MicroCapital Monitor
THE CANDID VOICE FOR MICROFINANCE INVESTMENT

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MICROCAPITAL BRIEFS | TOP STORIES

Western Union Exploring Microfinance to Increase Profits

President and Chief Executive Christina Gold said Western Union was exploring the possibility of developing a micro-lending program in an effort to increase profits. Western Union seeks to leverage its customer transaction database to analyze potential borrowers' money transfer histories to excel at microlending. Those exhibiting frequent, recurring, incoming funds transfers may be considered prime borrowers for loans ranging from USD 100 to USD 1,000. Mrs. Gold believes small loans present a big opportunity for Western Union, and she plans to start in 2008. Eastern Europe and Africa are being explored as initial markets for loans. It is unclear how much the company is willing to invest in such a venture, but with operations in over 200 countries and a network of approximately 300,000 agent locations, the sky is the limit. August 2. 2007

BRAC & Citi Bangladesh Launch Remittance Partnership

BRAC, a NGO with over five million borrowers and 100,000 employees, has signed a remittance distribution agreement with Citi Bangladesh. BRAC's microfinance program covers all 64 districts of Bangladesh with 3,090 branches. July 27. 2007

1,000th Microfinance Institution Joins MIX Market

The Microfinance Information eXchange (MIX) announced the 1000th microfinance institution has joined MIX Market at www.mixmarket.org by making public its financial and operational information. The 1000th microfinance institution to join MIX Market is SEMISOL, founded in 2004 and located in the Chiapas region of Mexico, currently serving 3,721 clients. ProDesarrollo, a Mexican MFI trade association, ushered SEMISOL into the industry index. The MIX is the authority on micro-bank data and an invaluable resource to a fledgling industry light on data. We warmly welcome SEMISOL; congratulations to all on this milestone! August 23. 2007

Alamal Micro Finance Bank of Yemen Starts with $30m

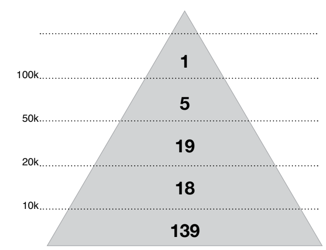
A shareholding contract for Yemeni microfinance institution (MFI) Alamal Micro Finance Bank has been signed by representatives from the Government of Yemen, the Yemeni government-established Social Fund for Development (SFD) and the Arab Gulf Program for United Nations Development Organizations (AGFUND). Each party has agreed to purchase a USD 10 million minority share in the Yemeni MFI. Alamal Micro Finance Bank is scheduled to begin microfinance operations this year. August 7. 2007

Non-profits Merge in Rwanda

Opportunity International (OI), a global non-profit microcredit lender, makes a strong move in Rwanda with the start of new bank Urwego Opportunity Microfinance Bank (UOMB). UOMB is born from a merger of OI's recently established commercial bank Opportunity International Bank Rwanda and the Urwego microfinance program, established by World Relief, a Baltimore-based agency that specializes in disaster relief. The partnership also includes long time financial partners of Urwego, Hope International, a global, faith-based, non-profit organization, and World Relief Canada. The combined operation has offices in 27 of the 30 districts in Rwanda, 28,000 loan clients and over 3,000 savings clients. UOMB has USD 4.5 million in equity capital and a loan portfolio of USD 1.7 million. August 16. 2007 ♦♦♦

EASTERN EUROPEAN AND CENTRAL ASIAN REGION

NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



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

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MICROCAPITAL BRIEFS

Microfinance Promoter Clinton Global Initiative to Meet

The Clinton Global Initiative (CGI) is a non-partisan, global effort to bring together world leaders to discuss pressing world challenges in education, global health, poverty alleviation and energy and climate change. At the core of the CGI is its annual meeting which began in 2005 and this year will take place in New York City September 26-28. Microfinance is often a key subject at the annual meeting. During last year's meeting, Citigroup announced it was to invest USD 100 million in global microfinance. American International Group (AIG) and ACCION International announced a USD 5.25 million, three-year partnership. Also during last year's meeting, the UK investment bank, Standard Chartered Bank (SCB), announced it would invest USD 500 million within five years. SCB's microfinance investment reached 200 million in less than one year and plans to reach its USD 500 million goal within two years. In 2005, the Grameen Foundation USA (GFUSA), a non-profit US offshoot of Grameen Bank, announced the launch of a USD 50 million guarantee fund. Participation in the meeting is only available to members, and membership is by invitation only. The fee for membership is USD 15,000 per year. August 27. 2007

San Francisco Funds Loan to Nicaraguan ACODEP

US-based Katalysis Bootstrap Fund and Dignity Fund made loans of USD 850,000 and USD 500,000 respectively to ACODEP of Nicaragua. La Asociación de Consultores para el Desarrollo de la Pequeña, Mediana y Microempresa (ACODEP), a non-profit microfinance institution (MFI) operating in Nicaragua, will increase it's USD 27.4 million gross loan portfolio by 4.9 percent. ACODEP's average micro-loan size stands at USD 415. ACODEP was founded in 1989 by students from INCAE Business School, an international non-profit college originally associated with the Harvard Business School. ACODEP increased its portfolio by USD 5.5 million in 2005 and USD 11.5 million and now serves 65,000 borrowers. ACODEP's rate of return on assets and equity stood at 9.3 and 39.87 percent, respectively. While these rates are higher than those of 2005, they were lower than those of 2004, when return on assets held at 10.6 percent and return on equity at 40.2 percent. August 24. 2007

In Iraq, USAID-Funded Project Grows to $10m

A statement issued by the U.S. Agency for International Development (USAID) indicated that the network of microfinance institutions active in Iraq will receive further expansions in new districts around the country. Specifically, the Al-Takadum microfinance institution (MFI) will open in Al-Anbar province, reports Middle East North Africa Financial Network News (MENAFN). The MFI will begin operations with a staff of six members and is expected to open this month. The staff was recruited and trained by the USAID-funded Izdihar project. The loan capital will be provided by Izdihar and the operational capital will come from the U.S. Military MNF-W CERP funds, according to an article at PortAl Iraq, an Iraqi online business portal. As of July 23, 2007, Izdihar has provided USD 10.9 million in operational grants to three international non-governmental organizations (NGOs) that give microfinance loans to businesses in 17 of the 18 provinces of the country. Funded by USAID, Izdihar is managed by a joint venture of The Louis Berger Group, Inc. and The Services Group, Inc., contractors to USAID. August 23. 2007

Philippines Government Promotes Agri-Microfinance

The Department of Agriculture and Agricultural Credit Policy Council (DA-ACPC) will be supporting The Allied Bank, a private Filipino bank with USD 3.3 billion in assets, in initiating an Agri-Microfinance Program in response to government's call for private sector participation in rural finance. The bank will be allocating an initial USD 21.4 million to the program. August 23. 2007

Liberia Trains Central Bankers in Regional Effort

The West African Institute for Financial and Economic Management (WAIFEM) held a sub-regional course on "Micro-finance Operation for Post-Conflict Countries" at the Central Bank of Liberia (CBL). WAIFEM is a sub-regional training organization, established in 1996 by the central banks of Liberia, Nigeria, Ghana, Sierra Leone and the Gambia. Its mission is to help develop critical skills for macro-economic and financial management among staff of central banks. The organization is headquartered in Lagos, Nigeria. August 23. 2007

Big Player EFSE Lends $4.7m Loan to FINCA Kosovo

In a series of three installments, the European Fund for Southeast Europe (EFSE), an investment fund focusing on economic development, has loaned USD 4.7 million to FINCA Kosovo, a US-based humanitarian organization. EFSE was founded in 2005 and is a Luxembourg investment firm, with USD 195 million of its assets allocated to 40 microfinance institutions (MFIs) in eastern and southern Europe. In the course of this year, the firm expects to increase microfinance investments by USD 90.4 million. August 22. 2007

