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The Candid Voice for Microfinance Investment

MICROCAPITAL BRIEFS

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Top Stories:

Bolivian Prodem Bought by Venezuelan Government

The Bolivian microfinance world is in turmoil because Prodem, the country's #3 microbank, was sold to a Venezuelan government bank. The sale has provoked anxiety that micro-financial services will be used to generate political support for the Chavez administration, thus undermining the Bolivian microfinance market as micro-borrowers smell politics and stop paying their loans. Or, worse, that Mr. Chavez will undercut other Bolivian micro-banks by charging artificially low interest rates subsidized by Venezuela's wealth in oil. Such a scenario would have broader impact on the microfinance industry as a whole because Bolivia is arguably the second most important market in the world after Bangladesh. MicroCapital interviewed Prodem CEO and Founder, Edurado Bazoberry recently at the WWB-Goldman conference on capital markets. Many people in the microfinance world were shocked that Mr. Bazoberry, one of microfinance's most innovative pioneers, would "sell out" given the potential damage to a fledging industry he did so much to build. *Continued on next page….*

Indian Government May Fix Microfinance Interest Rates

The Indian government is planning to set broad interest rate bands for microfinance institutions and self-help groups. The legislation would spell out interest rate and accountancy norms that microfinance institutions must follow. The bill likely will be presented in Parliament at the next budget session. **January 17. 2007**

The Risk of FX Risk Management in Microfinance

Each month, we review the latest papers in microfinance that are of interest to investors (Paper Wrap Up). Never before since our first publication in August 2006 have we reviewed a paper on the front page, but, as the aggregate volume of money flowing to microfinance has risen dramatically in the last year, the issue of foreign (currency) exchange risk, or FX risk, has become increasingly material. This month, we look at the paper "Foreign Exchange Risk Mitigation Techniques - Structure and Documentation: A Technical Guide for Microfinance Institutions" published by the Consultative Group to Assist the Poor (CGAP) and Cleary, Gottlieb, Steen & Hamilton LLP, a US law firm. CGAP is a research and policy group backed by 33 international organizations and housed in the World Bank. CGAP has the greatest concentration of resources and expertise in the microfinance sector dedicated to the free assembly and dissemination of information. And they are very good at it. This is a wildly important resource in the microfinance industry which is crippled by a dearth of good information. There is no greater example of this keystone importance than CGAP's sister organization the MIX Market (www.mixmarket.org), which began working toward data transparency and standardization across the global microfinance sector back in 2000. Despite this great work, responsible development of the microfinance sector requires much richer information. While CGAP-MIX is by far the biggest and best research shop in the microfinance, their resources are still quite limited by private sector standards. Although MicroCapital is not formally associated with either CGAP or MIX, we proudly support and applaud their critical efforts. So important is their work that we humbly suggest that any microfinance grant-making foundation with over USD 5 mn in assets that does *not* sponsor CGAP or MIX simply does not "get it" and would do well to reexamine its priorities. For-profit firms of substance should find a way to pitch in too. Join the team!

On to the review: The paper is a high quality product, and incredibly detailed, but painfully so—it is a legal treatise, and a real resource to the right audience, which is precisely the point: This guide would be impossible--indeed dangerous—if used by 99% of microfinance institutions (MFIs) in the world. *Please see full review on page 7…*

Top Story December: ICICI Plans Total Domination in India

INSIDE THIS ISSUE

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Bolivian Prodem Bought by Venezuelan Government

Continued from front page…

Mr. Bazoberry justified the move as a rational reaction to the threatening posture of the newly elected Morales administration of the Bolivian government. The Morales government wants its public banks to serve the Bolivian poor and is happy to use legislative levers to manipulate the market as political tensions in Bolivia continue to grow. Prodem's bread and butter business is rural lending and according to Mr. Bazoberry his business had been overtly targeted by the government. He believes that within eight months his business will be killed, so he decided to sell. And while he had many suitors, as Prodem is one of the top micro-banks in the world, no buyers offered a price over book value, given the situation. Except, of course, the Venezuelan government. Although Mr. Bazoberry will not disclose the price of Prodem, we believe it to be about 3.5 times book value, which is a plum price even under ideal circumstances. So, he took the money, much of which goes to Prodem employees who have been compensated with stock for many years. Although Mr. Bazoberry remains quite defensive about his decision, he is now a rich man and as ambitious as ever. He says his next plan is to use the proceeds to create a regional bank, which may open as soon as next year. Many of Prodem's employees have decided to invest in this new venture with their proceeds from the sale. It appears the Venezuelan government did not bother--or just did not care--to secure a non-compete agreement. **January 18. 2007**

Proof of Social Impact? Price in Bangladesh

According to the head of ASA's new private equity fund, Dirk Brouwer, the Bangladeshi microfinance market is almost saturated with micro-loans. In by far the largest microfinance market in the world, three Bangladeshi microbanks – Grameen, BRAC, ASA – serve 20 million clients in a market of 25 million potential borrowers. As this market approaches saturation, ASA has now lowered its rates, forcing the others to follow. The maturing microfinance market in Bangladesh means poor people pay less for capital. While significant resources are spent each year in microfinance to measure "social impact," this measure – price – is beautiful in its simplicity. **January 18. 2007**

ACCION Partners with Ecobank in Western Africa

Accion International, a private US-based nonprofit microfinance network that partners with 22 microbanks globally, which held a total, collective loan portfolio of USD 1.34 bn in 2005, partnered with Ecobank Transnational Incorporated. Ecobank is an independent regional West African bank based in Togo. The two organizations will work together over the next three to five years to deliver microcredit, business training and other financial services through Ecobank's existing branch network. These products will also be available through Ecobank's ATMs, point-of-sale terminals and phone banking system. With the support of Accion, Ecobank will now offer financial services such as savings and insurance products and loans as low as USD 100. The Ecobank Group was created in 1985 as a regional West African Bank and began operations in 1988 in Lomé, Togo. It now has twelve subsidiaries in sixteen West and Central African countries, including Chad, Kenya, Sierra Leone and Guinea Bissau. It had approximately USD 2.2 bn in total net assets in 2005. **January 18. 2007**

China Development Bank Lends USD 12mn

The China Development Bank (CDB) ended 2006 with an agreement to lend the equivalent of USD 12.8 mn to the China Foundation for Poverty Alleviation (CFPA), a private organization established in 1989. The CFPA plans to use the money to enlarge its microcredit program in the poverty-stricken Chinese countryside. The foundation has been making microloans since 1996, but had "only" reached 330,000 farmers due to funding constraints. The CFPA had exclusively managed foreign-donated funds before this loan. In addition to microcredit, CFPA has projects involving safe drinking water, home rebuilding, education and disaster relief. China recently surpassed Zimbabwe as having the most polarized wealth disparity in the world. **January 17. 2007**

