MicroCapital Monitor

THE CANDID VOICE FOR MICROFINANCE INVESTMENT

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MICROCAPITAL BRIEFS | TOP STORIES

South Asian Bank CIMB To Grow Microloan Book to USD 152 million

The micro-credit division of Malaysia based CIMB bank, CIMB Express, is aiming to have a loan book of USD 152 million by end of this year. CIMB Group is the second largest provider of financial services within Malaysia with an asset base of USD 47 billion as of their 2005 annual report. CIMB Group recently launched CIMB Express, a division focusing on providing microfinance. The core product of the new division is "Xpress Cash," a term loan for personal or business use available for tenures from six months to five years. The product was first pioneered by Southern Bank (SBB) and later adapted by CIMB after the merger of the two. As a strategic move to market this product, CIMB Express is joining forces with Singer, a home appliances distributor, to promote Xpress Cash at the 125 Singer outlets and 300 sales agents' shops as well as by 4,000 agents of the mobile sales team. CIMB Express expects to maintain a net non-performing loan (NPL) ratio of between 9% and 10%. Defending these seemingly high numbers, Express head Aaron Loo states: "This is a high-risk consumer financing business. Our NPL rate will be considered to be higher than what a normal consumer bank average would be." CIMB Express has a customer base of 70,000. CIMB Group also serves areas in Singapore, Indonesia, Hong Kong, Thailand and the United Kingdom. May 24. 2007

Blue Financial Happy with Acquisition of Microlender Future Finance

Blue Financial surpassed its profit forecast of 8.26 cents per share, almost 500% higher than the same period last year. Blue's CEO attributes this leap in part to the acquisition of Future Finance, a local microfinance company in South Africa. Blue has shareholders including institutions such as BoE, Investec, Stanlib and AIG. The Blue Financial Services Group was founded in 2001 and currently has branches across Africa: in South Africa, Botswana, Zambia, Uganda and Tanzania, with plans to expand to Kenya, Malawi, Rwanda, Cameroon, the Comoros, Lesotho, Namibia and Swaziland. May 22. 2007

National Microfinance Bank of Tanzania Pays Out USD 6.35 million in Dividends

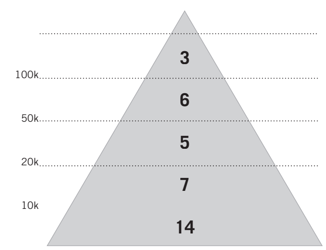
After reporting a net profit of USD 28 million for 2006, The National Microfinance Bank (NMB), The Republic of Tanzania's largest bank, paid out about USD 6.35 million in dividends. The Tanzanian government is the bank's top shareholder, owning 51%. NMB, founded in 1997, was created under the National Microfinance Bank Limited Incorporation Act and was initially devoted to payment services — mainly savings accounts with zero or limited borrowing services. The government since has been working to privatize the institution and recently sold just under half of its ownership to outside investors. The profit was divided among other shareholders, with RaboBank receiving USD 2 million, Nico Company USD 380,000, Exim Bank USD 332,000 and the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) USD 97,000. The Government of Tanzania intends to sell 21% of its shareholding in NMB sometime this year. According to Minister for Finance Zakia Meghji, despite this move, the government will continue to support the bank in its endeavors to serve the public and would not alter the close relationship the bank and the government currently share. May 30. 2007

SNS Institutional Microfinance Fund Exceeds Goal of $133.8 Million USD

Earlier this year, MicroCapital reported <http://microcapital.org/cblog/index.php?/archives/658-SNS-Asset-Management-launches-a-micro-credit-fund-SNS-Institutional-Microfinance-Fund-in-Partnership-with-Developing-World-Markets-and-Triple-Jump.html> on the SNS Institutional Microfinance Fund, a trust created by Norway's SNS Asset Management to invest in microbanks. On January 15 <http://www.snsbank.nl/assetmanagement/index.asp?NID=7617&lngParID=26083> , 2007, the Norwegian firm began inviting Dutch investors to participate in the Fund. As the Fund's investment period closed on April 1, the Fund had accumulated USD 167,365,350, a significantly larger amount than the original target of, at today's exchange rate, USD 133,885,000. ♦♦♦

MIDDLE EAST & NORTH AFRICA

NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



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

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MICROCAPITAL BRIEFS

Doen Foundation Buys USD 900,000 in Shares in ProCredit Holding

The Doen Foundation made two investments in ProCredit equity: one worth USD 300,000 and another worth USD 600,000. ProCredit Holdings is a global microbank network of 19 banks in transition economies and developing countries in Africa, Latin America and Eastern Europe. The entire network currently has 790,086 outstanding loans. The Doen Foundation was established in 1991 in the Netherlands by the National Postcode Lottery and reported at the end of 2005 having USD 79.15 million in total fund assets, USD 51 million of which is allocated to microfinance investments. June 13. 2007

Microfinance Bank of Azerbaijan Borrows USD 8 Million from Blue Orchard Finance

The MicroFinance Bank of Azerbaijan (MFBA) received a significant loan from Blue Orchard Finance, a Swiss-based asset management company specializing in microfinance. The 5-year loan is on the order of USD 8 million, and marks the largest single loan ever made to MFBA by any organization. The funds will be used by MFBA to provide further loans to support the growth of Azeri micro and small businesses (see Press Release on Microcapital.org). The funds for this loan come from a USD 108 million collateralized debt obligation (CDO) structured and distributed by investment bank Morgan Stanley. MFBA's gross loan portfolio stands at USD 72 million with more than 19,000 borrowers and an average loan size of around USD 3,000. It was opened four years ago. June 13. 2007

Citi Plays Both Sides

Coming on the heels of several very large loans to microbanks, Citigroup Inc. will launch a charitable fund in late June through which individuals and organizations can make donations of at least USD 50,000 to microfinance institutions, the new vehicle is called the Citi Microfinance Donor Fund. Citi plans to distribute the money it has collected within two years of the fund closing. June 13. 2007

