MicroCapital Monitor
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MICROCAPITAL BRIEFS | TOP STORIES

Microbank Violence in Kampala

The central bank in Uganda, the Bank of Uganda (BOU), has warned that members of the country's Savings and Credit Cooperatives (SACCOs) may lose their savings. The BOU, which "has now washed itself clean of any responsibility for the actions of such institutions," will not be able to intervene or provide compensation for those clients that suffer. As a result, 800 people mobbed the offices of Front Page MicroFinance, which is one of the original SACCOs under investigation, as MicroCapital reported in September. The customers besieged their offices in the hope of recovering their deposit money and became violent, destroying the car of the company's manager. Continued on page 2...

Microbank Wal-Mart: Adelante Opens in Mexico

Wal-Mart de México (Walmex), a subsidiary of the world's largest retailer, has started its own bank, Banco Wal-Mart de México Adelante. According to Reuters, Banco Wal-Mart opened nine branches this month, with a total of 16 planned for November. Currently, the branches are offering free savings accounts and personal credit for in-store purchases up to 50,000 Mexican pesos (USD 4,450 equivalent). The bank is planning on opening as many as 80 branches in 2008 and will launch checking accounts, credit cards, payroll accounts and loans for small companies. Wal-Mart opened its first Mexican store in 1991 through a joint-venture with Cifra, a Mexico-based retailer. In 1997, Wal-Mart acquired a majority position in Cifra, and in February 2000, Cifra became Wal-Mart de México. In November 2006, Wal-Mart de México received a license from Mexico's Finance Ministry to organize and operate a bank in the country and Banco Wal-Mart was born. November 26. 2007

Nigerian Central Bank Predicts 450 of 700 Will Survive

By January 1, 2008, only 450 out of a total 700 community banks across the country will operate as microfinance banks, according to a prediction by the Central Bank of Nigeria (CBN). CBN is the government body in charge of these matters which announced a new microfinance regulatory framework in December 2005. December 5. 2007

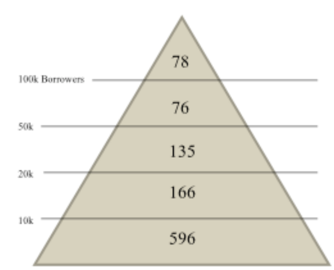
Micro-deposits Partially Insured by The Bank of Central Africa

Clients that have lost money in collapsed microfinance institutions (MFIs) in the Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale - CEMAC) will have their money reimbursed. The Bank of Central African States (Banque des Etats de l'Afrique Centrale - BEAC) will reimburse the stricken MFIs directly, who in turn can reimburse their clients, though Mr. Mbouombouo Ndam said this process could take some time. Each case will have to be investigated first by the Central African Banking Commission (Commission Bancaire de l'Afrique Centrale - COBAC), which accredits MFIs in the region and oversees the sector. MFIs that are discovered to have shut down due to embezzlement will not be eligible for any reimbursement. CEMAC is an organization of states of Central Africa established to promote economic integration among countries that share a common currency, the CFA franc. Its member states are Cameroon, the Central African Republic, Chad, the Republic of the Congo, Equatorial Guinea and Gabon. CEMAC countries share a common financial, regulatory and legal structure. December 6. 2007

INSIDE Page

GLOBAL DATA

MFIs BY NUMBER OF BORROWERS



MF INDICATORS PAGE 13

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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!

MICROCAPITAL BRIEFS

Microbank Violence in Kampala (From page one)

...So far, a number of the firms have been investigated by the police and shut down, with public worry about the system leading to satirical skits in the national theater. Uganda's SACCOs are a rapidly-expanding network of credit unions that have developed to provide financial services to low-income households by enabling members to make deposits and receive loans. There are now approximately 2,000 members, 40 percent more than in 2000. The BOU has long been unable to regulate SACCOs, as it only has jurisdiction over full-fledged microfinance institutions (MFIs), which have customers rather than members. Last week the Association of Microfinance Institutions of Uganda (AMFIU), a trade association, tried to bolster the poor regulatory and supervisory situation surrounding SACCOs by offering to audit the firms. December 7. 2007

Oikocredit Lends $1m to Pro Mujer

Oikocredit, a co-operative financial development institution in the Netherlands, issued a loan of 3.2 million nuevo soles (USD 1 million) to Pro Mujer Peru. The Pro Mujer network is a Latin American development organization that facilitates the growth of sustainable microfinance institutions. Founded in Bolivia in 1990, it now also operates in Argentina, Mexico, Nicaragua and Peru. Pro Mujer's most recent combined financial statement, published in 2006, revealed assets in excess of USD 25 million, a loan portfolio of over USD 19 million and an estimated client base of over 200,000. Oikocredit, established in 1975, is a co-operative financial development institution that provides credit to credit cooperatives, MFIs and other viable enterprises that assist the poor. As of December 2006, Oikocredit had total fund assets of equivalent USD 455.7 million, of which USD 198 million was allocated to 306 MFI investments. Oikocredit offers assistance via loans and debt securities, equity investments, guarantees and technical assistance. December 7. 2007

Rural Impulse Fund Lends $300k to ESPOIR

Rural Impulse Fund, an investment fund managed by the Belgium-based firm Incofin, issued a loan of USD 300,000 to Fundación ESPOIR of Ecuador. ESPOIR, founded in 1992, has total assets of equivalent USD 7.1 million, consisting of a gross loan portfolio of equivalent USD 6.6 million. As of 2006, its return on assets was 6.55 percent and its return on equity was 25.73 percent. It serviced 15,329 active borrowers of which 100 percent are women. The Rural Impulse Fund (RIF) targets rural MFIs. In August, it was acquired by Incofin, a social investment company that specializes in microfinance investment in developing countries. RIF's total assets are USD 38 million. The RIF investor base is 50 percent public and 50 percent private. December 7. 2007

Oil Giant BP Donates $1m to Micro Finance Bank of Azerbaijan

A USD 1 million grant from BP will help the Micro Finance Bank of Azerbaijan. The grant will be matched by USD 2.3 million of IFC and MFBA's own investments through a separate agreement. December 7. 2007

Another False Silver Bullet? UN Noncommittal on Kiva.org Phenomenon

IRIN, an information service of the UN Office for the Coordination of Humanitarian Affairs, ran a story with a controversial title calling Kiva.org "a false silver bullet". The UN article re-warms all the typical themes of microfinance, teasing the reader with a potentially provocative comment about the web microfinance phenomenon. However, the story never delivers, leaving the reader to draw his own conclusions based on a lot of "squishy" information. Stories like this make the microfinance news landscape bleak. December 7. 2007

Gates Gives ILO $34m for Insurance

From Geneva, the International Labour Organization (ILO) announced a partnership with the Bill and Melinda Gates Foundation that aims to develop new kinds of insurance products. The USD 34 million Gates Foundation grant will help create the Microinsurance Innovation Facility, a five-year fund which will make donations to small charities. Over the course of the next three years, the facility will issue biannual requests for proposals, provide funding to pilot new insurance products and use technology to create new products. The facility will also train technical specialists to help replicate successful models. December 7. 2007

NextBillion.net Reviews Tufts' Fletcher School "Microfinance Dialogue"

"Microfinance has reached the major leagues." That was the conclusion posited by Kim Wilson, a professor of international business and microenterprise at the Fletcher School, during her introductory speech at the "Microfinance Dialogue" on November 3rd. Hosted by the Fletcher School's Center for Emerging Market Enterprises and prompted by the recent financial success of the Compartamos initial public offering (IPO), the "Dialogue" served as a forum for public debate on the topic: What role can and should international capital markets play in expanding the scope of financial services for the poor? December 6. 2007

IDB Grants $1m to Mexican FinComun, Baker Bimbo

The Inter-American Development Bank's (IDB's) Multilateral Investment Fund (MIF) announced a USD 1 million grant for a project by Mexico's leading baking company, Grupo Bimbo, and microfinance institution (MFI) FinComun. The project will take a pilot venture carried out by FinComun and Grupo Bimbo to a national scale. The program offers microcredit to members of the baking company's distribution network, which includes more than 450,000 small store operators in Mexico. December 6. 2007

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Triodos to Launch New Fund Q1 2008

In an interview with MicroCapital, Marilou van Golstein Brouwers, Managing Director of Triodos Investment Management B.V., said that her firm will be launching a new private investor microfinance fund for the Belgian and Spanish markets in the first quarter of 2008. The fund, which will be domiciled in Luxembourg, will be similar to the Triodos Fair Share Fund, which is marketed to Triodos's national customers in the Netherlands. The Triodos Fair Share Fund is valued at EUR 32 million and currently has 2,400 investors. Microfinance funds are not eligible for passports in Europe, so a great deal of regulatory work is required to be able to sell a product in a particular country, even if it is already being marketed successfully in another part of the continent. In Ms. van Golstein Brouwers' opinion, this additional work has prevented more private investor funds in Europe from being launched and has encouraged fund managers to focus more on developing vehicles for institutional investors.
December 6. 2007

