MicroCapital Monitor
THE CANDID VOICE FOR MICROFINANCE INVESTMENT

JULY 2007 | VOLUME.2 ISSUE.7

MICROCAPITAL BRIEFS | TOP STORIES

Ecobank and ACCION International to Launch in 20 African Countries

Ecobank Transnational Incorporated, an African regional bank and parent of the Ecobank Group, and ACCION International, a US charity, announced plans to open microfinance banks in at least 20 countries across Africa over the next 3-5 years. The two companies partnered in December, 2006 to expand microfinance operations throughout Western Africa; their current plans are an extension of this effort. The plan has the potential of becoming one of the largest bank "down-scaling" efforts in the world. "It underscores ACCION's commitment to bringing large banks into the field of microfinance," said Carlos Castello, ACCION executive vice president. The Ecobank Group was founded as a regional West African bank in 1985 and currently maintains a large regional network and infrastructure with a presence in over 18 countries with total assets of approximately USD 3 billion. July 10. 2007

AESX to Launch Electronic Exchange for Microfinance

Software developer AESX Platforms AVV plans to announce the creation of MFDAQ, a capital trading exchange for the share capital of microfinance institutions (MFIs). Founded in February 2006, AESX specializes in the creation of software applications that construct virtual stock exchanges for niche markets to trade their businesses' share capital: micro exchanges. The software manages a micro exchange's administration, reporting, and trade settlement. MFDAQ will become AESX's seventh developed micro exchange—joining the Aruba Stock Exchange, Private Placement Exchange, Dutch Caribbean Stock Exchange, Micro Electronic Exchange, Caribbean Bond Exchange, and UK Development Exchange. July 9. 2007

Another Big Player Enters Indian Market as Nabfins

The National Bank for Agriculture and Rural Development of India (NABARD) is launching a new microcredit arm. The new institution, a non-banking financial company (NBFC), called Nabard Financial Services (Nabfins), will have an authorized capital of Rs 1 billion (USD 24.7 million). NABARD will hold 51% of Nabfins' equity, while the remaining 49% will be under the control of banks and state governments. NABARD was founded in 1982, funded and backed both by the Government of India and the Reserve Bank of India (RBI). As of March 31, 2006, it reported Rs 676 billion (USD 16.7 billion) in assets. Friday, July 6. 2007

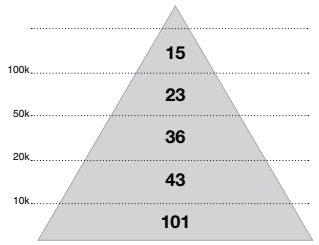
Standard Chartered Bank Advances Towards USD 500m Target

In September 2006 at the Clinton Global Initiative meeting, Standard Chartered Bank (SCB) announced the creation a USD 500 million microfinance fund over a 2 year period. The British bank already has a microfinance portfolio totaling USD 200 million (SCB's total assets stand at USD 266 billion). Continuing to advance towards the USD 500 million goal, SCB has now constructed a Medium Term Note (MTN) program. Through the MTN program, SCB will sell debt notes to investors and development organizations in order to finance the fund. The program's selling period—already attaining USD 125 million—will close this month. Funds raised through the MTN program will be distributed among microfinance institutions (MFIs) from India, Bangladesh, and 8 African nations. The participating MFIs from these countries are partners of an MFI network established by SCB. July 6. 2007 ♦♦♦

INSIDE

LATIN AMERICAN COUNTRIES

NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



MF INDICATORS - PAGE 10

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!

The MicroCapital Monitor is owned and published by MicroCapital.org, a division of Prisma MicroFinance, Inc., Chief Editor David Satterthwaite. For questions, comments or suggestions, please write to info@microcapital.org or call 617.648.0043, Boston, USA.

MICROCAPITAL BRIEFS

Kiva.org (Kiva) Funds USD 9m in Microloans

Kiva.org, a microfinance website and non-profit organization founded in February 2005, allows individuals with PayPal accounts to view the clients of microfinance institutions (MFIs), provide money to help finance a micro loan for one of the said borrowers, and then receive email updates on the borrowing person. When MicroCapital first ran the story on Kiva.org in August 2006, the website had processed over USD 200,000 in micro loans to over 450 borrowers in 5 months. Kiva has now channeled USD 8.9 million to MFIs who in turn have serviced 83,255 clients. Kiva.org has partnerships with 58 MFIs, including ProMujer Bolivia, Lift Above Poverty Organization (LAPO), and Fundación Paraguaya, as well as the owner of this newspaper, Prisma MicroFinance. Kiva has developed a risk assessment tool that consists of a rubric of 8 aspects of an MFI. Each aspect can earn an MFI 1 to 5 points, 5 points being best. Each rated area, however, is weighed differently. The area of "strongest independent evaluation", including the MFI's credit rating, Kiva.org audit, and endorsement from a third party, provides 30 percent of the risk score. The thoroughness of the MFI's self auditing as well as the reputation of the MFI's largest funder each provides 15 percent of the score. Network affiliation, gross loan portfolio size, and the MFI's PAR within the last 30 days provide 10 percent each; the MFI's age and Operational Self Sufficiency (OSS, total revenue minus total expenditures) each provides 5 percent of the score. In addition to partnering with MFI's, Kiva.org has made deals with several corporations, including Paypal, YouTube, Google, Yahoo!, Microsoft, MySpace, and Starbucks. July 19. 2007

ACP Groups Sells 6.5% of MiBanco Peru to the IFC for USD 6 Million

ACP Group, a local non-profit organization focused on servicing the educational, financing, and business needs of microentrepreneurs, and the controlling shareholder of Peruvian microfinance bank Mibanco, has sold 6.5% of the bank to the International Finance Corporation (IFC,) the private sector arm of the World Bank. Created in 1998, Mibanco finished off the 2006 with an asset base of USD 389 million, and a 644.31% debt/equity ratio. The microbank has 223,182 active borrowers and 160,636 savers. ACP sold 6.4 million common shares for USD 6.3 million. ACP currently owns 60.07% of Mibanco while the rest is in the hands of 18 shareholders. July 18. 2007

IFC Invests USD 20 Million in Al Amana

The IFC and the Association Al Amana for the Promotion of Microenterprise, a microfinance institution (MFI) in Morocco, have signed an investment agreement of USD 20 million. The agreement includes a subordinated loan to Al Amana, a local currency guarantee, and a partial credit guarantee. The goal is to increase Al Amana's microfinance operations and improve services for its 400,000 active borrowers. July 18, 2007

The Development Credit Bank of India Dives into Microfinance

"We want to venture into small credit and mid-ticket personal finance while continuing to serve the big customers," says Mr Gautam Vir, CEO of India's Development Credit Bank (DCB). The bank is in the process of opening an exclusive branch for microfinance in the state of Gujarat and will provide microfinance in over 1,000 villages covered under the Aga Khan Rural Support Program. DCB was converted to a private sector commercial bank in 1995 and now has access to over 18,000 ATMs and 72 branches. As of March 2007, DCB's deposit base was USD 1 billion. One of the products DCB will be launching is 'X-Gen Banking,' an account geared toward aiding college students, which can be opened by parents with a minimum term deposit of USD 750 for one year. The student package includes a free international debit card, check book, Internet, and mobile banking services. The bank also plans to double its SME lending from the current 30 per cent of its corporate lending to 70 per cent over the next year. July 16. 2007

