

The Candid Voice for Microfinance Investment

TOP STORIES:

7,000 Microlenders in Bangladesh?

When the Microcredit Regulatory Authority Act 2006 was introduced on August 27th, NGO's and cooperatives operating in microfinance in Bangladesh were required to apply for licenses issued by the Microcredit Regulatory Authority (MRA) in order to continue service. The deadline for applications was February 26, 2007, and the MRA has been inundated with approximately 7,000 applications. The Bangladesh Bank, the central bank, estimates that microcredit programs in the country currently reach 24 million people, with 17 million microcredit borrowers. Despite the size of the industry, the huge number of license applications has come as a surprise. As such, it is rumored that organizations supported by Palli Karma-Sahayak Foundation (PKSF), a non-profit state run microcredit funding institution, may be considered for licenses first. The MRA has its work cut out for it as it begins to consider each individual application. As an emergency measure, public and private donors, who are largely responsible for this ridiculous bounty of microlenders, ought to provide \$20m or so to assist the overwhelmed oversight agency. This is a real mess that needs to be cleaned up quickly and well; otherwise, the result will be more poverty due to mismanaged microcredit. This response is unlikely, however, as the donor side of microfinance is just as fragmented as microbanking in Bangladesh. We seek solace that microbanks will now be forced to consolidate, at least in Bangladesh. Who or what will force those funding them to consolidate? April 12, 2007.

IFC and KfW Development Bank Put \$1 Billion "First Class"

International Finance Corporation (IFC) and KfW Entwicklungsbank (KfW Development Bank), which functions on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), signed the "Microfinance Initiative for Asia" worth USD 1bn over 3 years. KfW expects to work with more than 30 projects in more than 12 countries across Asia with a focus on the expansion of existing 'first class' MFI's. The IFC estimates that just 6% of the potential microfinance market is being served. Lars Thunell, executive vice president of the IFC, explains that "by offering long-term local currency loans and equity participation, together with advisory services, the initiative aims to increase microfinance outreach by over 5mm new clients by 2009." April 18, 2007.

Sequoia Capital Leads USD 11.5m to SKS Microfinance

Heavy hitter Sequoia Capital, a private equity firm founded in 1972 and based in California, will lead an USD 11.5m investment into Swayam Krishi Sangam (SKS) Microfinance, a microlender based in India. Other buyers include non-profit USD 23m Unitus Equity Fund of Seattle, US. SKS Microfinance is based in Hyderabad, India, and was established in 1997. At the end of the financial year in March 2006, it reported a gross loan portfolio of USD 20.6m, a debt to equity ratio of 636%, a return on assets of 2.8%, and a return on equity of 27.08%. Further information about the SKS valuation is not made publicly available. April 2, 2007.

Kenya: New Regulations Introduced

The Central Bank of Kenya has released its draft microfinance regulations which spell out the implications and enforcement of the Microfinance Act 2006. The act allows the Central Bank to license, regulate, and supervise any deposit-taking microfinance institutions (MFI's), and is planned to come into force on July 1st 2007. As such, any MFI's in Kenya are required to comply with the guidelines set out by the Bank if they are to continue operating. Unlike regulations recently introduced in Bangladesh, the Central bank of Kenya does spell out explicit requirements regarding minimum capital requirements. The issue of a license for an MFI will require a minimum core capital of 60 million Kenya Shillings (USD 877,000) to operate on a national level, and Sh 20mm (USD 292,000) to operate in specific districts or towns. There are also various rates of capital to asset ratios which must be retained at all times, in addition to a minimum 20% of liabilities which are to be kept in liquid assets. Further requirements include a restriction on direct or indirect shareholding to 25% to any one individual or associates, and a minimum number of five individuals to constitute a Board of Directors. April 16, 2007.

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MicroCapital would like to recognize the individuals at CGAP, The MIX, and microfinancegateway.org for their outstanding work disseminating information on microfinance. Thank you!

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MICROCAPITAL BRIEFS

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World Bank Fights Corruption: Wolfowitz Must Go

Due to an internal whistle-blower website at the World Bank, its President Wolfowitz has admitted giving a patronage job to his girlfriend in which she makes more salary than her boss, Secretary of State Condoleezza Rice. Congratulations to the employees of the World Bank for having more success bringing to justice the corrupt Bush administration "masterminds" like Mr. Wolfowitz than we have had as American citizens defending our own institutions against this band's bloody profiteering. Pluck up, and keep fighting corruption! April 18, 2007.

Eskhata Bank Borrows \$1m from Incofin

The Belgium-based Impulse Microfinance Investment Fund (Incofin) provided a USD 1 million loan to Eskhata Bank. Eskhata is an open joint-stock company in Tajikistan with 51-60 percent of its business coming from microfinance, according to MIX Market. As of 31 December 2005, its gross loan portfolio was approximately USD 4.9m with USD 13.3 mn in total assets. Its deposits to loan ratio is 111.78% and its capital/asset ratio is 36.9%. Incofin reports USD 23.75m in fund assets, USD 12m of which is allocated to 22 microfinance investments. April 18, 2007.

Triodos Group Lends \$1.3m to Kazakhstan Loan Fund

The Kazakhstan Loan Fund (KLF) received the equivalent of USD 1.3m in loans through a partnership with Triodos-Doen and the Hivos-Triodos Fund. As of 31 December 2006, KLF has a gross loan portfolio of USD 26.2m and USD 41m in total assets and reported to the MIX Market a 17.53% capital to asset ratio and 470% ratio of debt to equity. The Triodos-Doen Foundation has USD 33.1m invested in microfinance in 71 different locations and the Hivos-Triodos Fund had USD 27.2 in 36 active microfinance investments. April 17, 2007.

EBRD Lends \$4m to the First MicroFinanceBank

The European Bank for Reconstruction and Development (EBRD) is extending a USD 4 mm loan to The First MicroFinanceBank (FMFB)-Tajikistan. The loan comes under the Tajikistan Micro and Small Enterprise Finance Facility (TMSEFF), established in 2003 by EBRD. FMFB-Tajikistan originates from the Aga Khan Rural Support Programme (AKRSP), which was established to promote microfinance in the rural Northern parts of Pakistan since 1982. FMFB-Tajikistan was established as a non-listed public limited company under the provisions of AKRSP in November 2002, and as of December 31st 2006, had a gross loan portfolio of USD 11 million, total assets of 27.5 million, a return on assets of 0.45% and a debt to equity ratio of 133.75%. April 16, 2007.

IFC Invests \$5m in ICICI's Technology Spin-off

The International Finance Company agreed to invest up to USD 5 mn in India's Financial Information Network & Operations Limited (FINO), a technology service provider that helps banks reach rural banking markets. The USD 5 m investment is broken down into two USD 2.5 m halves. One half of the investment consists of common equity with the second as convertible preferred shares. The investment will support mobile banking solutions to enable rural banks, cooperatives, and microfinance institutions (MFIs). FINO was established approximately two years ago through funding from the Industrial Credit and Investment Corporation of India (ICICI), India's second largest bank. April 16, 2007

BRAC Engages Citibank to Raise \$55m

Bangladesh Rural Advancement Committee (BRAC), the largest non-governmental organization (NGO) in the world measured by number of employees, boasts over 4.5 million microloan borrowers nationally. It has contracted with Citibank Bangladesh, a subsidiary of the Citigroup international financial services organization, to raise USD 55m to further

expand microcredit programs. The transaction will occur with risk participation by the Overseas Private Investment Corporation (OPIC of the US government), International Finance Corporation (IFC of the World Bank), and syndicated financing from a host of local banks. The loan is denominated in Bangladesh Taka (BDT) and will be disbursed over a period of five years. Created in 1972, BRAC had a gross loan portfolio of USD 350m, total assets of 394m, a return on assets of 6.90%, and a debt to equity ratio of 238.31%, as of year end 2006. April 16, 2007.

World Bank Lends \$20m to Government of Madagascar

The government of Madagascar is borrowing USD 5m from the World Bank to fund its microfinance project. The World Bank will work through its International Development Association project to increase membership, savings, and credit by at least 25%. This additional funding is a supplement to the USD 16.4m credit provided by the World Bank as a 15-year technical assistance program to support the establishment of a legal, regulatory, and supervisory framework for microfinance. April 13, 2007.