Prudential Financial Eyes Microfinance in India

After entering into a joint venture with Indian real estate developer DLF Group, Prudential Financial, a U.S.-based financial services company, is also eyeing business in India's microfinance sector. According to DLF Pramerica CEO Kapil Mehta, Prudential Financial plans to explore the microfinance sector and is scouting for potential partners. The joint venture called DLF Pramerica Life Insurance Company, Ltd., in which the DLF Group holds 74 percent and Prudential the remaining 26 percent, was announced in February 2007. The DLF Group plans to invest Rs 1,000 crore (USD 253.2 million) over the next six years in the joint venture. The DLF Group, founded in 1946, is one of India's largest real estate firms. It has over 224 million square feet of existing development, including homes, offices, shopping malls, hotels and infrastructure, and an additional 738 million square feet planned for future projects.
December 5. 2007

OI Launches Micro-schools

Opportunity International (OI), a Christian microfinance organization, has announced the expansion of its microfinance school loans program "Microschools for Opportunity." "Microschools" provide loans to "edupreneurs" who open schools in poor neighborhoods where children, especially girls, would otherwise be unable to access public education. There are currently Microschools in 50 neighborhoods and towns in Ghana in a pilot program. The average size of a Microschool in Ghana is approximately 200 students. Loans are of several thousand dollars and payment terms can last a year or longer. James Tooley, a researcher on schools for the poor, has published an extensive three-year study on the impact of these schools in five developing countries - China, Ghana, India, Kenya and Nigeria. He concluded that these schools outperform their public school counterparts.
December 5. 2007

Iraq Kicks Off Lending with Thirteen Loans

A new microfinance institution in Salah ad Din, Iraq, established with the support of the IZDIHAR project, kicked off its lending activities with thirteen loans totaling USD 35,600. The establishment of the MFI was a joint effort by the USAID-funded IZDIHAR project, the Provincial Reconstruction Team (PRT) in Salah ad Din and the U.S. Military. IZDIHAR (prosperity in Arabic) is a comprehensive three-year project funded by USAID to promote private sector development and a market-based economy in Iraq. Components of the project include: sustainable microfinance, privatization, investment promotion, business management services and small and medium enterprise (SME) bank lending programs, among others. In the area of microfinance, IZDIHAR has contributed USD 10.9 million in operational grants to three international non-governmental organizations (NGOs) involved in providing micro-loans in all eighteen provinces throughout Iraq. These NGOs have a combined loan portfolio of USD 29.1 million with over 2,000 active clients. December 4. 2007

Standard Chartered to Loan $55m to BRAC

The Financial Times reported a consortium led by Standard Chartered of the UK signed a USD 55 million loan to BRAC, Bangladesh's largest microfinance institution - measured by borrowers. The structure of the loan is unsecured over seven years. Standard Chartered reported never having made a similar loan to a non-government entity in Bangladesh. BRAC, the Bangladesh Rural Advancement Committee, which began making microfinance loans in 1974, is venturing into new forms of raising funds to boost aggressive growth, including last year's groundbreaking USD 180 million securitization led by Citigroup. December 4. 2007

UN's IFAD Contributes $35m in Pakistan

The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, has announced that it will lend USD 35 million to the USD 46 million Pakistani Programme for Increasing Sustainable Microfinance. Founded in September 2007, the program aims to promote the commercialization of the microfinance sector in Pakistan by forging partnerships between microfinance organizations (MFIs) and commercial banks. IFAD has invested USD 3.1 billion in 191 ongoing IFAD-supported programs. Since its inception in 1977, it has invested USD 9.8 billion in 751 programs and projects that have reached over 310 million poor rural women and men. With the Programme for Increasing Sustainable Microfinance, IFAD's loans and grants in Pakistan total over USD 422 million in 22 programs and projects. December 3. 2007

Christian NGOs Microlending in Sudan

Five Talents, a Christian development organization supporting microfinance, has joined a consortium of organizations from the Christian Microenterprise Development (CMED) to fund a micro-credit program in Southern Sudan. The other members of the consortium include World Concern and World Relief from the U.S., as well as the Strømme Foundation and Integra Foundation, both from Scandinavia. Five Talents has provided funding, consulting or training for micro-entrepreneurs in 14 countries since operations began in September 1999. November 30. 2007

State Bank of Baroda Partners with Microfinance Research Institute

As part of its initiative to reach the unbanked Indian population with microfinance, state-owned Bank of Baroda (BoB) has signed a memorandum of understanding (MoU) with the Centre for Micro Finance (CMF), a microfinance research institute. As of March 2007, the Bank of Baroda had 38,000 employees and 2,700 branches in 21 countries. It had USD 36.4 billion (INR 143,146 crore or 1.43 trillion) in total assets and a return on assets of 0.72 percent. The CMF works with microfinance institutions (MFIs) to provide high-level training and strategy-building. In the memorandum, the CMF agrees to use its Research Unit (RU) to provide the BoB with industry expertise on altering the bank's operations. November 29. 2007

Need Health and Weather Insurance?

A large number of papers are posted on The Microfinance Gateway Library each month, so do not miss the goods! Here are a few recent entries relating to microinsurance. First, "Health Microinsurance Schemes: Monitoring and Evaluation Guide" suggests a methodology to analyze and ensure the viability of health microinsurance schemes. Second, "Microinsurance E-Note 3" discusses the system of microinsurance in the countries of the South and the role of Belgian stakeholders in microinsurance. Third, "Weather Index Insurance: The Case for South Africa" examines the process involved in implementing weather index insurance in South Africa. November 29. 2007

State Leads Microbanks Aiding Cyclone Victims in Bangladesh

Palli Karma Sahayak Foundation (PKSF), a government funding agency for Bangladeshi NGOs, has directed 32 of its partners to undertake special actions for microcredit borrowers affected by the cyclone Sidr that hit southwestern Bangladesh recently. The cyclone survivors are maintaining contact with the rest of the country via mobile phones powered by solar panels, which have been provided by Bangladeshi non-governmental organizations (NGOs) and microfinance institutions (MFIs). PKSF was established in 1990 and has total assets of Taka 24.4 billion (USD 355.7 million) and a debt to equity ratio of 256 percent. PKSF's partner organizations have suspended regular loan recovery, allowed their clients to freely withdraw their savings and are using earnings from microcredit operations to provide relief supplies. PKSF has also created a special fund of Taka 500 million (USD 729,000) to provide long-term interest-free loans for affected microcredit borrowers to reconstruct their homes. Bangladeshi non-governmental organizations (NGOs) and microfinance institutions (MFIs) are also providing solar panels against a credit range of USD 264 to USD 881. November 29. 2007

Uganda's SACCOs Audited by Microfinance Trade Association

The Association of Microfinance Institutions of Uganda (AMFIU), a trade association, is to audit the Savings and Credit Cooperatives (SACCOs) in the country, in light of the recent financial scandals that have dented the public's faith in these microfinance organizations. The AMFIU was established in 1996. November 28. 2007

Oikocredit Lends $1m to IDEPRO in Bolivia

Oikocredit, a co-operative financial development institution in the Netherlands, issued a loan of USD 1 million to IDEPRO (Desarrollo de la Pequéa Unidad Productiva), based in Bolivia, which was founded in 1991. At year end 2006, the MFI reported total assets of equivalent USD 7.3 million, which included a gross loan portfolio of equivalent USD 3.9 million. Return on assets for the MFI was 1.34 percent, and it had return on equity of 3.9 percent. At the end of 2006, the MFI serviced 2,101 active borrowers, all of which were women. The average loan balance for borrowers is equivalent USD 1,884. November 28. 2007

Kenya Women Finance Trust (KWFT) to be a Commercial Bank

Kenya Women Finance Trust (KWFT) has begun the conversion process into a commercial bank, with completion expected before the end of 2008. The conversion follows the footsteps of K-Rep Bank and Equity Bank, former Kenyan microfinance institutions that were transformed into commercial banks in 1999 and 2004, respectively. According to CEO Dr. Jennifer Riria, KWFT hopes to become a "one-stop-shop" financial institution that will offer savings accounts, in addition to loans. Ms. Mary Iskerderian, President and CEO of Women's World Banking (WWB), KWFT's primary international microfinance network, is on a four-day visit in Kenya to speak with key officials of the Ministry of Finance and the Central Bank of Kenya regarding the formation of the new bank.
November 27. 2007

What is a "Microstate"???