Dutch Oikocredit Makes 20 Loans Worldwide Totaling USD 20MM

Oikocredit of the Netherlands made twenty separate loans to microfinance institutions (MFIs) worldwide between March 22. 2007 and April 25. 2007. Centro de Apoio aos Pequenos Empreendimentos (CEAPE) of Brazil borrowed USD 308,417. CEAPE reported at the end of 2005 having a gross loan portfolio of USD 3.8 million and USD 4.5 million in total assets. Its capital to asset ratio during the same time period was 57.74% and its ratio of debt to equity was 73.18%. Kompanion of Kyrgyzstan received a USD 368,476 loan. At the end of 2006, its gross loan portfolio was USD 6.9 million and its total assets were USD 8.3 million. Its capital to asset ratio was 70.55% and its debt to equity ratio was 41.75%. Another USD 1.6 million in loans went to the Cooperative Rural Bank of Bulacan (CRBB) which does not currently report to the MIX Market or make its financial information readily available to the public. VF Credo, a nonprofit based in Benin received a USD 1 million loan and at the end of 2005 reported a gross loan portfolio of USD 8 million and USD 10.4 million in total assets. Its capital to asset ratio during that time was 36.29% and its debt to equity ratio was 175.56%. Gromada, another MFI that does not report to the MIX Market or make its financial data publicly available, received a USD 119,192 loan. Microcredit organization Sunrise, a nonbank financial institution based in Sarajevo, received a USD 1.9 million loan. Sunrise reported to the MIX Market at the end of 2006 as having a gross loan portfolio of USD 27.5 million and USD 30.4 million in total assets. Its capital to asset ratio is 24.81% and its debt to equity ratio is 303.14%. Oikocredit made another USD 1.3 million loan to the Agency for Finance in Kosovo, which at the end of 2006 reported a gross loan portfolio USD 4 million and USD 4.4 million in total assets. Its capital to asset ratio is 38.65% and its debt to equity ratio is 158.72%. Oikocredit made a loan of USD 1.07 million to the Rural Credit Cooperative Development Foundation (RCCDF) of Russia, which does not report to the MIX Market. The Union Rural Bank Ltd, which does also not report to the MIX Market, received a USD 220,000. The Mutuelle d'Epargne et de Credit de la Zone de Potou of Senegal received a USD 606,000 loan. It last reported to the MIX Market at the end of 2003. Bai Tushum MCC/MCA of Kyrgyzstan received two loans from Oikocredit: one of USD 1.5 million and another of USD 1 million. Bai Tushum reported a gross loan portfolio of USD 9.9 million and USD 15.4 million in total assets. Its capital to asset ratio is 33.38% and its ratio of debt to equity is 199.6%. The Fondo de Desarollo Regional (FONDESURCO) of Peru was the recipient of two loans: a USD 175,000 loan and a USD 161,685 loan. It reported to the MIX Market at the end of 2005 a gross loan portfolio of USD 1.5 million and USD 1.78 million in total assets. During the same time period, its capital to asset ratio was 51.58% and its debt to equity ratio was 93.97%. Also receiving a loan was Huellas Grameen Bank, a microfinance institution (MFI) serving Latin America that does not report to the MIX Market. It received a USD 100,000. Pride Microfinance of Malawi received a USD 1.74 million loan on March 23, 2007. Pride last reported to the MIX Market at the end of 2004, when it had a gross loan portfolio of USD 1.5 million and USD 1.6 million in total assets. Its capital to asset ratio was 20.59% and its debt to equity ratio was 385.72%. Heavy hitter Activists for Social Alternatives (ASA), a nonprofit NGO based in Bangladesh that was established in 1979, received a USD 1.13 million loan and reported at the end of 2005 a gross loan portfolio of USD 255 million and USD 298 million in total assets. Its capital to asset ratio during the same time was 53.6% and its debt to equity ratio was 86.57%. Edpyme Edyficar of Peru received a USD 3.2 million loan. As of the end of 2006, its gross loan portfolio was USD 79.3 million and its total assets were USD 96.7 million. Its capital to asset ratio during the same time period was 17.06% and its debt to equity ratio was 486.10%. Also, a loan of USD 662,175 went to Cooperative Credo which does not report to the MIX Market. USD 1.3 million was lent to the Small Enterprises Foundation (SEF), which has branches in Tanzania and South Africa. Oikocredit reports USD 304 million in fund assets. June 12. 2007

Grameen-Jameel Pan-Arab Microfinance Launches

The Grameen Foundation USA (GFUSA), a Washington, DC-based nonprofit, and Abdul Latif Jameel Group, a Saudi Arabia-based business group, have been partners for four years. They have now founded Grameen-Jameel Pan-Arab Microfinance Limited, which will provide debt financing for microfinance institutions (MFIs) through its loan guarantee facility, expanding upon the work of its predecessor, Grameen-Abdul Latif Jameel Pan-Arab Initiative. In launching the new company, Mohammad Jameel, president of Abdul Latif Jameel Group, pledged USD 50 million in loan guarantees and technical assistance. He states that, "This company will be assessed on its ability to meet its 2011 strategic target of adding at least one million new microfinance clients in the Arab World." The previous partnership worked with microfinance institutions in Egypt, Lebanon, Morocco, Tunisia, Saudi Arabia and Yemen; working with six MFIs, lending a total of USD 4,545,000 through both direct partner financing and loan guarantee transactions. Heather Henyon, Grameen Foundation's regional director for the Middle East/North Africa (MENA) region, has been appointed as the joint venture's founding managing director. The Board of Directors will be evenly divided between GF and ALJ appointees. June 12. 2007

Dignity Fund Lends a Half-Million to Socremo

The Banco de Microfinanças de Mozambique (Socremo) received a USD 500,000 loan from the US-based Dignity Fund. At the end of 2005, Socremo reported a gross loan portfolio USD 5.3 million and USD 8 million in total assets. It also reported having a capital to asset ratio of 36.15% and a debt to equity ratio of 176.66%. The Dignity Fund was established in California in

2005 to provide debt financing "to promising MFIs." As of March 2007, the Dignity Fund has total fund assets of approximately USD 5.5 million. June 12. 2007

Oikocredit Makes a USD 50,500 Equity Investment in CAP Microfinance

While equity investments are not typical at Oikocredit, it has made just such an investment worth USD 50,500 in CAP Microfinance. Oikocredit generally supports microfinance institutions (MFIs) through loans. June 11. 2007

Uganda Loan Funds from African Development Bank Unused

General Salim Saleh, Uganda's Minister of State for Microfinance, has announced that a Ugandan government program designed to provide microloans to small fishing businesses has not been executed. The program is funded with USD 1.797 million, given to the Government of Uganda in 2002 as part of a USD 30 million loan from the ADB. The Minister also criticized government bureaucracy for the failure of the microfinance program for fisheries. The ADB was founded in 1964 as "a multilateral development bank." It has shareholders in 53 African nations and 24 countries elsewhere. The bank's 2006 portfolio consisted of USD 3.885 billion for development loans and grants. June 11. 2007

ICICI Acquires Sangli Bank

With its acquisition of Sangli Bank, a private lender based in Western India, ICICI Bank, the second largest bank in India and the country's largest private lending institution, is closer to its goal of expanding its portfolio to include more agricultural and microfinance lending. In this transaction, ICICI gains a bank with access to farmers in Maharashtra, the biggest Indian state by gross domestic product. Lenders in this area are trying to penetrate rural and semi-urban districts to tap prosperous farmers. Sangli Bank has 190 branches and total deposits of Rs 20 billion (USD 490 million). ICICI Bank in March 2007 reported total assets of USD 79 billion and currently has 950 branches in India as well as a presence in 18 different countries. After adding 200-250 new partnerships with MFIs since April 2006, ICICI works with over 600 MFIs across India. June 11. 2007

Pakistan's Federal Budget Ripe

According to Dr. Salman Shah, advisor to the Prime Minister of Pakistan, the anticipated federal budget of Rs 1.9 trillion (USD 31 billion) will be a record breaking marker in the country's economic history. The government will set up a micro-finance bank, while the National Bank of Pakistan would raise the allocation for its microfinance Rozgar Scheme to USD 1.7 million. The scheme was launched from designated branches of the NBP, The National Bank of Pakistan. June 11. 2007

Reserve Bank of India Raises Interest Rates

The Reserve Bank of India (RBI), the central bank, has been steadily increasing its interest rates for the past two years to cool the economy. The microfinance associate KAS Foundation of ICICI Bank, India's second-largest bank, has just announced that it will increase lending rates, and other institutions look to be on the verge of following suit. RBI's current prime lending rate stands at 12.25-12.50%. In comparison, rates in March 2005 stood at 10.25-11.25%. KAS Foundation increased the rate of interest to 21-24% from the earlier 18-21% range. Until now, the trend has been for interest rates to fall among Indian MFIs due to high competition among a growing number of firms. Moumita Sensarma, head of microfinance at ABN Amro Bank, explains previously-sustainable low interest rates: "Most MFIs, particularly the larger ones, have relied on increasing the volumes much faster to cover for decreasing spreads rather than passing the same onto their customers." June 8. 2007