Gates Foundation Names Robert Peck Christen

The Seattle USA based Gates Foundation appointed Robert Peck Christen as head of its microfinance team. He is founder and director of the Boulder Microfinance Team (MFT), a non-profit organization which provides microfinance training. From 1998-2004, he also served as a senior advisor to the Consultative Group to Assist the Poor (CGAP), a consortium of 33 public and private development agencies based in Washington, DC. Mr. Christen was co-founder of the Microbanking Bulletin, the leading microfinance journal, and remains chair of the editorial committee. He sat on the board of directors of the Microfinance Information Exchange (MIX), the microfinance information clearinghouse, from 2002-2005, and the Microfinance Management Institute (MFMI) from 2003-2005. Mr. Christen has previously worked as an independent consultant to commercial banks interested in microfinance. He spent his early career working for ACCION International, a non-profit organization supporting microlending and business training. He has a master's degree in agricultural economics and development finance from Ohio State University and a BA in political science and economics from Beloit College in Wisconsin, USA. April 13, 2007.

Deutsche Bank Lending in Eastern Europe

The Global Microfinance Consortium lent the equivalent of over USD 2m to four microfinance institutions (MFIs) in three countries in Eastern Europe. Zena za Zena ("Women to Women") of Bosnia and Herzegovina received a loan for the equivalent of USD 790,000 as a second installment of a USD 1.3m (EUR 1m) loan. Second, Prizma, also of Bosnia and Herzegovina, received the second tranche of their USD 1.3m loan, USD 658,800. Prizma is a nonbank financial institution, reports a gross loan portfolio of USD 15.9m and USD 17.2m in total assets as of 31 December 2006. Third, MicroInvest of Moldova received its third and final portion of a USD 988,600 loan as a USD 329,400 installment. It is a non-bank financial institution based out of Moldova. It was established in 2003 by the Soros Foundation Moldova and the Moldova Microfinance Alliance. It reports a gross loan portfolio of USD 4.1m and USD 6.9m in total assets as of 31 December 2006. During the same period, its capital/asset ratio was 23.73% and its debt/equity ratio was 321.33%. The final piece of the Global Commercial Microfinance Consortium's loan went to NorMicro of Azerbaijan as a USD 250,000 first tranche of a total USD 500,000 loan. NorMicro is a non-bank financial institution established in 1998. It has a gross loan portfolio of USD 2.6m and USD 2.9m in total assets as of 31 December 2006. During the same period, it had a 79.66% debt/equity ratio and a 55.66% capital/asset ratio, according to the authority in microbank data, MIX Market. April 11, 2007.

Central Bank of Pakistan Asks for Federal Money

Dr. Shamshad Akhtar, governor of the State Bank of Pakistan (SBP), has sought a 3 billion rupee (USD 49m) subsidy from the federal budget in order to promote microfinance among poor rural communities in Pakistan. She cites the high cost of training loan officers to justify the request and

estimates that USD 1.4 billion in capital will be necessary to serve another 3 million borrowers in Pakistan. She suggested that the problem of cost recovery in microfinance was related to the comparatively low average interest rates charged by microloans in Pakistan; the average rate in Pakistan was only 18%, compared with 25% in Bangladesh, 30% in India, and 35% in Afghanistan. Dr. Akhtar said the SBP was exploring the possibility of a partnership with the Aga Khan Development Network, a private charity, LFS Financial Systems, a German consultancy, ASA International-Netherlands, a holding company of microbanks (ASA-Bangladesh), and the Grameen Trust, the umbrella organization of Dr. Yunus's group in Bangladesh. April 11. 2007.

Kashf to Borrow USD 22m from Citibank-OPIC

The Kashf Foundation, a non-profit Pakistani microbank, and Citibank Pakistan announced the first stage of a USD 22m term financing package with guarantees for investors by the Overseas Private Investment Corporation (OPIC), a US government agency. At the 2006 year end, the Foundation, which will soon become a licensed bank, had with a gross loan portfolio of USD 25.5m and a debt to equity ratio of 116.81%. Kashf does not report a rate of return on assets. April 10. 2007.

Pakistani State, ADB, First MicrofinanceBank, and Kashf Join Up

The government of Pakistan benefited from a USD 2.2m grant from the Asian Development Bank (ADB), which was founded in 1966 by regional governments. Funds were sourced from the ADB's Japan Fund for Poverty Reduction (JFPR). The deal relates to two other ADB loans, one for USD 36m and another for USD 320m. The pilot projects will be done with microbanks First MicrofinanceBank-Pakistan Ltd (FMFB-Pakistan) and the Kashf Foundation. FMFB-Pakistan, established in 2002, reported at the year end 2006 a gross loan portfolio of USD 11m and a debt to equity ratio of 133.75%. They also reported a return on assets of 0.45% and a return on equity of 1.01%. April 9. 2007.

Global Partnerships Launches an \$8.5m Fund

Global Partnerships (GP), a Seattle-based nonprofit organization, launched an USD 8.5m microfinance investment fund. Investors in the fund include the Overseas Private Investment Corporation, the Inter-American Development Bank, Seattle University, ResponsAbility Global Microfinance Fund and Partners for the Common Good, as well as 19 individuals. Global Partnerships' currently has offices in Seattle, WA and Managua, Nicaragua. Past GP investments include microbanks ACODEP, PRODESA, ENLACE, FAMA and ODEF, all in Central America. April 9. 2007.

responsAbility Lending in Latin American

ResponsAbility Global Microfinance Fund, a Luxembourg-based fund, provided loans to 7 Latin American microfinance institutions (MFIs) totaling over USD 3.9 mn. The first USD 1 mn loan went to Nicaraguan nonprofit Fondo de Desarrollo Local (FDL). FDL reported a microloan portfolio of USD 43.8 mn of its total assets which were USD 55.2 mn in 2006. Shareholder equity capital was 9.7 million, serving 61,555 borrowers. Also in Nicaragua, responsAbility lent USD 600,000 went to Prestanic. As of December 2005, Prestanic has 5,968 active borrowers, a gross loan portfolio of USD 6.9 mn and USD 8.8 mn in total assets. ResponsAbility lent USD 981,600 to Mexican MFI Asesoría Dinámica a Microempresas (ADMIC), which most recently reported to the microfinance information clearinghouse MIX market in 2002. Banco ProCredit of Ecuador received at USD 500,000 loan. As of 31 December 2006, ProCredit Ecuador reported 39,350 active borrowers, a gross loan portfolio of USD 117.4 mn and USD 136.9 in total assets. A USD 400,000 loan went to Sociedad Cooperativa de Ahorra y Crédito de El Salvador, which, in December 2005, reported 8,783 active borrowers, a gross loan portfolio of over USD 6.5 mn and USD 8.56 mn in total assets. Another MFI from El Salvador, Fundación Campo, received a loan of USD 200,000. It reported at the end of 2005 to having 2,962 active borrowers, a gross loan portfolio of USD 2.1 mn and over USD 2.5 mn in total assets. The Peruvian MFI Corporación de Productores Café, which does not report to MIX market, rounds out the group by receiving

USD 250,000 in loans. As for the fund itself, as of January 2007, it reported USD 96 million in assets, of which USD 89 mn are allocated to microfinance investments. The investment advisor of the fund is responsAbility Social Investment Services AG and the fund manager is Credit Suisse Microfinance Fund Management Company. April 6. 2007

Despite Global Job Cuts Citigroup Hiring Microbankers in India

Despite job cuts in New York, London, and Hong Kong, Citigroup Inc. will expand its workforce throughout India, especially in microfinance. The news follows the addition of more than 4,000 staff in India over the past year, bringing Citigroup's total employees there to 22,000. Citigroup Inc, based in New York, began its work in microfinance through its subsidiary Citigroup Foundation, founded in 1980. Citigroup boss Charles O. Prince expects "international business to grow faster than some of our other businesses," and has stated a goal of increasing international business as a share of Citigroup's total revenue from 45% to 60%. April 5. 2007.

IFC Defines Team for \$200m Africa Push

The International Finance Corporation (the IFC was established in 1956) of the World Bank Group is partnering with Crédit Agricole Consultants, a subsidiary of Crédit Agricole, the largest bank in France, and Environmental Quality International (EQI), a private consultancy based in Cairo. The new IFC Africa team is part of a USD 200m investment and advisory named 'The Africa Micro, Small, and Medium Enterprise Finance Programme.' The IFC is considering investment in 25 banks in 17 different countries across Africa for the first stage of the program. Terry Wyer, Operations Officer for the IFC, explained "what we are trying to show is that lending to small and medium businesses can be profitable for banks." The first institution to benefit from the program is Banque Agricole Commerciale du Burkina (BACB), based in Burkina Faso, with a USD 6m loan. April 4. 2007.