South Korean Hana Bank Uses USD 32m Charity as Loss-Leader

Hana Bank, the fourth-largest commercial lender in South Korea, has announced that it will create a USD 32.6 million micro-credit fund. The Korea Herald reports that this marks the single largest commitment ever made to South Korean microfinance. After merging with Seoul Bank in 2002, Hana has 309 domestic branches. The bank, together with Seoul-based nonprofit group Hope Institute, plans to lend working capital at low interest rates (around 3-4% annually) to small enterprises that cannot meet qualifications for bank loans. A nonprofit foundation, tentatively named the Hana Hope Foundation, will be created to manage the fund. Hana Financial Group will also separately contribute 2 billion won (USD 2.18 million) to a body which will be tasked with the loan screening and approval process. "This project is not about dishing out micro-loans to the poor. We plan to introduce a more sustainable model in microfinance, providing poor entrepreneurs with the financial means as well as tailored business consulting services until the business enters a stable stage," said the bank CEO. Stability will undoubtedly mean charging higher interests than 4% annually, which is quite a dish. July 16. 2007

Aviva India and BASIX Establish Grameen Suraksha

Aviva Life Insurance India has announced the launch of Grameen Suraksha, a micro-insurance rural term life insurance plan for customers of BASIX, a major microfinance firm in India. This low premium insurance product features a traditional term plan, but is designed to reduce the burden of the policyholder to pay premium year after year. Instead, under this plan, the policyholder pays premiums for a period of two years and then avails the term benefit for either five or 10 years. Aviva Life Insurance has been associated with BASIX since 2002, when they jointly designed a group life insurance product. BASIX, established in 1997, has 198,282 active borrowers, with a gross loan portfolio of USD 32 million, and a 0.86% return on assets, as well as a 3.32% return on equity. July 13. 2007

German Development Bank Dishes EUR 9.4m to Procredit Bulgaria

Who says a highly profitable private bank holding over EUR 2 billion in assets isn't worthy of hand-outs? Procredit Bulgaria, a microfinance bank and part of the German Procredit Bank Group, has received a consortium of loans and grants from the German development bank KfW, including a EUR 4 million loan agreement, a grant of EUR 5.1 million, and an additional EUR 290,000 in subsidies. The 30-year loan has an annual interest rate of two percent, and a 10-year grace period. Procredit Bank Bulgaria, established in 2001, had an asset base EUR 410 million in 2006, a net profit of EUR 4.6 million, and a 1,429.02% debt/equity ratio. In the past year, ProCredit Bulgaria established 18 new offices, bringing the total to 60 branches. As of 2007, the bank serves 52,967 active borrowers and 148,459 savers. In 2005, it was rated as the most dynamically developing bank in Central Europe, according to the first survey of the fastest growing bank institutions in the countries in transition,

which has been carried out by English magazine The Banker. July 12. 2007

JM Financial, Old Lane, and Lok Capital Invests USD 10m into Spandana

JM Financial India Fund, a private equity fund sponsored by JM Financial, an Indian financial services firm, Old Lane Partners, a New York based hedge fund, and Lok Capital will invest USD 10 million in Spandana, a microfinance company based in Hyderabad, Andhra Pradesh. The investment would be used to expand Spandana's branch network and pursue growth opportunities, both organically and through acquisitions. Spandana, established in 1998, has an asset base of USD 97 million, a 1,074.84% debt/equity ratio, and 916,216 active borrowers. JM Financial was started in 1986 to engage in the business of stock broking and securities. Old Lane is the manager of a global, multi-strategy hedge fund and a private equity fund with total assets under management and private equity commitments of approximately $4.5 billion. Old Lane operates as part of Citi Alternative Investments (CAI), Citigroup's integrated alternative investments platform. July 12. 2007

Inter-American Development Bank Also Dishes to Procredit

The Inter-American Development Bank's (IDB) Multilateral Investment Fund (MIF) announces plans to invest up to USD 10 million in a project to establish new microfinance institutions (MFIs) in Colombia, Dominican Republic, Honduras and Mexico. The funds will go to ProCredit Holding, an investment company based in Germany and main shareholder in a group of 19 banks in developing economies across Africa, Latin America and Eastern Europe. The MIF's investments in the ProCredit banks will have an exit mechanism that will allow the fund to sell its shares after a five-year period. Additionally, the MIF will provide USD 7.2 million in technical cooperation grants to support and strengthen the new microfinance institutions, including operations such as staff training. July 12. 2007

South Africa's Bruma Finance Uses PIC Solution's Collection Systems

South African microfinance institution Bruma Finance has purchased the PIC Collections System (PCS), a software application that manages a business' payments collections. The application was designed by PIC Solutions. One of the more notable users of PCS is DaimlerChrysler Financial Services. July 12. 2007

Calvert Foundation and MicroVest Lend USD 1.5m to Sinapi Aba Trust

The USD 1.5 million loan to Sinapi Aba Trust (SAT), a non-profit microfinance institution (MFI), headquartered in Kumasi, Ghana marks the first direct investment in an African MFI for both the Calvert Foundation and MicroVest. Microvest is the servicing agent of the syndicated 2-year loan, and is investing a USD 1 million, while Calvert Foundation lends an additional USD 500,000. Anthony Fosu, CEO of SAT, noted this loan is the largest received by SAT from international commercial funding sources. Sinapi Aba Trust is an NGO established in 1994, and is the second largest non-bank MFI in the country in terms of client outreach, and third in terms of gross loan portfolio, which was at USD 8.5 million as of March 2007 with 52,000 clients (92% women) and 18 branches spread across Ghana. July 11. 2007

Uganda Microfinance Ltd. Releases Micro Leasing Financial Product

Uganda Microfinance Ltd. (UML) has added microleases to its list of offered financial services. The micro leases will provide UML customers access to automobiles and machinery. Distinct from leases offered by commercial banks, micro-leases are collateral-free; the only means of collateral is the asset borrowed by a microfinance client. The general terms of contract for UML's micro leases begin with a set price that must be paid prior to borrowing an asset. Repayment periods will extend from 6 to 24 months. The expected maximum cost of a leased asset is USD 24,500. UML has entered into a 3-year partnership with companies Massey Ferguson, global manufacturer of agricultural machinery, and Terrain Ltd., a Ugandan building material supplier. UML, founded in 1997, has total assets of USD 21.4 million and 30,235 active borrowers. July 10. 2007

IMFB Wins Best Microfinance Bank Awarded by the Nigerian State

In a competition organized by the Lagos Ministry of Commerce and Industry, along with Saint Paul International, a consulting firm based in Lagos, Integrated Microfinance Bank Limited (IMFB) claimed the Lagos State Enterprise Award for best microfinance bank. With 50,000 clients, IMFB is the first micro finance bank to be granted the upgrading license by the Central Bank of Nigeria (CBN). July 10. 2007

US Nur Advisors to Set Up Islamic Venture Funds

Chicago-based Nur Advisors, which advises energy firms and financial investors on both Islamic and non-Islamic funding and risk mitigation, plans to create two funds of $500,000-$1m each. The company will place about $200,000-$300,000 into a Pakistan fund and has also received expressions of interest from around 15 Muslim and non-Muslim high net worth individuals in the US. July 6. 2007

Oikocredit Issues Shares in More Currencies

Oikocredit, a Cooperative Investment Society based in the Netherlands, has decided at its Annual General Meeting to issue shares not only in the USD and the Euro, as they currently do, but also to expand to include other currencies as well. To start, shares will be issued in Sweden and in the United Kingdom to attract investors from those countries. In time, however, the organization hopes to also include currencies such as the South African Rand and the Indian Rupee. July 5. 2007

MicroVest and Lehman Brothers Announce USD 39m MicroAccess Trust 2007

MicroVest Capital Management, a US-based microfinance investment firm, and global investment bank Lehman Brothers have closed on the MicroAccess Trust 2007. This marks the first Collateralized Loan Obligation (CLO) for MicroVest. The trust was arranged by Lehman Brothers, while MicroVest originated and services the USD 39 million portfolio of unsecured loans to microfinance institutions (MFIs) around the world. July 3. 2007