How hot is microfinance in India? Indian Bank, one of the largest public sector banks in India, recently announced its plans to open four additional branches exclusively for microloans across India by the end of 2007. These "Microstate" branches will be opened in Bhubaneswar, New Delhi, Pune and Bangalore and will augment the 12 existing Microstate branches which have already credit-linked approximately 230,000 self help groups (SHGs) to USD 388 million (INR 1545.48 crore). In addition to providing credit to the urban poor, the Microstate banks provide non-credit services such as training, counseling and marketing assistance. Through the Chennai branch that opened in 2005, the bank has credit-linked approximately 7,000 SHGs to USD 14.2 million (INR 56.42 crore).
November 26. 2007

CGAP Report on Branchless Banking in Kenya Cautiously Optimistic

The Consultative Group to Assist the Poor (CGAP) calls Kenya a world leader in fostering mobile phone banking and other "branchless' banking services. The Government of Kenya and the Central Bank have shown a strong interest in branchless banking and have expressed their commitment to institute legal and regulatory changes that will support new technology-based products and services and enable increased outreach.
November 26. 2007

MIX Releases Nicaragua Benchmarking Report 2006

The Microfinance Information eXchange (MIX) announced the release of the 2006 Nicaragua Microfinance Benchmarking Report, currently available only in Spanish. The report, produced with MIX's partner REDCAMIF, compares the performance of Nicaraguan institutions with their peers within the country and throughout Central America. It also presents for the first time three-year dynamic trend data on Nicaraguan microfinance institutional performance. The Nicaragua Benchmarking Report contains information on 20 Nicaraguan MFIs, the largest sample collected to date. The sample represents a total loan portfolio of USD 371 million and 461,000 borrowers. With 126,000 savers, deposits totaled USD 70.3 million. The report indicates that the Nicaraguan microfinance sector grew quickly in 2006, reaffirming its lead in Central America. Due to rising average loan balances and improved systems, MFIs significantly improved operating efficiency, resulting in an increase in profitability. However, both financial expenses and delinquencies increased for the year. November 23. 2007

Rotary International for Central American Microcredit Projects

The 15th annual Uniendo America Project Fair will be held from January 24 through 26 of 2008 in San Jose, Costa Rica. It will feature approximately 300 projects on microcredit, water, and education, among others, organized by Rotary Clubs throughout Central America. The fair is a way for Central American and North American Rotarians to exchange ideas and realize these projects. The chair of this year's fair is Fabio Carballo, who is also vice-chair of Rotary International's Microcredit Advisory Committee. Rotary International began in 1905 as the Rotary Club of Chicago, the world's first service club organization. November 21. 2007

EU Establishes "Microfinance Fund" for European Businesses

The fashionable status of microfinance makes it increasingly challenging to define. The European Union announced a new EUR 15 million fund providing 25,000 Euro loans to small businesses in Europe and has labeled it "microfinance." Traditionally, "micro" has only been used for loans under a few thousand Euros in the poor world, whereas loans to small businesses in the rich world were called "small business loans." The popularity of microfinance has changed all that. The potential demand for microfinance in the EU could amount to 700,000 new loans, worth approximately EUR 6.1 billion (USD 9 billion) in the short term. November 21. 2007

The IFC Lends $52m to Sekerbank in Turkey

The International Finance Corporation (IFC), a member of the World Bank Group, has agreed to provide Sekerbank, one of Turkey's leading private commercial banks, with a loan worth USD 52 million (EUR 36 million) over a seven-year period to help expand its microfinance and small and medium enterprise programs. The loan has been designated to help the bank reach more than 10,000 micro and small entrepreneurs through its nationwide network of 230 branches across Anatolia. Sekerbank was founded in 1953 and, according to its 2006 annual report, has total assets of USD 3,378 million (YTL 4,006 million), a capital adequacy ratio of 16.74 percent and 530,000 retail customers. Its initial public offering was in 1997, and current shareholders include Sekerbank Pension Fund and Turan Alem Securities JSC (33.98 percent each), the public (30.75 percent) and private sugar factories and the Beetroot Cooperatives and Union (1.29 percent). Turkey represents IFC's fifth-largest country exposure.
November 20. 2007

FEATURED STORY

Are Indians "Obsessed" with Microfinance?

Sharad Joshi, founder of Shetkari Sanghatana (Farmers Movement) and Member of Rajya Sabha (the upper house of the Indian Parliament), questions the recent emphasis on microfinance by the Indian government. He contends that microfinance has not been a great success in India and that the increasing government encouragement of microfinance is not justified. His words follow:

"Why this Obsession with Microfinance?

"1. Since the mid-1970s, microfinance in Bangladesh is claimed as a great success. Muhammud Yunus has received many accolades and numerous international awards for his accomplishment, so much so that many believe that microfinance institutions began only in the 1970s and that too only in Bangladesh. In fact, there have been earlier acclaimed successes. The Village Banking Movement of Wilhelm Reiffeisen in Germany and the Caisse Populaire of Alphonse Desjardins in France were amongst the notable instances where considerable improvement was brought about in the condition of the extremely disadvantaged people.

"2. The world over, a microfinance institution (MFI) is evaluated on the basis of five criteria:

(a) Has there been a significant improvement in the living standards of the people targeted by the MFI?
(b) Has the MFI developed into a viable and sustainable institution?
(c) Does the MFI charge reasonable rates of interest?
(d) Does the MFI avoid coercive methods in the recovery of loans?
(e) Is the element of governmental and/or non-governmental subsidy absent?

"3. In India, forming microfinance institutions (MFIs) and self help groups (SHGs) has become a favourite hobbyhorse of the governmental organisations (GOs) and non-governmental organisations (NGOs). Most of the MFIs and SHGs fail on all the aforementioned criteria. So far, there have been very few reliable studies that throw light on the change in the living standards of the people targeted by MFIs and SHGs. The viability and sustainability of MFIs and SHGs is still a question mark. Almost all MFIs and SHGs are beneficiaries of governmental and/or non-governmental subsidies. Most of them charge rates of interest as high as 36 percent per annum. Most use coercive methods for recovery that have driven, in some cases, loanees to suicide. Further, the choice of the loanees and the loan products is far from transparent. It is believed that, in most of the cases, the loans given will become non-performing assets.

"4. The bureaucrats and their political bosses in the government are, however, bubbling with enthusiasm as regards the microfinance activity as if it will be the panacea for all the problems of rural credit and poverty. The National Bank for Agriculture and Rural Development (NABARD) is planning to start microfinance institutions to take financing to the poorest of the poor - not only in rural areas but also in urban areas. The venture will be launched in partnership with commercial banks. NABARD intends to put 51% equity in the proposed MFIs and leave its partner commercial bank 49% equity. NABARD will also launch a Financial Advisory Unit to help bring down the high incidence of farmers' suicides. The government is also proposing legislation on microfinance. The expectation is that the bill, as and when approved by Parliament, will usher in a legal framework that will regulate the MFIs to ensure fair, equitable, prudent and ethical practices. Under the bill, NABARD, which has been the regulator for the formal rural credit sector (rural cooperative banks and regional rural banks) for the past 25 years, will also assume responsibilities as regulator for all MFIs in the country. It is quite clear that the intention of the government is to hand over the MFIs to those who have already failed in ensuring successful operations of the formal rural credit sector."

OI Australia Raises $30m

Opportunity International Australia, part of the global non-profit microfinance network Opportunity International, has raised USD 30 million from Australian donors in the last 12 months. The organization will use the funds to supply loans and business services to micro-entrepreneurs across India. Opportunity Australia partners with microfinance institutions (MFIs) in Indonesia, the Philippines and India. The organization plans to partner with existing microfinance institutions (MFIs) in southern India; establish a number of new MFIs in the poorest regions in the north and northeast; develop partnerships with other non-governmental organizations to offer enterprise development, health and educational services and launch the Opportunity Micro Insurance Agency. November 20. 2007

Credit Unions in Ecuador Share Branch Network

World Council of Credit Unions (WOCCU), supported by CO-OP Shared Branching's technology and partners from Ecuador and the US state of Colorado, successfully launched the first international shared branching network in Quito, Ecuador. The new network, called COONECTA, connects credit union members via direct transaction capabilities in the US and Ecuador. This offers the more than 2 million Ecuadorians living and working in the US with affordable access to their credit union accounts back home, as well as offering US visitors to Ecuador the same convenience. November 20. 2007

Jamaican Diaspora and USAID Team Up

Jamaica's Diaspora community and the United States Agency for International Development (USAID) are partnering to launch a microfinance loan fund for Jamaicans living in inner cities. To date, approximately USD 100,000 has been raised from Diaspora interests in the US for the proposed Fund for Inner City Sustainable Transformation (FIST). According to Betrand Laurent, director of the USAID Community Empowerment Transformation (COMET), USAID's role in the project will be limited to facilitating the initial development of FIST. The structuring and management of the fund will be the responsibility of the Diaspora community. Individual lenders in the Diaspora are likely to offer cheaper, more-flexible loans, according to Mr. Laurent. November 19. 2007