CAF Buying Equity

The Andean Development Cooperation (CAF), backed by regional governments, invested USD 1.5 m in LOCFUND, a local currency fund for Latin America and the Caribbean based in Bolivia. Second, CAF purchased USD 200,000 worth of shares from MICROFIN Uruguay. CAF also took a 9 percent stake in MicroCred Mexico, a subsidiary of MicroCred Holdings. April 4. 2007.

Thaneakea Phum Cambodia Borrows USD 1.57m from responsAbility

Cambodian microfinance institution (MFI) Thaneakea Phum Cambodia Ltd. (TPC) received a USD 1.57m loan from the responsAbility Global Microfinance Fund. TPC began as part of the Small Enterprise Development program of the Catholic Relief Services in Cambodia, but has since evolved into a limited liability company licensed as a microfinance institution by the National Bank of Cambodia. THC has 55,870 active borrowers and a gross loan portfolio of USD 7.3m as of 31 December 2006. April 3. 2007.

Gambian Reliance Financial Services Borrowers from ShoreCap and Hivos-Triodos

Reliance Financial Services Company based in Gambia, received a USD 250,000 loan from ShoreCap International, and a USD 250,000 loan from Hivos-Triodos Fund. Currently, Financial Reliance does not report to the MIX Market, the microfinance information clearinghouse. April 3. 2007.

Dr. Yunus Works and Norway's Foreign Ministry

Dr. Muhammad Yunus, founder of the Grameen Bank, will work with the Norwegian foreign ministry as they introduce microcredit programs into their international development and foreign aid efforts across Africa. The Grameen group of enterprises will also receive Norwegian funding from the program. The involvement of Dr. Yunus was announced despite an ongoing dispute between Grameen Telecom (GTC) and Telenor, a formerly

state owned Norwegian telecoms company and majority shareholder in GrameenPhone. The two organizations started GrameenPhone in 1996, a nationwide mobile phone company in Bangladesh which now serves 10 million customers with total revenue of USD 433mm in 2005. With regards to the foreign ministry's involvement with Dr. Yunus and the proposed funding to the Grameen Bank, Erik Solheim, Minister of International Development, said "this may be cheaper than using Norwegian expertise, and above all else, they have more practical experience with microcredit than we have in Norway." April 3. 2007.

Proempresa Borrows USD 500,000 from VDK

Peru-based microfinance institution (MFI) Edpyme Proempresa received a loan of USD 500,000 from the private Belgian investment fund VDK MFI Loan Portfolio. Proempresa is a non-bank financial institution that targets individuals active in handicrafts, medicinal plants, agro-industry, and other small business products. As of 31 December 2005, it had 12,945 active clients, a gross loan portfolio of USD 11.6m, and USD 14.5m in total assets, according to MIX market. VDK MFI Loan Portfolio was established in 2007 to "build a well-structured portfolio of microfinance investments." VDK reported to MIX market as having allocated USD 32.9m to microfinance projects in the next 12 months. April 2. 2007.

Newsweek Rightly Predicts Microfinance Backlash, But Throws Baby Out with Bathwater

To read the April 9th Newsweek International article entitled "Lining Up the Loan Angels", you might think there is no difference at all between a good micro-banker and a bad one. Newsweek tells us that poverty is undone by savings, not by lending. We know that. Good micro-bankers have maintained for years that microfinance should be savings led, not credit led. Newsweek tells us that there is no evidence that microcredit itself undoes poverty. We know that. Responsible micro-bankers transparently identified this lack of hard, conclusive data for years. Newsweek tells us that micro-lending by state-owned Chinese and Brazilian institutions are not well managed. Again, we know that. Good microbankers demand that governments not engage in actual banking of any kind because politics distort markets and increase poverty. Newsweek cites irresponsible micro-lending to condemn microfinance. Responsible journalism would condemn the governments and all the "me-too" efforts for damaging microbanking. It goes without saying that Newsweek skewers Mr. Yunus and the Grameen Bank, citing bad loan portfolio quality citing no evidence whatsoever. Nonetheless, Newsweek is right that a backlash against microfinance is coming. Anyone and everyone – Newsweek is a good example – is indeed "jumping in" to microfinance and a backlash is therefore inevitable. Does this mean that experienced, professional, and dedicated microbankers are wrong too? No. Microfinance is a powerful tool for good, but it also suffers from usury, amateurism, manifest destiny, corruption, and waste, among other nastiness. As the popularity grows, these massive flaws will result in serious meltdowns and the corresponding backlash. A realist might say that meltdowns signal microfinance's coming of age. April 2. 2007

Oikocredit Lends \$300,000 to FUEMI

Fundación para el Desarrollo de la Microempresa (FUEMI) received a USD 300,000 loan from Oikocredit. FUEMI was created in 1991 in Managua, Nicaragua, with the vision of contributing to the economic and social development of micro-entrepreneurs by means of credit necessities and other financial services. According to the MIX Market, the microfinance clearing house, as of December 31st 2005, FUEMI had a gross loan portfolio of USD 2,116,235, total assets of 2,270,996, a return on assets of 3.97% and a debt to equity ratio of 345.56%. April 2. 2007.

Oikocredit Lends \$2m to Financiera Desyfin

Financiera Desyfin receives a USD 2 mm loan from Oikocredit. Established in 1993, Financiera Desyfin does not make financial information publicly available. Oikocredit, established in 1975, by the World Council of Churches, invests in 58 countries mainly in Asia, Eastern-Europe, Latin

America and Africa and reports USD 304,242,000 in Fund Assets, of which USD 126,181,000 are allocated to microfinance as of 31 December 2005. During the same period, Oikocredit had 219 active microfinance investments with USD 82,475,000 allocated to microfinance investments projected in the following 12 months. April 2. 2007.

FINDESA Borrows USD 1.25m from Triodos

The Triodos Fair Share Fund provided USD 1.25m in loans to Nicaraguan microfinance institution (MFI) Financiera Nicaraguense de Desarrollo S.A. (FINDESA), which reported a gross loan portfolio of USD 88.5m as of 31 December 2006 and USD 116.3 m in total assets supported by about 50,000 active borrowers. March 30. 2007.

Pro Mujer Bolivia Borrows 1 Million

Pro Mujer Bolivia received a USD 500,000 loan from Hivos-Triodos Fund and a USD 500,000 loan from responsAbility Global Microfinance Fund. As of December 2006, Pro Mujer Bolivia had 74,106 active borrowers. Its gross loan portfolio equaled USD 14m, total assets were USD 18m, total equity equaled USD 8.5m, and its debt to equity ratio was 113.69%. March 29. 2007.

USAID Grants USD 1.35m Opportunity

Opportunity International, a microfinance network based near Chicago, USA received two grants from the United States Agency for International Development (USAID) totaling over USD 1.35m. USAID is matching portions of the two recent grants from the Gates Foundation, which has provided approximately USD 18m in grants and loans to Opportunity International since November 2005. OI will use the grant to expand its microfinance services in Malawi and Mozambique. March 29. 2007.

ICICI of India Walks the Line

The Industrial Credit and Investment Corporation of India (ICICI Bank), India's second largest bank, is planning to offer microfinance services to sex-workers as a way to provide opportunities to change professions. ICICI Bank plans to launch the program in Kolkata through a relationship with Durbar Mahila Samwanaya Samitee, a local NGO working with 65,000 sex-workers. ICICI Bank is a private commercial bank with USD 56.3b in total assets as of 31 March 2006. It was created by ICICI Limited, a joint effort of the World Bank and India's government, in 1994. ICICI Bank has recently been expanding its involvement in microfinance through this initiative as well as its insurance subsidiary, ICICI Lombard. March 28. 2007.