MIX and Argentinean Trade Association RADIM Partner

Microfinance Information Exchange, Inc. (MIX) and Red Argentina de Instituciones de Microcrédito (RADIM), a national trade association, have partnered to strengthen performance monitoring and transparency initiatives to increase analysis and dissemination of information both locally in Argentina and internationally. This partnership is consistent with the MIX's strategy to partner with national and regional trade associations. July 2. 2007

World Bank Approves USD 600 Million for Government of India

The World Bank has approved one of its largest support packages to India with a USD 600 million loan designed to transform access to

financial services for India's poorest farmers. The Strengthening Rural Credit Cooperatives Project supports the Government of India's program to reform and revitalize the country's rural Credit Cooperative Banks (CCBs). These include some 31 State Cooperative Banks, 367 District Central Cooperative Banks and over 100,000 Primary Agricultural Credit Societies. 12 states have signed the Memoranda of Understanding with the Government of India and the National Bank for Agriculture and Rural Development (NABARD). July 2. 2007

Wholesale Permodalan Nasional Madani of Indonesia Issues USD 33m in Bonds

Permodalan Nasional Madani (PNM), a state-owned enterprise in Indonesia that helps finance micro-finance institutions (MFIs), announces plans to issue bonds worth Rp 300 billion (USD 33 million) by the end of 2007. The proceeds will be lent to MFIs, which is consistent with the previous work of PNM, who in 2006 alone disbursed Rp 512 billion (USD 56.9 million) to around 600 MFIs in Indonesia. Additionally, PNM's goals for 2007 include increasing this to Rp 1 trillion (USD 111 billion) for 700 to 800 MFIs. Of these, 60 percent will be BPRs (people's credit banks) and 40 percent will be cooperatives. BPRs included 2,148 licensed financial institutions in 2004, mostly privately-owned (accounting for 15% of the microfinance market), and almost 9,000 public rural financial institutions that are not licensed. To finance its promotion of MFIs, PNM plans to use its equity of USD 48.45 million to leverage loans from foreign institutions. June 29. 2007

The National Housing Bank of India Incorporates Microfinance

The National Housing Bank (NHB) of India has initiated plans to partner up with established microfinance institutions (MFIs) in order to encompass low-cost rural housing into the mainstream housing finance market. The NHB, established under an act of the Parliament, was created in 1988 with a primary purpose to function as the principal agency to promote Housing Finance Institutions (HFIs). One major advancement the NHB is aiming to incorporate into India's HFIs are products with repayment schedules that coincide with the cash-flow of farmers and the self-employed. The role of the MFIs, then, would be to aid banks and HFIs to assess the credit risk. June 28. 2007

Pak-Oman Microfinance Bank Signs Credit Protection Agreement with ALICO-AIG Life

Pak Oman Microfinance Bank, a Pakistani microfinance bank, and American Life Insurance Company (ALICO), a member company of the American International Group (AIG), or ALICO-AIG Life, have signed an agreement to provide credit protection facility to Pak Oman borrowers. June 28. 2007

Post Bank Uganda to Implement Ambitious Plan Bonna Bagaggawale

Bonna Bagaggawale, a state led initiative aimed at eradicating poverty, is in the hands of Post Bank Uganda, a government owned limited liability bank. The Shs35 billion (USD 22 million) project is to disburse low-interest loans to sub-county based Savings and Credit Cooperative Societies, popularly known as SACCOs. The Masindi district, as the first beneficiary of the program, received USD 214,000 for capacity building of SACCOs, while another USD 312,000 was advanced to Post Bank for lending to SACCOs. Skepticism as to the capabilities of the bank to handle the project exist among the country's Members of Parliament who claim that the USD 1.2 million working capital the bank possesses "is far below what one can use to open up branches." With just 21 branches countrywide, Post Bank is responsible to have an outreach in all 964 sub counties in the current 80 districts within one year. June 27. 2007

The World Bank Lends USD 100 Million to the Chinese Ministry of Finance

The World Bank announce a Financial Intermediary Loan to support Chinese microborrowers. The loan is made by International Bank for Reconstruction and Development (IBRD) with a grace period of four years and a maturity of seventeen years. The China Development Bank (CDB) will act as the wholesaler for the project. First, CDB will lend to participating financial institutions at the retail level; second, it will arrange technical support for these institutions. USD 95m of the total 100m will be used for lending purposes. June 27. 2007

IFC Invests USD 20 Million in Blue Financial Services

The IFC is investing an initial USD 20 million into Blue, half in the form of equity and half in the form of a loan. The IFC is also taking up a non-executive seat on Blue's board. The IFC will subscribe for Blue shares worth USD 10 million at R2.97 a share. This price is the 30-day volume-weighted trading average at June 20 2007. Blue will use the USD 20 million to on-lend to its clients, who require financial services such as salary advances, bonded housing finance, term loans and insurance products. Blue has operations in five other African countries outside of South Africa, including Botswana and Zambia and it has plans to expand further. June 27. 2007

Directory of Western African Microfinance Institutions Published

Centre for Arab Women Training and Research (CAWTAR), a Tunisian non-governmental organization (NGO), has published a directory including the contact information of 158 MFIs of western Africa. A discovery resulting from the directory is the geographic disparity of microfinance in western Africa. Algeria has the fewest, with 14. Tunisia stands with 66 MFIs, Morocco with 42, and Mauritania has 36. CAWTAR was founded in 1993 by the United Nations Development Programme, the Arab Gulf Programme for United Nations Development Organizations, and the Tunisian Government. June 26. 2007

GrameenPhone of Bangladesh Announces IPO set for 2008

GrameenPhone, the largest provider of cell phone services in Bangladesh, has confirmed the launch of an initial public offering (IPO) of shares on domestic and overseas stock exchanges next year. We reported that it has been the company's intention from the beginning to sell GrameenPhone shares to borrowers so that telephone services are not only sold to the poor, but also owned by the poor (Grameen Phone—A Hot Stock, September 2005). This is a goal that they may finally be reaching. June 26. 2007

IFC Invests USD 20 Million in Brazilian Bank Fibra

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, announces that it will buy USD 20 million in new common shares in Fibra, a Brazilian midsize bank. This marks the first equity investment in the Brazilian banking industry by the IFC. In addition, IFC has granted Fibra a seven-year, USD 30 million credit line in Brazilian Reais for domestic middle market lending operations. This will include lending to microfinance institutions (MFIs). The investment comes to roughly 8% of bank capital, which will rise to 520mn reais (USD 272mn) from 480 million reais (USD 247 million) with the issue of new shares. The central bank ranked Fibra as Brazil's 22nd largest bank. Local holding Vicunha controls Fibra. Monday, June 25. 2007

FMO lends USD 7 million Loan to Kenya's K-Rep Bank
The Netherlands Development Finance Company (FMO), the international development bank of the Netherlands, and a major shareholder of K-Rep, Kenya's first commercial Microfinance Bank, is also financing the company with a USD 7 million local currency loan. FMO as of 2005 has USD 3.1 billion in total assets and a 41% shareholder's equity. June 25. 2007

Opportunity International Reports Record Donations
Opportunity International, a US Christian charity operating microbanks worldwide, announced it received record donations of $80.7 million worldwide, an 85 percent increase over 2005. June 23. 2007

Treasures Microfinance Bank to Begin Operations in Nigeria
The Central Bank of Nigeria (CBN) has given provisional approval for newly established Treasures Microfinance Bank (MFB) to begin operations. This is ahead of the December 2007 deadline set for all Community Banks in the country to convert to MFBs. June 22. 2007

