outreach and Transformation in Microfinance, a designation that will recognize microfinance institutions that "do the most" to assist families in helping themselves out of poverty.

Visit MicroCapital.org for more:

**Putting Money in Motion:
How Much Do Migrants Pay for
Domestic Transfers?**

**CGAP Branchless Banking Database
(draft)**

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Date: 13 - 14 July
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What is the Impact of Microfinance on Poor People? A Systematic Review of Evidence from Sub-Saharan Africa

By Ruth Stewart, Carina van Rooyen, Kelly Dickson, Mabolaeng Majoro and Thea de Wet; published by Evidence for Policy and Practice Information and Coordinating Centre; funded by the Department for International Development; 2010; 104 pages; available at: <http://eppi.ioe.ac.uk/cms/LinkClick.aspx?fileticket=FM4Kv2S%2fRyU%3d>

In this paper, Stewart et al present a review of 15 studies that were conducted to evaluate the impact of microcredit and microsavings on poor people in sub-Saharan Africa.

The studies included four randomized controlled trials, two non-randomized controlled trials and nine case-control studies. Eleven of the studies were of credit interventions, two were of combined credit and savings interventions and two were of savings schemes alone.

The impact of microfinance on poor people generally is evaluated based on outcome measures that include consumption, income stability and growth, nutrition improvements, employment levels, empowerment indicators and reduced vulnerability to economic shocks. The review of these variables, as addressed in the 15 studies, led the authors to put forth the following conclusions: (1) some people are made poorer by microfinance; (2) although not universal, microfinance generally positions poor people to deal better with shocks; (3) there may be a need to focus more specifically on providing loans to entrepreneurs, rather than regarding everyone as a potential entrepreneur; (4) microsavings may be a better model than microcredit, however the limited evidence on microsavings warrants further rigorous evaluation; and (5) donors and policy makers have a responsibility not to raise expectations unduly, lest they obscure the potential for harm.

The authors offer several recommendations for microfinance stakeholders. They suggest that policy makers introduce more rigorous evaluation of pilot programs and consider the causal chain to ensure that all possible impacts are considered prior to extending microfinance services. Also, they encourage practitioners to promote microfinance using empirical - rather than anecdotal - evidence and to use due diligence when offering loans to clients. Finally, the authors recommend researchers improve the study of microfinance interventions in terms of consistency and level of detail, develop and employ greater standardization of outcome measures and compare and reflect on the results of related systematic reviews as they are published.

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Microfinance Banana Skins 2011, the CSFI Survey of Microfinance Risk

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This third edition of *Banana Skins* examines risks to the global microfinance industry over the next two to three years, as perceived by 533 professionals active in approximately 86 countries.

The report lists the top 24 risks identified by respondents and ranks the fastest rising risks. The results also include the top 10 risks by geographical region and the top 10 risks identified by each of the following four groups of respondents: practitioners, investors, regulators and deposit takers.

Compared with the immediately preceding *Banana Skins* survey, dated 2009, the outcomes of the 2011 survey reveal that as the microfinance industry is maturing, it is beginning to experience challenges such as competition, credit cycles and regulation that are commonly faced by more mature sectors. Concerns about reputation, governance and management competency have also risen as the industry is subjected to increasing scrutiny. Compared with 2009, concern about the effects of the global economic downturn on microfinance has decreased significantly.

Credit risk: As it was in 2009, credit risk remains the top concern, but for different reasons. While in 2009 credit risk concerns were sparked by the global economic downturn, the current survey shows that over-indebtedness, competition and political interference have become the driving forces. Respondents cited competition as a primary cause for over-indebtedness, as some microfinance institutions (MFIs) focus on growth at the expense of good lending practices. Incidents of political interference that have led to standstills in debt repayment have surfaced in India most notably, but also in Nicaragua and Rwanda.

Reputation: With the recent negative portrayals of microfinance in the press, respondents rated reputation risk second-highest, up from seventeenth in 2009. Bad publicity has focused on the commercialization of microfinance, which has led to the growing prioritization of profits. The unethical loan recovery practices of some MFIs and the growing popularity of consumer lending products has raised the question of whether microfinance actually helps poor people. "If studies continue to show that microfinance is not working," warned one respondent, "the industry will lose its moral high ground, and with it donors, investors and talent."

Competition: Competition ranked third, up from ninth place in 2009. Although competition can benefit the customer by keeping prices low and improving service quality, it can also lead to tighter margins that may push MFIs to take on greater risks and resort to aggressive loan recovery practices. It is also a major cause of over-indebtedness, as MFIs compete for business. Greater competition has resulted from readily available funding, the entrance of commercial banks into the microfinance industry and subsidized government lending programs.

Corporate governance: Respondents rated corporate governance fourth, up from seventh in 2009, making a case for the importance of strong governance in an industry that is quickly evolving and facing more complex challenges. The litany of concerns included the quality of MFI boards, conflicts of interest, nepotism and lack of accountability and independence of directors.

Political interference: Political interference rose from the tenth position in 2009 to fifth in the current survey and includes campaigns encouraging borrowers not to repay their loans and regulations that limit MFI interest rates.

On a scale of one to five, with five being the best, respondents gave MFIs an average score of 2.7 for preparedness to handle risks. 