Grameen Guarantees ProMujer Peru

Grameen Foundation has executed its first Growth Guarantee transaction in Peru, leveraging USD 600,000 for ProMujer Peru. The financing from Banco de Credito de Peru, the country's largest bank, was facilitated by a guarantee of USD 300,000. This is Grameen Foundation's second Growth Guarantee with a ProMujer affiliate. The Grameen Foundation has 52 partners in 22 countries. Total assets amounted to USD 13.9mn at the end of 2005. Pro Mujer is an international non-profit microfinance network, offering an integrated package of services, including loans, savings, business training, healthcare and education. Founded in Bolivia in 1990, ProMujer now also operates in Argentina, Mexico, Nicaragua and Peru. Founded in 1999, ProMujer Peru mainly serves the districts in southern Peru. As recorded at the end of 2005, Pro Mujer Peru had 28,071 active borrowers. Its gross loan portfolio equaled USD 3.43mn, total assets equaled USD 4.09mn and total equity equaled USD 2.42mn. The debt to equity ratio was 69.21%, return on assets equaled 12.81% and return on equity equaled 22.47% at the end of 2005. **January 16. 2007**

MFIC Ties US and International Microfinance Using Remittances

Microfinance International (MFIC) is a 60-employee US startup earning USD 2.2mn in gross revenue in 2006. MFIC has partnered with UAE Exchange, a finance company based in the United Arab Emirates, to offer the capability of real-time remittance transfer in 75 countries. MFIC seeks to provide similar services to that of international microfinance intuitions (MFIs) to low-income people in the US and also to capitalize on the USD 30bn US-to-Latin America remittance market. MFIC's remittance delivery platform, ARIAS, can be licensed to banks and microfinance institutions. In addition, the company provides loans to microfinance institutions in developing countries. MFIC serves the immigrant population in the US with Alante Financial (formerly Mi Pueblo), a group of financial service centers developed in 2004. Alante uses a customer's remittance history to determine creditworthiness instead of traditional credit systems. It reports to a credit bureau so that a customer can build a credit history and eventually graduate to more traditional credit products. It offers microloans, remittances, insurance products and check cashing, but does not take deposits. To that end, it plans to become a licensed bank in late 2007. MFIC helps migrant workers purchase property, a house or other major assets in their home country, and has lent USD 1mn towards these goals. MFIC attracted 50,000 customers in its first year of operations but is not yet profitable. **January 15. 2007**

Soros Begins Directly Subsidizing Microbanks

The Soros Economic Development Fund (SEDF), a private non-profit foundation, has made its first grant to a microfinance institution in the amount of USD 175,000 to Tameer Microfinance Bank Ltd, Pakistan. Tameer, with 17 branches and an outstanding portfolio of USD 11mn, is the fastest growing micro-lending institution in Pakistan. It currently serves 21,000 people and is projected to reach 750,000 in five years. Rating and other financial information was unavailable because Tameer Microfinance Bank does not report to MIX Market, the microfinance information clearinghouse and the standard supported by MicroCapital. The SEDF, founded in 1997 by philanthropist George Soros, is one of a network of foundations related to the Soros Foundation. This network of Soros foundations was created to be the vehicle of outreach for the work of the Open Society Institute, which is essentially a grant-making body with annual combined giving of USD 400-500mn in 29 countries with a variety of goals. **January 15. 2007**

Grameen Trusts Opens Local Indian Office

Grameen Bank founder Muhammed Yunus will inaugurate the Grameen Trust India office. Grameen Trust (GT), a private, non-profit, non-governmental organization, came into being in 1989 to replicate the Grameen Bank model; it conducts training programs in micro-financing and global conferences and operates in 37 countries with 138 partners. The

Grameen Trust does not report to the MIX Market, the microfinance information clearinghouse. **January 15. 2007**

TIAA-CREF Strikes Another First with Shore Bank

TIAA-CREF, a USD 380bn US pension fund, has purchased multiple Certificates of Deposit (CDs) worth USD 22mn from the Shore Bank and Shore Bank Pacific, US based community development banks. TIAA-CREF recently announced a USD 100mn Global Microfinance Investment Program (GMIP) and in September made its first investment by buying a USD 43mn private equity stake in ProCredit, a German microfinance institution (MFI) holding company. This is the single largest CD deposit made in Shore Bank and Shore Bank Pacific. Founded in 1973, Shore Bank Corporation runs banking and consulting services and multiple non-profit organizations directed towards small business finance, microfinance and housing finance. The consolidated concern had assets worth USD 1.8bn and an income of USD 8.3mn in 2005. **January 12. 2007**

Candian Mutual Fund Enters Market

MicroVest One, LP is a USD 25mn fund, managed by MicroVest Capital Management, LLC and backed by CARE and MEDA, humanitarian organizations, sold Meritas Jantzi Social Index Fund, a Canadian mutual fund, a USD 300,000 note subscription. The Meritas Jantzi Social Index Fund was founded March 30, 2001, and is managed by Cambridge, Ontario-based Meritas Financial Inc. The USD 55mn Jantzi Social Index Fund is based on the composition of Canadian equity securities within the Jantzi Social Index. The fund seeks to provide competitive financial and positive social returns to their investors. **January 12, 2007.**

MicroVest, Calvert and Dignity Get Together

In addition to gaining a major investor, MicroVest completed a syndicated loan with US investors, The Calvert Social Investment Foundation and The Dignity Fund. The Calvert Foundation currently holds assets amounting to USD 80mn which is fueled by over 1200 investors. Dignity has assets totaling USD 5.4mn. MicroVest serves as the lead agent in the loan transaction, responsible for the structure and administration of the USD 2mn term loan granted to D-Miro. Founded in 1997, D-Miro is a Latin American- and Caribbean-based non-profit micro-lender. As of December 2005, it had a gross loan portfolio of USD 5,891,778, total assets of USD 6,707,799, a return on assets of 8.51% and a debt to equity ratio of 42.13%. MicroRate, a microfinance rating agency, has given D-Miro a rating of B+ for 2005. This syndicated loan is an encouraging development toward consolidation in the microfinance investment community, which has been and continues to be irrationally fragmented, thus engendering the same fragmentation on the service provider, or micro-banking side of the industry. **January 12. 2007**