ACCION Invests in AfriCap

ACCION International's Gateway Microfinance Investment Vehicles Fund (GMIV) participated in the recapitalization of AfriCap Microfinance Investment Company, helping raise its total capital from USD 14 million to USD 50 million in its second round of investment. GMIV is an investment fund created by ACCION International in 2007. ACCION International is a private, nonprofit microfinance organization founded in 1961, which specializes in global micro-enterprise loans, business training and other financial services. To date, it works with over 35 domestic and international microfinance lending partners. In 2006, its partners maintained an active loan portfolio of USD 2.03 billion with 122 percent growth in new clients since 2005. Currently led by President and CEO Maria Otero, ACCION International maintains a presence on the Board of Directors of AfriCap. November 19. 2007

PAPER WRAP-UPS

Loan officers and loan "delinquency" in Microfinance: A Zambian case

By Rob Dixon, John Ritchie and Juliana Siwale, published by Accounting Forum, Vol. 31 No. 1, March 2007, 25 pages, available for purchase through ScienceDirect at http://dx.doi.org/10.1016/j.accfor.2006.11.005

The apparent shift of microfinance institutions (MFIs) to commercialization is characterized by the increasing importance that donors place on factors like repayment rates, good loan books and client numbers. However, in looking at institutional sustainability, research has generally neglected the key role of field workers or loan officers in interfacing with the poor. The existing literature on loan officers in MFIs is limited and mostly concerns the geographic area of Asia, while other regions, especially Africa, remain relatively under-researched. Instead, most macro-evaluations of microfinance projects conducted throughout Africa have focused on, among other topics, impact assessment and client outreach, which generally have reported disappointing performance. The paper at hand contributes to previous research in that it seeks to promote greater understanding of the importance of loan officers through a case study of a failing MFI in Zambia.

The study is based on a period of intensive qualitative research conducted in 2003 at the MFI Christian Enterprise Trust of Zambia (CETZAM). Findings are derived from a combination of observations, semi-structured formal interviews, internal meetings, focus groups and informal discussions with loan officers, clients, immediate supervisors and senior management.

CETZAM was founded in 1995, funded by the British Department for International Development (DFID) through a GBP 2.29 million (USD 4.71 million) grant over a 5-year period starting in February 1998. It offers its clients three types of loan products, two of which are delivered through a group-based lending methodology, namely the Trust Bank and solidarity group, and the third of which is an individual loan product. Through the group-based lending methodology, borrowers form groups which jointly share liability for loan repayment. The Trust Bank group members guarantee one another's loans ranging from USD 80 to USD 200. In addition, each of these self-selecting groups is expected to elect a group leader to take responsibility for managing its activities, including loan accounting. The loan officer's intended role is to assess the eligibility of potential clients, visit their businesses (which included food vending, retail, tailoring and chicken rearing) and train them in CETZAM's lending methodology for ten weeks before disbursing loans. Eventually, the work of screening, monitoring and enforcement of repayment are to be progressively transferred from the loan officer to the group's own members.

Results show that CETZAM had an impressive start during the first six years of its operations, from 1998 to 2003 with repayment rates of over 98 percent and low percentages of both portfolio at risk (PAR) and portfolio in arrears. By 2001, CETZAM had opened twelve branches and by 2002, its borrowers numbered over 16,000. However, by the end of 2003, its PAR 30 days and over stood at 30 percent while portfolio in arrears at 30 days and more reached 22 percent. The calculated cost per dollar lent also rose from USD 0.91 in 2002 to USD 3.14. The number of borrowers fell to less than 5,400 and CETZAM reduced its branch operations from twelve to seven and the number of loan officers from 85 to 28 by December 2003.

Dixon et al. found that because loan officers had to report to both management and clients, they often faced divergent expectations from each side. On the one hand, loan officers were pressured to reach various targets set by the MFI, and management asked them to be more assertive in loan collection. On the other hand, they also had to establish rapport with the clients, who expected them to be patient and understanding. Under management pressure loan officers often reported emotional stress, as they took on tasks that, in the original group-lending model, group themselves should have performed. This was most common with regard to loan recovery and accounting.

As a consequence, loan officers frequently resorted to inappropriate means of recouping loan repayment. One method they employed was threatening to seize the loan security fund (LSF), which was the savings fund owned collectively by the group. Another practice was to use external agents, for example police officers, who not only confiscated household items to sell in order to recover the money, but also served as a public signal of the social consequences of default. A third option was paying defaulters home visits at dawn and dusk to ensure that they could not hide.

The implications for the tensions that both the loan officers and the clients experienced are serious. Because the loan officer's role changed from that of a group facilitator to that of a debt collector, they had to spend more time and energy pursuing defaulters, which sidelined their other duties, which included marketing the loan product, facilitating the formation of new groups and making timely loan distribution to good borrowers. The focus on reaching benchmark numbers and the consequent questionable actions of the loan officers not only undermined the base of client loyalty and trust, but also impeded new client solicitation and outreach expansion.

While Dixon et al. note the limited usefulness of this study in making generalizations, it is still increasingly representative of emerging MFIs in both Africa and elsewhere. The findings demonstrate that benchmark numbers, which usually serve as the basis of evaluation by both donors and third-party evaluators, could potentially be concealing other problems, especially at early stages of development. The authors call for MFIs to seek a more in-depth understanding of the dilemmas and challenges faced by loan officers, which would enable the institution to more consistently advance lending work and meet targets in the long-run.

Microfinance Market Survey in the West Bank and Gaza Strip

By PlaNet Finance, copyright 2007, published by International Finance Corporation (IFC) in cooperation with the Palestinian Network of Small and Micro Finance (PNMSF), 79 pages, available for download at http://www.microfinancegateway.org/content/article/detail/44378

The goal of this report is to gauge the demand for microfinance among Palestinian micro entrepreneurs. The report finds that Palestinian entrepreneurs generally lack access to financial services, and, if given the opportunity, many would utilize microcredit in order to expand existing businesses, generate working capital, launch new businesses and finance assets. The report estimates the market potential at approximately USD 157 million, but notes that it could be as high as USD 280 million.

The report surveyed 1,202 micro entrepreneurs chosen at random from six areas within the West Bank and Gaza Strip (WBGS).

In WBGS, microenterprises make up 95 percent of all businesses. About 186,000 micro and small enterprises (MSEs)[1] exist in the area. However, 75 percent of micro entrepreneurs do not hold a current bank account and 90 percent have no access to credit services. Only 16.4 percent have applied for credit in the past three years, and, of those, 37 percent were rejected - largely due to lack of collateral. Only a small fraction of those surveyed have borrowed from microfinance providers in the past (4.1 percent).

There are 11 Palestinian MFIs and two commercial banks in WBGS which offer microfinance services. In December 2006, the nine MFIs grouped within the Palestinian Microfinance Network had an outstanding loan portfolio of USD 37.3 million and 25,000 active clients. Default rates among MFIs are currently soaring due to recent economic crises in WBGS. As of September 2006, MFIs in WBGS had an average default rate of 40.6 percent.

Micro entrepreneurs cite many causes for not seeking credit. The top reason entrepreneurs give for not applying for credit is religious belief[2] (35 percent of respondents). Risk aversion, or fear of not being able to pay back a loan, was the second most common rationale (33 percent of respondents). Other reasons include lack of need for credit, dissatisfaction with existing products including loan term or loan size, high interest rates and lack of information regarding credit options.

In total, 56 percent of respondents said that they are in need of credit. The estimated market for microlending based on this level of demand is USD 157 million. However, another 27 percent of WB respondents and 19 percent of GS respondents said that they do not currently want credit due to the economic situation, but they could be potential clients in the future.

In order to improve the microfinance sector in WBGS, the report advises that MFIs:

- expand their outreach, particularly in rural areas
- increase efficiency through training, better management and improved technology
- engage the Palestinian Network of Small and Micro Finance to disseminate information and best practices, monitor MFI outreach and hire external auditors
- adapt existing products to client needs (loan size, repayment period)
- develop new products such as money transfers, savings, insurance, leasing, Islamic financial services, debt-consolidation loans, education loans and consumer loans

The report also recommends that donors:

- move interest rates toward market level to promote financial viability and decrease dependence on donor funding
- avoid grants as a form of funding in order to prevent distorting competition
- establish a guarantee fund and an emergency fund
- provide MFIs with technical assistance
- institute mechanisms to ensure donor coordination

Finally, the report advocates that the Palestinian regulatory authorities develop a microfinance framework which:

- allows MFIs to operate as financial providers, rather than NGOs
- permits MFIs to offer savings products and accept deposits
- encourages MFIs to increase the range of products they offer to meet new demand (insurance, leasing, etc.)

