MicroCapital Monitor

THE CANDID VOICE FOR MICROFINANCE INVESTMENT

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MICROCAPITAL BRIEFS | TOP STORIES

Blackstone and Carlyle Considering Microfinance

According to The Economic Times of India, “the private equity interest in microfinance is reaching a crescendo with heavyweights such as the Blackstone Group and the Carlyle Group willing to invest in the sector.” A source was quoted as stating that, “They are keen on making huge investments, but they are yet to decide on the MFIs [microfinance institutions]. Since most of the big MFIs are saturated with funds, they may need to look at multiple investments in smaller MFIs.” The fat cats are in the game. October 12. 2007

Independencia of Mexico Plans IPO This Year

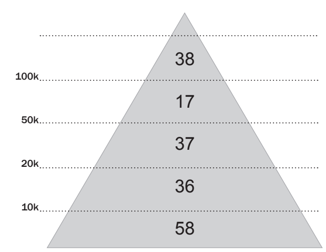
According to CCN, “Mexican microfinance lender Financiera Independencia SAB, in which HSBC Holdings Plc owns a minority stake, plans to list its shares on the local stock exchange later this year. In a prospectus filed with the Mexican Stock Exchange, Independencia said it plans to list up to 20% of the company, or 136 million shares including an overallotment of 17.7 million shares, through primary and secondary offerings in Mexico and international markets. Although the date and initial share price weren’t disclosed in the prospectus, Independencia provided an estimated price range of MXN 22 to MXN 30 a share, which would value the company at 14.96 billion pesos (USD 1.38 billion) to MXN 20.40 billion (USD 1.89 billion)... Founded in 1993, Independencia operates as a multiple-purpose finance company serving 695,000 clients through 124 offices in 86 cities.” Since the Compartamos IPO earlier this year, the microfinance world has been humming with ambition to list on public exchanges. October 19. 2007

BRAC Launches $90m Bond

The Bangladesh Rural Advancement Committee, known as BRAC, has announced plans to issue a Tk 700 crore (USD 90 million) zero coupon tax free bond, with which it will loan money to small and tenant farmers in the Bangladeshi countryside. BRAC plans to issue the bond, known as the ‘BRAC Bond for Agricultural Funding,’ in either December 2007 or January 2008, with Citibank, N.A. Bangladesh acting as lead arranger. BRAC was founded as a non-profit, non-governmental organization (NGO) in 1972 and now has total assets of USD 394 million, a debt / equity ratio of 238% and a return on assets of 6.9%. Zero coupon bonds are bonds that do not pay interest during their lifetime. Instead, investors buy zero coupon bonds at a deep discount from their face value, which is the amount a bond will be worth when it matures. On maturity, the investor will receive a lump sum equal to the initial investment plus interest that has accrued. The implicit interest on the BRAC bond is expected to be around 12%. In addition, the BRAC bond investors will also receive the lump sum on maturity tax-free, as the Bangladesh government has made zero coupon bonds tax-free in an effort to encourage the use of bond financing. BRAC is targeting the bond at commercial banks, insurance companies and other financial institutions, though it is also considering a public offering, with the possibility of raising the limit of the bond to Tk 1000 crore (USD 140 million). October 4. 2007 ◆◆◆

SOUTH ASIA REGION (SA)

NUMBER OF MFI’S BY TOTAL NUMBER OF ACTIVE BORROWERS



MF INDICATORS - PAGE 12

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

CDC Bets Big on Minlam and Considers Public Listing
The United Kingdom's CDC Group Plc, the UK government-backed private equity emerging markets fund-of-funds investor, is investing USD 30 million in a new microfinance hedge fund run by New York-based Minlam Asset Management LLC (MAM). Called Minlam Microfinance Offshore Fund, the hedge fund will provide local currency credit to microfinance institutions (MFIs) operating in emerging markets across Central & South America, Asia, CIS & Eastern Europe and Africa. According to the Financial Times, the fund has raised USD 40 million, which includes money from private equity investor John Muse. The commitment to the Minlam Fund takes CDC's overall investment in microfinance-related funds to USD 42.7 million since 2004 and is by far the biggest investment so far for CDC in the microfinance arena. It has been rumored that CDC will be floated on the London Stock Exchange after Morgan Stanley, the financial services provider, prepared a report on the Group's strategic options. Reports in the UK press added that a partial flotation is the most likely option, with the government diluting its holding to a minority stake and giving CDC a market value of USD 4.1 billion to 5.1 billion. October 19. 2007

Women Advancing Microfinance (WAM) Holds Panel on Compartamos IPO
The Washington Chapter of the association Women Advancing Microfinance (WAM-DC) organized an industry panel to discuss the initial public offering (IPO) of Mexican MFI Compartamos. The panelists included: Kate McKee, Senior Advisor for Policy, Outreach and Aid Effectiveness, CGAP; Monica L. Brand, Vice President and Program Manager, ACCION International; Brad Swanson, Partner, Developing World Markets and Andree Simon, Deputy Director, FINCA International. Access to the audio recording of the discussion is available on MicroLINKS at http://www.microlinks.org/ev_en.php?ID=19218_201&ID2=DO_TOPIC. October 19. 2007