BBVA Launches Microfinance Hedge Fund

Banco Bilbao Vizcaya Argentaria (BBVA), a Spanish bank and asset manager, has launched a hedge fund focused on Latin American microfinance called BBVA Codespa Microfinanzas, and provided € 20mn in seed funding. It will lend money to international organizations, cooperatives, and non-governmental organizations. Minimum investment in BBVA Codespa Microfinanzas is €50,000. BBVA has contracted with Fundación Codespa and Blue Orchard to advise the fund. Founded in 1985, Fundación Codespa is a Spanish international development foundation that supports cooperative projects in Latin America, Africa, the Middle East and Asia. Blue Orchard is a Swiss-based asset manager that specializes in microfinance investment products. Blue Orchard currently co-manages the Dexia Micro-Credit Fund (fund assets of USD 125,916,120 and fund assets allocated to microfinance (MF) investments of USD 90,797,921, as of 2006-11-01) and the Saint-Honoré Microfinance Fund (fund assets of USD 15,874,783, allocated to MF: USD 8,499,916, as of 2006-08-01), advises the responsAbility Global Microfinance Fund (fund assets of USD 94,022,726, allocated to MF: USD 86,118,097, as of 2006-12-31), services BlueOrchard Microfinance Securities I (fund assets of USD 86,500,000, allocated to MF: USD 81,250,000, as of 2005-05-01), and sponsors and services Blue Orchard Loans for Development 2006-1 S.A. (fund assets of USD 99,100,000, allocated to MF: USD 96,600,000, as of 2006-04-20). **January 10. 2007**

Microinsurance Surges in Mexico

Microinsurance offerings have increased in Mexico through Grupo Elektra's Seguros Azteca and Citgroup's local insurance unit Seguros Banamex. To simplify and to keep costs down, both groups do not underwrite selectively; in effect, policies are not based on health, age or medical history. Instead, the companies use proprietary mortality tables developed for this segment of clients in order to balance premiums and claims. Seguros Banamex has been working with Banco Compartamos, Mexico's largest microbank. Seguros Banamex developed a life insurance policy with 15,000 pesos (USD 1,383) in death benefits that Compartamos has bundled with its loans since mid-2005. To date the joint venture has issued more than 400,000 policies. Seguros Azteca is a subsidiary of a massive Latin American department store, and offers its microinsurance policies through these locations. "We are selling between 50,000 and 60,000 policies a week. We have insured 9 million Mexicans since Seguros Azteca was born three years ago." The group plans to underwrite over 1 bn pesos (USD 92mn) in premiums this year and plans to expand through joint ventures with insurance companies in Guatemala, Honduras, El Salvador, Panama and Peru. Seguros Azteca also sees a lot of potential in the estimated 10 million Mexicans living in the United States, who sent home more than USD 20bn in remittances last year. Honsberg hopes to sign similar joint ventures with US insurers to sell insurance products to Latin American migrants, to cover deaths that occur in the US with benefits going to beneficiaries in Mexico. **January 9. 2007**

Pak-Oman Publicly Claims "100% Recovery"

Pak-Oman Microfinance Bank is to set up at least 20 new branches in Pakistan this year. Last year, Pak-Oman Bank achieved its target of opening 10 branches, serving 10,000 customers and lending Rs 100mn (USD 22,624) while reporting an unbelievable "100 percent recovery" in 2006. **January 8. 2007**

Moroccan Attijariwafa Bank Lends USD 2.7mn to FONDEP Guaranteed by Grameen-Jameel

FONDEP, a microfinance institution (MFI) based in Morocco recently received USD 2.7mn in local currency funding from Attijariwafa Bank, a local bank. The deal was engineered by the Grameen-Jameel Initiative, which provided a USD 888,000 guarantee on the loan. FONDEP was founded in 1996 and, as of December 2005, the MFI had a gross loan portfolio of US 10.8mn, return on assets of 8.57% and a portfolio at risk over 30 days of .36%. The Grameen-Jameel Initiative was started in 2003 by Grameen Foundation, a US NGO with partner MFIs in 22 countries, and the Abdul Latif Jameel Group, a Saudi Arabian holding company. It has the goal of supporting growth of the microfinance industry in the Middle East and North Africa. It does so by providing capacity building and direct financing to local partner MFIs in the region. The initiative does not report to the MIX Market, the microfinance information clearinghouse. **January 4. 2007**

Tanzanian National Microfinance Bank Lists

Tanzania's National Microfinance Bank (NMB) could be listed on the Dar es Salaam Stock Exchange (DSE) by the end of June 2007. The bank should play a significant role in increasing the total capitalization in the DSE. NMB has the largest microfinance branch network in Tanzania, with 115 locations. In 2006 it experienced a 55% growth in before-tax profit to USD 40 mn. It employees 30% of all employees in the Tanzanian banking sector. In October 2005, the Tanzanian government sold 49% of its shares in the MFI to a consortium led by Dutch Rabobank for USD 29.4mn. **January 4. 2007**

Matthews International Capital Touts BRI

In a recent article in the *International Herald Tribune*, Mark Headley, president of Matthews International Capital Management in San Francisco, pointed to the Indonesian microfinance institution Bank Rakyat Indonesia

(BRI) as a potentially wise investment. The comment was made in reference to finding alternative emerging market investments outside of China and India. BRI is the largest microfinance institution in Indonesia, as well as one of the country's largest commercial banks. In 2003, the government did an initial public offering (IPO) of 30% of its share on the Jakarta Stock Exchange. At the end of 2005, BRI had USD 4.48bn in assets and USD 259mn in equity. It had a return on assets of 6.2% and a return on equity of 107.38%. **January 4. 2007**

Reserve Bank of India Cautions Microbanks

Related to one of this month's top stories that interest rates will be capped, the Reserve Bank of India has issued a notification saying that microfinance institutions (MFIs) and banks were not meeting the rural impact guidelines, part of banking regulation in India. The notification mentions three areas of concern. First, that MFIs which are financed by banks or acting as their intermediaries seem to be focusing on relatively better banked areas and competing for the same set of poor customers resulting in multiple lending practices. Second, empowerment of self-help groups through development of their capacity to increase their incomes is being ignored. Third, the banks that are the principal financiers of these MFIs have not improved their processes and reporting for better transparency and control. **January 4. 2007**

George Soros Touts Microfinance

Global financier George Soros recently visited India. "You are in a boom economy, in a booming financial market," Mr. Soros said. "It's the role of the authorities to prevent the boom from becoming excessive, to avoid overheating. India should be careful of capital inflows but it should make rules conducive to attract foreign direct investment." His comments come at a time when policy makers in India are debating moves to make the rupee fully convertible, which Mr. Soros has advised against. He commented on microcredit in India, seemingly not seeing microfinance inflows as a contributor to the overheated investment environment. He said financial products are not serving the underprivileged in India and that incentives should be provided to scale up microcredit to empower the masses. Bringing a large section of population into the financial sector has to be taken up by professionals and business, he said. Mr. Soros is a global investor and philanthropist with an estimated net worth of USD 8.5bn. He is the founder and chairman of the Open Society Institute and the Soros foundations network. The Open Society Institute and the Soros foundations network operate in more than 50 countries and have an average total expenditure between USD 400mn and 500mn per year. **January 3. 2007**