FOOTNOTES:

[1] A “microenterprise” is defined in this survey as one which employs 0 to 3 employees. A “small enterprise” employs 4 to 6 employees.

[2] The charging of interest is against Islamic law. However, those MFIs and banks that offer Islamic products have found that due to cumbersome procedures, customers often switch from Islamic microfinance to conventional microfinance services. For more on the topic, please see The American’s article “Islamic Banking: Is it Really Kosher?”, available at: http://www.american.com/archive/2007/march-april-magazine-contents/islamic-banking-is-it-really-kosher.

How Many MFIs and Borrowers Exist?

Originally published by Microfinance Information eXchange (MIX), August 2007, updated September 2007, available for download at http://www.themix.org/publication_detail.aspx?publicationID=27

In this report, the Microfinance Information eXchange combines data from their own sources (MIX Market, MicroBanking Bulletin), the Microcredit Summit Campaign (MCS) and Inter-American Development Bank (IDB) to provide detailed information on the number of microfinance institutions (MFIs) and the number of microfinance borrowers in developing markets.

As the report's disclaimer advises, however, these numbers should not be considered accurate representations of global figures. Not all MFIs and clients are covered in the sample. The figures taken from the MIX Market, the MicroBanking Bulletin and the Microcredit Summit Campaign databases correspond to a sample of MFIs that report data voluntarily. MFIs who voluntarily report their information tend to be efficient, well-managed programs that are looking to attract investors. This is not the case with the majority of MFIs.

The report covers 100 countries, 77 million borrowers and 2,207 MFIs. Data is reported by region: South Asia, East Asia/Pacific, Latin America/Caribbean, Sub-Saharan Africa, Eastern Europe/Central Asia and the Middle East/North Africa.

Not surprisingly, the report shows that South Asia is the region that has both the most borrowers (38.9 million) and the most MFIs (670 MFIs). However, while the East Asia/Pacific region is the second-highest with respect to borrowers (15.4 million), it is second to last in number of MFIs (189 MFIs).

Eastern Europe/Central Asia and Middle East/North Africa are tied for the fewest borrowers (1.8 million), but Eastern Europe has nearly four times as many MFIs (196 MFIs) as the Middle East (51 MFIs).

Based on the MIX's figures, Eastern Europe/Central Asia has the lowest ratio of borrowers to MFIs (9,183 per MFI). Sub-Saharan Africa (14,894 per MFI) and Latin America (19,178 per MFI) also have low borrower-to-MFI ratios. East Asia/Pacific has the highest borrower-to-MFI ratio with over 80,000 borrowers per microfinance institution.

Microfinance in Northeast Thailand: Who Benefits and How Much?

By Brett E. Coleman, published by World Development, Vol. 34, No. 9, September 2006, 27 pages, available for purchase through ScienceDirect at http://dx.doi.org/10.1016/j.worlddev.2006.01.006.

This paper examines the results of a survey of two Northeast Thailand "village bank" programs that target the poor and is an extension of a previous paper written by Coleman in 1999, entitled "The Impact of Group Lending in Northeast Thailand". It extends the same methodology employed in the first to include more in-depth analyses on outreach success and differential impact on two types of village bank members. Coleman concludes that the programs surveyed were not reaching the poor as much as the relatively wealthy and that the estimated impacts on wealthier committee members were significantly more positive than on poorer rank-and-file members.

The two Thai non-governmental organizations (NGOs) running the surveyed village bank programs are Rural Friends Association (RFA) and Foundation for Integrated Agricultural Management (FIAM). Both receive financial and technical assistance from the American NGO Catholic Relief Services (CRS) and follow the "village bank" group-lending methodology pioneered by the Foundation for International Community Assistance (FINCA). Both NGOs and the villages they serve are located in the provinces of Surin and Roi-Et in Northeast Thailand, the country's poorest region. The original survey was conducted from 1995 to 1996 to measure the impact of two village banks based on a group lending model.

Coleman seeks to address two main problems that have often biased previous attempts to evaluate the impact of microfinance programs. The first is self-selection of participants. In addition to easily-measurable differences between villagers who elect to be village bank members and those who elect to be nonmembers, such as wealth and age, there are also unobservable differences, like entrepreneurship and trustworthiness. Thus, in a direct comparison of village bank members and nonmembers, these unobservable differences often bias estimates of the village bank impact by incorrectly attributing positive outcomes to the bank program.

Another common problem in studies of microfinance programs is endogenous program placement. Member villages that are better organized and have more dynamic leaders may have higher measures of welfare than other member villages, even without the banking program. And because studies that focus on program impact often require that households be surveyed after the program has operated for some time, it is difficult to determine whether or not the household was truly relatively poor prior to program enrollment.

As solution to these problems, Coleman utilizes a survey sample of 444 households in fourteen villages, including six villages without any bank support that served as "controls", one village that was just beginning to receive loans, and seven villages that were already receiving loans (eight "treatment" villages). The unique characteristics of the survey sample permit a controlled direct comparison of differences in initial wealth of members and nonmembers in all villages.

Coleman concludes that the village banks were failing to reach the poor and supports this claim with various results from the survey. First, he found that village bank members, prior to any village bank support, tended to be wealthier than nonmembers, with the probability of the wealthiest group (wealth based on value of household land owned five years earlier: >1,000,000 baht or >USD 32,413) selecting into the program nearly twice that of the poorer groups (0 - 399,999 baht, or USD 0 - 12965). This wealth difference is primarily attributed to the value of land owned by the women in the household.

Another possible factor in the failure of the banks to reach the poor lies in the selection process. In most villages, the NGO field worker was uninvolved in member selection, which was usually left up to the village chief and the leading women of the village. Because these leaders were generally among the wealthiest residents of the village, their influence extended to the selection of the members, such that wealthier residents were selected to become committee members and the less wealthy were selected as rank-and-file members.

In addition, in order to circumvent borrowing limits, one method commonly employed by committee members was to use multiple accounts, each under a different name. Even though the committee members made up 15.6 percent of the village bank members, they used their position to borrow 27 percent of total loan volume. This manipulation of the system caused many rank-and-file members to drop out.

A final indicator of the fact that the programs were not reaching the target population was the informal interviews with nonmembers, which revealed that none of them identified the village bank as a program that targeted the poor.

With regard to differential impact, Coleman found that, when controlling for endogenous member selection and program placement, impact estimates for rank-and-file members were insignificant. He also found a lack of impact on savings for rank-and-file members, which can be attributed to two possibilities. First, because the NGOs started reducing loan size after the third year, members had little incentive to continue saving to increase access to loans. Second, rank-and-file members may be further disinclined to save due to the monopolization of member savings funds by committee members.

On the other hand, Coleman found that estimated impact on committee members is significant and positive on a range of dependent variables, such as physical assets, savings, self-employment sales and labor and outside moneylending. This differential impact on rank-and-file and committee members could be the result of differential access to loans, with the village banking programs benefiting the latter group significantly more than the former.

The paper concludes with several policy proposals. First, in order to more actively target the poor, Coleman urges programs whose intention is to reach the poor to impose and enforce membership eligibility criteria, such as maximum allowable land holdings or other measures of wealth. Coleman also proposes more frequent turnovers of committee members to encourage more equality between committee and rank-and-file members. In addition, he proposes more frequent public pronouncement of village bank goals and rules by NGO fieldworkers to eliminate information asymmetries that currently exist within the villages. Finally, Coleman suggests that increasing the loan sizes may eliminate program manipulation by wealthier members who are trying to circumvent loan ceilings.

Brett E. Coleman is a Project Economist with the Mekong Department of the Asian Development Bank, a multilateral development financial institution established in 1996 to improve the welfare of people in Asia and the Pacific.