United Nations to Implement USD 4 million Microfinance Project in Malawi
The United Nations Development Program (UNDP) and United Nations Capital Development Fund (UNCDF) are each contributing USD 2 million into FIMA, the Financial Inclusion in Malawi Project, an initiative to increase the outreach of financial services within the low-income population. The project is to be implemented by Ministry of Finance and UNCDF. Stakeholders include Ministries of Finance; Industry, Trade, Private Sector Development, and Agriculture, along with the Reserve Bank of Malawi. The project altogether consists of a USD 6 million basket-fund, which will run from 2007 to 2011. Thursday, June 21. 2007

USD 6m Loan from the UN to Government of Gambia
A loan by the International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, was put before members of Gambia's National Assembly. The loan agreement, which was initiated December 2006, encompasses the USD 6.12 million loan as well as a grant for USD 400,000. Upon completion of the six-year project, it is anticipated that 180 rural branches of microfinance institutions will be delivering financial services such as savings, loans and insurance to about 180,000 rural clients. June 20. 2007

Standard & Poor's Recommends Standards for Rating Microfinance
"The lack of consistent metrics for analyzing MFIs has hindered investment at a time when microfinance is growing at a significant rate," said Cynthia Stone, Managing Director and chair of the Emerging Markets Council, Standard & Poor's, as reported at Earthtimes.org. "And despite the level of interest, mainstream investors need standard metrics before they can invest in this particular sector." Standard & Poor's established the Microfinance Rating Methodology Working Group earlier this year, and this report is a product of that collaborative effort between S&P analysts and experts from the microfinance sector, including individuals from ACCION International, Consultative Group to Assist the Poor (CGAP), CRISIL, the Inter-American Development Bank, and the MIX Market. First, the report includes recommendations for a rating methodology for MFIs worldwide, within countries, and comparatively across borders and across asset classes. Second, the report includes a contextual summary of the rating methodology, covering the current state of MFI funding, reviewing the key issues in developing MFI rating methodology, and outlining the minimum information recommended for producing a rating. June 20. 2007

Mann Deshi Mahila Sahakari Bank and HSBC Sponsor Udyogini Business School
Udyogini Business School opened in January 2007 in a drought-prone village in Maharashtra State in India. It is the country's first and only business school for unlettered rural women—no educational degree of any kind is required for admittance. According to the Asia Sentinel, an English-language newspaper reporting on Asia, the institution is designed to allow greater number of poor women to participate in microcredit by coaching them in entrepreneurship, accountancy, bank finance, marketing skills, and confidence-building. It also offers a wide variety of courses on how to run enterprises in areas such as purse and bag making, photography, screen-printing and mobile telephony kiosks. This business school was started by a non-governmental organization called the Mann Deshi Mahila Sahakari Bank (MDMSB) in collaboration with the Indian arm of Hong Kong and Shanghai Banking Corporation (HSBC), a global bank. MDMSB will offer employment-generation loans to help women start businesses after graduating. Monday, June 18. 2007

Yemen to Launch Microfinance Banks
At the fourth annual Sanabel trade association's microfinance conference for Arab countries, Yemeni Prime Minister Ali Mujawar announced his government's intention to establish microfinance banks. June 18. 2007 ♦♦♦

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

PAPER WRAP UP

Branch Based Marketing

By George Waweru, MicroSave, 2 pages, available at http://www.microfinancegateway.com/files/40674_file_38.pdf

A main issue the paper addresses is the lack of cohesion between marketing and operation departments. It promotes the coordination of the two in order to align the activities of the staff with marketing goals/initiatives. Another problem involves the overemphasis on advertising media as opposed to other methods of marketing such as Personal Selling, Direct Marketing, Sales Promotion and Public Relations. MicroSave, a project that promotes the development of savings and other more client-responsive financial services among microfinance institutions, works with 10 "Action Research Partner" financial institutions to assist them to deliver market-led financial services to the low-income market. Particular problems have been experienced within MicroSaves' Action Research Partners with teller knowledge of loan products and loan officers' knowledge of savings services. Customers do not make a distinction between the functions of staff and expect all bank staff to be able to respond to common queries. Research is cited that shows that the "biggest single factor influencing decisions on financial services were the opinions of friends and relations; so called 'word of mouth marketing.' Branches present opportunities to complement the efforts of centralized marketing functions by conducting marketing activities (such as providing a knowledgeable staff) that build positive word of mouth in local often semiliterate communities."

The paper goes on to outline the steps necessary to facilitate branch-based marketing, going over action planning, implementation, and monitor/reviewing. It states specific examples as to how to properly prepare for branch-based marketing, such as staff training and education, and also specific institutions that have successfully executed branch-based marketing, such as Equity Bank in Kenya, which before opening it's Nyeri branch managers visited Nyeri for a week to meet local businesses/opinion leaders, and visited schools and other congregation, consequently breaking even in record time.

The Landscape of Microinsurance in the World's Poorest 100 Countries

By Jim Roth, Michael J. McCord, and Dominic Liber, published by The MicroInsurance Centre, LLC, April 2007, 107 pages, down load at http://microfinancegateway.org/content/article/detail/40285

The focus of this paper is bi-fold: first, it provides a description of how micro-insurance works; and second, it provides a detailed quantitative overview of micro-insurance in the world's 100 poorest countries. After defining micro-insurance and highlighting its importance, the paper points out that insurers are reluctant to insure small sums because this means small premiums, and thus, low profit margins. As such, this paper recommends that micro-insurance be not only cost-effective and well-administered, but also must be delivered on a large scale if it is to be beneficial to both the insured and the insurers.

The structure and environment of micro-insurance is described in detail in this paper. At the macro level, there exists an "enabling environment," consisting of policy, legislation, regulation, and supervision. At the meso-level, financial infrastructure—such as actuaries, auditors, technical support, adjusters, insurance claims register, and information technology—facilitates the functioning of all micro-level activities. At the micro-level, commercial and mutual insurers, brokers, and agents interact directly with policy-holders, who are the final link in the chain. The paper goes on to describe the micro-insurance supply chain as follows. A reinsurer provides insurance to insurers, who carry the main insurance risk. A delivery channel distributes the insurance policy at a price and provides basic servicing. Reinsurance as yet plays a limited role.

Demand for micro-insurance is difficult to assess because the field is new. Many poor people fail to reach out for micro-insurance due to lack of knowledge and/or access—no active sales agents or acceptable products are within their reach. The authors argue that consumer ignorance is the single largest barrier to market penetration by micro-insurance firms, and awareness-building is crucial.

In the overview of the landscape of micro-insurance in the world's 100 poorest countries, it was found that 77 of the 100 exhibited some form of formal (non social-security) micro-insurance. Several major trends were highlighted. First, most micro-insurance programs were found to be very small (measured by number of policy holders). Second, donor activity to micro-insurance is limited in comparison with its outreach (currently covering 78 million lives)—the authors estimate the gross value of donor investment per life covered to be USD 0.12. Third, delivery channels are as yet very weak, with only 2% of policy holders covered by insurance delivered through retail intermediaries. Fourth, North Africa and the Middle East display the most glaring lack of micro-insurance as compared to other regions (zero or few providers), while East and Southeast Asia, and Latin America display moderate levels of outreach (1-20 providers per country). In contrast, the Indian subcontinent displays high levels of micro-insurance outreach and impact, with over 30 million people covered (21-50 providers per country). Insurance regulation in India is successfully expanding the industry to poor and rural areas. Last, health micro-insurance is the dominant form at the moment, with China and India taking the lead, followed in particular by West and Central Africa. However, the authors point out that membership in these programs and potential for growth is limited.