Belgian Incofin Lends $1m to Nicaraguan Nieborowski

The Impulse Microfinance Investment Fund (Impulse), managed by Incofin, a Belgian social investment company, has directed a USD 1 million loan to Fundación José Nieborowski, a Nicaraguan microfinance institution (MFI). The loan investment contributes to the MFI's gross loan portfolio of USD 20.2 million, increasing its size by roughly 5 percent. Impulse was created in 2004 by Incofin, in partnership with four Belgian financial groups: KBC Bank, one of Belgium's largest banks; Volksvermogen, a financial holding group; Boerenbond, an association of agricultural entrepreneurs, and VDK Spaarbank, a savings bank. August 20. 2007

Humanitarian of the Year Showcases Phone Tools

Technology Review, a media company owned by the Massachusetts Institute of Technology (MIT), has named Tapan Parikh its 2007 Humanitarian of the Year for his work on mobile phone technologies geared toward microfinance. Mr. Parikh's innovation is CAM, a framework of mobile tools that integrate through the use of a camera-enabled mobile phone. The CAM framework uses the mobile phone to capture images, scan documents and to record and transmit financial transaction data. Here is how it works: Field agents are armed with CAM-enabled mobile phones and CAMForms, specially printed documentation containing barcodes and free-form fields for hand-printed data. The field staff accepts applications, collects payments and processes transactions by completing the CAMForms. The CAMForms are scanned on-site using the mobile phone's built-in camera. Special software on the phone called CAMBrowser processes the barcode and hand-printed data and interprets the information via a scripting language called CAMScript. The data is stored on the phone until the agent is within range of the mobile network. Finally, once in range, CAM utilizes the phone's Short Message Service (SMS) to transmit the data to MFI's management information system (MIS). August 20. 2007

Government Owned Post Bank Uganda Given $1m in Public Funds

The Microfinance Support Center, the government owned limited liability company set up to aid in managing rural microfinance, has given a USD 1 million re-capitalization grant to Post Bank Uganda, a government-owned limited liability bank. The grant is expected to benefit 316 sub-counties as part of the Bonna Bagaggawale (Prosperity-for-All) program, a USD 22 million project for the Savings and Credit Cooperative Societies (SACCOs).The bank will loan SACCOs money at an interest rate of 9% for agriculture and 13% for commercial activities. SACCOs will in turn charge interests of 13% and 17% to their members. August 20. 2007

HSBC Launches China Rural Bank

Encouraged by regulators, HSBC Holdings PLC (HSBC) became the first foreign lender to launch a rural bank in China. The new venture is wholly owned by HSBC, to be called HSBC Rural Bank Co., and will be based in Cengdu county of Suizhou city in central China's Hubei province. The new rural bank will have registered capital of CNY 10 million. It will initially employ up to 25 staff. HSBC's locally incorporated China unit, excluding the new rural bank, operates 40 outlets and employs around 4,000 people. August 16. 2007

AccessHolding Enters Tanzania

Access Microfinance Holding AG is a holding company specializing in microfinance investment based in Berlin, Germany. AccessHolding was established in 2006 by an international group of private and public investors and currently invests in microfinance institutions in the developing world. Over time, AccessHolding hopes to become a controlling parent company of a network of banks. It now operates in Azerbaijan, Madagascar and Mozambique. The newest effort is Access Bank Tanzania Ltd (ABT). This new bank will start with 9 branches and will provide loans to medium, small and micro-enterprises throughout the country. LFS Financial Systems, the German consulting and management company that founded AccessHolding, will provide services to the new bank. AccessHolding is the primary shareholder of ABT, with shareholdings of 38%, partnered with three other groups that hold 15.8% each: Belgian Investment Company for Developing Countries (BIO), IFC (International Finance Company), and KfW (German Development Bank). The African Development Bank (AfDB) will also invest €600,000. August 1. 2007 and August 16. 2007

French Film to Star Microfinance

LDM Productions, a French production company, and the United Nations Development Programme are working together to produce a full-length feature film that explores the eight United Nations Millennium Development Goals (MDGs). Wim Wenders, a German filmmaker, won the rights to Goal #8; he will produce a 15 minute short with the unfortunate title "Develop a global partnership for development". He will focus on microcredit. August 16. 2007

Global Partnerships Lends $750,000 to ProMujer

Global Partnerships, a US-based non-profit devoted to microfinance lent USD 750,000 to ProMujer Bolivia. Other ProMujer investors include the regional Inter-American Development Bank, Seattle University, US nonprofit Partners for the Common Good, and the USD 100 million, Swiss ResponsAbility Global Microfinance Fund. August 15. 2007

Bangladesh's New Authority Grants Licenses

Bangladesh's Micro-credit Regulatory Authority (MRA) has begun issuing its first licenses to microfinance institutions (MFIs). The MRA was formed in August 2006 when the Bangladesh government passed the Micro-credit Regulatory Authority Act. The law requires all MFIs operating in Bangladesh to obtain a license issued by the authority. MFIs with existing operations were given a deadline of February 26, 2007, to apply. The MRA received approximately 4,000 applications of which 700 were approved. MRA officials completed field inspections of at least 200 MFIs to verify the accuracy of application information, and about 60 MFIs were asked to deposit license fees in order to receive their licenses. August 15. 2007

$38m Rural Impulse Fund Backed by BIO, EIB, IFC, FMO

Incofin is a social investment company based out of Antwerp, Belgium, that specializes in microfinance investment in developing countries, announced the Rural Impulse Fund (RIF). Incofin will manage the RIF to make equity and debt investments in rural MFIs. RIF will invest 25% of its total assets in Africa, Caribbean, Latin America and Central Asia. At present, RIF's total assets stand at USD 38 million. This includes an equity tranche of USD 9 million, a mezzanine tranche of USD 10 million and a senior debt tranche of USD 19 million. The RIF investor base is 50% public and 50% private. The subscribers to the equity tranche and to the mezzanine tranche include both development finance institutions (the Belgian Investment Company for Developing Countries (BIO), the European Investment Bank (EIB, the financing institution of the EU), the Netherlands Development Finance Company (FMO), the International Finance Corporation (IFC) and a group of private investors (KBC Private Equity, Incofin, MRBB, Volksvermogen, CERA, BRS). The RIF's senior debt tranche has been subscribed by private investors from Germany, the US and Belgium. Incofin was founded in 1992 and is currently a co-operative company (with limited liability) with social objectives. As a private investor, it has active microfinance investments in the following countries: Argentina, Azerbaijan, Bosnia, Bolivia, Cambodia, Ecuador, El Salvador, Ethiopia, Georgia, Guinea, Kazakhstan, Kenya, Kosovo, Montenegro, Nicaragua, Nigeria, Peru, Tajikistan, Tanzania and Uganda. August 15. 2007

Oikocredit Lends $500,000 to Hermandad de Honduras

Oikocredit, a financial institution of the Netherlands, has lent USD 514,028 to Hermandad de Honduras, a social services organization that deals in microfinance. The loan contributes to Hermandad's micro loan portfolio of USD 5.0 million as of 2005. The present portfolio provides loans to 9,812 customers, with micro loan sizes averaging USD 512. August 14. 2007

IFC Bets $17m on Mexican Banco Amigo

The International Finance Corporation (IFC), a member of the World Bank Group dedicated to private sector development, has agreed to invest equity of 77 million Mexican pesos (USD 7.1 million) in Mexican microfinance bank Banco Amigo. The common share equity investment will represent up to an 18% stake in the bank. In addition to the equity, Banco Amigo will also receive a loan of up to USD 10.3 million combined with an IFC advisory services package aimed at bolstering the bank's operations. Banco Amigo's June 2007 financial statement reveals total assets equivalent to USD 52.8 million, a debt/equity ratio of 73% and a -2.9% return on equity. The bank's president, Gerardo José de la Garza Santos, projects growth to approximately 250,000 clients by the end of 2007. Formally known as Banco Comercial del Noreste, S.A., the bank is headquartered in Monterrey, Mexico, and opened to the public in May 2007. The bank received its banking license in November 2006. Prior to licensing, it operated as a non-bank financial institution beginning in 2005. Banco Amigo is an affiliate of Landus Grupo Inmobiliario, a private real estate development corporation founded in 2003 by Sergio G. González Lozano. The group operates commercial, industrial, and residential real estate divisions as well as Optima Hotels of Mexico, a hotel development and administration arm that manages five properties in Monterrey, Mexico. Landus Grupo Inmobiliario formed Banco Amigo after divesting its interest in Metrofinanciera, the mortgage company. August 13. 2007