Avian Flu Hurts Portfolios in Bangladesh

The World Poultry Science Association – Bangladesh Branch (WPSA-BB) fears a disruption of the USD 726mm Bangladeshi poultry industry if the 'bird flu' scare is not handled carefully. The WPSA-BB Secretary General, Ma Saleque estimates that microlenders finance about 20% of its industry. March 28. 2007

World Bank and Financial Times Toast

The 2007 Sustainable Banking Awards received 151 entries from 104 banks by this year's deadline, which was an increase from the 98 entries in the inaugural 2006 awards, including a few microbanks. The award is sponsored by the publishing house The Financial Times and the World Bank. This popularity closely follows the rise of an award by another World Bank group in microbanking, the Consultative Group to Assist the Poor (CGAP), which received a record 231 entries in 2006 and recognized 20 winning microfinance organizations, up from just 5 winners in 2005. Whereas the IFC-FT award merits proactive social or green efforts like carbon off sets and microbanking, the CGAP award focuses on the basics, namely financial transparency. Please see events section herein for information on conference on June 1 in London. March 27. 2007.

The industry standards in microbank data and investment deals are the MIX Market and the CGAP-MIX Capital Markets Newsletter respectively. They are our main sources for news on the same. Please support these organizations to undo the microfinance "data dearth". ❖

UPCOMING EVENTS

Harvard Business School Microfinance Symposium

April 22, 2007, Boston, USA

This is the inaugural HBS Microfinance Symposium, to which 21 'industry leaders' have been invited to contribute, share their expertise, success stories, and "debate current issues about the industry structure, risks and growth." The event is inspired by "the high financial return and rapid growth of successful microfinance institutions (MFI's) in recent years." Nancy Berry, former president of Women's World Banking, will provide the keynote address with closing remarks from Elizabeth Littlefield, CEO of Consultative Group to Assist the Poor (CGAP). The conference runs from 9.00am until 6.30pm and costs USD 35 for students, USD 25 for Social Enterprise Club or International Business and Development Club members, and USD 100 for professionals. Sponsors include Morgan Stanley, Mastercard Foundation, BlueOrcard, and Minlam. For more information see the Microfinance Symposium website or contact Annie Bertrand, Douglas Henry or Annie Woollam. abertrand@mba2007.hbs.edu, dhenry@mba2008.hbs.edu, awoollam@mba2008.hbs.edu. No phone number provided.

Microfinance in a Banking Environment: Models, Experiences and the Way Forward

25 Apr 2007 - 27 Apr 2007, Berlin, Germany

This conference is shaping up to be the European standard for microfinance capital markets. The European Microfinance Network's fourth annual conference "will focus on the relation between microfinance and the banking sector in Europe and how microfinance can develop within this strong developed sector." Fee is €350-600. For more information call Maria Franco at EMN at +33 (0)1 56 03 59 68 or m.franco@european-microfinance.org or see www.european-microfinance.org.

IMN Spring 2007 Asset Backed Securities to Feature Microfinance Workshop

April 29 - May 2, Miami South Beach, USA

Microfinance experts will be holding an emerging market due diligence and analysis workshop at the IMN Spring 2007 Asset Backed Securities conference. The session will be held on April 29 at 2pm. Over 650 issuers and investors are registered, representing International Portfolio and Products. "Issuers: Meet Latin American/ European/ US/ Canadian & Asian Investors Who Want to Buy Your Debt. Investors: Discover Investing Opportunities in the US/Europe and Other Emerging Global ABS Markets. Learn about the Newest ABS Products and Developments in the US and Emerging Markets." The conference fee is \$2,395 and more information can be found at www.imn.org/esb927, or contact event Producer Jade Friedensohn Phone: 212-768-2800 ext. 260 Fax: 212-768-2484, Email: jfriedensohn@imn.org

Creating High Impact Non-Profits: Capacity Building for Non-Profit Organisations

May 15th 2007 Seattle, WA, USA

The "session will look at case examples of high performing non-profits like Grameen Bank in Bangladesh, Byrraju Foundation in India, Kiva out of San Francisco, Donors Choose from New York and a few others." The day will be spent looking at the 'fundamental rules' of capacity building, comparing the organisations above to multinationals like Starbucks and General Electric (GE) to see the commonalities of capacity building between the for-profit and non-profit sector. The session will also take in market research and outsourcing, and guests will be introduced to an overview of books, resources, and reports to follow up on. The 2½ hour sessions during the day run from 9.30am - 12.00pm and 1.00pm - 3.30pm, cost USD 35, and will be hosted at the 2100 building. For more information see the non-profit-rules website or contact Curtis Brown; curtis@nonprofitrules.com, 207-760-1774

Towards the Mainstream: Capital Structuring for Sustainable Microfinance

May 17-19, 2007 at Hyderabad, India

This three day course offered by Intellectap looks at MFI financing needs, challenges in raising capital, investor and lender concerns and expectations, forms and characteristics of capital and the implications for institutional missions. Pricing for the course is progressive to include Indian nationals, and fees range from nominal to USD \$1,000. For more information, contact Radhika Agashe Mathur, Intellectap, 3-6-307/2, 1st Floor, Hyderguda Road, Hyderabad--500 029, +91 40 2322 2461, 2322 1272; +91 98492 87192 radhika@intellectap.net; www.intellectap.net, course brochure here: [http://www.intellectap.net/pdfs/Capital%20structuring_Course%20brochure_050407_\(2\).pdf](http://www.intellectap.net/pdfs/Capital%20structuring_Course%20brochure_050407_(2).pdf)

Chicago Microfinance Conference (CMFC)

May 25, 2007, Chicago, USA

Established by the University of Chicago, Kellogg School of Management, and Harris School of Public Policy Studies, the conference aims to "advance strategic debate of the future of microfinance" and bring together practitioners, academics, and industry leaders. Guests will include Lara Strom of Pro Mujer and Paul Christensen who manages ShoreCap International Ltd, a private equity fund which invests in small businesses in developing economies. A keynote address will be given by Vikram Akula, founder and CEO of SKS Microfinance, a microfinance institution based in India. Event registration runs from 7.45 - 8.30am and closing remarks and reception are between 5.30 and 7.00pm. Admission is USD 25 for students and non-profit organisations, USD 40 for alumni or faculty members, and USD 65 for general admission. For more information, see the CMFC website or contact Griffin Murray at chicagomicrofinance@gmail.com.

World Bank Conference "Access to Finance: Building Inclusive Financial Systems"

May 30-31, 2007, Washington D.C, USA

The World Bank is hosting the conference to further the Millennium Development Goals, and as a follow-up to the Year of Microfinance. Together with the Brookings Institution, the Financial Sector of the World Bank is organizing the conference. Partners and co-sponsors include: ABN-Amro, Citigroup Foundation, Temenos, United Nations Capital Development Fund, and the World Savings Banks Institute. For more information, please see <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/FSLP/0,,contentMDK:20611560~pagePK:64156158~piPK:64152884~theSitePK:461005,00.html> or contact Conference Coordinator, Ms. Colleen Mascenik, Financial Sector Learning Program, The World Bank, Washington, DC, Telephone: +1 202 473 7734 Fax: +1 202 522 7105, Email: cmascenik@worldbank.org

Sustainable Banking Conference and Awards by the Financial Times and the World Bank Group

June 7, 2007, London, England

This year's nominees for Sustainable Bank of the Year are: ABN Amro; Bank Sarasin; Barclays; HSBC; Standard Chartered. Keynote speakers will include: Mr. Fabio Colletti Barbosa, CEO, Banco Real/ ABN AMRO, Mr. Tom Burke CBE, Environmental Policy Adviser, Rio Tinto plc, Mr. Stephen Green, Group Chairman, HSBC Holdings plc, Mr. Rana Kapoor, Founder/Managing Director and CEO, YES BANK Ltd., Mr. Anthony Ling, Co-Head European Equity Research, Goldman Sachs International, and Mr. Herman Mulder, Senior Advisor to UN Global Compact Office and WBCSD. The conference will be chaired by Ms. Hilary Bowker, Principal of Bowker Media + Communications. Past 2006 winners include: ABN AMRO as "Leading adopter of Equator Principles. From carbon to renewables to microfinance - focused on using sustainability as a driver for business growth and asset quality," and HSBC as "Leading adopter of Equator Principles. World's first major bank to go carbon neutral. Focused on development of sustainable business opportunities internationally." The fee ranges from USD 300-6,000 per person and no contact information is

available except from the sales desk. See website:

http://www.ftconferences.co.uk/sustainablebanking/home.asp?m_pid=0&m_nid=16218.