The paper describes the enormous potential for growth (especially in the private sector) in this field. The highest demand of poor people is for health and life products, followed by property insurance, and accidental death and disability. The paper describes each type in detail, as well as provides a world overview of coverage of each. However, before these forms of micro-insurance can be made available on a large scale, a number of barriers must be overcome. These include external constraints (lack of reinsurance, lack of profitability, inability to afford), delivery barriers (both in weak delivery channels and market constraints to access by the poor), shortcomings of existing products in quality and legitimacy, perceptions of insurance by the poor, and insurance regulations (or lack thereof). The paper also reviews types of micro-insurers, as well as the institutional regulatory framework. It concludes that large micro-insurance schemes are at present the most effective and profitable, but exhibit the least potential for growth and improvement.

Small schemes, on the other hand, may currently have limited impact but have high potential to advance, both in outreach and profit, but may encounter more difficulties.

Microfinance Misses its Mark

By Aneel Karnani, published by Standford Social Innovation Review, Summer 2007, 8 pages, available at: http://www.ssireview.org/images/articles/2007SU_feature_karnani.pdf

In an article published in Stanford Social Innovation Review, a magazine of Stanford Graduate School of Business, University of Michigan's Dr. Aneel Karnani argues against investment in microfinance as microfinance "does not significantly alleviate poverty."

Dr. Karnani begins his analysis of microfinance by referencing a 1996 study titled, "Finance against Poverty," conducted by David Hulme and Paul Mosley, UK professors at the Universities of Manchester and Sheffield, respectively. According to Dr. Karnani, doctors Hulme and Mosley help to prove microfinance's failure to reduce poverty: "Micro loans are more beneficial to borrowers living above the poverty line than to borrowers living below."

Unmentioned in Dr. Karnani's essay, Dr. Hulme arrived at new conclusions in 2006. In a study of the Bangladeshi poor, Dr. Hulme writes that microfinance economically assists borrowers below the poverty line. Dr. Hulme's research shows that Bangladeshi micro loans have led to growth in per capita client household consumption, increasing the probability of households leaving poverty. Dr. Hulme also discovered a "decline of the poverty rate among [microfinance] programme participants," five percent in 1992 and two percent in 1998. Overall, the loans account for over 50 percent of poverty reduction among microfinance clients.

Nevertheless, Dr. Karnani provides sources other than Hulme and Mosley to disprove microfinance's success. The professor quotes Vijay Mahajan, CEO of Basix, an Indian non-bank microfinance institution (MFI), who stated that microfinance "seems to do more harm than good to the poorest." A possible cause of harm, reasons Dr. Karnani, is high interest rates charged by MFIs. Dr. Karnani supports his thought with an article from the Cambodia Daily newspaper which reported that, "Some ... micro lenders charge more, pushing most annual rates between 30 and 60 percent."

Dr. Karnani characterizes the poor as mostly entrepreneurial failures. "The vast majority [of micro credit clients] are caught in subsistence activities ... They usually have no skills, and so must compete with all the other self-employed poor people in entry-level trades ... [N]o paid staff, [owning] few assets , and [operating] at too small a scale ... most micro enterprises are very small and many fail."

The professor suggests that governments and investors, instead of pursuing microfinance, should invest in manufacturers' establishment in the world's poor regions. If it were ensured that manufacturers maintained high productivity and reasonable wages, Dr. Karnani writes, factory jobs would help workers leave poverty. ♦♦♦

UPCOMING EVENTS

1st Asian Conference on Microfinance

July 25 - July 26, 2007, Manila, Philippines

With the theme "Meeting the Insurance Needs of the Masses with the Right Socio-Business Strategies," the conference "will look at the opportunities and challenges in Micro Insurance. The registration fee ranges from USD 700 to USD 1480). For more information, please contact Ms Michelle Suppiah (DID: 65-63723178, Email: michelle@asiainsurancereview.com), or go to http://www.asiainsurancereview.com/pages/conference_details.asp?id=60.

2007 World Credit Union Conference

July 29 - August 1, 2007, Calgary, Canada

The conference is hosted by the World Council of Credit Unions (WOCCU) and co-hosted by Credit Union Central of Canada. The conference will bring together "credit union leaders from over 40 different countries." Registration fees range from USD 1095 to USD 1345. A USD 150 discount is available for members from Developing Movements, members of the "Under 35 WYCUP Program," and regulators. For more information, please contact Sue Sabatke at (608) 395-2089 or ssabatke@woccu.org; or go to http://secure.lenos.com/lenos/omegameetings/woccu07/.

Summer Academy 2007 "Leading Change in Microfinance Markets"

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

Sponsored by the Frankfurt School of Finance & Management, the Summer Academy focuses on microfinance managers and has been designed for senior management from younger MFIs as well as mid-level managers from mature MFIs. The number of participants is limited to 30. Conference fee is EUR 4,990. For more information, please contact Carolin Drucks at +49-69154008-616 or c.drucks@frankfurt-school.de, http://www.frankfurt-school.de/content/en/intern_advisory/summeracademy_en.html

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

August 20 - August 21, 2007, Kampala, Uganda

The last two African Microfinance Conferences were held in South Africa in 2003 and 2005. This event is backed by the Association of Microfinance Institutions of Uganda (AMFIU). The conference fee is USD 500 until July 15 and USD 650 thereafter. For more information, please contact Conference Secretariat: Global Events Management, Uganda International Conference Centre, Office No. 242, PO Box 33422 , Kampala , Uganda, Tel: +256 41 343 735, Email: gloevents@infocom.co.ug ; Web site: www.amfiu.org.ug .

Youth Microenterprise Conference: Strategies for Entrepreneurial Spirits

September 10 - September 11, 2007, Washington, DC

"The Youth Microenterprise Conference will bring together international development practitioners, policy makers, members of the private sector, youth, and experienced professionals in the fields of education, global health, microenterprise creation, and youth entrepreneurship." Individual registration costs are USD 425 between May 25 and August 15, 2007, and USD 495 after August 15, 2007. Registrations close on September 2, 2007.

For more information, contact Whitney Harrelson at whitney@making-cents.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. The focus of this event will be on how technology can help financial institutions including MFIs in their goal to reduce cost, reach new customers, improve operating efficiency... Registration fee is USD 1000 (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:21368527pagePK:64156158piPK:64152884~theSitePK:461005,00.html.

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

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

Through this event, the Inter-American Development Bank will celebrate its 10th anniversary of the Microenterprise Forum. Practitioners from Latin America, the Caribbean, and other regions are expected to discuss the latest developments in the microenterprise sector. Four main areas will be covered: Microfinance, Financial Markets, Entrepreneurship and Markets, and Business Environment. The conference fee (excluding hotel costs) is USD 250 before July 27, 2007, USD 300 between July 28 and September 15, 2007, and $350 after September 16, 2007. The cost per guest is USD 200. 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.

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, fostering better standards of living and regional development through consolidating the efforts of all market participants and facilitating their dialogue with government." Russian policy-makers and legislators, representatives of the UN agencies, the World Bank, top executives of Russian banks and MFIs, representatives of international institutions and funds are expected. 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@rmcenter.ru, or go to http://www.rmcenter.ru/en/news/anons-detail.php?ID=2483.