ADB Lends $320mn to Pakistan's Government

A loan package from the Asian Development Bank (ADB) to the Pakistani government totaling USD 320mn will aim to improve access to financial services. The key features of this loan package include promoting technological advancements to increase effectiveness of the delivery of financial services and increase the variety and quality of financial products and services currently available. The ADB also plans to set up public-private partnerships, reliable business and credit information systems, as well as consistent and lower-cost remittance services for overseas workers. **January 2. 2007**

WOCCU Nets USD 30mn for Afghanistan from US

WOCCU, the world's largest development organization for credit unions, has received USD 19.4mn and USD 8.3mn in funding from USAID, the US government's foreign aid agency, and MISFA, a program backed by US government funding, to expand its presence in Afghanistan. The USAID funding will be used to set up 20 credit unions and points of service to encourage alternatives to opium cultivation. WOCCU will receive USD 15.4mn as a grant and the remaining USD 4mn will be in the form of a convertible subordinated debt-to-equity investment in the project credit unions. The USD 8.3mn from MISFA will be specifically used to set up 5 credit unions in Northern Afghanistan. WOCCU started its Afghanistan operations in collaboration with MISFA in 2004 with a USD 1.1mn program. By the end of 2005, nearly 3000 Afghans were members of two credit unions, to be run as per Islamic Banking Principles, which side step Islamic law prohibiting usury and the collection and payment of interest. For example, instead of offering loans for housing, the bank buys the house and then sells the house to the customer at a marked up price that the customer may pay in installments. **January 2. 2007**

Citizens Bank of Canada Offers Product

Citizens Bank of Canada now offers the Shared World term deposit, which invests in microcredit programs in developing countries. Shared World is a one-year, non-redeemable term deposit offered at an interest rate of 3.70% (as of December 2006). Shared World term deposits are offered for a minimum investment of $100 and both the principal and interest are guaranteed and protected up to $100,000 by the government. Citizens Bank will administer the fund in collaboration with the Calvert Social Investment Foundation, a leader in international community investing. Citizens Bank of Canada was established in 1997 and is a subsidiary of Vancity Credit Union, Canada's largest credit union with over $10.5 bn in assets. Citizens Bank is a branchless bank and offers all services online and through the telephone. Financial data is reported as part of the parent company, Vancity Credit Union. **January 2. 2007**

KfW Establishes JAIDA in Morocco

KfW Entwicklungsbank has established the financing institution, JAIDA, with the aim to serve the Moroccan microfinance sector with funding and support. JAIDA was created as part of a cooperative venture with the Caisse de Dépôt et de Gestion (CDG), a Moroccan public financial institution, the Agence Française de Développement (AFD), the French Development Agency, and the French Caisse de Dépôt et de Consignation (CDC), a French state-owned financial institution. In 2007 JAIDA will begin with an initial capital equivalent of EUR 10mn (USD 13,112,500), of which KfW's share will be 25%. Other investors include the International Finance Corporation (IFC) and the European Investment Bank (EIB). The aim is to achieve a financing volume of around EUR 20-25mn in the first year, with the intention of increasing this volume over a period of 5 years to EUR 75-100mn. **December 22. 2006**

ACV Metaal Invests USD 1.28mn to Fund Incofin

Belgian microfinance investment fund Incofin received a USD 1.28mn line of credit from ACV Metaal-CSC Métal, the Confederation of Christian Trade Unions of Metalworkers of Belgium. Incofin was founded in 1992 as a socially responsible investment fund focusing in microfinance. As of year end 2005, its investment mix is 56% loans, 43% equity, and 1% guarantees. Its assets totaled USD 5.6mn, of which USD 4.5mn was allocated to the microfinance sector. ACV Metaal-CSC Métal was founded in 1904 as a confederation of 16 trade unions with a total membership of 1.4 million as of the end of 1988. **December 22. 2006**

BRAC's USD 180mn Securitization Recognized

The International Financial Review (IFR) Asia has announced BRAC's USD 180mn securitization as the winner of the Asian award for the securitization deal of the year. IFR Asia is a Thompson publishing magazine which concentrates on the Asian Capital Markets. This deal has also found recognition from CFO Magazine, winning one of the Seventh Annual "Deals of the Year" Awards. Investors include Citibank (total debt of USD 8mn, USD 5mn of which was guaranteed by FMO and KfW of Germany), FMO Netherlands (USD 5mn) and local banks (USD 2mn). The financing cost of this deal is around 12%, about 200 basis points lower than BRAC's traditional source – bank loans. BRAC, a non-profit established in 1972, operates on an integrated vision wherein it not only provides microfinancing but also training, inputs and marketing assistance to its customers. BRAC reported a gross loan portfolio of USD 268.9mn, total assets of USD 321mn, total equity of USD 95.5mn, return on assets of 5.49%, and return on equity of 18.08% to the MIX Market at the end of 2005. **December 21. 2006**

Delays in India's Microfinance Bill

With the ending of the Winter Session of the Indian Parliament without passing a number of important bills, the Microfinance Bill, which has already been approved by the Indian Cabinet, was left unapproved. Whether this was a result of the new movement to fix interest rates was unclear. **December 20. 2006**

Microfinance Securities XXEB Shares Bought by responsAbility

responsAbility Global Microfinance Fund bought USD 225,000 in shares of Microfinance Securities XXEB, a USD 60mn securitization of microfinance institutions' loans. Microfinance Securities XXEB (MFS) was created earlier this year by Developing World Markets (DWM), a U.S.-based investment advisory group, which focuses on emerging markets. MFS covers loans to about thirty microfinance institutions in fifteen countries and consists of both debt and equity tranches offered in US Dollars, Euros and British Pounds. With DWM acting as Master Servicer, the two primary servicers are Symbiotics and Global Partnerships. The responsAbility Global Microfinance Fund was founded in 2003 by several large Swiss financial institutions including Credit Suisse, Raiffeisenbanken, Baumann & Cie Banquiers, Alternative Bank ABS, and the Andromeda Fund. **December 20. 2006**

Gates Backs IRIS at University of Maryland

The Bill & Melinda Gates Foundation recently provided the IRIS Center, a research center based at the University of Maryland, with a USD 6mn, 5-year research grant. It will be used to research the impact of microfinance services which have been financed by other grants from the Gates Foundation. The study, which will be conducted jointly with the Washington DC-based non-profit Microfinance Opportunities, already a major recipient of Gates money, will analyze six microfinance programs located in eight countries. The IRIS Center was founded in 1990 by University of Maryland economist Mancur Olson. It acts as a policy research institute focusing on reform strategies in the developing world. In the past, it has emphasized the role of market-augmenting institutions in economic development. Aside from its headquarters at the university, it has offices in Armenia, Bangladesh, Uzbekistan, Georgia, and Peru. **December 20. 2006**