Gradatim IT Ventures Begins Operations in India

Gradatim IT Ventures, a privately held information technology company with holding entities in Singapore and India, has commenced business operations in India. The company has initiated several pilot projects with banks and financial institutions in India and abroad to offer custom-made solutions in microfinance, micro-insurance and electronic litigation support. August 9. 2007

Savings Accounts for Ugandan Youths

Commercial Microfinance Ltd., a Ugandan microfinance institution (MFI), has unveiled a junior savings account for children in Uganda. Interest on the accounts will yield 5 percent per annum. According to the MIX, the microfinance information clearinghouse, Commercial's gross loan portfolio stands at USD 4.5 million and has total assets of USD 8.3 million. Savings deposits stand at USD 3.9 million. MicroRate, a microfinance rating agency, gave the MFI a B rating in 2005. August 6. 2007

Front Page Defies Government, Dangles Jobs in Uganda

Ugandan microfinance company Front Page announced that they will carry on with their controversial job recruitment drive, regardless of government officials denouncing their methods. With 304 vacancies, the MFI is offering jobs exclusively to applicants who are members of the institution. In order to open up an account, there is a minimum requirement of Shs20,000 (USD 12). According to an article by the Daily Monitor, the company could collect USD 72,683 in a month from thousands of job seekers for positions as finance officers, branch cashiers, branch credit officers, and drivers, among many other positions. Regulators say pegging job interviews on a requirement such as opening of accounts in a bank smacks of exploitation. Since jobs are scarce, this sales drive will likely increase business, at least for a while. Financial statements from Front Page are unavailable, as it does not report to the MIX, the microfinance information clearinghouse. August 6. 2007

Long Road Home in Sri Lanka

In the wake of the 2004 Indian Ocean earthquake, Habitat for Humanity International (HFHI), a non-profit organization founded in 1976, is accelerating its efforts to return decent housing to the over 500,000 Sri Lankan citizens displaced by a devastating tsunami. Combined with HFHI's traditional donation-funded building program, the organization has implemented a program entitled "Save and Build" to help low-income families pool funds to meet construction costs. HFHI facilitates the creation of small savings groups, or micro-credit cooperatives, consisting of twelve families. The families work together to save the equivalent of USD 0.15-0.17 per day for a period of six months. As the families save, they also amass locally-available building materials such as rock and sand to make bricks. After six months, the families' combined savings are sufficient to construct a domicile for one family. August 6. 2007

ProMujer's Carmen Speaks at the White House

ProMujer, founded in Bolivia in 1990, operates in Argentina, Mexico, Nicaragua and Peru. ProMujer Co-founder and Executive Director, Carmen Velasco, spoke as a featured panelist at the White House Conference on the Americas hosted by US President George Bush. August 3. 2007

Lanka Orix Gets $3m from USAID in Sri Lanka

The Lanka Orix Leasing Company Limited (LOLC) has obtained a partial credit guarantee loan of USD 3 million from USAID to assist the local micro finance sector. Today, ORIX Corporation is the single largest leasing company in the world and the second largest financial solution provider in Japan and has a global network of 187 consolidated subsidiaries and 82 affiliated throughout 23 countries and regions worldwide. August 3. 2007

IFC, FMO, Deutsche Bank Back Aavishkaar Goodwell

Aavishkaar Goodwell (AGI), a Indian microfinance investment company, is receiving USD 8 million in investments from the Netherlands Development Company (FMO), together with IFC, a member of the World Bank Group, and global investment institution Deutsche Bank. Other details about the investment are not publicly available. Aavishkaar Goodwell, established in 2006, has fund assets of USD 11.2 million and currently has 1 active microfinance investment as of June 2007. August 2. 2007

Nigerian Government to Train Microbank Customers

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), a government agency administering assistance programs for small businesses, has made an announcement with the Microfinance Banks Association of Nigeria, a trade association for microfinance institutions (MFIs), that the two bodies will develop a joint strategy for executing microfinance business in Nigeria. While the MFIs within the Microfinance Banks Association will continue to provide the capital necessary for micro loans to clientele, SMEDAN will assist by providing instructional services to MFIs' borrowers. SMEDAN will educate microfinance clients on entrepreneurial skills as well as provide vocational training within clients' respective industries. August 1. 2007

Government of Nepal Raises Ceiling for Microloan Size

As part of a series of reforms to the nation's monetary policy, the Government of Nepal has raised the ceiling cap on the size of micro loans from USD 925 per loan to USD 2,313. The MIX, the microfinance information clearinghouse, displays 17 reporting MFIs in Nepal with combined loan portfolios amounting to approximately USD 40 million, with a total of over 316,000 active clientele, with an average loan size of about USD 123. A World Bank study titled, "Access to Financial Services in Nepal," found that microfinance loans are only used by 4 percent of Napalese. The study argues that a lack of access to microfinance is not the primary problem prohibiting the nation's microfinance sector's growth, but instead note that micro loans have not been profitable for Nepal's MFIs. The authors write, "Lending profitably to small businesses requires a high level of efficiency, while operating microfinance institutions with large outreach requires high levels of professionalism and technical skills. Nepal's [microfinance] institutions have struggled to meet these requirements". July 31. 2007

Licensing in Nigeria

In accordance with the Nigerian legal requirement that all microfinance institutions (MFIs) operating in Nigeria must hold a MFI license, the Central Bank of Nigeria (CBN) has provided Ikole Microfinance Bank Ltd. with provisional approval to operate as a Nigerian

MFI. CBN has set December 2007 as the cut off month for potential MFIs to acquire operating licenses. Other recent MFIs to progress through the license acquisition process are SeedVest Microfinance Bank and Treasures Microfinance Bank. July 31. 2007

GlobeFunder Closes Round of Seed Funding

GlobeFunder, an online lending engine dealing in microloans, recently closed its seed round of equity financing at USD 1.5 million. Globefunder is in the tradition of Kiva.org, but with an option to earn interest. GlobeFunder will launch in the US in October 2007. July 31. 2007

Triodos Group Lends $1.86m to Ugandan Microfinance

Three funds of the Dutch-based Triodos Bank, Triodos-Doen, Hivos-Triodos, and Triodos Fair Share, have loaned a combined amount of USD 1.86 million to Ugandan Microfinance Limited (UML), an African microfinance institution (MFI). Each Triodos fund provided an equal portion of the loan investment, USD 610,000. According to UML CEO Mr. Charles W. Nalyaali, portfolio enlargement is inline with UML's goal to increase the annual amount lent this year to USD 36 million with 92,000 borrowers. Last year, UML lent USD 26 million to 68,000 Ugandans. Mr. Nalyaali reports that UML's interest rates on micro loans average 3 to 4 percent. UML also reports funding from the European Union, United States Agency for International Development, Germany Development Bank, the Danish and Austrian Governments, and Swiss microfinance investor Blue Orchard. July 27. 2007

Minlam Asset Management Launches Fund

New York-based Minlam Asset Management LLC (MAM) has created the Minlam Microfinance Fund, a hedge fund exclusively for the investment in microfinance institutions (MFIs). MAM does not disclose the size of the fund. The fund requires that an MFI have a minimum loan portfolio of USD 1 million, be financially self-sufficient, and have a maximum PAR of 5 percent within the last 30 days. Qualified MFIs may receive USD 500,000 to USD 5 million for their first loans; the maximum loan period is 36 months. July 26. 2007