For additional MicroCapital stories on outreach and impact of microfinance programs, please visit these entries:

MicroCapital.org Paper Wrap-Up, 10/29/07: “Sustainability of Self-Help Groups in India: Two Analyses”, by Jennifer Isern and Robert Peck Christen, http://www.microcapital.org/?p=1440

MicroCapital.org Paper Wrap-Up, 10/22/07: "Group Lending and the Role of the Group Leader: Theory and Evidence From Eritrea”, by Remco van Eijkel, Niels Hermes and Robert Lensink, http://www.microcapital.org/?p=1426

MicroCapital.org Paper Wrap-Up, 9/26/07: “MDGs and Microcredit: An Empirical Evaluation for Latin American Countries”, by Ricardo Bebczuk and Francisco Haimovich, http://www.microcapital.org/?p=1372

MicroCapital.org Paper Review, 1/25/06: “Does Microfinance Really Reduce Poverty? What You Should Know Before Investing”, http://www.microcapital.org/?p=353

MicroCapital.org Story, 11/14/2005: ”Does Microfinance Help the Hard-core Poor?”, http://www.microcapital.org/?p=311

MicroCapital.org Paper Review, 10/3/05: “Great Expectations: Microfinance and Poverty Reduction in Asia and Latin America”, by John Weiss and Heather Montgomery, http://www.microcapital.org/?p=281

Opportunity Finance Network 2007 Conference
December 11 - December 14, 2007, Miami, USA
Sponsored by the Opportunity Finance Network, the goal of this event is to "focus on creating a high-volume financing system through industry innovations and transformations." The organizers expect the attendance of CFDI (Community Development Financial Institution) and Opportunity Finance practitioners, CFDI Board members, bankers, regulators, foundation staff, religious investors and investment managers. For more information, contact Ed Fischer at efischer@opportunityfinance.net or +1 215 320 4306, or go to http://www.opportunityfinance.net/knowledge/conference_resource_center/07default.aspx?id=1524

Microfinance for the Institutional Investor
January 14 - January 15, 2008, New York, USA
Presented by Financial Research Associates and to be held at the Affinia Manhattan Hotel, this conference is designed to help institutional investors understand microfinance and recognize its potential "to generate low-risk, market-rate returns while alleviating poverty." Speakers from some of the leading players in microfinance - including Citigroup, Morgan Stanley, Lehman Brothers, Unitus, and Accion International - will cover such topics as microfinance rating methodology, securitization techniques and portfolio risk reduction strategies. To inquire about speaking or sponsorship opportunities, contact Christy Tester at +1 704 889 1286 or ctester@frallc.com. For general information, visit the conference website at http://www.frallc.com/conference.aspx?ccode=B576.

Global Microfinance Investment Congress
January 21 - January 22, 2008, Paris, France
May 14 - May 16, 2008, New York, USA
Presented by PlaNet Finance, these conferences begin a series aimed at microfinance investors. Topics are to include equity and fixed-income investment opportunities, measuring social performance, microfinance institution ratings, valuation, pricing and others. The cost for the Paris conference is USD 330. For more information, visit http://www.microfinance-congress.com or contact Mr. Eike Haas at +33 (0) 1 4921 2615 or ehaas@planetfinance.org. Pricing for the New York conference begins at USD 795 for those registering before the end of the year. For more information on the New York event, visit http://www.microfinancecongress.com, call +1 416 927 8200 or email customercare@americanconference.com.

International Conference On Microfinance at Pondicherry U
January 23 - January 25, 2008, Puducherry, India
The Department of Commerce at Pondicherry University is sponsoring this International Conference on Microfinance to provide a forum to develop strategies for using insurance, savings and credit to eradicate poverty. Topics are to include innovations in services and service delivery, regulation and governance of microfinance institutions (MFIs), financial inclusion and microcredit. Conference fees vary as follows: Rs.500 for Research Scholar delegates, Rs.750 for author delegates (author delegates will be provided free lodging and boarding for two nights and three days during the conference), Rs.1500 for other delegates from Indian organizations and USD 100 for international attendees. Further information and registration forms are available at http://www.pondiuni.edu.in/icomfi2007, by telephoning +91 0413 2654369 or by emailing icomfi2007@pondiuni.edu.in.

The African Banking Technology Conference
February 19 - February 21, 2008, Nairobi, Kenya
March 13 - March 14, 2008, Lagos, Nigeria
Hosted and organized by AITEC Africa, these events will "provide the region's banking community with in-depth briefings from African and international experts," which is intended to allow them to "assess the latest banking technology systems and strategies." To propose a forum presentation, email a brief outline to Sean Moroney at seanm@aitecafrica.com. For more information, call +44 1480 880774, email info@aitecafrica.com or visit http://www.aitecafrica.com/?q=node/524.

Asia-Pacific Microcredit Summit Campaign 2008
To be determined
This event, previously planned for March 4 - March 6, 2008 in Islamabad, has been postponed and will be relocated due to the current political situation in Pakistan. The new date and location have not been announced. Information about refunds for those who have already registered is available at http://www.microcreditsummit.org/summit/aprms.html. The organizers can be contacted at regmcs@ppaf.org.pk or +92 51 2609647.

Cracking the Capital Markets III
March 10 - March 11, 2008, New York, USA
The third ACCION conference on microfinance investment, sponsored by Credit Suisse, will bring together money managers, bankers, institutional and private investors, as well as leaders of hedge funds and rating agencies - many as yet unfamiliar with microfinance - with senior staff of microfinance funds and leading MFIs to learn about the opportunities, challenges and realities of microfinance investment. For more information, call +1 617 625 7080 or email info@accion.org. The ACCION conference webpage, http://www.accion.org/NETCOMMUNITY/Page.aspx?pid=273&srcid=226, does not yet list details about this year's conference.

Microfinance Forum 2008
March 27 - March 28, 2008, Budapest, Hungary
Uniglobal Research, the European conference organiser, is hosting a two-day event on emerging trends in microfinance. Presentations, case studies and networking opportunities will be aimed at financial institutions wishing to expand into microfinance. Key speakers will include: Ian Callaghan, Head of Microfinance, Morgan Stanley, UK; Kai Schmitz, Executive Vice President, Microfinance International Corporation, USA; Robert S. Kossmann, Deputy Chairman of the Board, Raiffeisen Bank Aval, Ukraine; Sergey Suchkov, Senior Vice President, VTB 24, Russia and Stuart White, Chairman of the Executive Board & CEO, Opportunity Bank, Serbia. For further information, visit http://wwww.uniglobalresearch.eu/en/event/2008-46 or contact Shane Crean, Conference Producer at screan@uniglobalresearch.eu or +420 226 538 127. Registration costs EUR 1596 and may be completed at the above website or by contacting the Operations & Hospitality Team in Prague at registrations@uniglobalresearch.com or +420 226 538 100.

MICROCAPITAL MARKET INDICATORS: GLOBAL MICROFINANCE STATISTICS

93 COUNTRIES I 1061 MFIs REPORTING

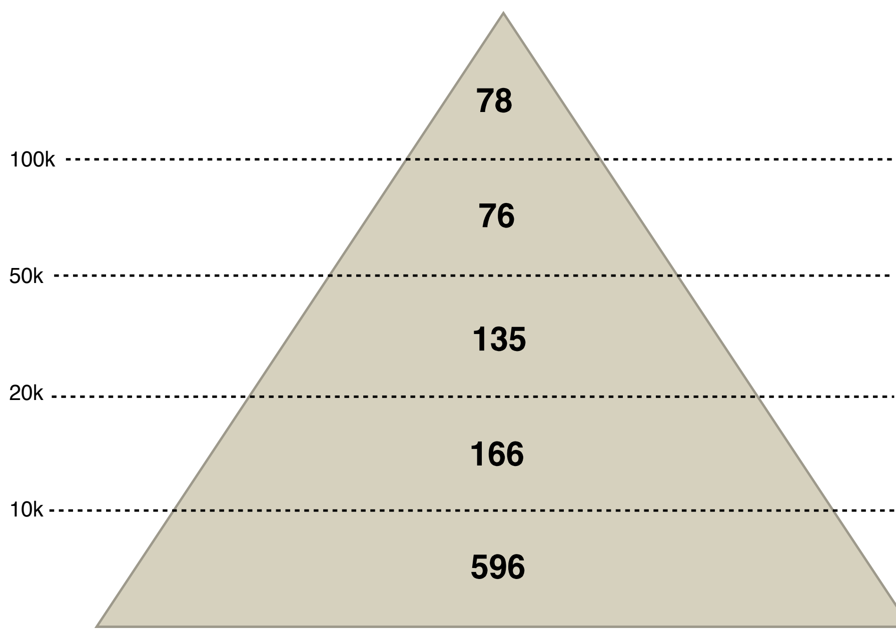
POWERED BY mix Microfinance Information eXchange

TOP 10 MFIS BY NUMBER OF BORROWERS

6,287,000	Grameen Bank, Bangladesh
5,121,561	ASA, Bangladesh
4,695,986	Vietnam Bank for Social Policies, Vietnam
4,054,897	Bangladesh Rural Advancement Committee, Bangladesh
3,455,894	Bank Rakyat Indonesia, Indonesia
1,587,166	PROSHIKA, Bangladesh
916,261	Spandana Sphoorty Innovative Financial Services Ltd, India
826,517	SHARE Microfin Ltd, India
636,591	Caja Popular Mexicana, Mexico
616,528	Banco Compartamos, SA, Institución de Banca Múltiple, Mexico

Total Population (m) [2]	5,141.3
Gross Domestic Product (USD m) [2]	10,600,000
Gross National Income Atlas (USD) [2, 3, 4]	9,921,578
GNI per Capita (USD) [3]	1,929.6
Population Density (inhab/sq km) [2, 3]	183.5
Microcredit Penetration [5]	1.1%
Total Number of Active Borrowers (m)	58.17
Total Number of Voluntary Savers (m)	67.04
Voluntary Savings (USD m)	15,856.8
Average Loan Balance per Borrower (USD) [6]	1,011.9
Total Equity (USD m)	5,775.7
Total Gross Loan Portfolio (USD m)	24,446.8
Women Borrowers	67%

NUMBER OF MFIS BY TOTAL NUMBER OF ACTIVE BORROWERS



(1) Denotes only MFIs that report to Microbanking Bulletin (MBB) or MIX. (2) Represents total of 93 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 reporting to MIX are considered. (4) "GNI" indicates Gross National Income. (5) Calculated using ratio of Total MFI borrowers to Total Population. (6) Simple average over all MFIs in region.