The Microfinance Centre's (MFC) 10th Annual Conference (Eastern Europe and Central Asia)

May 31 - June 2, 2007

"MFC organizes its 10th anniversary conference under the patronage of the President of the Republic of Bulgaria. The conference is organized in cooperation with the Bulgarian Microfinance Alliance (BMA)...More investment-related topics reflect the continuous drive towards a more diversified funding base and increased use of commercial funds. As the ECA region is the second largest recipient of commercial or quasi-commercial funding, after Latin America, the Conference gives an opportunity to explore the issues of investor participation in ownership and governance as well as establish new relations and/or make new deals.

Other conference highlights: 16 cutting edge workshops exploring innovative topics. Opportunity for MFIs, investors, and funders to get to know each other through an 'investor fair.' More investors than have ever been invited and are planning to come to Sofia in search of new business opportunities. Space and time for "Fringe meetings" will also be provided for those interested in presenting and discussing specific relevant actions. All plenary sessions and some workshops will be translated into Russian and Bosnian/Serbian/Croatian" The deadline for registration is April 30, 2007. Contact e-mail: conference@mfc.org.pl. Microfinance Centre can be contacted at ul. Koszykowa 60/62 m. 52, 00-673 Warsaw, Poland, tel.: (48-22) 622 34 65, fax: (48-22) 622 34 85, e-mail: microfinance@mfc.org.pl, <http://www.mfc.org.pl/conference2007/>

International Task Force on Social Performance Meeting

June 10-12, 2007, Paris, France

"The social performance task force has set its next meeting for June 10-12 in Paris. The agenda will focus on progress on the definition of core indicators for social performance reporting, a review of experiences in applying social rating, and outreach to social investors." For more information about the meeting, please contact Laura Foose, at lfoose@alternative-credit.com, or the Imp-Act Programme at The Institute of Development Studies, University of Sussex, Brighton, East Sussex BN1 9RE, United Kingdom, Tel: +44 (0)1273 873 733, Fax: +44 (0)1273 621 202 / 691 647.

Accion International Delegation to Peru

June 1 - July 1, Peru

"ACCION invites you to witness the power of microfinance at work...Join ACCION partner Mibanco, Peru's first commercial bank committed to serving the poor. For three days, the delegation will meet with loan officers and visit the businesses of microentrepreneurs around Lima to see how microfinance is changing lives. Following the client visits, interested delegation members can continue on to Cuzco and Machu Picchu to celebrate the winter solstice on June 24, 2007. Contact Accion for fee information at campaign@accion.org or the general number in Boston at 617-625-7080.

Sanabel Fourth Annual Conference "Bridge the Gap, Maintain Focus"

Jun 12, 2007 - Jun 14, 2007, Yemen

The conference is sponsored by Sanabel Microfinance Network of Arab Countries, the leading trade association in the region. "The theme for this year's conference is 'Bridge the Gap, Maintain Focus' and will be held under the patronage of H.E. Ali Abdullah Saleh, the President of the Republic of Yemen. Conference Program includes: Panel Discussions; Workshops; Mini-Trainings; Action Plan Sessions; Financing Forum; Networking Opportunities; 2007 Regional Microentrepreneur Awards; Exhibition; Field Visits." The fee ranges from \$250-350 with a discount for early registration until April 15. For more information, call 20-2-3370714 or 7488624 at 1 El Sad El Aly Square., 5th Floor, Suite 51, Dokki, Egypt, <http://www.sanabelnetwork.org/en>

Summer Academy 2007 "Leading Change in Microfinance Markets"

Aug 19, 2007 - Aug 31, 2007, Bad Homburg, Germany

Sponsored by the Frankfurt School of Finance & Management. "The Summer Academy focuses on microfinance managers and has been designed for senior management from younger MFIs as well as mid-level managers from mature MFIs. The course will be particularly interesting for managers of MFIs undergoing a growth or transformation process. However, the course is also open for MFI practitioners from other perspectives, such as supervisors and regulators, investors or donors. To ensure a productive working environment, we have limited the number of participants to 30." Conference fee is EUR 4,990. For more information, please contact Carolin Drucks at +49-69154008-616 or c.drucks@frankfurt-school.de, http://www.frankfurt-school.de/content/en/intern_advisory/summeracademy_en.html

3rd African Microfinance Conference: New Options for Rural and Urban Africa

Aug 20, 2007 - Aug 23, 2007

The last two African Microfinance Conferences were held in South Africa in 2003 and 2005. This event is backed by the Association of Microfinance Institutions of Uganda (AMFIU). "The Third African Microfinance Conference: New Options for Rural and Urban Africa will discuss the following topics: Segmentation; Management of Risk for Clients; Management of Risk for Financial Institutions; Value Chain Financing; Cutting the Edge/Innovations in Formal, Semi-formal and Informal Institutions; Role of Public Sector Support...More detail will appear on the conference website and the next announcement regarding: Accommodation rates, Pre and post conference tours; Social events; Technical tours; Keynote speakers; Registration procedure and banking details." The conference fee is \$500 until July 15 and \$650 thereafter. For more information, please contact Conference Secretariat: Global Events Management, Uganda International Conference Centre, Office No. 242, PO Box 33422, Kampala, Uganda, Tel: +256 41 343 735, Email: gloevents@infocm.co.ug; Web site: www.amfiu.org.ug.

Microinsurance Conference 2007

November 13-15, Mumbai, India

This event is in its third year and jointly hosted by the CGAP Working Group on Microinsurance and the Munich Re Foundation with the support of the IRDA. The organizers of the conference have extended the call for papers. For more information, contact Dirk Reinhard, Vice Chair, Munich Re Foundation Telephone +49-89-3891-5909, info@munichre-foundation.org, www.microinsuranceconference2007.org.

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PAPER WRAP UP

The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid

Authored by Allen Hammond, Willian, Kramer, Robert Katz, Julia Tran, Courtland Walker, published by the International Finance Corporation and the World Resource Institute, March 2007, 151 pages.

The World Resource Institution reports everyday on businesses in poor countries on its popular web log www.nextbillion.net. This paper entitled "The Next 4 Billion" continues this thematic treatment, providing an overview of a massive dataset. The book, *Fortune at the Base of the Pyramid*, sparked a new fascination in the business world about billions of new customers in our age of "globalization". This paper paints an elegant, quantitative portrait of those in the world who make less than \$3,000 annual, measured in local purchasing power.

C.K. Prahalad builds on his landmark book recently in the Harvard Business Review. Using too much jargon, he explains how in order to reach the next four billion, big global corporations and local non-profits increasingly own and operate businesses together. Mr. Prahalad might be excused his academic jargon as this is a new general trend showcased in microfinance.

The global market – the "next 4 billion" is defined as follows by region: Asia and the Middle East is 2.86 billion people with income of \$3.47 trillion, representing 83% of the region's population and 42% of the purchasing power. In Eastern Europe, 254 million people have an income of \$456 billion, representing 64% of the population and 36% of the income. Latin America represents 360 million people with income of \$509 billion representing 70% of the population and 28% of the income. Africa comprises 486 million people with an income of \$429 billion, representing 95% of the population and 71% of the purchasing power.

The data is classified into eight categories: health, information and communications, water, transportation, housing, energy, food, and financial services. Food is by far the largest market.

The defining feature of individuals in the "next 4 billion" is that they pay more for services that richer people enjoy. This is certainly the case with microfinance services. Chapter Nine of *Next 4 Billion* is entitled "financial services" and focuses almost exclusively on microfinance. To their credit, the authors admit that information about microfinance is so scarce and obscured by the informal economy that one cannot reliably estimate spending on financial services in the poor world. The authors rightly bemoan the lack of good data on microfinance, and provide a seven page summary of microfinance with sidebar articles on case studies and a focus on remittances (immigrants sending money home), a topic on which good data does exist as transfers are originated in rich countries.

So, while this paper may not offer much new information to the microfinance savant, it does a wonderful job of generally explaining how microfinance customers worldwide spend their money otherwise.

"Building Win-Win Investor Investee Relationships"

By Peter Hinton, published by ShoreCap Exchange (SCE) as part of the Exchanging Views Series #5, March 2007. Download here: <http://www.shorecapexchange.org/documents/ExchangingViewsNo5.pdf>

This paper aims to "narrow the gap of understanding between investors and investees." Through interviews with well-known organizations specialized in microfinance, the paper focuses largely on the qualitative rather than quantitative aspects of a successful 'win-win' investment relationship, and illustrates the points with real-life examples taken from these interviews throughout.