Japan Bank for International Cooperation Microlending in India

Communities surrounding the Ajanta and Ellora Caves of Aurangabad, India, will soon welcome a microfinance initiative of the JBIC, a government-run bank founded in 1999 by the Export-Import Bank of Japan. The bank will work through the nation's Central Government in order establish a microfinance program with the Maharashtra Tourism Development Corporation (MTDC), an Indian government-owned company. The program is scheduled to begin at the end of this year. Previously, the bank has financed the tourism business of Ajanta and Ellora. By 2011, the bank plans to have lent USD 110.9 million in India. Over the past 49 years, JBIC has lent almost USD 24 billion to Indian borrowers. June 7. 2007

Grameen Foundation Launches Village Phone Direct

The Grameen Foundation has launched Village Phone Direct Assistance Center. The program was launched in Nairobi, Kenya, during the International Telecommunications Union's conference. The program comes on the heels of a recent announcement by the Grameen Bank and ITU to reach out to over 3000 microfinance institutions and 100 million borrowers worldwide. The ITU, meanwhile, hopes to leverage support from its 191 member states and 650 private sector members worldwide. Villagephonedirect.com includes a how-to manual, a message board, customizable templates and other information that will help MFIs engage directly with local telecommunications providers to develop Village Phone Direct programs in their communities. June 6. 2007

MIX and UBmatrix Announce Plans To Develop XBRL Financial Reporting

The Microfinance Information Exchange, Inc. (MIX), the world's leading business information provider for the microfinance industry, and UBmatrix, a leading provider of XBRL information exchange solutions, today announced the launch of a new XBRL-based solution designed to streamline and standardize financial information reporting in the microfinance industry. Peter Wall, Executive Director of MIX, states that, "Up until now, the job of reporting information to the exchange was accomplished with a lot of human capital and a lot of patience...As in many industries, financial information in microfinance is done via Excel, Access and a myriad of non-standardized formats." June 6. 2007

African Development Bank and Government of Gambia Wholesaling

The Government of Gambia and the ADB have announced their initiation of the Entrepreneurship Promotion and Microfinance Development Project. The SDF, created by the UN Development Programme in 1998 and partially financed by the ADB, has been recruited to execute the policies of the Gambian project. The microfinance element of the project is based upon the creation of a USD 1.5 million fund. June 6. 2007

Micro Finance Bank of Azerbaijan Sells USD 4.3 million in Shares

The Micro Finance Bank of Azerbaijan (MFBA) sold USD 4.3 million of its shares to six investors: EBRD, Black Sea Trade and Development, IFC, KfW, LFS Financial Systems, and AccessHolding. The European Bank for Reconstruction and Development (EBRD) invested the equivalent of USD 1.1MM in MFBA. To date it has lent more than USD 1B to facilitate more than USD 15B of microloans in the region. Black Sea purchased USD 554,177. The IFC, the private sector arm of the World Bank Group, invested another USD 554,177. KfW, a German development bank established in 1948, purchased USD 1.2MM worth of equity. LFS Financial Systems, a German consulting and management company specializing in micro and small business finance, invested USD 203,176 in MFBA equity. MFBA sold an additional USD 1.25MM in equity to AccessHolding, an LFS sister company established in 2006 which functions as a microfinance investment group. June 6. 2007

World Bank Lends USD 15 Million to Bangladesh's Palli Karma-Sahayak Foundation to Aid Rickshaw Drivers

Reuters reports a USD 15 million microfinance loan by the World Bank to the government of Bangladesh. The capital city of Bangladesh, Dhaka, recently passed a Non-Motorized Transportation ban on major roads within the city. This jeopardizes rickshaw drivers' economic stability. These newly-awarded funds will be directed at those whose livelihood is seriously threatened by the ban. The money will be passed on by the government to the wholesale lender to microfinance institutions, Palli Karma-Sahayak Foundation (PKSF). PKSF was founded in 1990 to provide financial and non-financial services to Bangladeshi MFIs. PKSF had total assets of USD 363 million and operating income (from loans to MFIs) of USD 7.5 million as of July 30. 2005. June 5. 2007

Sri Lanka's Microfinance Act Reviewed

Sanvada, a Sri Lankan non-profit supported by the Centre for International Enterprise, and its founder, the Pathfinder Foundation, a Sri Lankan think tank, hosted an open forum on the Microfinance Institutions Act (MFIA), scheduled to be debated in the Parliament soon. Among those who critiqued the legislation was Dr. S. P. Premaratne, Senior Lecturer in Economics at the University of Colombo with an expertise in microfinance. He stated "The [microfinance] sector in Sri Lanka is minuscule as a proportion of the financial sector...failure of even the largest MFI would not have any impact on the financial sector." He continues that "Existing MFIs in Sri Lanka hardly accept non-members' savings. It is also not sure whether a significant amount of non-members will save in the MFIs since the country has a good formal banking sector." Interest rate caps are another proposal within the bill he warns against. The bill's MFI license system, however, would improve MFI quality and legal safety by making it, "more difficult for unscrupulous individuals to own and manage MFIs". Even still, licenses may create more harm than good, as the supervision of MFIs equates to 30 times the cost of supervising commercial banks. The MFIA states that all costs would be financed by a license fee paid by MFIs. We all know who will pay for this. It was pointed out that 90 percent of MFIs are already regulated by other laws. The general consensus of the meeting was that the lack of regulation has served as "benign neglect" for Sri Lankan microfinance. June 5. 2007

Temenos Wins Banker Award for Microfinance Technology

Temenos Group, provider of integrated core banking systems, announced it was awarded the Banker Award for its system, Emerge, an offspring of the company's modular core banking system T24. Temenos, founded in 1993, has an international client base of over 580 financial institutions in 110 countries. It has an asset base of USD 352.2 million. June 5. 2007

Microbanks as Distribution Channels

The Economic Times, a division of the India Times, reports on the strength of the Indian microfinance industry and its possible innovative role in the supply chain. Large companies like SHARE Microfin Limited, SKS, Basix and Spandana maintain vast customer networks which could in the future be offered services such as medical, education, para-medical, public health and awareness programs, and even talent hunting. Basix managing director NV Ramana says, "Eventually, interest and cost on micro-loans will come down, if MFIs are able to play the role of a distribution channel, as it will amount to a new revenue stream." However, he emphasized the use of the channel for productive asset distribution and perhaps not for non-productive items like soaps, toiletries and other consumables at this time. June 4. 2007

H&R Block and Grameen Launch For-Profit Microcredit in New York

Missouri-based H&R Block, the largest tax services provider in the US, has announced an agreement with Grameen America, a for-profit microfinance institution recently established by the Grameen Trust. Although the pilot scheme will be restricted to New York, Grameen America aims to expand across the United States. Grameen America will offer loans of USD 500-1500 "to foster entrepreneurship among the poor...of New York City." To date, it is unusual that a single organization microlends in both rich and poor countries, although Grameen will join top names US ACCION International and French PlaNet Finance in doing so. In the US, money is cheap and labor expensive whereas the opposite is true in countries such as Bangladesh. So, the mere fact that microlending in rich countries is being taken on by microfinance institutions is significant. Even more significant is the fact that Grameen America and H&R Block intend to make this new branch of business a profit-making venture. June 4. 2007

United Nations Sets Up New Group

In 2005, the Advisors Group of the United Nations Year of Microcredit, which had performed data collection on and analysis of microfinance on behalf of the UN, recommended that the UN create another Advisors Group to continue the promotion of microfinance. The UN responded with the formation of the Advisors Group on Inclusive Financial Sectors. June 4, 2007