Source: Microfinance Information eXchange, Inc. (MIX), Dec 2007
Based on MFIs reporting to MIX or Microbanking Bulletin (MBB).
2005 data used when 2006 data unavailable.
WWW.MIXMARKET.ORG

WHO'S WHO IN MICROCAPITAL

The Triodos Companies

This month's Who's Who consists of five parts giving you a close-up on the Triodos family of companies:

1. Interview with Marilou van Golstein Brouwers, Managing Director of Triodos Investment Management
2. Who's Who: Triodos-Doen Foundation
3. Who's Who: Hivos-Triodos Fund Foundation
4. Who's Who: Triodos Fair Share Fund
5. Who's Who: Triodos Bank and Triodos Investment Management

1. Interview with Marilou van Golstein Brouwers
Managing Director of Triodos Investment Management B.V.

"I really enjoy my job still after fifteen years," says Marilou van Golstein Brouwers, the head of the Triodos division that runs its microfinance investments. She has been with the company since they began investing in microfinance, which was at first tried as means to promote sustainable development. "You have to tackle the divide between rich and poor if you are serious about sustainability," she says.

"We had a different range of finance projects in developing countries originally, but realised it would be best to focus on changing the financial services sector and to stick to microfinance." As a result the Triodos Investment Management Division was created, which now runs three funds: The Triodos-Doen Foundation and the Hivos-Triodos Fund Foundation, which are funded in cooperation with partner foundations, and the Triodos Fair Share Fund, which attracts private investors based in the Netherlands. All the portfolios have equity as well as debt investments and together provide finance for more than 60 microfinance institutions (MFIs) around the world. As of June 30, 2007, their combined total portfolio was over EUR 100 million.

Ms. van Golstein Brouwers says her motivation is two-fold, "I connect with the different microfinance banks in the countries that we invest in and with what they are trying to achieve, but I also find it stimulating to see the effect on micro-entrepreneurs - it's really striking how with very little means people can change their lives."

She attributes Triodos's success to its size, attitude and experience. "We are a small independent value-driven bank ourselves, which distinguishes us from other funds or international financial institutions (IFIs), and we have encountered some of the same problems as local banks on the ground. We've also been in the business for over fifteen years and clients appreciate our knowledge of and experience in the sector."

Triodos is well-known as both an equity and debt investor in MFIs, which again distinguishes the firm from the opposition. Ms. van Golstein Brouwers sees equity investing as the most challenging, yet rewarding part of the investment process. It is far more labour intensive than providing loans, but it allows Triodos to act as a real partner through its board and shareholder activism.

Ideally Ms. van Golstein Brouwers would like to have the Triodos microfinance funds made up of one-third equity investments combined with two-thirds debt investments. "Most of our funds need to generate a regular stream of income, which is provided by debt, as only a few of our older equity investments generate a dividend."

She intends to grow and develop the equity portfolio, ideally making three to four investments a year, going forward. "It is our intention with the two funds where we can take more risk (the Triodos-Doen Foundation and Hivos-Triodos Fund Foundation) to make more investments in countries which are higher risk, for example in Afghanistan. In regions where microfinance is not developed we would also consider start-ups."

However regulation can be an obstacle. "In North Africa and India, for example, it remains very difficult to invest directly in an MFI. That's why we've chosen to be a shareholder in Bellwether Microfinance Fund in India, which as a local legal entity makes direct investments on our behalf and on behalf of the other shareholders."

The numbers of firms that are ready to make the transformation to receive equity investing is also an issue. "There is definitely a gap between a limited number of MFIs and banks that are ready for equity investment and a much larger group of small MFIs that are wanting to get equity investment."

"Many MFIs don't approach the transformation process strategically - they are only looking at it from an opportunistic point of view. Each MFI needs to question what type of investors they want on board and what their role will be. Is the MFI just looking for money, or do they want investors to take an active role on the board, contributing in practical and technical terms? Are they looking for shareholders who share their vision, or just short-term profit maximisation?"

The trend for "microfinance to develop into mainstream financial services is the way to go," she believes, "but it will take time." In the countries where this happens there will be less difference between microfinance banks and commercial banks. In such a scenario microfinance banks will diversify into other areas, looking to grow with their clients and provide new services, such as loans to SMEs, often using local funding provided by savings products and bond issues. At the same time commercial banks will look to microfinance as a way to expand their businesses, potentially ignoring the mission of microfinance and the effects this has on customers.

On the other hand when funding is provided by foreign investors through microfinance investment vehicles (MIVs), there are different issues. The pressure on many new MIVs to disburse funds is leading many to incorrectly value the risk of certain microfinance institutions (MFIs), a trend which Ms. van Golstein Brouwers is concerned about.

Her evidence lies in the fact that some smaller institutions are managing to borrow at the same rates as well-established ones. In her opinion interest rates should reflect the size, experience and reputation of the specific MFI, but the pressure to disburse is leading some MIVs to ignore these facts and fail to do proper due diligence.

Ms. van Golstein Brouwers comments, “You read in the papers that microfinance is very low-risk because of the good payback rates, but that is a very simplistic statement and only part of the story. The rest is about the MFI and how it is managed and governed. That makes up a large part of the risk.”

Ms. van Golstein Brouwers is confident about the industry’s ability to weather all these developments, but is adamant that in the future, “We need to keep a clear eye on why and how microfinance institutions and banks are expanding and question whether they continue to help people improve their lives.”

2. Who’s Who: Triodos-Doen Foundation

Microfinance Investment Vehicle, The Netherlands

In 1994, Triodos Bank, a private bank of the Netherlands, and the DOEN Foundation, a Dutch organization, jointly founded the Triodos-Doen Foundation, a microfinance investment vehicle. The Triodos-Doen Foundation is managed by Triodos Investment Management, a subsidiary of Triodos Bank NV, while a Supervisory Board is appointed by the DOEN Foundation.

The DOEN Foundation was founded in 1991 by the Dutch Postcode Lottery, Holland’s largest charitable lottery. Financed by the Dutch Postcode Lottery, the BankGiro Lottery and the Sponsor Bingo Lottery, all charity-based Dutch lotteries, the DOEN Foundation utilizes its funds to invest in entrepreneurial projects in the developing world. As of 2006, the organization had USD 109.6 million in total assets.

At the end of 2006 Triodos-Doen had USD 58.4 million in total assets. The foundation channels USD 14.5 million through equity investments and USD 50.5 million through loans. The foundation invests 92.5 percent of all funds in 40 microfinance institutions (MFIs) internationally. This past year, Triodos-Doen initiated investment relationships with eight new MFIs.

Kees Izeboud, Herman de Jong, Regien van der Sijp, Mechtild van den Hombergh and Suzanne Wolff serve on Triodos-Doen’s Supervisory Board, with Mr. Izeboud serving as Chairperson. Mr. Izeboud has been a management consultant for Economie VU Amsterdam, the economics department of Dutch university, since 1976. He has served on Supervisory Boards of various companies including investment firm ING Bank International, DELTA and Kruidenier Groep, all based in the Netherlands. He has also assisted nonprofits such as the DOEN Foundation, Omroep Zeeland and Zorgstroom.

Mr. de Jong is a member of the economics faculty of the University of Groningen. He has written on historical economic development and Dutch industry analysis. He has published a book on the latter topic, titled The Nature of Dutch.

Ms. Sijp has been director of SMK, a Dutch company that evaluates food product quality, since 2003. Prior to holding this position, Ms. Sijp was director of programs and projects for the Hivos Foundation. She has also assisted in the management of the Netherlands Development Organization, an entity which provides technical assistance in Africa, Asia and Latin America.

Ms. Hombergh is director of the Doen Foundation. As for Ms. Wolff, no further information is available.

3. Who’s Who: Hivos-Triodos Fund Foundation

Microfinance Investment Vehicle, The Netherlands

Founded in 1994, the Hivos-Triodos Fund Foundation, a microfinance investment vehicle, was created as a joint partnership between Triodos Bank, a private bank of the Netherlands and a pioneering force in the world of sustainable and transparent banking, and the Humanist Institute for Development Cooperation (Hivos), a non-government organization (NGO) also based in the Netherlands. The Hivos-Triodos Fund Foundation is managed externally by Triodos Investment Management, a fund management division with Triodos Bank, and internally by a Supervisory Board that is appointed by Hivos.