Accion to Double Investments in India and China

Accion International plans to increase the size of its investments to USD 50mn with investment focus on India and China. Accion Investments, Accion International's microfinance fund, is currently capitalized at USD 19,523,000. Additional investments from institutional investors and rich individuals are being courted and full commitment is expected by early 2007. Until now, Accion Investments limited itself to equity investments in Africa, Latin America and the Caribbean. The recent tie-up with Yes Bank, an Indian commercial bank, fits with Accion's moves into the India market. **December 19. 2006**

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PAPER WRAP UP

Track Research and Recommendations

As we reported in our December 12th edition, we have recently seen a flood of relevant papers on microfinance. In our special edition on December 19, we provided a simple list of these titles instead of our usual digest to ensure that you are aware of the wealth of recently published information. We are republishing this list this month and have included newly published papers. All of the below papers may be accessed at the excellent digital library managed by CGAP's www.microfinancegateway.org which now houses over 6,000 publications. For authors and publishers, new papers are easily uploaded to the library from all around the world. For readers, you can also sign up for a very useful monthly alert listing newly uploaded papers. Some of the below will be reviewed and recommended in future editions. Due to the wealth of information, we are also including an expanded Paper Wrap Up section this month.

Commercial Loan Agreements: A Technical Guide for Microfinance Institutions

Cleary, Gottlieb, Steen & Hamilton LLP; Consultative Group to Assist the Poor (CGAP).

Microfinance as Business

Roodman, D. & Qureshi, U.; Center for Global Development (CGD).

Strategies and Structures for Commercial Banks in Microfinance

Westley, G.; Inter-American Development Bank (IADB).

Transformation of Micro-finance Operations from NGO to Regulated MFI

Hishigsuren, G.; Institute for Development, Evaluation, Assistance and Solutions (IDEAS).

Valuing Microfinance Institutions

O'Brien, B.; Giordano Dell'Amore Foundation.

With Transformation to Regulated MFI, What are the Models of Ownership that Protect Social Mission?

de Leon, A.; Taytay sa Kauswagan, Inc.

Davids & Goliaths in International MicroFinance: The Challenge for Specialized Raters

Sinha, S.; Micro-Credit Ratings International Ltd. (M-CRIL).

Financial Sector Development and the Millennium Development Goals

Claessens, S. & Feijen, E.; World Bank.

Microfinance in India - A State of the Sector Report, 2006

Ghate, P.; Care India, SDC & Ford Foundation.

The Microfinance Rating Market Outlook: The Rating Fund Market Survey 2005

The Rating Fund.

The Uneven Development of Microfinance: A Latin-American Perspective

Vanroose. A.; Centre Emile Bernheim (CEB), Solvay Business School, Université Libre de Bruxelles.

Attracting the Unbanked: Preliminary Guidelines for Maximizing Existing Infrastructure through Serving Untapped Markets

Matul, M., Szubert, D., Cohen, M. & McGuinness, E.; The MicroInsurance Centre & Microfinance Opportunities.

How Can MFIs Best Work in Competitive and Saturated Markets?

Duquet, S.; PlaNet Finance.

Lessons Learned in Improving Replicability of Successful Microcredit Programs - How Can the Best Models 'Travel' Better

Morshed, L.; Grameen Trust.

Listening to Clients: How to Better Serve Your Customers

Cohen, M.; Microfinance Opportunities.

Microfinance through the Next Decade: Visioning the Who, What, Where, When and How

Rhyne, E. & Otero, M.; ACCION International.

Accessing Loans and Grants from Bilateral and Multilateral Agencies for Microfinance Institutions

Shrestha, S.; Rural Microfinance Development Centre (RMDC).

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Paper Review: The Risk of FX Risk Management in Microfinance

Continued from front page.

The document is a high quality product, and incredibly detailed, but painfully so—it is a legal treatise, and a real resource to the right audience, which is precisely the point: This guide would be unusable by 99% of microfinance institutions (MFIs) in the world. Indeed, all but a very few specialists can fully appreciate this document. The language and vocabulary is difficult even for many participants and investors on the "buy-side", much less for MFIs that were started to solve poverty, not trade currency swaps.

One of the first conclusions an interested reader in any role (MFI *or* buy-side) would make upon reading the Guide is that legal counsel, with global resources and coverage of changes in multijurisdictional law, is critically necessary to wade through the minefield of possible hangups and regulatory requirements involved in managing FX risk. This is to say nothing of all of the transaction-execution risks. In many ways, this document is the precise kind of advice a boutique investment bank would source from a sophisticated law firm like the author Cleary Gottlieb (we note and commend the high caliber of the document), so that the investment bank can digest it and then wrap customer service around it to buffer their end clients (e.g., buy-side investors, and ultimately the buy-side's end clients, the MFIs) from the intense technicalities elucidated in the document.

Our primary comment is this: It remains MicroCapital's position that sophisticated financial devices and strategies should only be used by sophisticated parties, and that until currency hedging and other sophisticated products and strategies can be: A) simplified, B) commoditized, and C) made commonly understood, the recommended use of them by MFIs introduces a risk greater than the one it cures: A risk that the client does not understand.

The vast majority, in fact at least 99% of MFIs in our opinion, should not be managing their own currency-hedging transactions; it is premature to hope that MFIs would grasp these products before even the institutional buy-side participants have a complete grasp of them.

The term "Emerging Market" was coined by the IFC (International Finance Corporation of the World Bank) some time ago to identify countries still developing their economies; but the term now has a technical meaning of a country being able to float its sovereign debt in liquid USD/EUR/GBP/JPY markets. This leaves us to speak of the next-further realm of emerging countries as *developing*. Most MFIs in general, and indeed the ones most in need of equity and debt capital, are in developing countries, one step further removed from the outer-reaches of efficient market discipline and best practice. Therefore, we suggest that few MFIs have a strong enough grasp of external factors to begin to engage with sufficient understanding in the macro global arena that includes foreign exchange considerations.

Given the rapidly advancing sophistication in the derivatives space (which is where FX-hedging falls), the general potential today to engineer solutions to difficult issues in risk is greater than at any time in history—*however*: There is a well-established and growing series of legal precedents going back to Bankers Trust and others, indicating how bankers should responsibly treat their clients who are in need of or who are interested in derivatives. Bankers Trust had for a time the most innovative derivatives house in the world but was sued by Procter & Gamble (a multibillion dollar corporation) for having sold it a derivative that was not clearly understood. Ever since then, responsible banks have followed the self-governing principle that:

Respectable firms participating in the money businesses of the world are required to prohibit themselves from selling a product to a client who doesn't fully understand it—even if the client(s) have the capacity and interest in purchasing it.