Germany's Savings Bank Foundation for International Corporation (SBFIC) Lends for Tsunami

Hatton National Bank (HNB) of Sri Lanka signed up with the Savings Bank Foundation for International Corporation (SBFIC) of Germany in August 2005 in a microfinance plan to assist tsunami-hit families. HNB originally received EUR 2 million from SBFIC, with an original target of helping more than 2000 small business people. HNB has already disbursed these funds, a year before the targeted completion of the project, reports a Lanka Business Online article. SBFIC will disburse an additional EUR 5 million. July 25. 2007

American Express Cardholders Put Grameen Tops

Grameen Foundation now enters the quarter-finals of the American Express Members Project Contest, an online competition sponsored by the US-based credit card company. Grameen is now within the top 25 organizations entering into the contest's semi-finals. The contest website, which updates vote counts in real time, reports that Grameen Foundation has earned 423 votes thus far. The round's leaders are the US-based National Park Foundation with 2,495 votes and the United Nations Children's Fund with 2,454 votes. July 23. 2007

Nigerian Micro-banks Use Neptune's Orbit System

Five financial institutions in Nigeria have opted to sign on to Orbit, a banking system designed by Neptune Software Plc. Neptune is a banking software and Enterprise Resource Planning (ERP) provider with 30 customers in 10 countries. The Orbit system is a banking solution focused on micro-banks and microfinance institutions (MFIs). The financial institutions that have signed on with Orbit include Susu Microfinance Bank, Omega Savings & Loans, Parkway Microfinance Bank, New Heights Microfinance Bank, and Abbey Building Society. None of these five report to the MIX, the microfinance information clearinghouse. July 23. 2007 ♦♦♦

Corrections

Due to a reporting error, we inaccurately stated last month that the Aga Khan Agency for Microfinance (AKAM) has "incited criticism" from the Microfinance Information eXchange (MIX) for its reporting. AKAM has incited no such criticism whatsoever. Furthermore, our report implied that the MIX had actively searched for financial statements from AKAM, but in fact AKAM simply does not report this information to the MIX. We apologize for this error.

Due to an erroneous report from a third party source and an editorial error, we inaccurately stated last month that the DOEN Foundation invested USD 600,000 in ProCredit Holding, whereas in fact the investment was two investments of USD 300,000 each in both ProCredit Mexico and ProCredit Honduras. We apologize for this error. ♦♦♦

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".

PAPER WRAP UP

The Potential Market for Insurance Among Poor Households

By Warren Brown and Michael J. McCord, published by USAID MBP's Virtual Conference on MicroInsurance, October 2000, 9 pages. Available on the Microfinance Gateway at http://www.microfinancegateway.com/content/article/detail/40147.

This paper focuses on two main questions: 1) What is known about poor households' interest in using insurance to reduce risk? 2) What, from the providers' perspective, are the limitations on where insurance can and cannot be provided for poor households? Are there ways to overcome some of these boundaries?

The high vulnerability of poor households does not directly translate to high demand for risk protection in the form of insurance. The following factors affect demand for microinsurance: 1) Informal coping mechanisms are widespread but of limited effectiveness; that is, family or community networks act as risk cushions and may provide obstacles to formal micro-insurance, or opportunities if they can be incorporated into the formal scheme. 2) Savings with withdrawal access may be more effective against smaller losses—"self-insuring" by withdrawing savings against unexpected losses will be effectual as long as the loss is small. 3) Poor households are often uncomfortable with the risk pooling concept. Even if insurance can provide effective protection that other financial services lack, people may be reluctant to accept the idea, especially if they pay premiums but do not make claims. Reluctance to pay into a scheme to others' benefit and not one's own is a hard concept to swallow. 4) Initial studies indicate strongest interest in protection against health and death risks.

In addition to these four factors, the design of micro-insurance schemes also affects demand for the product. This includes the following: size of claim paid relative to actual loss; timeliness of claims payments; flexibility in size of coverage; flexibility in scheduling premiums; continuity of coverage.

The design of economically sustainable insurance products is centered on five key issues. The first is achieving scale. An insurance scheme must have a large number of households participating, relative to the total population exposed to the covered risk. This is important because it reduces the potential for adverse selection—that is, only households with higher risk buy into the scheme, thus making claims much higher than expected. As well, it is important because it increases the likelihood that the variance of actual claims will be closer to the expected average number of claims used in calculating premiums. The second issue of importance is limiting policyholders' control over the insured event. When the risk of moral hazard is present—the insured intentionally or unintentionally taking advantage of the insurance provider if they have control over whether or not the insured event will occur—protection must be set in place, in order to allow microinsurers to strike a balance between sustainability and restrictions placed on coverage.

A third principle is that mass co-variant risks are uninsurable; risks that will affect a significant portion of the population at the same time like a flood place too great a burden on the resources of the insurer for viable coverage to be feasible. However, this poses an obvious problem: many of the risks that face the poor in developing regions are highly co-variant, such as natural disasters. A single insurer will face bankruptcy if they cover such events. Fourth, there is great difficulty in obtaining the necessary information to set prices. Prices should be based on the likelihood of risks occurring; how many claims will be made in a given year, and for how much? However, records of events that inflict loss are often limited or non-existent in poor communities and as such, setting prices can be tricky. A fifth and final key issue to providing sustainable microinsurance is the decline in affordability as coverage becomes more complete. That is, as the amount of protection an insurance organization wants to offer increases, so do premiums. Thus, the products become less affordable for the very households the microinsurer is trying to protect.

As this paper is a briefing paper for USAID Virtual Conference on Micro-Insurance, the paper leaves readers with two sets of questions to contemplate. What have been participants' own experiences? What are the best ways to deal with the above five issues?

Credit Information Systems in Less-Developed Countries: A Test with Microfinance in Guatemala

By Jill Luoto, Craig McIntosh and Bruce Wydick, published by the University of Chicago Press, January 2007, 42 pages, available on the Microfinance Gateway at http://www.microfinancegateway.org/content/article/detail/41758

The paper explores the impact of credit information systems, or credit bureaus, on microfinance institutions (MFIs) in developing economies, using a case study in Gautemala. The first section of the paper introduces microfinance and explains that with its growth, greater lender competition has emerged. Increased competition among lenders consequently reduces loan repayment incentive for borrowers, thus increasing MFI arrears and increasing borrower over-indebtedness. Since lenders are unaware of existing borrower debts or delinquencies with other institutions, an imbalance of information occurs. The asymmetry of information diminishes a lender's ability to determine which borrowers are most likely to repay and which are likely to default. By introducing a credit information system, information between borrowers and lenders is better balanced.

The next section explains that Africa has the least developed credit information systems. Asian economies are experiencing a growth in credit information systems and Latin America has the most extensive coverage of developing economies.

In section three, the authors introduce their empirical work. They aim to examine the impact of CREDIREF, a microfinance credit bureau in Guatemala, on Génesis Impresarial, a large-scale MFI with 40 branches. CREDIREF manages both positive and negative payment information on borrowers and Génesis Impresarial uses the credit information to make on average 1,504 bureau observations per month during the authors' review period. The empirical work measures loan delinquency as the percentage of loans in a branch that were late as of the last payment made. The authors also examine three additional outcomes: the percentage of loans in a branch/month on which a payment is ever late; the average number of late payments per loan in a branch/month; and the average number of months late for loans issued in a branch/month that become delinquent.