The first section introduces the paper's approach, outlining the type of investors and investees who were interviewed, operating predominantly in developing economies. It establishes what from their experience does, and does not work in investment relationships. The next section is 'preparing for investment; understanding the process,' where the author spells out the different steps in equity investments, the type of investment with which the paper is mainly concerned. This focus is wise as equity investing is more complicated than simply lending money to a microbank for a fixed rate of return.

The reader is guided through a typical methodology beginning with 'origination', followed by 'screening', 'due diligence', 'the investment decision', 'portfolio management' and finally the 'exit' plan. The timing, legal documentation, and costs involved are also addressed here. The third section evaluates alignment between the investor and investee, and identifies this as crucial to the entire process. "Most investors...would not make an investment, regardless of how commercially attractive it is, if the alignment of interest is not satisfied." The section covers various aspects of understanding investor and investee needs and recognises key aspects for the investor such as management quality, governance, and expected return. Misalignments of interest are also identified and several 'red flag' issues are brought up. For the investor these include 'control issues', 'accounting irregularities', and 'no track record'. For the investee, examples were 'onerous conditions', 'lack of transparency' and 'costs too high' (particularly where investors seek guarantees of a minimum USD/Euro return). The penultimate section provides key examples of how to manage the ongoing investment working relationship, advising on regular contact with the board of directors, a clear point of contact, and thorough documentation of the evolution of the business. The conclusion muses that "as in human relationships, there is often a need to work through disagreements and difficult patches." It provides some parting advice to investors and investees to focus on their agreed objectives for a mutually beneficial relationship, as well as some fundamental questions they must ask themselves about any investment decision.

Much of the advice given and many of the points raised throughout this paper are simple and straightforward. However, for the same reason, the paper also provides sound foundations for a good investment relationship, although perhaps not a necessary read for the seasoned investor, but a good run through the paces with entertaining interviews.

Capital Markets-Style Risk Assessment: Testing Static Pool Analysis on Microfinance

Published by the Centre for Development of Social Finance (CDSF), March 2007.

The study examined 625,000 microfinance loans to discover if microfinance portfolios could be analyzed using the common capital market risk assessment method, "static pool analysis". The paper concludes that it was a feasible practice and recommends its implementation by Microfinance Institutions (MFI) in their future reporting practices. The project was done in collaboration with the Omidyar Network, based in Redwood City, California, and the Taylor Jordan Advised Fund of the RSF Global Community Fund, San Francisco. The Omidyar Network is a mission based investment group established in 2004 by ebay founder Pierre Omidyar. Reporting to the Mix Market, the microfinance information clearing house, at the end of 2005 the Omidyar Network had total fund assets of USD 400m. RSF is a US based non-profit organisation which provides financial services and support to individuals, non-profit organisations, and social enterprises. At the 2005 year end, RSF Quarterly reported total assets of USD 85.4m and a loan portfolio of USD 31m.

"Static pool analysis" a method used to measure of the frequency and severity of defaults on loans, as well as patterns of diversity and homogeneity. It is a quantifiable measure which requires a greater amount of historical data than is often used in financial statements by MFIs, and is often tracked by investors. The method groups historical loan data by select

periods of time from when loans originate with similar underwriting criteria. The data is then analysed to find the rate of loan defaults over the life of each period or group of loans. Data is also split by individual characteristics to illustrate patterns of diversity (or lack thereof) in loan portfolios.

The CDSF study involved two MFIs based in India and Tajikistan which provided data on 603,338 loans over eight years, and 22,796 loans over six years respectively. Swayam Krishi Sangam (SKS) based in Hyderabad, India was established in 1997. It reported to the Mix Market in March 2006 a gross loan portfolio of USD 20.6m and a debt to equity ratio of 636%. SKS also reported a return on assets of 2.8% and a return on equity of 27.08%. International Microloan Fund (IMON), formerly known as NABWT, was established in 1999 and is based in Khujand, Tajikistan. At the year end 2006, IMON reported to the Mix Market a gross loan portfolio of USD 7,931,378 and a debt to equity ratio of 325%. IMON also reported a return on assets of 10.10% and a return on equity of 50.76%.

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WHO'S WHO IN MICROCAPITAL

Fondation Zakoura

Non-profit microlender, Morocco

Fondation Zakoura is a Moroccan non-governmental organization (NGO), founded in 1995 with the mission to fight poverty and currently serves more than 150,000 microfinance customers. The organization's leadership includes the following individuals.

Noureddine Ayouch, President and Chief Executive Officer. Mr. Ayouch is currently the president of the Living Arts Foundation in Casablanca and CEO of Shem's Publicité. He is also a founding member of the Education and Training Commission of Morocco.

Fondation Zakoura has numerous Vice Presidents including Driss Moussaoui, Azzeddine Guessous, Ahmed Réda Chami, Abderrafih Menjour, Taoufiq Drhimeur, Abdellatif Belmadani, and Abderrahim Rhiati Salih. Dr. Driss Moussaoui founded the Ibn Rushd University Psychiatric Centre in Casablanca, Morocco and since 1979 has been its chairman. He was previously the president of the Moroccan Society of Psychiatry and the Federation of Arab Psychiatrists. Dr. Moussaoui was also member of the executive committees of the World Association for Social Psychiatry and of the World Federation of Societies of Biological Psychiatry. He is currently a fellow of the European Association of Psychiatrists and of the American Psychiatric Association. Mr. Azzeddine Guessous is a Manager at Maghrebail, an equipment leasing and real estate company, and the Vice President of the General Confederation of the Companies of Morocco, (CGEM). In addition to his position at Zakoura, Mr. Ahmed Reda Chami is also the Regional Director of Microsoft South East Asia and a Manager of the Saham Group, a Moroccan Property Developer. Mr. Chami is a graduate of the Central School of Paris, where he majored in Business. At Zakoura, he specializes in micro-credit and non-formal education. Mr. Abderrafih Menjour is also a Director of the Moroccan Company of Insurances Sanad, in addition to his status as Vice President at Zakoura. Similarly, Taoufiq Drhimeur is also employed at an Insurance Company, Al Wataniya Insurance, where he is the general manager. Abdellatif Belmadani sits on the Board of Bank Al-Maghrib. Abderrahim Rhiati Salih is the General Manager of EQDOM, a consumer credit company based in Morocco. At Zakoura, Abdelhamid Boustia is the Secretary General, and is also a Coach Consultant at HB2C, a production company. Mr. Boustia also serves as the Managing Director, of Amylum Maghreb, a Private, Agriculture and Food, Wholesale Distributor. The Treasurer of Fondation Zakoura, Mohamed Noçair Lamriki is also the Financial Manager at Shem's Publicité, an advertising agency. The board is completed by another 33 individual members. These include: Omar Berrada, El Bachir Baddou, Souad Benyahia, Rajaa Benjelloun, Mustapha Lefjel, Saïd Ahmed Bekkari,

Mohamed Youssef Sebti, Mouhcine Ayouch, Roukia Sairi, Mohamed Regragui, Azzeddine Bennani, Karim Zaz, Amina Lamrani, Saâd Bendidi, Zouheir Bensaid, Mhamed Zeghari, Mohamed Chaibi, Khalid Belyazid El Hassani, Anis Balafrej, Abdeljalil El Hassani, and Bouchaib Najioullah.