Once again we stress: If Wall Street feels that its clientele are often not sophisticated enough to use various derivatives, then it makes sense that the more immature microfinance sector should follow suit.

The CGAP-sponsored guide, while technically deep and extremely thorough, breaks this fundamental tenet of self-governance, and MicroCapital hereby warns that MFIs should not be the counterparties using (purchasing) these products and strategies. This is not a technical guide for microfinance institutions, but should be retitled to target Buyside and Institutional Investor audiences, rather than MFIs.

We understand that MFIs need more local-currency financing. But there is no reason that buy-side funds and money-center banks cannot provide that financing in local currency. These organizations are the right audience for this guide. They have the sophistication to use the complex hedging devices described and codified in the guide to manage the FX risk they should take on, rather than the MFIs.

In this way, this guide runs the dangerous risk of encouraging an unsophisticated borrower--the MFI we all seek to help in the first place--to purchase products it does not fully understand.

Recognize here that "unsophisticated" versus "sophisticated" is a technical distinction codified in US law. If Federal law exists to protect small investors in the United States, MicroCapital takes the position that the intent of these well-tested and much proven regulations not be ignored simply because foreign markets do not have similarly protective legal structures in place yet.

How does an industry promote fair lending practices in a world with weak laws? This is a challenge those in the microfinance industry contend with daily. How do we stop Mexican single mothers from being duped into paying over 80% interest on capital that was subsidized in the first place by well-meaning tax payers? How do we stop MFIs from bearing the brunt of FX risk while still responsibly promoting microcapital markets? Luckily, we can take the lead from pioneers in finance who have come before us:

It is incumbent upon the buy-side to pursue responsible investment practices, and there is an abundance of positive examples given by the established markets and institutions of the world. If we are to make a real market of microfinance, then we should adopt no less than the highest standard of excellence we see in mature markets and asset classes.

We do this for several reasons. For one, it is the only way to earn the respect and commitment of the world's capital available in mature markets. Also, microfinance investment pursues a social goal fit for a sophisticated global society: Practice ethical business *despite* weak local laws that do not protect the public. The CGAP example and work-ethic reminds us of this mission.

MicroCapital believes that risk transfer product functions more successfully if executed at the center of global liquidity rather than at the thin edge of market formation. Both because distribution of risk requires greater liquidity, but also because liquidity begets participants sophisticated enough to understand the risks of complex structured product. The conclusion is simple: Sell solutions only to clients who understand them.

Derivative products are best kept institutional. Buy-side funds lending to MFIs in their local currency keeps the job of dealing with currency risk at the sophisticated institution. This may require pricing it through to the MFI, which, while seeing a higher borrowing cost, will see a real price in their local currency, not a blind, confusing or subsidized price. And if shown a price in its own local currency, the MFI can make rational choices comparing apples to apples against other sources of domestic financing it might be seeing. This is a much more realistic discussion to have with an MFI, than trying to explain or expect coherent understanding of *force majeure* clauses or breach of warranties, much less the fundamental concept of currency depreciation itself.

We applaud the document and both CGAP and Cleary, Gottlieb for producing it. It establishes a benchmark for high-quality technical guidance in the sector, but targeting the appropriate audience must be considered when distributing it. We hope to see it used by institutional buy-side participants only.

Valuing Microfinance Institutions – A Paper Proposing Use of Discounted Cash Flow Valuation in the Microfinance World

A report published in the Savings and Development Journal and available on the Microfinance Gateway, 2006, 21 pages. Author Barclay O'Brien, Opportunity International.

This paper evaluates various valuation methodologies in the context of microfinance and argues for the adoption of Discounted Cash Flow (DCF) as an appropriate method for arriving at the value of Microfinance Institutions. The author has the following reasons for this: First, 'commercializing' microfinance institutions (MFIs) are normally in a condition of rapid change- either as rapidly growing institutions or as organizations transitioning into more formal commercial banks. Valuing such organizations has more to do with the future outlook of the business than the immediate present performance-something that the DCF methodology measures. Second, investors do not understand the nature of microfinance cash flows. Since the DCF method by its very nature promotes greater transparency in the future cash flows of the MFI, it can attract greater investor interest. The author also recognizes the challenges associated with the complexity of discounted cash flows, the increased amount of data required, and the significant impact that small changes in underlying assumptions can have. The author therefore advocates using another valuation methodology to crosscheck the results obtained from the primary valuation.

This article also makes available some information from prior microfinance deals that might be interesting to the reader. Publicly available microfinance valuation data has been presented in a summarized format to illustrate the price multiples gap between top-end MFIs and commercial banks. Amongst the MFIs and banks surveyed, while bank deals had an average price to book ratios of 2, MFIs were clearly lagging behind with an average ratio of just 1.1. As per the author, such a huge gap between top-end MFIs and commercial banks is not appropriate. Furthermore, valuing MFIs at or near book value means none of the goodwill and other intangible assets that the MFI has created is recognized on the balance sheet, which the author terms as unfair. Such are the trails of working in a market with few pricing benchmarks!

Financial Inclusion 2015: Four Scenarios for the Future of Microfinance

By Elizabeth Littlefield, Brigit Helms, David Porteous, published by the Consultative Group to Assist the Poor (CGAP), Oct 2006, 16 pages.

In this paper, Elizabeth Littlefield, CEO of the Consultative Group to Assist the Poor (CGAP), a multi-donor organization, and colleagues reflect on the brief history of the microfinance industry and discuss possible scenarios for the future. According to the CGAP/MIX analysis of data from the MIX and Microcredit Summit, worldwide borrowers from MFIs have grown between 13 and 15 percent a year over the last decade, doubling the outreach of the microfinance industry every 7 years. Nonetheless, two thirds of the world's adults still do not have access to a bank account.

The authors of this article question the sustainability of the microfinance trend and discuss plausible narratives about the future designed to help organizations plan ahead. For scenario purposes, CGAP divides transition and developing economies into two groups:

BRICs, large emerging markets that have experienced rapid growth, consisting primarily of Brazil, Russia, India and China, although South Africa and Kazakhstan are sometimes included and Russia occasionally omitted. More than 40 percent of the world's population lives in a BRIC economy, with 37 percent in India and China alone.
LICs, low income countries that have low economic growth, deep poverty and unstable governments. Within the LIC category, CGAP divides countries into groupings of similar political structures.
Four more trends have the potential to help or hurt financial access:

1. Wireless technology. It can radically reduce transaction costs even in remote locations. The International Telecommunication Union (ITU), the international association of telecoms, estimates that over half the people of LICs are within reach of wireless service and aims to "connect the world" by 2015. Basic banking services are made available remotely through low cost wireless phones. The ultimate level of wireless penetration depends on the cost to consumers and the profitability of providers, creating the possibility that a digital divide could be exacerbated at a lower level.