Section four contains the results from the empirical work. The strongest result is a large decrease in the average number of missed payments. The use of CREDIREF decreases the percentage of loans on which any payments are missed by 3.3% and the number of missed payments by 1.3. The implementation of CREDIREF caused a drop in the percentage of clients missing a payment, and the effect increased over time. The authors estimate the drop in the percentage of clients missing payments is 4.5% plus an additional 0.3% per month that the system is used. The fixed effect estimation for decrease in borrower default was shown to be 1.92%. After factoring in the cost of the CREDIREF implementation, the authors estimate Génesis Impresarial's internal rate of return at 96.5%

Finally, in section five, the authors provide their conclusions and potential policy implications. They conclude CREDIREF had a strong impact on decreasing the occurrence of missed payments at Génesis Impresarial.

Microfinance: An Emerging Asset Class for Equity and Debt Investors

By Marco Coppoolse. A Whitepaper Published by MicroCapital in August 2007. 10 pages. Available at www.microcapital.org/downloads/whitepapers/Emerging.pdf

Mr Coppoolse supports the nascent microfinance asset class in two ways with his Whitepaper, which was published on MicroCapital.org in August. First he shows the strength and potential of the sector with some innovative research on nine of the leading MFIs (microfinance institutions) in the world. In the process he introduces a new performance indicator, "comparable return on equity" (CRoE) to be used alongside current indicators to help advise potential equity and debt investors with their microfinance investment decisions.

The conclusions are that the industry shows high growth and high returns on a global basis; is still underleveraged; has high expense ratios; has good asset quality and has returns of a global nature that show no geographic bias.

The nine MFIs from different parts of the globe that Mr Coppoolse analyses are:ASA from Bangladesh, Banco Compartamos, S.A. Insituticion de Banca Multiple (Compartamos) from Mexico, Equity Bank from Kenya, MiBanco from Peru, Association Al Amana for the Promotion of Micro-Enterprise Morocco (Al Amana) from Morocco, SHARE Microfin Limited (SHARE) from India, Association of Cambodia Local Economic Development Agencies (ACLEDA) from Cambodia, BancoSol from Bolivia and XacBank from Mongolia.

With data from the MixMarket provided at 31.12.05, Mr Coppoolse analysed the nine MFIs' performance with six Key Performance Indicators: Return on Equity (RoE); number of borrowers; portfolio size; portfolio growth; expense ratio and with the new CRoE indicator.

"Comparable return on equity" (CRoE) is a zero-equity based return, which allows for a correction to be made for the interest earned over the average equity, once the net profit of an MFI has been calculated. This correction is made at the domestic interbank offered rate, at which prime banks can borrow in the currency local to the country in which the MFI operates. The CRoE is return (on top of the interbank money market rate) that is generated by running a business. CRoE can adjust for different high inflation / high interest rate environments, therefore making it applicable for comparisons between markets and regions.

This calculation was scored alongside each of the other indicators, allowing a table to be drawn up comparing and ranking the nine MFIs. ASA came first, followed by Compartmentos, with Equity Bank from Kenya coming third.

The RoE, number of borrowers, portfolio size and portfolio growth figures all indicate that industry is going through a period of high growth. The lowest RoE was 14.3% from ACLEDA, with the highest being 55.2% from Compartmentos. ASA in Bangladesh had by far the highest number of borrowers, with over 4 million, and the largest portfolio, valued at USD 255 mn, but with the second lowest growth rate at 21%. With the exception of BancoSol in Bolivia the portfolio growth rate for all the other 7 MFIs was between 34-51%.

In fact their portfolios are growing relatively faster than their number of borrowers, with average portfolio growth of 38% and an average growth in numbers of 33%. Mr Coppoolse suggests this could be down to one of two reasons: either there are repetitive loan cycles with existing customers coming back for higher amounts, or that the MFIs are experiencing 'mission drift' and concentrating on higher value loans to the not-so poor. Mr Coppoolse accepts that the answer is not available with his statistics, but states in the paper that the final performance indicator needed for the industry overall is one that measures and tracks the social return of the MFIs.

Amongst all the positive figures, the expense ratios for the leading MFIs are still high, with the average for the sample being 20.6%. Mr Coppoolse thinks that the continued success and growth of the MFIs should see this figure drop, as lower financing costs and operating expenses should be achieved by scale and increased technological and operating prowess.

Mr Coppoolse sees maturity in the microfinance industry with the increasing internationalisation that is taking place, for example, ACLEDA is starting up in Laos and Vietnam; and ASA, in association with Catalyst investors, is seeking further expansion in Asia and Africa. The RoE figures are so strong that Mr Coppoolse suggests that investors will be turning to MFIs as potential investments in larger numbers, despite the fact that they have traditionally been wary of MFIs because of their mission to serve the unbanked. Mr Coppoolse compares the average RoE for his group of MFIs of 26.5% to the average RoE of listed companies in emerging markets, which he reports at 19% .

However, this is the only comparative figure he provides and there is no further distinction made between microfinance and other asset classes, for example how it compares on volatility (low) or how it can provide portfolio diversification for investors. Neither does this paper discuss how the less prosperous MFIs might succeed in attracting investors or how the industry might react to further commercialisation, considering the range of opinions that the Compartamos IPO received.

However, the paper provides strong evidence to support the strongest players in the sector and ably provides key data that could excite many potential investors. The CRoE is another useful indicator to help assess risk and inform rational investment decisions, which at the same time helps represent the industry as a powerful global trend rather than just a series of regional fortuities.

Benchmarking Philippine Microfinance 2005

By Allan Robert I. Sicat and Scott B. Gaul. Published by Microfinance Information Exchange (MIX), Inc. November 2006. 12 pages, Available at http://www.microfinancegateway.org/files/41747_file_05.pdf

This paper is a report on the performance of the Microfinance Institutions (MFIs) within the Philippines, as accessed from a sample of 45 MFIs surveyed by the Microfinance Information Exchange, Inc. (MIX) and the Microfinance Council of the Philippines, Inc. (MCPI). It begins by providing a background to the microfinance sector within the country, such as policies and government regulations that affect its performance. One such example would be the implementation of Executive Order No. 138 (EO 138) in 1999. EO 138 brought about a set of reforms to correct policy distortions in the financial markets such as subsidized interest rates and concessional loan funds. EO 138 also "rationalized government-directed programs and channeled their lending to financial institutions from government agencies." This was repealed in 2006, which the author states could potentially weaken private sector MFIs, despite the government's intention of reaching out to populations who presently have not been served by MFIs.

The report goes on to outline the performance of the respective MFIs under the categories of Scale and Outreach, Financing Structure, Revenue and Profitability, Productivity, and Risk and Liquidity. The aggregate outreach of participants of the survey increased by 22% while gross loan portfolio grew by 30% in comparison to last year's report. Philippine MFIs remained among the top in the world in terms of depth of outreach (outreach to the poorest of the poor), with an average loan balance per borrower of USD 201. NGOs, which tend to have a narrower focus on the lowest income clientele, have a median average loan balance per borrower of USD 75, while rural bank loan portfolios often combine a broader range of products, including salary loans, agricultural loans, commercial loans, and housing loans that reach a broader range of clientele, bringing their average loan balance per borrower to USD 444.

Rural banks in the Philippines lead in terms of leverage, as evidenced by debt to equity ratios that are almost four times higher than for NGOs. 100 percent of their loan portfolio is funded by commercial debt, the vast majority of which consists of customer deposits. Facing fewer legal constraints than other types of institutions, rural banks gathered significant customer deposits, while a significant share of NGO portfolios are still funded from subsidized sources, primarily from concessional loans or grants from foreign donors, as they are not allowed to receive deposits from the public. As a result, many NGOs have opened up formal financial institutions alongside their organization in order to bypass this constraint.

The survey also revealed that Philippine MFIs saw declines in profitability compared to the previous year—slightly below break-even levels in 2005 for NGOs, although many institutions saw an improvement from 2004 results. The report also indicated that overall decline in profitability of Philippine MFIs is more pronounced within the rural bank participants, adjustments for standardized write-offs and loan loss provisioning being a highlighting factor, since past due loans are collateralized at different levels.