Equity Bank Chief Executive Addresses G8 summit

This week's annual G8 summit, an international forum attended by the world's leading economic powers, will include addresses from the CEO of Equity Bank, a Kenyan microbank. Mr. Mwangi's keynote address is entitled, "Contributions of Micro-credits to Overcoming the Spell of Poverty." During a press briefing in Nairobi, the CEO stated: "Our country has become a conveyor belt for channeling resources out (of the country). It's time we got out of colonial mentality that all good things must come from Europe and benefited from our own banking systems." June 4. 2007

Nigerian State Disburses USD 18 million in Microloans

As part of the government's 4-year plan on poverty alleviation, the Ondo state government of Nigeria has been busily microlending. According the government, these loans have reached 27,208 people over the course of the program's implementation. Governor Olusegun Agagu said his administration had lent over USD 18 million to individuals through 13 existing credit windows. Speaking during the kickoff of the micro-enterprises loan scheme, where USD 191,000 in loans was dispersed to 264 beneficiaries, Mr. Agagu stated "The scheme, which is devoid of mandatory deposit and cumbersome qualification procedure, would provide additional value to the society through creation of wealth and additional job opportunities." June 1. 2007

Legatum Group Buys USD 4.5 million Stake in FINO

New Zealand billionaire Christopher Chandler's Legatum group bought a USD 4.5 million stake in Mumbai-based Financial Information Network & Operations Ltd. (FINO). FINO seeks to expand its banking technology business, aimed at microbanks. Legatum is a United Arab Emirates-based investment group. According to LiveMint.com, Legatum spent USD 1 billion on Indian microfinance firms in the past three years. This includes a USD 24 million investment in SHARE Microfin Ltd. in April of this year, an investment of historic proportions. There is no further information available to substantiate this claim of USD 1 billion invested. The only investment currently reported to MIX Market, the financial information clearinghouse, is the SHARE investment. May 31. 2007

India's Development Credit Bank Partners with the Aga Khan

Development Credit Bank (DCB), an Indian private sector bank, is creating its own microfinance business with the help of the Aga Khan Development Network (AKDN), the manager of a network of ten microfinance institutions (MFIs). DCB is seeking to increase its financing of agricultural loans. The Reserve Bank of India (RBI), the nation's central bank, requires that 40 percent of the advances of the DCB be used for what are known as "priority sectors". DCB is currently below the requirement, with 32.73% lent within priority sectors. DCB is already well connected to AKDN. The bank's principle owner is the Aga Khan Fund for Economic Development (AKFED), an agency within AKDN, which holds 29.8 percent of the DCB's equity shares. Another agency of AKDN, the Aga Khan Agency for Microfinance (AKAM), manages the MFI network of AKDN. DCB expects microfinance to comprise 10 percent of its loans outstanding by October 2009. DCB has a loan portfolio of over USD 544 million. May 30. 2007

Facebook Launches a Person-to-Person Lending Service

The sixth most-trafficked web site in the US now has a personal lending element. Facebook, the online social network, yesterday launched a person-to-person lending service managed by Lending Club. The service will allow users to borrow and lend money directly among each other. Borrowers can apply for loans of as much as USD 25,000, but they must have a credit score of at least 640 – approximately the minimum score to be considered a prime borrower – to obtain credit. Lending Club's proprietary LendingMatch system helps lenders identify loans based on pre-set criteria, such as being Facebook friends or being in the same network, group or geography. Lending Club handles user authentication, bank account verification, credit checking, credit reporting, funds transfers and collections. The company generates revenue by collecting a one-time processing fee of 0.75% to 2% of the loan amount from borrowers and a processing fee of 1% of the installment amounts from lenders. May 30. 2007

Philippines Reforms to Increase Microlending

Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, has lessened credit regulations for bank loans in the agriculture and microfinance sectors. First, the BSP has created the Micro-Agri Loan Product (MAP), agricultural bank loans formerly governed by rules for regular loans which now fall under the requirements for microfinance loans. Secondly, non-bank microfinance institutions (MFIs) will now be considered, within the Filipino banking system, as small enterprises. This second change in policy deals with the Magna Carta for Small and Medium Enterprises, which states that each Filipino bank must reserve six percent of its loan portfolio for small enterprises and two percent for medium enterprises. MFIs will now qualify for funding from the six percent of mandatory lending from Filipino banks, providing encouragement for banks to lend to MFIs. According to BSP Trade Secretary Thomas Aquino, the number of banks practicing in the microfinance sector has grown since 2000 from 45 to 204. May 28. 2007

Bankrupted Kenya Akiba Managers Hungry for More

Despite arrest, charges of fraud and a corrupt, bankrupted and failed microfinance institution to their names, at least five top managers of Kenya Akiba Microfinance Limited have emerged in the microfinance industry once again. They are now involved in running the Kenya Business Community Cooperative Savings Company (KBCCSC), formerly the Nairobi Business Community Cooperative Savings (Nairobi BCCS), although it is not registered in the discredited individuals' names. May 23. 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

Rating Methodology for Bolivian Microfinance Clients

Analysts Jose Castro Valdes, Juan Pablo Gil L, Greg Kabance and Sam Fox; published as a Fitch Ratings Criteria Report; New York; April 19, 2007; 6 pages; available at: http://www.fitchratings.com/corporate/reports/report_frame.cfm?rpt_id=323264 (registration required)

This paper is a response to the growing interest in the securitization of microfinance transactions. While focusing on Bolivia, it acts as a useful yardstick for rating methodology elsewhere and provides a comprehensive summary of the process. The authors begin with the "rating rationale" which addresses the approach to rating structured transactions in microfinance, an industry in which the relationship between loan originator and borrower is paramount. Because of this it is difficult to remove the risk of the underlying originator from any transaction, so any rating is closely linked to the credit quality of the loan servicer.

The paper provides a summary of the "Fitch approach to rating microcredit securitization." The steps begin with a review of the credit quality of the underlying servicer, followed by a review of the portfolio's operational and management aspects – a servicer/originator analysis – which is then followed by analysis of the portfolio's characteristics and credit. The final steps of the process cover structural and legal factors and a cash-flow model. The paper then provides a brief outline of the microcredit market in Bolivia (short-term unsecured loans to individuals with little documented financial history) before covering each of these steps in more detail. Significantly, it notes that obtaining information on debtors is done mainly through "word of mouth." Originators often use subjective criteria such as talking with neighbours, and the lending process relies heavily on personal relationships, making such assets difficult to securitize.

The credit quality and servicer/originator analysis is crucial, the authors claim, because the future performance of assets in securitized microcredit is based on the originators' credit quality and the relationship between borrower and lender. Therefore, even with a sufficient back-up sevicer, the bankruptcy of the originator could significantly reduce the likelihood of repayment. The short-term nature of microcredit loans means securitization would involve a longer-term revolving process, creating potential for asset deterioration. This highlights again the significance of a high-quality underlying servicer.

In addressing servicing and originating capabilities, the authors note that given the increased risk in the microfinance sector it has greater significance than in other transactions. The paper provides a list of factors which are considered in this analysis (company history, organizational structure, management experience, financial condition, staffing and training, credit approval policy, recovery capacity, loan surveillance, back-up service provision) and the authors suggest microfinance securitizations require servicers with impeccable operational and management records, relatively strong credit quality and a satisfactory ability to service portfolios.