Hivos was founded in 1968 by members of the International Humanist and Ethical Union, a humanist and ideologically-based driven organization. Partnered with over 750 organizations based in the developing word, Hivos works as a provider of financial and political support to economic development initiatives. In 2005, Hivos channeled over USD 103.9 million, at today’s exchange rate, from the Dutch government, the European Union and private institutions and investors to its partners.

The fund has operations in Latin America, Africa, Asia and the Eastern Europe and Central Asia region. At the end of 2006, Hivos-Triodos held USD 42.1 million in total assets. The fund has 70 investments, 43 of which are with microfinance institutions (MFIs). In 2006, Hivos-Triodos provided loan investments to seven MFIs not previously financed by the fund.

Frank Streppel is Fund Manager of the Hivos-Triodos Fund Foundation. Mr. Streppel serves on the Board of Directors of K-Rep Bank in Kenya, AccËsBanque Madagascar in Madagascar, Akiba Commerical Bank in Tanzania and Centenary Bank in Uganda.

Pieter van den Kerkhoff, Pauline Bieringa, Philip de Haan, Manuela Monteiro, Herman Schoenmaker and Marc Woltering all serve as members of the Supervisory Board for Hivos-Triodos, with Mr. Van den Kerkhoff serving as Chairperson. Mr. Van den Kerkhoff also serves on an advisory board for the Social and Economic Council of the Netherlands, an agency of the nation's government. He is also a Managing Secretary of Hoofdproductschap Akkerbouw, a Dutch agriculture company.

Outside of his work with Hivos-Triodos, Mr. De Haan is known for his contributions to Inside Zambia, a book on Zambian rural development published by Stichting Werkgroep Zambia, a Netherlands-based volunteer organization. No further information on Mr. De Haan is available.

Ms. Bieringa is a member of the Supervisory Board of Open Universiteit Nederland, a university in the Netherlands. Ms. Bieringa is also the Director of Institutions at Bank Nederlandse Gemeenten, a Dutch bank. Prior to 1990, Ms. Bieringa was a marketing manager for the municipal government of The Hague in the Netherlands. Between 1990 and 2001, she worked in various positions within ING Bank International and ING Barings. From 2001 to 2004, Ms. Bieringa was Managing Director for ING BHF-Bank in Germany.

Ms. Monteiro is a member of the Executive Board of the Netherlands Foundation for the Advancement of Tropical Research (NOW-WOTRO). Between 1973 and 1993 she filled various positions within Hivos, a social development organization, including programme director and programme coordinator in Africa and eventually Adjunct Director of Programmes. In 1993, she became Director of PSO, a German health research organization. Ms. Monteiro returned to Hivos in 2002 and was appointed to her current position of Executive Director.

Mr. Schoenmaker is a product manager for Information and Communication Theory Group, a research group of the Netherlands' Delft University of Technology. No further information is available on Mr. Schoenmaker.

Mr. Woltering is a product manager for The Hague, specializing in governmental administration. In 2006, he served as a Dutch representative to the European Union and was a delegate to the European Forum of Official Gazettes, an association of European news publishers. Mr. Woltering has also served in the Netherlands' Ministry of Interior and Kingdom Relations. He has also worked for the Information and Communications Technology Unit, the group responsible for the internet-based infrastructure of the Dutch Government.

4. Who's Who: Triodos Fair Share Fund

Microfinance Investment Fund, The Netherlands

The Triodos Fair Share Fund, a microfinance investment fund, was founded in 2002 by Triodos Bank, a private Dutch bank focused on social investment. The fund is unique among Triodos Bank's three investment vehicles devoted to microfinance - the others being the Triodos Doen Foundation and Hivos-Triodos Fund Foundation - in that it is the only microfinance fund open to Dutch private investors.

At the end of 2006 the fund had an investment portfolio of USD 23.4 million. It utilizes an investment criterion requiring regulated MFIs to have demonstrated a profitable financial record of two to three years. The vast majority of this portfolio, 99 percent, is invested in 31 microfinance institutions (MFIs). Triodos Fair Share is managed by Triodos Investment Management. An independent Supervisory Board supervises the fund's investment and other policies.

Paul Deiters, Marleen van den Horst and C. Heijn are members of the Supervisory Board for Triodos Fair Share, with Mr. Deiters serving as Chairperson. Until April 1, 2007, Mr. Deiters served as the co-founder and Managing Director of the equity investment firm Halder Holdings. Mr. Deiters is also a member of the executive committee of GIMV, Belgium's largest investment company, and vice-president of the company's Corporate Investment Netherlands division.

Ms. Van den Horst is a lawyer with expertise in patent litigation and regulatory proceedings within the healthcare industry. She is the chair of the Dutch Chapter of Women's World Bank and a member of the Advisory Boards of the Hague Inner City Foundation and the Dutch Kidney Foundation. Ms. Van den Horst is also a speaker on intellectual property for the non-profit LES Benelux and the Annual Conference on International Intellectual Property Law and Policy at Fordham University in the US. As for Ms. Heijn, no other information is available.

Mr. Dijkstra and Mr. Verheijen are board members of Triodos Custody, custodian of Triodos Fair Share Fund's assets. Mr. Dijkstra is Deputy Director, Finance & Control at Triodos Bank's head office while Mr. Verheijen holds the position of Head, Business Relations at Triodos Bank.

5. Who's Who: Triodos Bank & Triodos Investment Management

Private Bank, the Netherlands

In 1971, the Triodos Foundation in the Netherlands began investment operations that would become Triodos Bank. The Dutch bank did not come into official existence until 1980, when Triodos Bank was founded with EUR 540,000 in share capital - USD 735,993 at today's exchange rate. Since then, the bank has provided private banking services as well as creating various investment funds financing sustainable development worldwide.

Triodos Bank is divided into three parts: national branches, investment banking and private banking. At the end of 2006 the bank's three divisions were managing EUR 3 billion in total assets. Triodos Bank invests in microfinance worldwide through its investment banking division, which manages USD 1.9 billion of Triodos's assets. This division is managed by Triodos Funds Management and Triodos Investment Management, with the latter handling microfinance investment. There are eight investment groups managed by Triodos Investment Management, three of which invest in microfinance: the Hivos-Triodos Fund Foundation, Triodos-Doen Foundation and Triodos Fair Share Fund.

Peter Blom, CEO of Triodos Bank, serves on the Management Boards of Hivos-Triodos and Triodos-Doen. Mr. Blom began working with Triodos Bank at its founding as a senior account manager. In 1988 Mr. Blom became Managing Director for Triodos Bank. Mr. Blom also assumes bank leadership as Chairman of the bank's Executive Board. He co-founded the International Association of Investors in the Social Economy (INAISE) and is currently the association's Chairman. In 1993 Mr. Blom also co-founded the Social Venture Network Europe, a group of European entrepreneurs advocating social and environmental issues in the international business world.

Pierre Aeby also serves on the Management Boards of Hivos-Triodos and Triodos-Doen. At Triodos Bank, Mr. Aeby serves as Chief Financial Officer and is a member of the Executive Board. He also serves on the Board of Directors of Triodos SICAV I, a company created within Triodos Bank that is comprised of Triodos's Values Equity Fund, Values Bond Fund and Values Pioneer Fund.

Marilou van Golstein Brouwers is Managing Director of Triodos Investment Management. Ms. Van Golstein Brouwers served on the Board of Directors of Centenary Bank in Uganda (from 1998-2002), K-REP Bank in Kenya (from 1997-2005) Akiba Commercial Bank in Tanzania (1997-2006) and KMB Bank in Russia (1999-2005). She is currently on the Board of Trustees of Women's World Banking (since 2003), the ExCom of CGAP (since 2003) and the Board of Directors of BRAC Afghanistan Bank (since 2006). Ms. Van Golstein Brouwers has also served as an advisor for the United Nations' International Year of Microcredit 2005, where she campaigned for microfinance. As Managing Director of Triodos Investment Management, she has final responsibility for the management of the three funds investing in microfinance institutions and fair trade (Triodos-Doen Foundation since 1994, Hivos-Triodos Fund since 1994 and Triodos Fair Share Fund since 2002) and a fund for renewable energy (Triodos Renewable Energy for Development Fund).
Mr. Hans Schut is the second Managing Director of Triodos Investment Management. Within his role, Mr. Schut is responsible for the management of a number of venture capital funds and funds that focus on renewable energy investments in Europe.

Bob Assenberg is Deputy Management Director of Triodos Investment Management, where his focus is management of funds for renewable energy, specifically the Triodos Renewable Energy for Development Fund.