In conclusion, the authors believe that, while MFIs in the Philippines generate high portfolio yields, "the challenge remains to achieve profitability by lowering the cost of delivering microfinance services." A further challenge for NGO MFIs remains to attract commercial sources of funds for future growth.

Middle East Banking Sector Analysis 2007-2011

Published by Research and Markets, August 2007, 140 pages, cost ranges from $2,637 to $4,102, purchase at http://www.researchandmarkets.com/reportinfo.asp?report_id=543818&t=d&cat_id=

Research and Markets' Middle East Banking Sector Analysis (2007-2011) provides a detailed report of the country-wide banking sector in Middle East, including products and services. Research and Markets, a market research firm based in Dublin, Ireland addressed questions such as: How competitive is the market landscape for banking industry in the Middle East? What is the nature of services driving the banking sector in the Middle East countries? What are the country and region-wide opportunities and challenges for this industry? What are the prospective areas of investment for the banks in near future? Which factors will lead to the growth of bankcards, loans and deposits in the Middle East? What is the extent of foreign penetration in the Middle East banking industry?

Key findings include: the total bank loan demand in the Middle East is expected to grow at the compound annual growth rate (CAGR) of 21.81% during 2007-2011; the total bank deposit of the region is expected to grow at the CAGR of 19.18% during 2007-2011; bancassurance and the insurance market are expected to present increasing opportunities, as current insurance market penetration stands at less than 10%.

The key products analyzed in the report are Deposits, Credit Cards, Debit Card, Loans, ATM, POS (Point of Sale) Terminals and Bancassurance (the provision of insurance products by a bank). An overview of key players in the Middle East banking sector includes facts and financials for the following companies: including National Bank of Bahrain (NBB), Bank Hapoalim Ltd, National Bank of Kuwait (NBK), National Commercial Bank (of Saudi Arabia) (NCB), Oman International Bank (OIB), Jordan Ahli Bank (Ahli), Bank Saderat (of Iran), National Bank of Dubai (NBD), Qatar National Bank (QNB) and Akbank (of Turkey).

E-banking with the Poor: Opportunities and Implications for Microfinance Providers

By Stuart Mathison, published by the Foundation for Development Cooperation (FDC), March 2007, 4 pages, available at http://www.microfinancegateway.org/content/article/detail/41751

Stuart Mathison's paper explores the impact of e-banking on microfinance. He highlights information and communication technologies (ICT) and their potential uses. He argues ICT innovations are crucial elements in the industry's long-term objectives. Yet, core business models and methodologies that have served microfinance for years will require adaptation. Microfinance institutions (MFIs) need to reevaluate and revise policies in order to successfully implement new technologies.

With the proliferation of microfinance, an emphasis on institutionalization has emerged. The need to instill strong governance and sound management within MFIs was necessitated by three motivations: 1.MFIs need to comply with local banking laws. Compliance requires governance and management; 2.MFIs must achieve scale to obtain financial sustainability.3. Grants and subsidies are not sufficient to grow.

Mr. Mathison defines the MFI imperatives as "outreach" and "sustainability." He contends that two definitions exist for outreach. First, outreach can be seen as "more clients from a similar demographic." If this definition is used, outreach lends a hand to sustainability. Reaching out into a tight demographic keeps costs low and provides efficiency that allows for financial sustainability. However, if one defines outreach as "targeting hard-to-reach clients," then outreach hinders sustainability as it increases costs and is detrimental to solvency. Both schools of thought can benefit from ICT.

Mr. Mathison starts by describing the back office management information system (MIS). The MIS is software/hardware used to monitor and manage the MFI's product offerings. It helps to measure development impact and to manage core administrative tasks. Mr. Mathison asserts ICT innovation is not possible without the foundation of a back office MIS. For an MIS to be effective, MFIs must enter transaction data in it. Paper-based processes delay the input of data, increase the likelihood of entry errors, and make real-time reporting impossible. With laptops and palmtop computers, data can be entered in devices on-the-fly and uploaded to the core MIS in batch or real-time resulting in near real-time data collection and monitoring of transactions. By using mobile computing, immediate efficiency and accuracy benefits can be obtained with very little disruption to existing operations.

Additionally, correspondent branches can help manage transactions for the MFI. Correspondents must be equipped with technology to interface with the MFI's existing ICT infrastructure. Special care must be made to empower the correspondent branches to perform services and to train them to prevent fraud, theft, and money laundering activities. In addition, card service programs, like EFTPOS (electronic funds transfer point of sale) networks and ATMs (automatic teller machine), provide MFI borrowers with a means to easily utilize their funds. Since transactions are conducted electronically, records are automatically updated. Smart card technologies, which store financial data within the card itself, reduce the need for printed receipts and in some situations the need for persistent connectivity to the MFI's core network.

Internet banking can provide clients with real-time access to account information and allow self-service. Internet banking reduces MFI transaction costs and is inexpensive to service. The incremental cost of adding clients that utilize Internet banking is insignificant. However, success with Internet banking is constrained by client adoption. Mr. Mathison also describes the concept of electronic community banking (ECB). ECB utilizes the benefits of Internet banking while incorporating microfinance principles such as peer/group lending and community banks. ECBs require local management and administration, which permit local configuration of lending terms.

Finally, Mr. Mathison explains the growing prevalence of GSM (Global System for Mobile) cellular phones and their potential as a microfinance tool. GSM phones are becoming advanced enough to serve as "mobile wallets," capable of facilitating transactions between clients and MFIs. Many of the transactions previously restricted to face-to-face interaction will soon be widely available via cellular communications.

The author concludes by emphasizing the constraints of ICT-enabled microfinance. Many MFIs do not have the expertise to deploy ICT. Knowledge deficiencies and infrastructure costs are prohibitive. Also, financial sector regulation in various countries prohibits the use of electronic and mobile devices. However, Mr. Mathison believes MFIs will deploy ICT and evolve. For MFIs to coexist with the world's advanced financial markets, ICT integration is not just a luxury, it is necessity. ♦♦♦

UPCOMING EVENTS

Youth Microenterprise Conference: Strategies for Entrepreneurial Spirits

September 10 - September 11, 2007, Washington, DC

Individual registration costs USD 495. Registrations close on September 2, 2007. For more information, contact Whitney Harrelson at whitney@makingcents.com; Skype: ymeconference; Tel. +1 202 783 4090; or go to: http://www.ymeconference.org/.

Next Generation Access to Finance: Gaining Scale and Reducing Costs with Technology and Credit Scoring

September 17 - September 19, 2007, Washington, DC

Hosted at the World Bank Headquarters, this event is organized by the International Finance Corporation (IFC) and the Consultative Group to Assist the Poor (CGAP), in cooperation with Visa International. Registration fee is USD 1,000 (excluding travel and accommodation costs). For more information, please contact Ms. Demet Cabbar at +1 202 458 9835, dcabbar@worldbank.org; or go to http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/FSLP/0,,contentMDK:21368527~pagePK:64156158~piPK:64152884~theSitePK:461005,00.html.

X Inter-American Forum on Microenterprise: "The Road Ahead"

October 3 - October 5, 2007, San Salvador, El Salvador

The Inter-American Development Bank celebrates its 10th anniversary of the Microenterprise Forum on Latin America and the Caribbean. Four main areas will be covered: Microfinance, Financial Markets, Entrepreneurship and Markets, and Business Environment. The conference fee (excluding hotel costs) is USD 300 between July 28 and September 15, 2007, and USD 350 after September 16, 2007. Please contact foromic@iadb.org for more information, or go to http://www.iadb.org/foromic/.

Microfinance India Conference 2007

October 9 - October 10, 2007, New Delhi, India

This event is the fourth in a series of annual conferences. Registration fees range from Rs3200 to Rs3800 for Indian Organizations, from Rs2800 to Rs3200 for RRB Chairperson/Bank Branch Managers, USD 175 to USD 225 for International Organizations. For more information about the conference, contact Mr. Nishant Tirath (phone: +91 11 2651 0915 (Ext – 250); fax: +91 11 2685 0821; email: microfinanceindia@accessdev.org), or go to http://microfinanceindia.org/Docs/Save%20the%20date.pdf.