2. Activist governments: friends or foes? Governments are becoming more involved with direct delivery of financial services to the poor. The subsidized state credit in countries like Venezuela, which has recently announced that it will invest USD 220 mn to create 800 community banks, can drive financially sustainable MFIs out of business and destroy the general repayment culture.

3. New international players: dealing with popularity. It is uncertain if the new large donors will learn from the successes and failures of traditional donors. Also, technological advances allow the average citizen to donate small amounts of money or livestock via internet, allowing governments to be bypassed completely. These new donors can bring the breath of fresh air needed to bring microfinance to a higher level, or it could lead to overspending with unmet expectations, leading to a backlash.

4. International regulation: safety vs. access. The Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) World Bank initiative to regulate international financial transactions requires all lending institutions to collect and report various identifying information from borrowers, making some accounts and transactions unviable due to high transaction costs. Regulations also limit types of transactions allowed.
The authors predict that the international community will respond by accelerating the application of mobile phones and other technology to financial services, and while governments will encourage market development, donors should temper expectations with real evidence and support the creation of infrastructure like credit bureaus to restrain reckless over-lending, and there will be more BRIC and LIC representation in international regulatory committees.
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UPCOMING EVENTS

CGAP Donor Training: Building Financial Systems for the Poor: How Donors Can Make a Difference

5 Feb 2007 - 9 Feb 2007, Mali, Africa

"The course targets development and government specialists who focus on areas such as pro-poor policies, poverty reduction, economic development, private sector and business development, livelihoods, employment promotion, and gender. It is equally useful for specialists in crisis prevention and recovery, environment and health who seek a better understanding of how financial services are related to their spheres of work. The course will be conducted in French." Fee is USD 1500. For more information see http://cgap.org/direct/docs/MaliDonorCourseBrochure_2007.pdf or contact Natasa Goronja at ngoronja@worldbank.org, no phone available.

Cracking the Capital Markets II

19 Mar 20 Mar 2007, New York, New York

"The second ACCION conference on microfinance investment brings together money managers, hedge funds, institutional and private investors, bankers, and rating agencies, many as yet unfamiliar with microfinance, to discuss the challenges, realities and opportunities of making microfinance a commercial asset class." The conference will be held at The Waldorf Astoria, 301 Park Avenue, New York, NY 10022, 212-872-4800. For more information see http://ga1.org/accion_international/events/cracking_the_capital_markets_clone_753002/details.tcl or contact Robin Ratcliffe, at rratcliffe@accion.org or 617-625-7080.

HBS-ACCION Strategic Leadership for Microfinance

9 Apr 2007 - 14 Apr 2007, Cambridge, Massachusetts USA

ACCION International and the Harvard Business School team up to "provide management and leadership training to the microfinance industry's CEOs, executives, and key sector protagonists. The program will address issues confronting microfinance leaders, including: Succeeding in highly competitive markets; Maintaining a social focus in a commercial setting; Working with equity investors and accessing commercial capital markets; Reaching new business segments and evolving products. The fee is USD $5,300. For more information see http://www.accion.org/hbs.asp or contact hbsaccion@accion.org, no name or phone available, ACCION International's general number in Boston is 617-625-7080.

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

25 Apr 2007 - 27 Apr 2007, Berlin, Germany

The European Microfinance Network 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 information is to be announced. 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.

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WHO'S WHO IN MICROCAPITAL

Unitus

Private Nonprofit Organization, Seattle, USA

Unitus, a US nonprofit organization supporting microfinance internationally, was founded in 2000 by Bob Gay, Mike Murray, Joseph Grenny and Todd Manwaring with the goal of fighting global poverty through increasing access to microfinance. Unitus provides capital investments and consulting services to financially sustainable microfinance institutions (MFIs) worldwide. As of May 2006, Unitus has ten MFI partners in Mexico (Pro Mujer), Argentina (FIS) and India (ASA-GV, Bandhan, BSS, Grameen Koota, SKS, Swadhaar, Ujjivan) that, as of March 31, 2006, combined to have a total gross portfolio of USD 49.6 mn.

Management includes the following: **Geoff Davis** who is the President and CEO of Unitus. Mr. Davis holds a B.A. in international relations from Brigham Young University and a master's degree in development economics and public policy from Harvard University. He has been working in the microfinance industry since 1995. Mr. Davis joined Unitus after working for the Grameen Foundation USA. He sits on the Board or Advisory Board of the Dignity Fund; Kiva, an internet-based MFI; and Swadhaar and Bandhan, Unitus microfinance partners in India. Vice President of capital markets **Kylie Charlton** was previously Vice President in the Project & Structured Finance Group at Citigroup. She received her B.A. from the University of Canberra and an M.B.A. from Oxford University where she was a student ambassador for the U.N. 2005 Year of Microcredit. Vice President of finance of operations **Kate Cochran** holds a B.A. from Stanford University and an M.B.A. from the Anderson School at UCLA. She previously founded and served as Chief Operating Officer (CEO) and Director of Leadership Development for Cultural Initiatives Silicon Valley, nonprofit organization formed in 1999 focused on developing leadership in the Silicon Valley community through initiatives such as arts education in public schools. Ms. Cochran was also a consultant with Towers Perrin, a global professional services firm, a management consultant to nonprofit organizations and a press manager for a United States Senator. She now manages Unitus's relationships with donors and internal policies and procedures. Senior Vice President **Donna Cordner** co-founded and was the Managing Director of Uplift Uganda, a non-profit organization supporting microfinance in western Uganda, and served as Managing Director and Global Head of Telecom and Media Structured Finance at Citibank/Salomon Smith Barney. Most recently, Ms. Cordner served as CEO of HOFOKAM Limited, the largest rural microfinance institution (MFI) in Uganda. She was also the Managing Director and Head, Telecom and Media Project and Sectoral Finance for the Americas, at Société Générale, international investment bank. She has held executive positions at ABN-AMRO, a provider of investment and wholesale banking products and services, Republic National Bank of New York, and Chase Manhattan Bank. Ms, Cordner is on the board of Tele2, a European telecom operator, and Millicom International Cellular, an international telecommunications investor. She holds a B.S. from Georgetown University and graduated summa cum laude from the University of South Carolina with a master's degree in international political economy. **Sandeep Farias** serves as Vice President and India Country Director. Mr. Farias is a faculty member at the Management Faculty at the Indian Institute of Science, Bangalore, and holds an integrated arts and law honors degree from the National Law School of India University, Bangalore. He has previously worked at law firm Nishith Desai Associates as the head of the corporate sector practice and development sector. **Dawn McGee**, the General Counsel and MFI Transformation Manager, is a graduate of the University of North Carolina and holds a J.D. from Fordham University School of Law. She previously served as an associate at law firms in San Francisco and New York and as general counsel for a private Swiss bank. She also served as the Lead Analyst for Underdog Ventures, LLC and Global Partners, LLC. **Chris Brookfield** is the Investment Director of Unitus Investment Management