IBM and Grameen Foundation to Expand Open-Source Mifos
IBM's 2006 Innovation Jam was a global brainstorming session involving over 150,000 clients, partners and employees across 104 countries. Based on the viewpoints of the participants during the Jam, IBM committed to advancing ten initiatives with the potential for grand-scale breakthroughs. The purpose of these investments is not only to incubate new business areas for IBM but also to make a positive impact on critical global issues. The Grameen Foundation's open source Mifos software platform will enjoy the contributions of IBM employees and others. October 18. 2007

Swiss responsAbility Loans $1m to Fundación CAMPO and COOPROGRESO
responsAbility Microfinanz-Fonds, a Luxembourg-based fund, has granted a loan of USD 219,997 to Fundación CAMPO, a Latin America microfinance institution (MFI) and a loan of USD 733,326 to another Latin America MFI, COOPROGRESO. The Microfinanz-Fonds fund is managed by responsAbility Social Investment Services Ltd., a Swiss investment firm founded in 2003 that specializes in microfinance investments. The fund's portfolio is financed by its shareholders; Bank im Bistum Essen, a German cooperative financial institution, and Stadtsparkasse Düsseldorf, a German bank. Fundación CAMPO, based in San Miguel, El Salvador, has a total assets of equivalent USD 3.33 million which consisted of a gross loan portfolio of equivalent USD 2.65 million. Return on assets for the MFI was 4.86%, and it had return on equity of 6.39%. COOPROGRESO, based in Ecuador, is a credit cooperative founded in 2003. The MIX, the microfinance data clearinghouse, indicates that the MFI had 16,648 active borrowers representing a total loan portfolio of equivalent USD 50.5 million and an average loan balance of equivalent USD 3,037 as of December 2006. October 18. 2007

Kinnevik Invests $14m in African Microfinance Institution Bayport Financial Services
Investment AB Kinnevik, a Stockholm-based international investment firm, invested USD 14 million in the African microfinance institution (MFI) Bayport Financial Services. The financing is provided as a combination of debt and equity. As of June 2007, Investment AB Kinnevik held USD 3.96 billion in total assets. The financing of Bayport is the second major investment in the area of New Ventures for Kinnevik this year. In May, the firm invested in Gateway TV, a company which offers satellite-based pay-TV services in Sub-Saharan Africa. Bayport, founded in 2002, currently has 1,000 employees and 61 branches in Zambia, Tanzania, South Africa, Ghana and Uganda. Bayport serves 150,000 clients. Bayport deploys teams that travel to villages to disperse loans. Thirty to forty percent of borrowers take out loans to pay for education. Twenty percent borrow to fund home improvements. The rest of the loans serve various functions, including funding small businesses and consolidating more expensive debt. Bayport's loans range in size from just USD 20 up to USD 1,500. The average loan issued is USD 250. No further financial information on Bayport is currently available. October 18. 2007

Kenyan Equity Bank to Buy Housing Finance
The Treasury, Central Bank and Capital Markets Authority have approved the purchase Housing Finance by Kenyan Equity Bank. Both organizations' share price on the Nairobi Stock Exchange gained by the maximum allowed price change for two days in a row. October 18. 2007

Popular Theater Mocks "Fraudulent" Microfinance Firms in Uganda
The alleged fraud of Front Page Micro Finance and three other microfinance firms in Uganda, as reported on MicroCapital on 21 September 2007 has been satirised in Uganda's annual comedy event, the Grand Comedy Show. Staged by Theatre Uganda, the Grand Comedy presents a series of skits that mock current events in the country. Recently they have added a new skit to their repertoire called "Funk Microfinance" in which the alleged cheating microfinance institutions appear. October 17. 2007

Vodafone and Safaricom's Kenyan M-PESA Follows Philippines Success
A recent article in the Christian Science Monitor highlights the growing number of Kenyans using M-PESA, a cellphone to cellphone cash-transfer service. (The M is for "mobile" and pesa is "cash" in Swahili.) Launched earlier this year by Safaricom Limited, the largest cellphone provider in Kenya, M-PESA was developed by Telkom Kenya Limited, a government-owned telecommunications operator, and Vodafone, the largest telecommunications company and fourth-largest company in the world with over 54 million subscribers in 25 countries. In an April 2006 brief titled "Mobile Phones for Microfinance," the Consultative Group to Assist the Poor (CGAP) identifies three ways that cellphones can be used for financial services. In Japan and some Nordic countries, cellphones are linked to credit