The African Banking Technology Conference

November 13 - November 14, 2007, Lagos, Nigeria

Hosted and organized by AITEC Africa, the event will "provide the region's banking community with in-depth briefings from African and international experts" which will allow them to "assess the latest banking technology systems and strategies". To propose a forum presentation, send a brief outline to Sean Moroney, seanm@aitecafrica.com. For more information email info@aitecafrica.com or go to http://new.aitecafrica.com/node/399.

Microinsurance Conference 2007

November 13 - November 15, 2007, 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 (India's Insurance Regulatory and Development Authority). This year's conference will focus on unresolved challenges within the microinsurance industry. The cost to attend is USD 490; representatives of non-profits from developing countries, however, are eligible for the USD 100 discount price. To register, email info@munichre-foundation.org. The conference is open to the first 200 registered individuals and registration closes August 31, 2007. For more information, Tel: +49 89 3891 5909, or Website: www.microinsuranceconference2007.org.

Microfinance in Russia: Building an All-Inclusive Financial System

November 15 - November 16, 2007, Moscow, Russua

This conference will focus on the "role of microfinance in improving access to financial services in Russia." Registration fee ranges from 8,287 Rubles to 11,960 Rubles for one participant. Other rates apply for more than one participant. For more information, please call conference organizers at +7 (495) 258 68 31, 258 87 05, email Conference Technical Director Ekaterina Rozina at conferece@rm-center.ru, or go to http://www.rmcenter.ru/en/news/anons-detail.php?ID=2483.

UPCOMING EVENTS (CONTINUED)

European Microfinance Week 2007
November 27 - November 29, 2007, Luxembourg
Supported by the Ministry of foreign Affairs of Luxembourg and the Luxembourg Round Table on Microfinance, the event will to bring together European Microfinance actors working in developing countries, in order to "promote good practices and facilitate synergies among European microfinance actors," "encourage a European strategy on Microfinance in developing countries," and "provide input for the 2008-2009 action plan" for the European Microfinance Platform Annual Meeting. For more information, please contact Laetitia Polis at contact@microfinance-platform.eu, or at +352 29 585 8255; or go to: http://www.microfinance-platform.eu/mmp/online/website/news/index_EN.html.

Opportunity Finance Network 2007 Conference
December 11 - December 14, 2007, Miami, USA
Sponsored by the Opportunity Finance Network, the goal of this event will be to "focus on creating a high volume financing system through industry innovations and transformations." The organizers expect the attendance of CFDI (Community Development Financial Institutions) and Opportunity Finance practitioners, CFDI Board members, bankers, regulators, foundation staff, religious investors, and investment managers. For more information, please contact Ed Fischer at efischer@opportunityfinance.net or 215 320 4306; or go to http://www.opportunityfinance.net/knowledge/conference_resource_center/07default.aspx?id=1524.

Asia-Pacific Microcredit Summit Campaign 2008
March 4 - March 6, 2008, Islamabad, Pakistan
Hosted by the Pakistan Poverty Alleviation Fund (PPAF). More information about the upcoming summit to follow at http://www.microcreditsummit.org/summit/upcoming.htm. microcreditsummit.org/summit/upcoming.htm. ♦♦♦

MICROFINANCE MARKET INDICATORS: EASTERN EUROPEAN AND CENTRAL ASIAN REGION

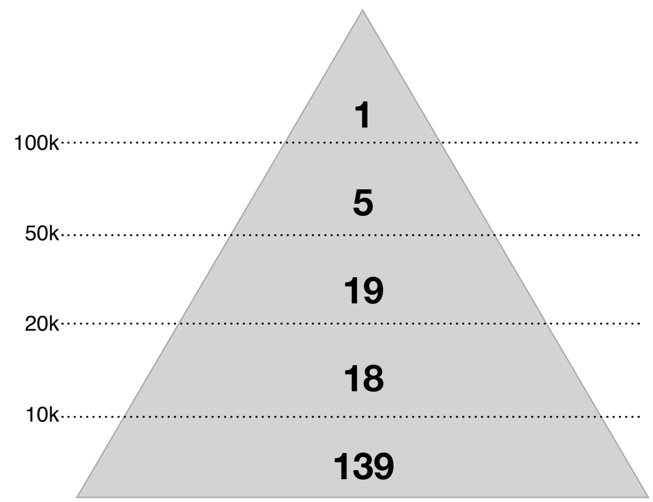
21 COUNTRIES | 182 MFI'S REPORTING [1]

Albania
Armenia
Azerbaijan
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia
Kazakhstan
Kosovo
Kyrgyzstan
Macedonia
Moldova
Mongolia
Poland
Romania
Russia
Serbia and Montenegro
Tajikistan
Turkey
Ukraine
Uzbekistan

POWERED BY mix Microfinance Information eXchange

Total Population (mm) [2]	428.9
GDP (USD mm) [2]	$1,831,440
Average GNI per capita (USD) [3, 2]	$4,755
Average Population Density (inhab/sq km) [2]	57.4
Microcredit Penetration [4]	0.4%
Total Number of Active Borrowers (mm)	1.76
Total Number of Voluntary Savers (mm)	2.69
Voluntary Savings (USD mm)	$2,127.5
Average Loan Balance Per Borrower (USD) [5]	$2,485.5
Total Equity (USD mm)	$986.4
Gross Loan Portfolio (USD mm)	$4,379.4
Women Borrowers	51%

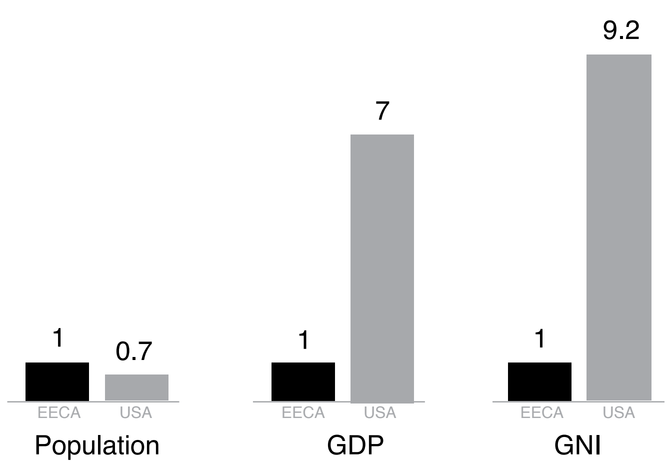
NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



TOP 10 MFI'S BY NUMBER OF BORROWERS

234,715	Khan Bank (Agricultural Bank of Mongolia LLP),Mongolia
87,554	Procredit Bank Serbia - Formerly MFB, Serbia and Montenegro
61,955	ACBA-Credit Agricole Bank CJSC, Armenia
58,968	Procredit Bank Georgia - Formerly MBG, Georgia
56,744	XACBank, Mongolia
52,015	Procredit Bank Kosovo - Formerly MEB, Kosovo
49,284	Finca Azerbaijan, Azerbaijan
49,270	Procredit Bank Ukraine - Formerly Microfinance Bank, Ukraine
48,115	Procredit Bank Bulgaria, Bulgaria
45,085	AIYL Bank - Formerly KAFC, Kyrgyzstan

EECA TO USA RATIOS



(1) Include MFIs that only report to MBBs or MIX Market (2) Represents total of 21 countries reporting to MIX as indicated at top of this page. (3) Based on World Development Indicators, 2005. Averages are weighted using total population. Only countries with MFIs reporti ng to MIX are considered. (4) Calculated using ratio of Total MFI borrowers to Total Population (5) Simple average over all MFIs in region

Source: Microfinance Information Exchange, Inc. (MIX), Aug 2007. Based on MFIs reporting to MIX Market or Microbanking Bulletin (MBB). 2005 used when 2006 not avaialble. WWW.MIXMARKET.ORG

WHO'S WHO IN MICROCAPITAL

Gray Ghost Microfinance Fund, LLC

FOR-PROFIT INVESTMENT FUND, ATLANTA, USA

The Gray Ghost Microfinance Fund LLC, founded in November 2003 by Robert Pattillo, is a for-profit investment fund comprised solely of investments in microfinance funds, a fund of funds. Headquartered in Atlanta, Georgia, Gray Ghost manages USD 75 million in total assets, investing in microfinance funds that supply start-up and expansion capital to microfinance institutions (MFIs) worldwide. Some of Gray Ghost's investments include USD 4.9 million in Antares Equity Participation Fund (another fund conceived by Robert Pattillo), USD 4 million in Deutsche Bank's Global Commercial Microfinance Consortium, USD 2 million in Catalyst Microfinance Investors and USD 2.6 million in Bellwether Microfinance Fund.