Company. He was formerly a Senior Associate and Managing Director at Northwest Venture Associates (NWVA). In 2004, he co-founded Open Water Investors, a private investment company. Mr. Brookfield was also an associate at Redleaf Venture Management and a board member of several companies, including Action Engine, AdRelevance, IPFabrics, NetMotion Wireless and Wireless Services. He holds a B.A. in Geology at Williams College where he graduated with Honors.

Board of Directors includes: **Elizabeth Funk** became Unitus Board Chair in January 2007, replacing co-founder Mike Murray. Mrs. Funk, President and CEO of CML Global Capital, an international real estate investment firm, co-founder and CEO of The Dignity Fund, a private fund investing in microfinance institutions, and board member of Deutsche Bank's Global Microfinance Consortium also serves on the board of a Unitus microfinance partner in India, Ujjivan. Clair Jenkins, Selection Committee Chair, who co-founded Alerton Technologies, Inc., a commercial buildings control systems manufacturer, where he managed sales, marketing and global product distribution for 23 years. He holds a B.S. in business management and marketing from Brigham Young University. **Dave Richards** is the Acceleration Committee Chair. Mr. Richards is also a principle with Fast Forward Consulting Services, a management consulting group. He serves as a board member with Mutual Interest, a nonprofit that provides security deposits to homeless families moving into permanent housing, Off the Map, a nonprofit which he co-founded, and Vineyard Community Church, a faith-based organization that provides social services to local low-income families. He was previously a business unit executive with RealNetworks. Before that, he held management positions with Sybase and Symantec. Richards writes about global poverty on his blog, Defeating Global Poverty. He holds a Bachelor of Commerce degree from the University of British Colombia with a major in finance and a minor in computer science. **Geoff Woolley**, founding partner of Dominion Ventures and Executive Chairman of European Venture Partners, is Unitus's Capital Markets and Committee Chair and Treasurer. Mr. Woolley is also the Chairman of MACC Private Equity. His previous experience employers include Ceina, Coinstar, Hotmail and Human Genome Sciences. He has also been the founding chairman of the NAMES Project Foundation, the AIDS Memorial Quilt. He founded and chairs the University Venture Fund at the University of Utah, a student-led venture fund. He graduated from Brigham Young University with a B.S. in business management and holds an M.B.A. from the University of Utah. **Lorene Arey** is the President and founder of the Clara Fund, an organization focused on creating economic opportunities for women. She also serves on the Board of Directors for Count Me In for Economic Independence, a fund for female ventures, The Women's Edge Coalition, an organization that shapes U.S. policy to benefit poor women worldwide, and the Lucile Packard Foundation for Children's Health. Ms. Arey also serves on the Advisory Boards for TransAria, Inc. and 463 Communications. She was previously the head of Worldwide Corporate Communications at Cisco. She holds a B.A. from the University of California, Berkeley. **Dr. Steven C. Funk** is the founder and Chairman of Grand Marais Investments Ltd., a private equity investment company. He is also the Chairman of Imperial Parking (Hong Kong) Ltd., Aspen Properties Ltd., and CML Global Capital Ltd., controlled by Grand Marais. He is a member of the World President's Organization (WPO), a director of the WPO Foundation, and a founder, director and officer of the President's Action Network Chapter of WPO. He co-founded the Dignity Fund, a microfinance debt fund, with his wife Elizabeth. Dr. Funk graduated with Honors from Purdue University and earned his master's and doctorate degrees from the University of Iowa. **Bob Gay**, co-founder of Unitus, is the retired managing director of Bain Capital, a private investment firm with approximately USD 40 bn in assets. He was formally the Executive Vice President of the General Electric Capital Markets Group, the Vice President and Principal of Kidder Peabody's Merchant Banking Group, and a manager at McKinsey & Company. He taught economics at Harvard University. Mr. Gay graduated Phi Beta Kappa with a B.A. from the University of Utah and earned his Ph.D. in business economics from the Harvard Business School. **Joseph Grenny,** co-founder of Unitus, is also the co-founder and President of VitalSmarts, a corporate training organization, where he co-authored and contributed to six books. He served as President of California Computer Corporation and was an executive for the Covey Leadership Center. Mr. Grenny graduated with a B.A. in international relations from Brigham Young University. **Dave McClure** has worked as a programmer and database consultant for several Silicon Valley firms, including Intel and Microsoft. Mr. McClure started Aslan Computing, an internet and e-commerce consulting firm, in 1994. He is currently an advisor and investor in several startups including Feedster, HealthUnity and WellFund. Mr. McClure served as director of marketing for PayPal Developer Network program and SimplyHired.com, an employment search engine. He founded and served as co-chair of the SDForum Search SIG, a technology user group, and is currently a member of the Full Circle Fund, a San Francisco area nonprofit. Dave McClure graduated with a Bachelor's degree from Johns Hopkins University. **Les Moore** is Executive Vice President of Bain Capital. He has served as Chief Executive Officer (CEO) of Hawaii's Polynesian Cultural Center, EA Sween Company and Steward Sandwiches. He was a financial analyst at UARCO. He currently sits on the board of several organizations, including Nutraceutical, Diamacron, KPH, Contentwatch, TEXU and American West Heritage Foundation. Mr. Moore graduated from the University of Utah with a B.S. in economics. **Mike Murray** is a co-founder of Unitus and served as the Board Chair from 2001-2006. He has worked with firms such as Apple Computer, where he helped launch the Macintosh, and at Microsoft, where he served as corporate Vice President for Human Resources and Administration. Mr. Murray holds an engineering degree and an M.B.A. from Stanford University. **Tim Stay**, co-founder of Unitus, is also a co-founder and Chief Innovation Officer of Know More Media, an online business media publishing company. He also co-founded Bizcradle, a business incubator. He volunteers as Community Council Chairman for a local public school. Mr. Stay graduated Brigham Young University with a civil engineering degree, and M.B.A. and a M.A. in international relations, with a focus on economic development in developing countries.
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