European Microfinance Week 2007

November 27 - November 29, 2007, Luxembourg, 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"

UPCOMING EVENTS (CONTINUED)

pf the e-MFP (European Microfinance Platform) Annual Meeting. For more information, please contact Laetitia Polis at contact@microfinance-platform.eu, or at +352-29-5858255; 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), the Asia-Pacific Regional Microcredit Summit will be held in Islamabad. The Microcredit Summits "bring together microcredit practitioners, advocates, donor agencies, heads of international financial institutions, non-governmental organizations and others involved with microcredit from around the globe to promote best practices in the field to stimulate exchanging of knowledge and facilitate work towards reaching the goals of poverty alleviation in the world." More information about the upcoming summit to follow at http://www.microcreditsummit.org/summit/upcoming.htm. ♦♦♦

GUEST EDITORIAL

Lessons for Microbankers from the Current U.S. Sub-Prime Lending Fiasco

by Rupert Ayton

Microfinance managers would do well to pay attention to the latest meltdown in the U.S. sub-prime mortgage market. The most recent crisis mirrors the burst sub-prime bubbles of 1998 and 1989. In all three instances negative loss trends among underlying loans led to panic among bankers financing sub-prime lenders and portfolios, resulting in cancellation of credit lines. A host of sub-prime originators went bankrupt as margin calls evaporated capital, and replacement funding on economically viable terms was unavailable.

The similarity of the sub-prime mortgage situation to microfinance is the abundance of available funding, albeit at the top of the microfinance pyramid. Top Microbanks (MFIs) have been the recipients of favorable, even subsidized financing as new bankers and investment funds enter the arena, and existing international finance agencies press funding out the door to meet aid targets. The funding glut in the market has evolved to where some MFI's are confidently shopping their financing needs to the highest bidder.

Competition among bankers is fine as long as the competition is based on rational pricing. As sub-prime continues to prove, the bankers offering the best terms quickly rescind them when a market turns bearish and their margin for error evaporates. Experienced market survivors build long term relationships with bankers where loyalty is repaid in tough times. That relationship may mean paying more for financing, and receiving a lower advance rate on lines of credit, than others offer. It may also mean spreading business around rather than concentrating it with one or two bankers.

Anticipating the future availability of credit is where the judgment of experienced chief financial officers is invaluable to MFIs. Savvy CFOs construct their loan production pricing models on conservative estimates of the long term cost of funding, not the best deal being offered today. CFOs also pay attention to the business politics and character of their bankers, looking for evidence that the banker has gone to bat for clients during tough times.

Microfinance has yet to experience severe credit tightening, but since markets are cyclical a precipitous drop in banker confidence is inevitable. It is only a matter of time before a top MFI or two reports a major downturn in credit performance, or a foundation or aid organization closes a subsidy program, and credit suddenly tightens. When that happens, it would be a shame for microfinance if it had fallen victim to the same short-sighted, bubble-thinking that has plagued sub-prime lending. ♦♦♦

Rupert Ayton is the founder of the Center for the Development of Social Finance, a 501©(3) research and education organization based in San Fransisco, USA.

MICROFINANCE MARKET INDICATORS: LATIN AMERICA CARIBBEAN REGION

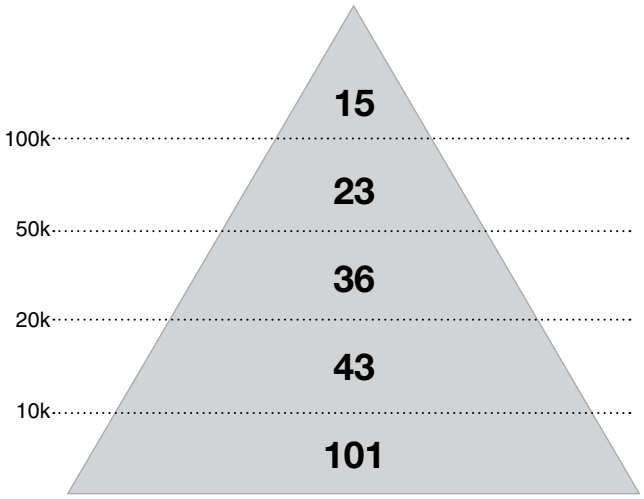
19 COUNTRIES | 218 MFI'S REPORTING [1]

Argentina	Colombia	El Salvador	Jamaica	Paraguay
Bolivia	Costa Rica	Guatemala	Mexico	Peru
Brazil	Dominican R.	Haiti	Nicaragua	Venezuela
Chile	Ecuador	Honduras	Panama	

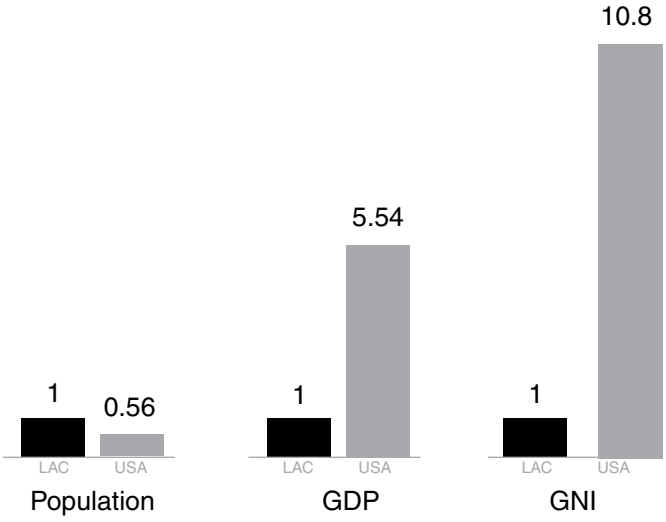
POWERED BY miX Microfinance Information eXchange

Total Population (mm) [5]	532.6
GDP (US$ mm) [5]	$2,391,820
Average GNI per capita (US$) [3, 5]	$4,058
Average Population Density (inhab/sq km) [5]	44.1
Microcredit Penetration [4]	1.6%
Total Number of Active Borrowers (mm)	8.51
Total Number of Voluntary Savers (mm)	6.76
Voluntary Savings (US$ mm)	$6,616
Average Loan Balance Per Borrower (US$) [2]	$1,105.2
Total Equity (US$ mm)	$1,964.3
Gross Loan Portfolio (US$ mm)	$9,525.1
Women Borrowers	65%

NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



LAC TO USA RATIOS



TOP 10 MFI'S BY NUMBER OF BORROWERS

643,659	Caja Popular Mexicana, Mexico
616,528	Banco Compartamos, S.A., Institución de Banca Múltiple, Mexico
611,739	Banco Caja Social, Colombia
563,805	Banco del Trabajo, Peru
553,164	Banco Popular do Brasil, Brazil
290,328	Caja Libertad, Mexico
235,740	Banco do Nordeste - CrediAmigo, Brazil
221,802	Mibanco, Peru
219,069	Banco Estado, Chile
164,000	Fundación WWB Colombia - Cali, Colombia

(1) Include MFIs that only report to MBBs or MIX Market (2) Simple average over all MFIs in region (3) Based on World Development Indicators, 2005. Averages are weighted using total population. Only countries with MFIs reporting to MIX are considered. (4) Calculated using ratio of Total MFI borrowers to Total Population (5) Represents total of 19 countries reporting to MIX as indicated at top of this page.

Source: Microfinance Information Exchange, Inc. (MIX), July 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

Pak Oman Microfinance Bank Ltd. (POMFB)

PRIVATE MICROBANK, OMAN

Pak Oman Microfinance Bank Ltd. (POMFB) was founded in May 2006 by the monarchal government of the Sultanate of Oman, a Middle Eastern country between Saudi Arabia and the Arabian Sea, and the Pak Oman Investment Company (Pak Oman), a financial institution ran jointly by the governments of Pakistan and Oman. After founding POMFB, the Omani government and Pak Oman attained ownership of the MFI: 67 percent of the share capital acquired by the Sultanate of Oman and 33 percent gained by Pak Oman.

POMFB operates nationwide across Pakistan, with a microfinance portfolio dealing exclusively in loan products. With 115 in personnel, POMFB offers micro loans—averaging USD 135—to 10,418 active borrowers. The institution's gross loan portfolio amounts to USD 1.4 million and its total assets stand at USD 8.1 million.