When assessing credit and portfolios for future performance, Fitch analyzes originators' historical data using a static assessment method (see previous article on microcapital.org). This shows among other things the change in originating and underwriting standards, although the authors suggest this generally requires 3-5 years of data which might prove problematic with many microcredit lenders and MFIs.

The paper then addresses the final stage, "stressed cashflows." Fitch takes the expected loss number and applies a "stress scenario," which is a multiple of the loss, to represent a situation where there are increased loan defaults due to a general deterioration of economic factors and disruption of the servicing portfolio. Fitch would then construct a cash-flow model which incorporates the structural features of each transaction and originator. The output of this model gives the level of credit enhancement needed to survive the various "stress" situations considered. Transactions are then given a rating "at the stress level commensurate with the rating category." The paper then acknowledges that this rating is followed by the necessary legal processes and surveillance of the main variables involved, such as collections levels, prepayments and delinquencies.

Microfinance: A Platform for Social Change

By Marge Magner, founding member and general partner at Brysam Global Partners, published by The Grameen Foundation, Washington, DC, March 2007, 24 pages, available at http://www.microfinancegateway.com/files/40796_file_FINAL_Marge_Magner_white_paper_FINAL.pdf

This paper explores the possibilities of MFIs (Microfinance Institutions) expanding their roles as simply financial providers, in order to provide a basket of products that better satisfy the needs of their client bases. It addresses the current trend of successful businesses partnering up with other establishments to enhance their service range and encourages MFIs to follow suit. The author affirms that MFIs must take into account the unique characteristics of their clients (most often low-income individuals and families) in order to properly assess new and better ways to serve them. She claims that although the lack of access to working capital and other financial services is a major obstacle to climbing the economic ladder, it is not the only one. Other factors cited include hunger and malnutrition, illiteracy, lack of access to basic necessities such as safe drinking water and health services and social isolation and exploitation. The paper consequently asserts that given the fact that the financial services MFIs provide are invaluable tools in combating poverty, this rapidly growing market and its extensive outreach has the potential "to be used as platform to deliver other social and development services necessary for poverty alleviation."

The paper introduces the limitations of the current definition of MFIs. The author focuses on the inability of some customers to convert credit into sustainable income, pulling at statistics such as, "[a]n alarmingly high percentage drop out [rate] (5-30 percent annually in many cases)" and the fact that "[a]ccording to some studies, it takes 5 to 10 years for a poor client to work her way up above the poverty line, and even longer before she has sufficient productive assets to function independently from the microcredit institution." The author attributes these shortcomings to the non-financial factors that she believes play a vital role in the fragile and volatile environment of the poor. The paper goes on to address three specific spheres that hinder the impact of microfinance: health, education and natural disaster.

In response to these hindrances, a solution is suggested in the form of integrated services within MFIs. The author states, "[j]ust as consumer banking should ensure that clients are credit ready before they get their first loan or are extended additional loans or other financial products, microfinance institutions and the sector as a whole have the responsibility to their clients to ensure that they are adequately prepared to engage in and derive meaningful long-term value from a microfinance program." In doing so, the author claims that clients will be in a better position to fully reap the benefits that microfinance has to offer. The paper then goes into specific examples of how such integration services are implemented, citing examples from MFIs currently engaging in the practice, such as Grameen Bank and Pro Mujer. Whether through partnerships with insurance companies in order to provide adequate healthcare to its clients, or incorporating food programs into their services, it is these types of comprehensive methods the paper deems necessary in order for the success of microfinance to grow.

In conclusion, the paper encourages MFIs to step out of the current mold of financial institutions and recognize non-financial aspects of their unique client base. It endorses the concept of "[f]ocusing on client sustainability instead of institutional sustainability." With the integrated services approach, it asserts that the benefits are two-fold: providing clients with meaningful and life-changing tools, while increasing the efficiency of the microfinance sector.

Microfinance and Rural Housing

By T.S. Anand Kumar and Jeyanth K. Newport, published by Indian Association for Savings and Credit (IASC), Tamil Nadu, India, 2007, 18 pages, available at: http://www.microfinancegateway.com/content/article/detail/38474

This paper explores the possibilities for microfinance institutions (MFIs) interested in expanding into the housing sector, focusing on the Indian case for three reasons: demand for rural housing loans is high; many government programs in this area have fallen flat; and MFIs in the region are as yet ineffective in meeting this high demand. The paper begins with an overview of housing microfinance, writing that most success by financial institutions in this field is generated by home improvement loans, while financial services have failed to adequately address land purchase and new housing construction, both of which are still dominated by subsidies.

With such high demand for housing microloans, the primary goal of this type of microfinance is to provide loans that fit low-income needs. Because housing is a basic need, a personal asset and a productive asset, often added to incrementally over time, "progressive build" — incremental construction — is a way to open credit markets to the poor, so they can borrow what they can afford, bit by bit, until project completion. The market potential in India is large, with a 13.72 million household housing shortage as of the 1991 census, with an estimated 10.75 million additional units needed to cover 1991-2002 population growth.

However, with a highly segmented housing market, virtually no supply of credit for housing exists for the moderate- and low-income, with most financial institutions unwilling to extend their services to this demographic. MFIs offer an important channel for market penetration: first to their pre-established network of clients, then extending to other eligible households. Benefits to MFIs include portfolio diversification, mortgage liens, real collateral guarantees, and new clientele. However, a main reason that many MFIs hesitate to engage in the housing market is the questionable profitability of these ventures. Cost vs. affordability, term mismatch, interest rate risk, credit analysis and technical assistance must all be considered in launching housing microfinance programs.

Because such programs are so new in India, institutional and macroeconomic factors specific to the country or region need to be considered. Other housing microfinance models may not be applicable. With the application of a creative and appropriate credit system, however, housing finance can be a viable and profitable business for MFIs. Last, the paper explores the role of governments and donors in housing microfinance: to act as short term catalysts to help MFIs engage in the market until a more long-term solution can be found, such as large-scale private sector investors and financial institutions.

Getting to Scale in Housing Microfinance

Written by Nino Mesarina and Christy Stickney, based on the research of ACCION International and Habitat for Humanity International, published Boston, May 2007, 15 pages, available at: http://www.microfinancegateway.org/files/40678_file_42.pdf

ACCION International, a US-based non-profit which heads a network of 27 microfinance institutions (MFIs), and Habitat for Humanity International analyse housing microfinance (HMF), a new class of microloans intended for housing improvement or building. The study concludes with recommendations to the microfinance industry for expanding into HMF. ACCION and Habitat have compiled data on HMF by interviewing loan officers and managers of ten of ACCION's Latin American partner MFIs, as well as reviewing the institutions' portfolios. Seven of the MFIs researched provide HMF loans, two have HMF pilot programs and the final MFI does not include HMF within its services.

The study defines HMF loans as fairly similar to standard microloans, loans of working capital given to micro and small entrepreneurs. The two loan types both have "small loan amounts, short loan terms and alternative forms of collateral." While comparable to other microloans, HMF loans differ slightly. HMF loans average USD 2,280 in size, whereas micro loans average USD 300 to USD 900. HMF loan terms are longer, often six to 24 months more than other micro loans. Due to extended loan periods, HMF interest rates average less than other micro loans, 24-35% vs. 25-90%. HMF loans also vary in that they require a "construction proposal," detailing estimated costs and a "technical sketch of proposed housing modifications" to verify that finances are used according to the loan agreement. Potential borrowers must also prove house or land ownership.