Robert Pattillo, Gray Ghost Fund's Founder, is an entrepreneur and philanthropist. Prior to founding Gray Ghost, Mr. Pattillo built and managed an industrial real estate development firm. In 1995, he also established The Rockdale Foundation, a family foundation committed to social enterprise and education. Mr. Pattillo has over 10 years of microfinance experience and sits on the board of directors of several microfinance organizations and investment funds, including ACCION Investments, MicroVest, Deustche Bank Microcredit Development Fund, and Catalyst Microfinance Investors. He is also a member of the Council of Microfinance Equity Funds. Mr. Pattillo graduated from Dartmouth College and the Harvard Owner/President Management Program.

Paul DiLeo, Gray Ghost Fund's Chief Executive Officer, has been with the organization since late 2003. He led the development of the fund and its overall strategy. Prior to Gray Ghost, he worked exclusively in development finance, focusing on small-business finance and microfinance. He was Director of ShoreBank Corporation's international consulting activities, and also an independent consultant to investors and international agencies. Mr. DiLeo's twenty years in international finance and development includes work with the United States Treasury, the Federal Reserve, and an investment fund in Russia. Mr. DiLeo earned his bachelor's degree from the University of Massachusetts. He also has a master's degree from Boston University and completed New York University's Professional Program in Business: Accounting and Finance.

Yvonne Johanneson-Jones has served as Strategic Marketing and Compliance Officer since late 2005. Before Gray Ghost, Ms. Johanneson-Jones worked as finance specialist in investor relations at United Parcel Service. She has served as Director of Capital Markets for an Atlanta-based broker/dealer and boutique investment banking firm. With more than 12 years of cross-function industry experience, Ms. Johanneson-Jones began her career at Citigroup where she managed major corporate cash management relationships. She also held positions as Credit Card Customer Service Manager and Marketing Manager. Ms. Johanneson-Jones earned a B.A. in economics and modern languages from the University of the West Indies. She completed post-graduate studies at L'Université de Grenoble in France. She is a Registered Representative and a member of Women Advancing Microfinance (WAM).

Frank Brown joined Gray Ghost Fund as Senior Investment Officer in late 2005. Prior to Gray Ghost, Mr. Brown was a senior analyst in the equities research department at SunTrust Robinson Humphrey. In his 15 years of financial services industry experience, he has held several analyst and portfolio management positions at the vice-president level for firms including Prudential Securities and Caldwell & Orkin, Inc. Mr. Brown earned his bachelor's degree from the University of the South and an MBA from Duke. He is also a member of the Atlanta Society of Financial Analysts.

Brenda Bracken, Gray Ghost Fund's Controller, is responsible for all internal accounting functions. She also manages human resource administration. Prior to joining Gray Ghost, Ms. Bracken worked as controller of Robert Pattillo Properties. Ms. Bracken has over twenty years of accounting management experience with companies such as American Resurgens Management Corporation, Fleitz Construction Company, Weyman & Kruse, and Graphic Ads, Inc. Ms. Bracken attended Virginia Commonwealth University.

Ecobank

FOR-PROFIT TRANSNATIONAL BANK WITH MICRO-BANKING OPERATIONS, AFRICA

Ecobank is an independent regional banking group in West and Central Africa serving wholesale and retail customers. It has a network covering 18 countries namely: Benin, Burkina Faso, Cameroon, Cape Verde, Central Africa, Côte d'Ivoire, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sao Tome, Senegal, Sierra Leone, Tchad and Togo, with plans to establish presence in East and Southern Africa. The bank has a network of over 320 branches and offices established in the last nineteen years. Ecobank Transnational Incorporated (ETI) the parent company of the Ecobank Group plays a central role in the definition and implementation of common policies and standards on the basis of a "one bank" concept across the group's network.

Arnold Ekpe was appointed the ETI Group Chief Executive Officer in 2005. He was the Group Chief Executive Officer from 1996 to 2001 when he left to join United Bank for Africa, one of the top three banks in Nigeria as Chief Executive Officer from 2002 until 2004. Mr. Ekpe has over 25 years of African and international banking experience having also worked in Europe, South Africa, and West Africa for Citibank and First Chicago. Mr. Ekpe was Vice President and Head of Africa Trade and Corporate Finance for Sub-Sahara Africa for Citibank. He holds degrees in Mechanical Engineering and Business Administration from Manchester University and Manchester Business School respectively.

Patrick Akinwuntan, Head of Technology & Operations, has been with Ecobank since 1996 when he joined Ecobank Nigeria as Head Commercial Banking and Western Zone II. He then held the following positions in the Group: Group Financial Controller, Executive Director (Consumer and Commercial Banking) at Ecobank Nigeria, Managing Director, eProcess. Before Ecobank, Patrick worked for Ernst and Young, Manufacturers Merchant Bank, and Springfountain Management Consultants in Lagos. Patrick holds a Master's Degree in Business Administration (Finance) and is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA) and an associate of the Institute of Taxation (ACTI).

Albert Kobina Essien, Regional Head, started his banking career in 1986 with the National Investment Bank in Accra, Ghana. He joined the Corporate Banking Department of Ecobank Ghana in 1990. In 1997, he became Country Risk Manager. He was appointed Deputy Managing Director in 2001 and became Managing Director in December 2002.

Christophe Jocktane-Lawson, Head of Corporate Development, started his banking career in 1985 with Citibank in Libreville, Gabon; he worked in various capacities as a Management Associate, Relationship Manager, Private Sector Head, Public Sector Head, Branch Manager, Corporate Banking Group Head, Risk Manager, and finally Deputy General Manager. He left Citibank and joined Ecobank Benin as General Manager in 2000. He later became the Deputy Managing Director and then was promoted to the position of Managing Director 2002.

Offong Ambah, Regional Head, Nigeria, has over 21 years of experience in banking at senior management level. Prior to joining Ecobank in 1991, he worked for International Merchant Bank in Nigeria for 4 years and later with City Trust Merchant Bank also in Nigeria for 2 years. His banking career has included positions in Credit and Marketing, Trade Finance, Treasury and Corporate Finance. He was the Managing Director of Ecobank Liberia Ltd. between 1998 and 2002. He worked for United Bank for Africa in 2002 as Executive Director until 2005 and rejoined Ecobank in 2006 as Managing Director of Ecobank Nigeria Plc. from Allstates Bank Plc. in Nigeria where he was the Chairman of the Interim Board of Directors. Mr. Ambah holds a Masters Degree in Economics and is a Fellow of the Chartered Institute of Stockbrokers, Nigeria.

Evelyne Tall, Regional Head, started her banking career in 1981 with Citibank in Dakar, Senegal where she worked in various areas, including in Credit, Financial Institutions, Liability Management and finally with the Regional Financial Institutions Unit. She left Citibank to join Ecobank Mali as Deputy Managing Director in 1998 and was promoted to the position of Managing Director in 2000. The same year, she was transferred to Ecobank Senegal as Managing Director. ♦♦♦