MasterCard Foundation

Grant-making foundation, Toronto, Canada

The MasterCard Foundation was established in May 2006 as an independent charitable foundation based in Toronto, Canada by MasterCard Worldwide Financial Institutions. Its leadership includes Deanna Rosenswig as the Present and Chief Executive Officer. Ms. Rosenswig is a graduate of McGill University. She joined the MasterCard Foundation after a 30-year career in banking that included several senior executive positions. Ms. Rosenswig is co-author of "Dreams Have No Expiry Date: A Practical and Inspirational Way for Women to Take Charge of their Futures," and is a former member of the Board of Directors of two charities that support international microfinance institutions: Women's World Banking and Calmeadow. Lois Juliber, who worked with Ms. Rosenswig at the Bank of Montreal, is chairman of the board. Ms. Juliber has served as the vice chairman and chief operation officer at Colgate-Palmolive Company, a director of Goldman Sachs and Dupont, and has been active on boards of several philanthropic microfinance organizations. She has also been a member of the Boards of Trustees of Wellesley College, Girls Inc., and Women's World Banking. Other board members include Phillip L. Clay, who is the chancellor and professor of city planning at the Massachusetts Institute of Technology (MIT). He is the former chair of MIT's department of Urban Studies and Planning and currently chairs the Board of Community Builders. Mr. Clay is a graduate of the University of North Carolina at Chapel Hill and holds a Ph.D. in City Planning from MIT. David L. Johnston is the current president of the University of Waterloo in Ontario, Canada. Mr. Johnston is also chair of the board of the Neuroscience Network of Centers of Excellence, a collaboration of researchers from 15 Canadian universities. He is also chair of the Canadian Institute for Advanced Research and has previously served as president of the Board of Overseers for Harvard University. Elizabeth Littlefield is the chief executive at the Consultative Group to Assist the Poor (CGAP), a microfinance think tank housed in the World Bank. Ms. Littlefield formerly held a position of managing director at J.P. Morgan's financing business throughout several regions of the world. She has also provided consulting services to several MFIs in West and Central Africa and has served on the Board of Trustees of Women's World Banking. Paul M. Ostergard previously served as the head of the GE Foundation, the Committee to Encourage Corporate Philanthropy and Junior Achievement International. Mr. Ostergard is also the retired head of the Citigroup Foundation. He is the interim head of the Hispanic Scholarship Fund and a trustee of Case University and Scholarship America. Marguerite S. Robinson, author of The Microfinance Revolution, is a former professor of anthropology at Brandeis University, independent consultant, and speaker on microfinance and other development issues. Ms. Robinson is an Institute Fellow Emeritus of the Harvard Institute for International Development. She is a graduate of Radcliffe College and holds a Ph.D. in anthropology from Harvard University. Mary Robinson, former president of Ireland, is the president of Realizing Rights: The Ethical Globalization Initiative. Ms. Robinson has served as the United Nations High Commissioner for Human Rights. She is also the vice president of the Club of Madrid, chair of the Board of International Institute for Environment & Development, chair of the Board of the Global Fund for Human Rights, a founding member and chair of the Council of Women World Leaders, honorary president of Oxfam International, a member of the Board of the Vaccine Fund, and chair of the Irish Chamber Orchestra. Rounding out the Board of Directors is Nigel Wright, managing director of Onex Corporation, a Canadian service, manufacturing, and technology firm. Mr. Wright is also on the Board of Directors at Res-Care, Inc., Indigo Books & Music, Inc., and Spirit Aerosystems, Inc.

PlaNet Finance

Non-profit supporting microfinance, Paris, France

PlaNet Finance was founded by Jacques Attali and Arnaud Ventura in 1998. Mr. Attali and Mr. Ventura act as the president and executive vice president respectively. Mr. Attali has a doctorate in economic sciences and has graduated from the École Polytechnique, École des Mines, École Nationale de l'Administration and the Institut d'Études Politiques. He has been a lecturer of economics and a special counselor to the French President (1981-1991). He was also founder and first president of the European Bank for Reconstruction and Development (EBRD) in London, an institution established to provide financial assistance for transition economies in Central and Eastern Europe. He is now president of A&A, a new technologies consultancy firm. His history of work in international development includes launching a program to tackle flooding in Bangladesh in 1989 and founding the humanitarian NGO Action Internationale Contre la Faim in 1980. Executive vice president Mr. Ventura was managing director until 2005. Previously he has been an IT consultant in Asia for Internet Thailand, and an IT advisor for BNP-Paribas, an international bank. Mr. Ventura has been involved in consultancy for microfinance technical assistance projects, bank downscaling and government consultancy. He was founder and director of NGO-NET and is also currently the CEO for Microcred, a subsidiary of PlaNet Finance that makes microloans in Mexico and Madagascar.

PlaNet's management team is comprised of Sebastien Duquet (managing director), Pedro Valdez (deputy managing director) and Bianca Fischer Lethanh (general director). Sebastien Duquet graduated from EDHEC Business School with an international finance diploma and has a chartered accountant diploma from the French Ministry of Education. He has been MD since 2005, before which he was Middle East development director, executive director for PlaNet Finance Morocco, and deputy managing director for development. Mr. Duquet was previously a consultant for Andersen, an accountancy firm, finance department manager for HSBC and a manager at Ernst & Young, a financial services company. As deputy managing director, Pedro Valdez is in charge of development. He specialises in microfinance in Latin America and has a PhD from Birmingham University and a master's in economics and finance from Warwick University in the UK. Mr. Valdez has a history of retail banking in Europe and Latin America, and experience in risk management and IT. He is also listed in the Consultative Group to Assist the Poor (CGAP's) Information System Fund (IS FUND), a fund designed to facilitate specialist consultants providing their expertise to MFI's. General director Bianca Fischer Lethanh is in charge of the administration and finance department. She studied at École Polytechnique, Montreal, and has 10 years of professional experience. She worked for 6 years in Asia with the Bouygues Group and has been part of several technical assistance projects with the Asian Development Bank (ADB). Olivier Allais is PlaNet Finance's senior microfinance expert. He is a senior project developer and manager with more than 18 years experience working in developing and transition countries. Mr. Allais graduated from HEC Paris in business and administration and divides his time with PlaNet Finance between the headquarters in France and Asia. He spent six years in a senior leadership role with the United Nations (UN) and eight years working with the European Commission. Mathilde Gaston-Mathé is the director of the fundraising and communications department. She has a master's in communication from La Sorbonne Paris III and a master's in marketing and brand communications from the CELSA School in Paris. Ms. Gaston-Mathé has been a project manager for Lonsdale design and head of mission for a Cambodian NGO. She has also been a project manager for PlaNet Finance in a voluntary capacity.

Board of Directors of PlaNet: President of the board of directors is Jacques Attali. The treasurer is Philippe Peuch-Lestrade of Ernst & Young in Paris, who also sat on the panel at the Forum de Marseille 2005, a conference bringing together microfinance practitioners from across the globe. The board is completed by another 34 individual members. These include Michele Barzach, currently president of the board of directors for Glaxo Wellcome Foundation. Ms. Barzach also served as minister for health and

the family in France for the Chirac government from 1986-88, and is currently involved with the World Health Organisation (WHO). Jean-Philippe Courtois is president of Microsoft International and senior vice president of Microsoft Corp. He graduated from the École Supérieure de Commerce in Nice, and is a past member of CSR Europe and the Advisory Council of the European Policy Centre. Bernard Herman is the managing director, private banking, Dexia-BiL based in Luxembourg. Mr. Herman has 16 years experience with Dexia Group and eight years experience with Chase Manhattan Bank. He was involved in the creation of the Dexia Microcredit Fund and the provision of capital for the creation of PlaNet Finance. Alfonso Prat-Gay is a former president of the Central Bank in Argentina (2002-04). He was a PhD candidate at the University of Pennsylvania where he also received a master's in economics. He was co-founder of APL Economa, an economics consulting firm, and previously worked for a JP Morgan research team in London advising on currency trading. Corinne Evens is chair of the Evens Foundation, a philanthropic organisation which supports projects aimed at increasing respect for human beings and intercultural education.

In addition to the Board of Directors, PlaNet Finance has a supervisory board. The two presidents of the supervisory board are Dr. Muhammad Yunus, founder of the Grameen Bank in Dhaka, and Adbou Diof, former president of Senegal and general secretary of International Organisation of Francophonie in Paris. Among the numerous members of the supervisory board are Boutros Boutros-Ghali, former secretary general of the UN; Jacques Delors, former president of the European Commission; Shimon Peres, Nobel Peace Prize Laureate; Pedro Moreira Salles, president of Unibanco, Sao Paulo; and Bob Hormats, vice chairman of Goldman Sachs International, New York.



Editorial: eBay Enters

I. Leaving the Dangerous Work to the Little Guys

eBay, the online marketplace, recently announced (or was it a public relations miscue?), that it has bought MicroPlace, an on-line marketplace for microfinance securities. According to news service Auctionbytes.com, Gary Briggs, eBay's chief marketing officer in answer to a question from the audience let slip that MicroPlace is "a group that we purchased that is making microfinance loans available to the developing world in particular, and we think- particularly as it relates to PayPal- that we think that's a great thing to be able to do for the global community."

MicroPlace will soon launch an eBay style online marketplace where individuals will be able to make microfinance investments, most likely by purchasing notes offered by microbanks. The transaction will be hosted by eBay working through an intermediary like the US Calvert Foundation in order for such investments to clear regulatory hurdles. It will be in the same vein as current sites such as prosper.com (for-profit), where individuals list and bid on loans within the US market, and Kiva.org (non-profit) where individuals can lend to specific micro-businesses in the developing world through links with microfinance institution (MFI) partners.