In addition to comparing HMF to more traditional microfinance, ACCION and Habitat contrast HMF and mortgage-backed loans, which are provided by eight of the MFIs studied. Mortgaged-backed loans stand out as longer-term (lasting over five years), larger and targeted for middle- to high-income borrowers. HMF appeals to poorer clients by providing smaller-loans designed for short-term projects. According to the study, lower income clients often prioritize home repair and incremental building or expansion higher than larger investments, such as realty purchases or full house construction.

Following comparisons, the paper describes HMF's performance during its first four years in Latin America. With an annual growth rate of 36%, the total number of active HMF clients has increased from 15,000 in 2002 to 38,000 in 2005. Growing at an annual rate of 49%, total HMF loans in the nine MFIs' combined portfolio rose from USD 38 million to USD 117 million. These finances accounted for 11.5 percent of the MFIs' total loan portfolios in 2005, up from 6.4% in 2002. HMF loan repayment rates fluctuated between 98-99.5%. Yet, "In spite of this growth, existing housing activity in 2005 accounted for only 5.7% of the total portfolio and only 2.3% of the active clients."

The study identifies obstacles that might hinder the future development of the HMF market including MFIs' success strategy, described as "risk-averse client selection practices." MFIs have expressed a "reluctance" to lend to new borrowers and a strong preference for more established clients. ACCION and Habitat suggest that "MFIs are tapping what they perceive as the safest segment of a big potential market." The study's argument is that this practice leads to excess in HMF demand: all of the would-be clients that MFIs avoid.

Loan officers reportedly have their own reservations about selling HMF. Because of their lack of familiarity with HMF as well as the additional "construction proposal" requirement, loan officers are concerned with losing productivity by spending extra time on HMF transactions. Thus, limits are placed on the number of HMF loans that loan officers will pursue.

Other problems mentioned within the paper are regulatory problems in Colombia and management issues with HMF loans in the participating MFIs. HMF loans are often grouped together with mortgage-based loans in MFI business reports. In other instances, they are not distinguished from other micro-loans at all. The paper's recommendations address these areas with general advice to each point.

The Contribution of Microfinance Institutions to Poverty Reduction in Tanzania

By Severine Kessy and Fratern Urio, published by Research on Poverty Alleviation, Dar es Salaam, Tanzania, 2006, 53 pages, available at: http://www.repoa.or.tz/documents_storage/Publications/Reports/06.3_Kessy_&_Urio.pdf

This research project consisted of questionnaires and surveys administered to 37 microfinance institutions (MFIs) within four regions of Tanzania, as well as many of the clients of the said MFIs, 352 micro and small enterprises (MSEs). "[Micro enterprises are] mostly undertaken in the informal sector [and each] employs fewer than five workers, usually family members, and has very limited fixed assets. A small enterprise, on the other hand, employs more than five workers and most of them are in a formal sector with much higher fixed assets."

According to their research objectives, the purpose of Kessy's and Urio's work is to first "assess whether MFIs direct their services to the poor population and [MSEs]." Secondly, determine "whether conditions and procedures for credit favour these target groups." And thirdly, "to assess whether the customers reached by [MFIs] improved their general performance in terms of growth [of their business], creation of employment and generation of income." Much of the study's data indicates that MFIs improve the business of MSEs.

Of the research sample, 81 percent of MSEs experienced increased levels of profit after receiving loans from MFIs. 50 percent of observed MSEs stated their income levels were higher after attaining an MFI loan. 98 percent answered that access to MFI loans is influential to their plans for future expansion of their businesses. The study also speaks to a possible relationship between economic progress of MSEs and the education of the businesses' owners. Of MSEs with increased profits after receiving an MFI loan, the most prevalent level of education was secondary education, with 37 percent of MSE owners having gone this far in their schooling. In regards to business education, 92 percent of small enterprises are reported to be deficient in "continued business support and training."

Another portion of data displays that 52 percent the studied MSEs considered financial services rendered by MFIs as not helpful, due to undersized loans and short timelines for loan repayment. 48 percent of MFI clients interviewed asserted that interest rates for loans from MFIs were too high. In addition to the statistical work of surveys and questionnaires, the two social scientists utilized a case study of Tanzanian MFI PRIDE Tanzania Ltd.

Access to Rural Finance

Published by the World Bank (WB), UK's Department for International Development (DFID) and the Government of Bangladesh, unavailable online.

The World Bank has completed a study on rural banking and microfinance, with the help of the Government of Bangladesh and the United Kingdom's Department for International Development. Business & Finance Consulting (BFC) was hired to provide an analysis of the Bangladeshi rural market for microfinance. The study examined commercial banks and microfinance institutions (MFIs) practicing in the rural areas of Bangladesh, including the state agricultural banks Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB).

The project concluded with many findings supporting the thesis that there are, according to WB, "constraints to access to rural finance." The study reports that for every unit of currency received by banks from rural clients, only half is lent back to rural regions. Microfinance has been unable to solve this problem, says WB, as "only limited [microfinance] products [have] targeted" small enterprises and small and medium farms. The BKB and RAKUB provide some financial services to rural areas, however their impact is hindered by "very weak financial performance," according to the study. WB and the Bangladesh Bank (BB), the nation's central bank, conducted a review of the study upon its completion. The review depicts the BKB and RAKUB as some of Bangladesh's "most corrupt" banks with extensive losses and "non-performing loans." Commercial banks fail to serve in rural regions. WB asserts this is, "partly because they have a limited branch network and partly because their products and procedures are not customer-friendly and are not suitable for low value transactions." In an effort to increase microfinance to rural micro and small enterprises, WB proposes that BKB and RAKUB run commercially, while remaining under state ownership. WB, DFID and the Japan Bank for International Cooperation (JBIC), a government-run bank founded in 1999 by the Export-Import Bank of Japan, have all pledged to fund the reforming of the two banks. According to WB, reforming the BKB and RAKUB would include the merging and reconstitution of their boards and analyzing the banks' bookkeeping according to International Auditing Standards in order to determine financial losses. It is also proposed that the banks would develop rural loan waivers for humanitarian needs or disaster relief, financed by government subsidies. WB reports that the two banks represent 60 percent of Bangladeshi rural lending volume. WB is also working with the Palli Karma Sahayak Foundation (PKSF), a state-run nonprofit that has provided USD 181 million for microfinance since 1990, to create a computerized system for microfinance to help the microfinance sector expand the volume of their loans to MSEs. The project will also assist MFIs and insurance companies to construct an "index-based weather insurance product," in order to provide weather insurance to rural MSEs and small farmers. ♦♦♦

UPCOMING EVENTS

BRINGING MICROFINANCE TO SCALE: LESSONS FROM THE COMPARTAMOS IPO

JUNE 27, 2007, WEB CONFERENCE: 11AM EST

This one-hour Web conference is organized by ACCION International and hosted by ACCION's President and CEO, Maria Otero, as well as ACCION staff members Elisabeth Rhyne and Lauren Burnhill, and ACCION board chair Alvaro Rodriguez Arregui. The conference will examine "the recent Compartamos IPO and what it will mean for microfinance." Registered members will be able to submit their questions live. https://events.livemeeting.com/1114/9369/reg.aspx.
See last month's MicroCapital Monitor for our special feature on the Compartamos initial public offering.

POVERTY AND CAPITAL

JULY 2 – JULY 4, 2007, MANCHESTER, UK

Sponsored by the Institute for Development Policy and Management (IDPM), the event will bring together members of the Global Poverty Research Group (GPRG) and members of the Brooks World Poverty Institute. For more information please go to http://www.sed.manchester.ac.uk/research/events/conferences/povertyandcapital/, or contact the conference organisers Pr. Maia Green (maia.green@manchester.ac.uk) or Pr. David Hulme (david.hulme@manchester.ac.uk), or dial 44-161-275-2800.