Mr. Ozair A. Hanafi is president and CEO of POMFB. In 1992, Mr. Ozair began his career in Pakistan as the first co-chair of the International Marketing and Management Congress of Pakistan. Mr. Ozair has also served as the 2003 and 2004 Secretary General for the International Human Resource Development Congress, a humanitarian effort of the Human Resource Development Network, an association of businessmen from Pakistan and neighboring countries. Before becoming CEO of POMFB, Mr. Ozair was executive director of Khushhali Bank, a developmental investment firm founded by the Government of Pakistan. He worked for the bank for five years until September 2005, when he agreed to help in the establishment of POMFB.

Mr. Zafar Iqbal is managing director and CEO of Pak Oman. Qualified as a chartered accountant in England, Mr. Iqbal serves on the boards of media company CNBC Pakistan Ltd., POMFB, the National Industrial Parks Development and Management Company, and Pakistan Textile City Ltd. Mr. Iqbal's corporate career has provided him over 20 years experience in global corporate finance, banking relations, and portfolio management.

Dr. Waqar Masood Khan, another member of Pak Oman's board of directors, is Special Secretary to the Prime Minister of Pakistan. Dr. Khan attained his master's and doctorate degrees in economics from Boston University, where he has also taught as an assistant professor of economics. As an economist, Dr. Khan has served on the United States Economic Advisory Board, developing U.S. economic policy. The doctor serves on the boards of the National Bank of Pakistan, Saudi Pak Agricultural and Investment Company Ltd., and the Islamic Development Bank, as well as chairs the board of Zarai Taraqiati Bank.

Mr. Humayun Murad is the final Pakistani member of Pak Oman's board. Mr. Murad is CEO of ORIX Leasing Pakistan Ltd., as well as the regional manager for the Middle East, Central Asia and North Africa divisions of ORIX Corporation in Japan. Another British qualified chartered accountant, Mr. Murad began his career in England, working for Ernst & Young, UK based International Resources & Finance Bank, and CDB Securities. In 2001, Mr. Murad chaired the Leasing Association of Pakistan. He now serves on the boards of Oman ORIX Leasing Company, ORIX Investment Bank Pakistan Ltd., and Sauidi ORIX Leasing Company.

The Pak Oman board of directors is chaired by His Excellency Yahya Bin Said Bin Abdullah Al-Jabri of the Sultanate of Oman. His Excellency has studied at Kellogg School of Management, Harvard Business School, and Darden University. In England, His Excellency has worked for the Midland Bank's Corporate Financial Analysis Program. He currently serves as Executive President of the Omani firm Capital Market Authority.

Also from the Sultanate of Omani is Pak Oman board member Mr. Ahmed Al Wahaibi. Mr. Wahaibi earned his master's in development management at the American University as well as his certificate in financial and economic analysis from the Colorado School of Mines and his bachelor's in electrical technology from Washington University. Mr. Wahaibi is CEO of the government-run Oman Oil Company where he has worked since 1997. The company CEO represents Oman Oil on the boards of several of the company's subsidiaries, including the boards of Oman India Fertilizer, Oman Oil Marketing, Oman Shipping, Sohar Aumninum, Spain based Compañía Logistica De Hidrocarburos, and Gulf Energy Maritime.

The final member of the Pak Oman board is Mr. Mustafa Bin Ali Sulaiman. Mr. Ali Sulaiman has served as a Fellow of the Association of Accounting and Technicians since 1983. An Arab Certified Public Accountant by the Arab Society for Certified Accountants, Mr. Ali Sulaiman is Director General of Collection for the Omani Ministry of Finance. Mr. Ali Sulaiman's expertises lie in financial investigation, funds management, and cash flow management. He is a member of the boards of Omani shipping business Al Batinah Company and Public Establishment for Industrial Estates. Mr. Ali Sulaiman has also served on the board of the Gulf International Bank in the Middle Eastern nation of Bahrain.

Ms. Sumbul Munir serves on the board of POMFB. A master's graduate from London Business School, Ms. Munir began her career with 9 years service Muslim Commercial Bank. She now heads the investment banking division at Pak Oman.

Also on the POMFB board of directors is Ms. Shandana Khan, graduate of the University of Delhi with her degree in political science. In 2004, Ms. Khan also attained her master's in international public policy at John Hopkins University. Ms. Khan has led research in the Social Sectors and Gender sectors of the Pakistani National Rural Support Programme as well as headed research for the Sarhad Rural Support Program, also in Pakistan.

Mr. Rahsi Ali Rashi Al-Khayfi the final board member of POMFB. Mr. Al-Khayfi is Director of the Treasury Department of the Ministry of Finance for the Sultanate of Oman.

The Netherlands Development Finance Company (FMO)

STATE-CONTROLLED PRIVATE DEVELOPMENT AGENCY, THE NETHERLANDS

The Netherlands Development Finance Company (FMO) was founded by the Dutch government and business community in 1970. The Dutch State holds 51% of its shares while the large Dutch banks retain 42%. The remaining 7% is held by employers' associations and trade unions and some 100 Dutch companies and individual investors. FMO supports the private sector in developing countries and emerging markets in Asia, Africa, Latin America and Central and Eastern Europe. This is done with loans, participations, guarantees and other investment promotion activities. FMO's Small Scale Enterprise Fund (SME-Fund) has two main objectives: to provide an existing financial institutions (FI) with additional funding to serve more clients or expand their services; and to support regular banks to open a specialized desk to serve the lower end of the market.

FMO is divided into two business units. The first, FMO Finance,

extends tailor-made financing on commercial terms to enterprises and financial institutions in developing countries. This financing can take the form of loans, equity and quasi-equity, guarantees, and syndicated loans. FMO Investment Promotion, on the other hand, caters to Dutch businesses interested in investing in developing countries and emerging markets. On behalf of the Dutch government, FMO manages several programs focused on stimulating specific activities including the delivery of capital goods, feasibility studies in the pre-investment stage and management support in the post-investment phase.

Organizationally, FMO has a threefold format. On the investment side, Chief Investment Officer Nanno D. Kleiterp is responsible for FMO's risk-bearing portfolio, and additionally oversees four Regional Directors and the three Directors of Private Equity, Investment Promotion, and Financial Markets, respectively. Mr. Kleiterp has extensive experience in private sector development in developing countries, namely in Latin America where he lived and worked for a number of years. He has been with FMO since 1987, where he has acted as Manager Small-Scale Businesses, Region Manager Latin America and Acting Director Credit and Participations. In 1996 he entered the Management Board as Chief Financial Officer, and in 2000 accepted his current post as Chief Investment Officer.

In the corporate sector, R. Arthur Arnold is the CEO of FMO, a position he has held since January 1, 2005. Mr. Arnold has over 39 years experience in the international financial sector. He worked for the ABN AMRO Bank for almost 24 years, in several management positions in France, Italy, Morocco, Iran, Great Britain and the United States. In 1992 he switched to the Rabobank Group, a global network of local banks. During his 8 years there, he was director of Investment Banking and Chairman of the Board of Rabobank International. In the final two years he was director of Strategic Alliances, member of the Policy Board and the Board of Rabo Securities, as well as a temporary Director of Corporate Communications. In 2000 Mr. Arnold became President and Chief Executive Officer of the World Council of Credit Unions (WOCCU) (after having been British High Commissioner of WOCCU), the trade and development organization of 40,000 financial cooperative societies in 84 countries. Since the first of January, 2005 Mr. Arnold has been Chief Executive Officer of FMO.