How "great a thing for the global community" it remains to be seen. The success of eBay's venture will depend on giving its customers what they want. But in a 'global community' who are the customers? If the customers are those people in advanced economies, shopping online for "feel good" investment opportunities, then MicroPlace is likely to be as successful as Kiva.org and Prosper.com. However, for the microbanks and the micro-borrowers involved there is the additional risk of foreign currency exchange. If this risk is not properly managed then the burden will fall heavily upon those who we all seek to help. Can a giant like eBay responsibly off load this clear and present risk onto microbanks and micro-borrowers?

II. Reality on the Ground April 2007 is Too Many Dollars

eBay is late to microfinance.

Microfinance simply is not desperate for capital like it used to be. In September 2006, we reported on the "watershed" deal when the huge pension fund TIAA-CREF made a direct \$100 million investment into global microbank ProCredit, thus marking the arrival of commercial microfinance to the capital markets. Soon thereafter, the Nobel Peace Prize was awarded to a microbanker, and the flood gates opened. Of course, microfinance is still an immature industry, but the corner has been turned. The issue is no longer if the money will come, but when and how. After this watershed, developing microfinance is no longer about just getting more money into it. It is about quality, not quantity. Therefore, while eBay's entrance does mean microfinance investment has been brought to the masses, simply bringing more money into microfinance is not enough. It has to be done right. Piling on lots of dollars without insurance is the opposite of right, and will only exacerbate the risk faced by micro-borrowers and everyone else involved.

Doing it right on a massive scale means solving foreign currency exchange risk for the poor billions eBay claims to help.

III. Who Is Oz? eBay Founder Pierre Omidyar has Lots of Levers

We hold eBay and its founder, Pierre Omidyar, in great esteem and to the highest of standards. The Omidyar Network is a 'mission based' organization founded by Pierre Omidyar and his wife Pam in 2004. It makes both for-profit and non-profit investments.

When it comes to "massifying" microfinance investments in dollars, however, Mr. Omidyar knows better. We at MicroCapital have publicly

tracked Mr. Omidyar's evolution in microfinance for you over the years, so you may be familiar with his story. In July 2005, we strongly applauded Mr. Omidyar's philosophical stand on microfinance investing, but questioned him for simply not walking his talk (see story, parts one and two). In that story, we gave him the benefit of the doubt. In his defense, he was still transitioning away from disbanding the grant-making Omidyar Foundation towards the "social enterprise" model of the Omidyar Network, thereby blending pure investment capital and philanthropic capital (that which already yielded a tax write-off to the donor.) This was an innovative move at the time (since then, Google.org has outdone him in this regard), hence Mr. Omidyar deserved the benefit of the doubt. Thereafter, we vigorously applauded and then defended him when his innovative \$100 million Tufts-Omidyar Microfinance Fund was lambasted in the Boston Globe, the hometown newspaper of Tufts University. Also, he has been wise about donating in microfinance (story). We worked hard to defend Mr. Omidyar when the New Yorker magazine painted him an antihero juxtaposed to Dr. Yunus of the Grameen Bank.

Mr. Omidyar, you are worthy of extraordinarily high expectations. Please note that we also hold Dr. Yunus to these standards. This month, we report on his apparent conflict of interest in his dealings with the Norwegian government.

We hope this "massification" of microfinance investment works. Maybe MicroPlace is part of a broader innovative strategy to build an efficient market mechanism to deliver capital correctly into the poorest parts of the world. Maybe GE Capital is involved as they begin to back PayPal, a subsidiary of eBay. Maybe these dollar investments will be properly insured and priced so currency exchange and fluctuations do not increase poverty. We hope this is a farsighted effort. We hope that Mr. Omidyar is indeed backing his very public stand on microfinance with his own sweat, rolling up his sleeves to get this right.

IV. The Road to Oz, From a grant-making Foundation to an investing Network

The performance of the Omidyar Network to date reflects a stable of companies that does not denote a coherent strategy. Omidyar Network currently lists 63 organizations online in its investment portfolio over 4 different areas; access to finance; philanthropic markets; open innovation; and participatory media. Within 'access to finance' alone the network includes a plethora of organizations from Unitus, which aims to accelerate growth of MFIs to Cell Bazaar which connects buyers and sellers through a mobile phone based marketplace. Ethos Water aims to increase awareness of the global water shortage, and World of Good brings 'ethically sourced handcrafted goods' to the US market.

Mr. Omidyar has a reputation for meticulously approving every deal at Omidyar Network, but from the outside, it appears that they are trying to master the fields of "social enterprise investing" and "microfinance investing" simultaneously. These fields maybe too big a mismatch and the scope too big for the \$400 million dollar Network and yes, even, eBay.

In Silicon Valley, the social enterprise investing done by the Omidyar Network is a good fit. Open on-line marketplaces and social networking companies are a good fit. We heartily and sincerely applaud this focus and the innovative blending of commercial and philanthropic strategies. Microfinance, however, while not rocket science, is different.

Microfinance investing is different from rich world social investing for many reasons (poor countries, little technology, uneducated customers, etc, etc) but one aspect is more important than all others: Microfinance investment potentially involves subjecting poor people in miserable countries to usurious interest rates and sinful debt.

Yes, usury is the ugly side of microcredit. That same poor smiling mother whose photo greets you from glossy photos may well be paying 80% on her microloan. Although the extent to which microfinance creates wealth for its customers is unknown, one thing we do know beyond any controversy is

that interest rates on micro-loans can be very high. As the New Yorker magazine reported, Compartamos, a darling in the microfinance world, will enter the public markets having charged over 80% annual interest rates to Mexicans.

Usury is a well known dirty secret in microfinance, yet every time we write about it we receive incredulous letters from readers. We continue to talk about usury because it is the best way to remind ourselves that the stakes in microfinance are extremely high. Microfinance is indeed a matter of life and death because if done wrong, it can directly mean starvation to a family.

Mr. Omidyar, we return to our refrain in this series: Please get it right. Silicon Valley is fascinated by technology-driven social networks and peer to peer marketplaces. Applying Silicon Valley wisdom of the day to microfinance investing, however, falls very short. By “massifying” microfinance investment through eBay, Mr. Omidyar, the elephant in the room has sat in your lap.

The last thing microfinance needs in this frenzy is more uninsured dollars. Whether it is the basket-weaver or her microbank, borrowing in dollars is dangerous. Mr. Omidyar, you know this all too well.

V. The Verdict Cometh

The cynic opines that eBay is just making a shrewd marketing investment by backing microfinance with an “on-line marketplace” like MicroPlace. It is true that the bang for the marketing buck is pretty loud for eBay, evidenced by the fact that eBay’s Chief Marketer could not help but spill the MicroPlace news.

We, however, prefer to hope that eBay is part of the solution, not the problem. We at MicroCapital take the position that Mr. Omidyar is now obliged to explain how he expects to keep the risk of foreign currency

exchange off the backs of the poor as eBay founds its on-line “massification” of microfinance investment.

Furthermore, given Mr. Omidyar’s own philosophy, addressing the foreign currency exchange risks faced by microbanks and their micro-borrowers is a moral imperative. If eBay is just another creeping behemoth, no one really gets hurts, but bringing eBay to microbanking risks the starvation of families.

Cries for help on foreign currency exchange risk management were once again heard loudly when CGAP, a policy shop, recently convened an on-line discussion of microfinance investment. That is the good news, Mr. Omidyar; if you do the right thing, and commit to resolving this problem, everyone will get behind you. The bad news is the magnitude of the imperative; it will take an extraordinary effort.

Here’s an idea: Do a Warren Buffet! Like Mr. Buffett, you might consider ramping up your philanthropic effectiveness through a friendly merger. The ideal target for you might be Mr. George Soros’ global network of foundations. Mr. Soros is at that time in his life where he might consider an heir of sorts, and then you would have real infrastructure at your fingertips. Right now, it appears you and your team may not be equipped to address the folly.

If solving foreign currency exchange risk is not how you decide to settle your debt to microfinance, then we have a second suggestion: A global trust dedicated to Fair Microlending. This should be a billion dollar fund, so you will have to call some friends to get it done (again, the Warren Buffett example is useful). This month Bangladesh announced 7,000 applicants for its new microbanking license, which is another poignant example that it is high time to fix the serious problems so many uninsured dollars have created in microfinance.



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