THE FREDERICKS MICROFINANCE CONFERENCE 2007

JULY 13, LONDON, UNITED KINGDOM, THE LONDON STOCK EXCHANGE

The organizers intend to make this event annual. The sponsors include The London Stock Exchange, McGraw-Hill, and A Billion Bootstraps. For more information, please contact Margot Wilson at margot@fredericksfoundation.net or +44(0)791 864 2528, or go to http://www.fredericksfoundation.org.

1ST ASIAN CONFERENCE ON MICROINSURANCE

JULY 25 – JULY 26, 2007, MANILLA, 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 $700 to $1480). For more information, contact Ms Michelle Suppiah (DID 65-63723178 or Email michelle@asiainsurancereview.com), or go to http://www.asiainsurancereview.com/pages/conference_details.asp?id=60.

YOUTH MICROENTERPRISE CONFERENCE: STRATEGIES FOR ENTREPRENEURIAL SPIRITS

SEPTEMBER 10 – SEPTEMBER 17, 2007, WASHINGTON, DC

http://www.ymeconference.org/, Email: whitney@makingcents.com, Skype: ymeconference; Tel. +1-202-783-4090.

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, bringing together "credit union leaders from over 40 different countries." Fees $995–$1345.
http://secure.lenos.com/lenos/omegameetings/woccu07/.

3RD AFRICAN MICROFINANCE CONFERENCE: NEW OPTIONS FOR RURAL AND URBAN AFRICA

AUGUST 20 – AUGUST 23, 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 $500 until July 15 and $650 thereafter. For more information, please contact Conference Secretariat: Global Events Management, Uganda International Conference Centre, Office No. 242, PO Box 33422 , Kampala , Uganda, Tel: +256 41 343 735, Email: gloevents@infocom.co.ug ; Web site: www.amfiu.org.ug .

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 R2800 to Rs3200 for RRB Chairperson/Bank Branch Managers, $175 to $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. The organizers of the conference have extended the call for papers. For more information, contact Dirk Reinhard, Vice Chair, Munich Re Foundation Telephone +49-89-3891-5909, info@munichre-foundation.org, www.microinsuranceconference 2007.org.

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. Limited to 30 participants. 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

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" 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.

OPPORTUNITY FINANCE NETWORK 2007 CONFERENCE

DECEMBER 11 – DECEMBER 14, 2007, MIAMI, USA

Sponsored by the Opportunity Finance Network, this event will "focus on creating a high volume financing system through industry innovations and transformations." The organizers expect the attendance of CFDI and opportunity finance practitioners, CFDI Board members, bankers, regulators, foundation staff, religious investors, and investment managers. For more information, http://www.opportunityfinance.net/knowledge/conference_resource_center/07default.aspx?id=1524, or contact Ed Fischer at efischer@opportunityfinance.net or 215.320.4306. ♦♦♦

MICROFINANCE MARKET INDICATORS: MIDDLE EAST AND NORTH AFRICA (MENA)

7 COUNTRIES | 35 MFI'S REPORTING [1]

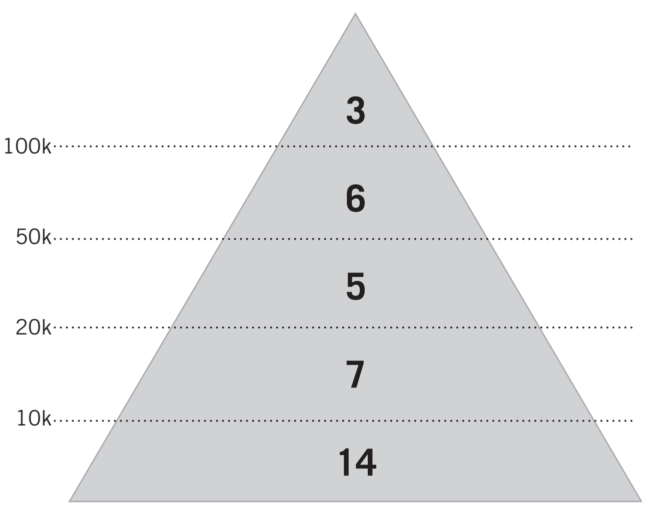
Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia, Yemen

POWERED BY mix Microfinance Information eXchange

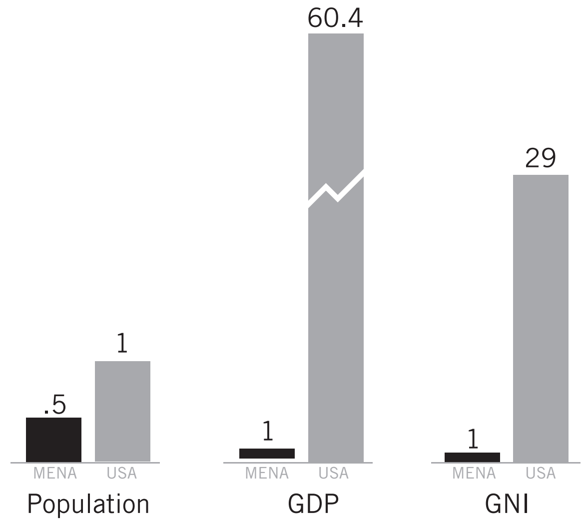
TOP 10 MFI'S BY NUMBER OF BORROWERS

404,934	Association Al Amana for the Promotion of Micro-Enterprises, Morocco
367,744	Fondation Zakoura, Morocco
113,781	Fondation Banque Populaire Pour Le Micro-Credit, Morocco
93,516	Banque du Caire, Egypt
81,316	Egyptian Small Enterprise Devlopment Foundation, Egypt
76,378	Fondep Micro-Credit, Morocco
68,911	Dakahlya Businessmen's Association for Community Development, Egypt
59,526	Alexandria Business Association, Egypt
57,143	Lead Foundation, Egypt
39,190	Enda Inter-Arabe, Tunisia

NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



MENA TO USA RATIOS



Total Population (mm) [6]	147.8
GDP (US$ mm) [6]	$219,300
GNI per capita (US$) [3, 6]	$1,509
Population Density (inhab/sq km) [6]	82
Microcredit Penetration [4]	1.08%
Total Number of Active Borrowers (mm)	1.6
Total Number of Voluntary Savers (mm) [5]	0
Voluntary Savings (US$ mm) [5]	$0
Average Loan Balance Per Borrower (US$) [2]	$579
Total Equity (US$ mm)	$245.8
Gross Loan Portfolio (US$ mm)	$640.3
Women Borrowers	65%

(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 reporti ng to MIX are considered. (4) Calculated using ratio of Total MFI borrowers to Total Population (5) It is uncertain whether legal and/or religious restrictions prohibit the ability of MFIs in the region to offer savings. "Voluntary" savings as a result may not be reflective of end-borrower interest in saving as a general practice. (6) Represents total of 7 countries reporting to MIX as indicated at top of this page.

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

Intellectual Capital Advisory Services Pvt. Ltd (Intellecap)

CONSULTING FIRM, MUMBAI, INDIA

Intellectual Capital Advisory Services Pvt. Ltd (Intellecap) is an Indian consultancy firm, based in Mumbai, which works in business innovation, capacity development and investment initiatives in the development sector. The organisation works in strategic advisory roles as well as in the direct design of initiatives aimed at leveraging profit-oriented solutions to resolving poverty.