Lastly, in Risk Management and Finance, Nico K.G. Pijl is the Chief Risk & Finance Officer. He worked for almost ten years at different functions within the United Nations and the World Bank. Arriving at FMO in 1986, he was active as Senior Investment Officer in various regions until 1996 when he became Regional Manager Latin America & Caribbean. He later became Regional Manager Asia. He was also Acting Director Credits and Participations. In 2001, Mr. Pijl entered the Management Board, where he assumed his current position.

Additionally, FMO has a five-member Supervisory Board, similar in function to a Board of Directors. Willy Angenent is Chairman; he is also Chairman of Supervisory Boards for Vedior (an international staffing services company based in Amsterdam) and Altera Vastgoed (an independent private real estate fund, also Netherlands-based). From 1998 until mid-2000 Mr. Angenent was Chairman of the Board of Management of Laurus (a Dutch investment firm working with small and micro cap companies). Between 1992 and 1998 he was a member of the Board of Management of Vendex International, the largest non-food retailer in the Netherlands. He has also held various positions with Unilever (a Anglo-Dutch multinational manufacturer of consumer products) in the Netherlands, Latin America, France and the United Kingdom from 1970 until 1991.

Lodewijk de Waal is Deputy Chairman. He is the former Chairman of the FNV, a federation of trade unions in the Netherlands, and in July 2006 was appointed as the Director General of humanitarian association Humanitas. He has more than 32 years experience with trade union organizations in national and international contexts, including Chairman of the Netherlands Trade Union Confederation. He is also a member of the Supervisory Board of Delft University, a member of the Advisory Council of the Association of Dutch Healthcare Insurers, Chair of the Governing Board of the Netherlands Development Organization SNV, and Chair of the Governing Board of the International Water and Sanitation Centre IRC.

Rein Willems has been President of Shell Nederland since October 2003. Since 1969 he has held a number of positions at Shell, with postings in Singapore, Australia, the UK, the Philippines and Brazil. He has also been the president of the Brussels-based European Petrochemical Chemical Association (EPCA).

Dolf Collee was a member of the ABN AMRO Bank Managing Board until December 2006, a member of the ABN AMRO Netherlands Supervisory Board, a member of the Delta Lloyd ABN AMRO Holding BV Supervisory Board, Vice Chairman of Capitalia Gruppo Bancario (an Italian bank holding company) Board of Directors, a member of K & H Bank Hungary (a large Hungarian Bank) Board of Directors, Chairman of Kobalt Media Services (a Dutch media agency) Supervisory Board and a member of SVM PACT Supervisory Board (an organization to organize and implement packaging laws in the Netherlands).

Cees Maas has worked for the financial services company ING since 1992. In July 1996 he was appointed Chief Financial Officer and in 2004 became Vice Chairman of the Executive Board. Between 1976 and 1992 he worked for the Netherlands Ministry of Finance, and served as Treasurer-General from 1986-1992. He is also Vice Chairman and Treasurer of the Board of Directors of the Institute of International Finance, the global association of financial institutions. He graduated from Erasmus University Rotterdam with a degree in physical engineering and a master's degree in economics.

Aga Khan Agency for Microfinance (AKAM) of the Aga Khan Development Network (AKDN)

NON-PROFIT SUPPORT ORGANIZATION AND OPERATOR OF MICROBANKS, GENEVA SWITZERLAND

Founded by His Highness the Aga Khan, Islamic leader as well as chairman of the AKDN, the AKDN is an association of agencies grouped into three categories: economic, cultural, and social development. The Aga Khan Fund for Economic Development (AKFED) and Aga Khan Trust for Culture (AKTC) are the agencies which represent the first two categories, respectively. The third category contains four organizations: Aga Khan University (AKU), University of Central Asia (UCA), Aga Khan Foundation (AKF), and Aga Khan Agency for Microfinance (AKAM).

The last of these organizations, AKAM, was founded in February 2005 as a non-profit organization in Geneva Switzerland. Ran by General Manager Jacques Toureille and six agency staff members, AKAM replaced AKFED, AKF, and AKTC as the sole manager of AKDN's microfinance scheme. The agency oversees 1,300 personnel.

The MIX, the microfinance information clearinghouse, reports that AKDN operates 10 microfinance institutions (MFIs) which operate in 20 countries, three of which are banks and seven non-profit organizations (see "General Information"). AKDN provides equity in-

vestments to its MFI partners in exchange for controlling interest in the microfinance firms. Furthermore, any technical services required by the MFIs is funded and provided by AKDN (see "Services").

The AKAM 2005 Annual Report mentions an additional four AKDN micro credit programs (p. 47). The MFIs and programs include: First MicroFinanceBank (FMFB) of Afghanistan, Pakistan, and Tajikistan, the Afghanistan Rural Microcredit Program, the Microcredit Programmes of the Kyrgyz Republic, Mozambique, Tanzania, and Zanzibar, the Micro Credit Facility of Syria, First Microfinance Foundation of Egypt, First Microfinance Agency of Kenya, and Première Agence de Microfinance of Burkina Faso, Madagascar, and Mali.

In addition to overseeing AKDN's MFIs and micro credit programs, AKAM also handles microfinance business from AKDN agencies. AKFED micro credit programs in India and Pakistan and AKTC micro credit operations in Egypt are all included within AKAM's oversight. AKAM also cooperates with AKF, AKU, UCA, and AKDN sub-agencies AK Education Services, AK Health Services, AK Planning and Building Services, and FOCUS Humanitarian Assistance, to supplement microfinance services.

The 167 microfinance branches and loan offices supervised by AKAM reach across Africa, the Middle East, and South and Central Asia. Their financial services include loans, savings, micro leasing and insurance, and micro credit. The AKAM 2005 Annual Report shows AKAM's microfinance business serving 56,000 borrowers and 31,000 depositors. As of 2005, the Agency's portfolio included USD 77.4 million in total assets, including USD 35.5 million in loans outstanding, as well as USD 39.2 million in total liabilities, and USD 28.2 million in total equity (p. 5).

Of AKAM's ten MFI network partners, only four provide financial information to the MIX: the three FMFBs and the Micro Credit Facility of Syria (see "Partners"). The FMFB of Pakistan has earned a MIX rating of five diamonds—the highest score—for level of information disclosure; the remaining three have earned four diamonds. There are no records of six of the MFIs' performance on public record on the Web. ♦♦♦

SUBSCRIPTION FORM

The MicroCapital Monitor is a regular market report on microfinance capital markets in particular and microfinance in general. The report is timely, comprehensive and easy to read. Editions include news briefs from around the world, summaries of just-published industry research, a calendar with contact information for upcoming events and detailed profiles and interviews of the individuals behind the players in microfinance. Issues of the Monitor are available only by subscription. Please subscribe today and support a representative voice for micro-bankers and microcapital investors alike.

MICROCAPITAL MONITOR SUBSCRIPTION ORDER FORM

Organization Name

Name on Credit Card

Credit Card Number

Expiration Date CVV Code (3 digits, 4 AMEX)

Credit Card Billing Address

Mailing Address If Different

Telephone Number Country

CHOOSE YOUR SUBSCRIPTION PLAN

☐ BRONZE: $99 PER YEAR – SENT TO ONE EMAIL ADDRESS

☐ SILVER: $299 PER YEAR – SENT TO UP TO 4 EMAIL ADDRESSES AT THE SAME ORGANIZATION

☐ GOLD: $999 PER YEAR – SENT TO UP TO 20 EMAIL ADDRESSES AT THE SAME ORGANIZATION PLEASE ATTACH LIST AS A SEPARATE SHEET)

ACADEMIC INSTITUTIONS MAY SHARE THE MONITOR COMMUNITY-WIDE FOR THE GOLD PRICE

SUBMIT YOUR ORDER: FAX: 617.648.0050, USA

EMAIL: INFO@MICROCAPITAL.ORG

TELEPHONE: 617.648.0043, USA