The management team at Intellecap consists of the Executive Director and four team leaders. Co-founder, Executive Director and board member Vineet Rai has 12 years of experience working in the development, social venture capital and small and medium enterprise sector. He is also a founding partner of Aavishkaar India Micro Venture Capital Fund, Asvishkaar Goodwell Microfinance Fund and Rural Innovation Network, a business incubation fund. Mr Rai holds a post-graduate diploma in forestry management from the Indian Institute of Forest Management, based in Bhopal. Mr. Rai also sits on the board of directors for CASHPOR, an Indian microfinance institution.

Anurag Agrawal, team leader, had previously worked for ICICI Bank in India (see previous Microcapital Monitor) before joining Intellecap. Mr. Agrawal focuses on capital and investment advising and has experience working in financial modeling, equity valuations and business planning. He has also helped Intellecap develop and execute the franchising of microfinance across India.

Aparajita Agrawal is also a team leader. Ms. Agrawal gained experience in microfinance, project evaluation and microenterprise training development and delivery with CARE India prior to joining Intellecap. With Intellecap, Ms. Agrawal works within knowledge management as well as strategic communication advising and information management.

Manju Mary George has experience working in the microfinance sector with Kudumbashree, a microfinance and microenterprise initiative of the state government of Kerala. As a team leader with Intellecap, Ms. George has lead Intellecap's product development and the design and delivery of training. Ms. George's primary focus is in microfinance/microcredit operations and financial analysis.

Shree Ravindranath was a co-founder of a social enterprise focusing on livelihood enhancement before becoming a team leader with Intellecap where she leads operational strategy, growth and resource management. Ms. Ravindranath also has experience in strategic and operational consulting for microfinance institutions and small and medium enterprises.

In addition to Mr. Vinjeet Rai, the Intellecap board is made up of 3 further members, all of whom are co-founders of the organisation. Ms. Swati Rai has 11 years of experience working in market research and development. Before launching Intellecap she had worked for the Gujarat Ecology Commission and Euromonitor, a market research firm. Ms. Rai also has an MBA from the Indian Institute of Forestry Management.

Pawan Mehra has 9 years of experience in venture capital and investment in both India and the US. He is founder of the US chapter of the GIVE foundation, connecting charity projects between the US and India, and has experience working with the Honey Bee Network at the Indian Institute of Management – Ahmedabad (IIMA) which works with micro-entrepreneurs. He has also worked closely with the Grassroots Innovation Augmentation Network (GIAN). Mr. Mehra has a degree in engineering from the Delhi Colelge of Engineering and an MBA from the IIMA.

Upendra Bhatt has more than 10 years experience in planning, consulting and project management. He is also currently a director on the board for the US chapter of the GIVE Foundation, and, prior to co-founding Intellecap, he worked in the infrastructure sector, collaborating with the World Bank, KfW and the Japanese Bank for International Cooperation (JBIC). Mr. Bhatt has worked for UPS; Skanska AB, a construction group, and Itochu Corporation, a Japan-based multinational. He also has a degree in engineering from the Delhi College of Engineering and an MBA in international relations from Thunderbird, the US graduate school for international management.

Aga Khan Development Network (AKDN), Switzerland

NON-PROFIT DEVELOPMENT AGENCY

Aga Khan Development Network is a non-profit, non-denominational organization founded by His Highness the Aga Khan, leader of the Shia Imami Ismaili Muslims. In 1957, His Highness the Aga Khan began constructing agencies to provide social and economic development services to 20 nations across Africa, the Middle East, and Asia, where his Muslim people resided. Now renamed as AKDN, these agencies incorporate microfinance into their programs. In addition to the agencies' microfinance operations, AKDN manages a network of 10 microfinance institutions (MFIs). As of June 2006, AKDN's combined microfinance portfolio amounts to USD 52 million in loans outstanding, with 97,000 clients in 12 countries.

His Highness the Aga Kahn, Prince Karim, is chairman of AKDN. Prince Karim is grandson of

STICHTING DOEN POSTCODE LOTERIJ

Buys USD 900,000 of shares in

ProCredit HOLDING

CGAP

publishes focus notes on the recent IPO of

COMPARTAMOS Oportunidades Financieras

grandfather's office in 1957. Two years later, he received his bachelor degree in Islamic History at Harvard University. Prince Karim chairs the board of directors for three AKDN agencies: Aga Khan Fund for Economic Development (AKFED), Aga Khan Foundation (AKF) and Aga Khan Trust for Culture (AKTC). He also serves as Chancellor of Aga Khan University (AKU). Prince Karim has received awards from governments of Europe, the Middle East and Africa, as well as having received a 1998 Gold Medal from the City of Granada. Universities from Canada, Pakistan, the United States and the United Kingdom have presented the Prince with honorary degrees.

Jacques Toureille is director for Aga Khan Agency for Microfinance (AKAM). As AKAM director, Mr. Toureille manages the entirety of AKDN's microfinance business. Mr. Toureille is also Chairman of the Board of First MicroFinanceBank (FMFB) of Tajikistan. In 2005 he was appointed to serve in the United Nations Advisors Group on Inclusive Financial Sectors, a UN research and advocacy group on microfinance. In March of this year, Mr. Toureille was honored to have FMFBs of Afghanistan and Pakistan, both AKAM institutions, awarded top transparency awards from the Consultative Group to Assist the Poor.

Iain Cheyne serves as director of AKFED. His agency founded FMFB of Afghanistan, assists the microfinance business of FMFB of Tajikistan, and executes microcredit programs in India and Pakistan. The AKFED director serves as Chairman of the Board of FMFB of Tajikistan. Mr. Cheyne also serves on the board of Habib Bank Ltd., a private Swiss bank founded in 1967. He is also a director of the Development Credit Bank Ltd., a private Indian bank. In 2001 Mr. Cheyne was chairman of the Kyrgyz Investment and Credit Bank.

David Bonbright is director of AKF. He is also founder of Keystone Investments Inc., an investment company with a focus on social development. Originally, Mr. Bonbright chose law as a profession. While practicing law, he founded several citizen-led organizations for social development, including the Development Resources Centre and SANGONeT, both in Johannesburg, South Africa. He has previously directed the AKDN's Civil Society Programme, which advocated civil rights and led to the creation of the Pakistan Centre for Philanthropy, a Pakistani charity.

Salim Jiwani, director of AKF's Aga Khan Rural Support Program, has over 13 years of experience in the microfinance industry and consults on financial policy for ShoreBank International Ltd. According to ShoreBank, Mr. Jiwani led the endeavor to transform Pakistan's first NGO Microfinance Programme into an MFI. Working with USAID, Mr. Jiwani runs a project in Pakistan, Advancing Microfinance for Post-disaster Economic Reconstruction.

Luís Monreal is director of AKTC. One of AKTC's three main programs, the Historic Cities Programme (HCP), includes a microcredit operation in Egypt. Mr. Monreal is a Spain-born historian and archaeologist. In 1974, Mr. Monreal began his service as secretary general of the International Council of Museums. In 1985 Mr. Monreal became director of the Getty Conservation Institute, a scientific organization devoted to the field of historic conservation. Also before joining AKTC, he directed the United Nations Education, Scientific and Cultural Organization (UNESCO).

Dr. Stefano Bianca has served as head of HCP since 1992. A Swiss architect and architectural historian, Dr. Bianca received his doctorate from ETH Zurich, a Swiss university. He has worked in urban design and conservation projects in Baghdad, Iraq, and Riyadh, Saudi Arabia. In 1991 and 2000 respectively he published two books: HoFaus und Paradiesipten and Urban Form in the Arab World. ♦♦♦

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