cards or bank accounts and can be used to make micropayments in place of a customer's existing credit or debit card. This service is called m-commerce and is typically used to pay for small expenditures such as public transportation fare or vending machine items. A second use of cellphones is as a banking channel. Customers deposit money into their bank accounts at local branches or ATMs and then use their mobile phones as the primary means of making payments, transferring money and balancing inquiries. Finally, cellphones can be used as electronic money (e-money). Customers load money onto their phones at accredited outlets and are then able to store, withdraw or transfer funds, or use the virtual money to pay for products at stores and restaurants. Customers can also use their e-money to repay loans or make deposits in microfinance institutions (MFIs). M-PESA is of this third variety, sometimes referred to as a "virtual wallet." 450,000 Kenyan customers attest to the speed and reliability of M-PESA through their continued use of the service. The technology behind M-PESA is nothing new. Similar e-money products have been around for years. In the Philippines Smart Communications, the leading wireless services provider in the country with 25.5 million customers, offers several cash remittance services: Smart Money, Smart Padala and Smart Remit. Globe Telecom's G-Cash, launched in 2004, provides similar services to Filipino customers. It has over 1,800 accredited outlets throughout the country. Because of the convenience of cellphone cash-transfer services, many banks are beginning to adopt such systems, as well as modifying the systems into all-out cellphone banking services. Few countries have laws that constrain the activities of non-bank entities which provide bank-like products and services. In such an environment with little regulation and insecure financial infrastructure, an instance of fraud or bankruptcy by a major player could destabilize consumer confidence and inflict long-term economic damage. October 17. 2007

IFC Invests in Advans to Start Up in Cameroon and Ghana

IFC will invest equity of about USD 540,000 and up to USD 520,000 in Advans Cameroon and Advans Ghana respectively, two "greenfield" or new microfinance institutions (MFIs). Both institutions were recently formed by Advans S.A. SICAR, formerly known as La Fayette Investissement, a company based in Luxembourg that makes equity investments in newly established and early-stage MFIs in developing countries. IFC's equity investments are expected to be followed by loans and advisory services. Advans was created by Horus Development Finance, with the backing of several development financial institutions: Agence Française de Développement, European Investment Bank, Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden NV, IFC and KfW Entwicklungsbank. Total committed share capital is EUR 14.1 million. October 17. 2007

Indian Government-owned Baroda to Establish Microfinance Division

The Bank of Baroda, a state-owned Indian bank, plans to establish a microfinance division. As of March 2007, the Bank of Baroda had 38,000 employees, 2,700 branches, USD 36.4 billion in total assets and a return on assets of 0.72 percent. The bank has identified 350 "thrust branches" that it will equip to offer microfinance services in the coming year, which is also the bank's 100th year in operation. It has founded an institute for microfinance in Jaipur and appointed 90 field employees to execute the bank's programs. In addition, the bank will establish over 400 Farmers' Clubs in order to provide local people with advice on agricultural and financial issues, form 300 new self-help groups and train 4,000 youths and women for employment through a program called Baroda Swarozgar Vikas Sansthan (BSVS). The bank will also sponsor six months of microfinance training for certain qualifying youths. October 16. 2007

The Indian 'Missing Market' as a Business Opportunity

Livemint.com, a partner of the Wall Street Journal, reports as follows: "Till recently, lending to the poor and underprivileged had been an obligation under the law for commercial banks. Now, they are looking at this segment as an opportunity. A recent study of banking services in Bihar by Diviya Wahi, a manager with ICICI Bank Ltd, India's largest bank by market value and second largest in terms of assets, shows that a bank branch in Bihar covers 23,000 people against the national average of 15,000. Bihar has 45,103 villages, covered by 3,989 branches of various banks. This translates into one bank branch for every 13 villages. The distance between two bank branches is 18-20km. Wahi is in favour of setting up local financial institutions (LFIs) that can tie up with banks. This model helps banks to lower their costs, as they do not need to invest in rural branches. She also suggests that more than 9,000 village panchayats or local administrations in Bihar can play a major role by offering their offices as nodal points for connecting LFIs with the clients." Livement.com presents this situation as a ripe opportunity. October 16. 2007

responsAbility Lends to Thaneakea Phum and PRASAC

responsAbility Global Microfinance Fund, a Luxembourg-based fund, has issued a loan of USD 500,000 to microfinance institution (MFI) Thaneakea Phum (Cambodia) Ltd (TPC) and a loan of USD 4 million to PRASAC MFI Ltd. As of January 2007, the fund had total assets of USD 96.1 million of which USD 89.5 million was allocated to microfinance. Thaneakea Phum (Cambodia) was founded in 1994 as part of the Small Enterprise Development program of Catholic Relief Services (CRS), an international relief organization. In 2002, the MFI officially incorporated to become TPC and in 2003 received a license from the National Bank of Cambodia to act as a microfinance institution. TPC has total assets of equivalent USD 7.6 million which consisted of a gross loan portfolio of equivalent USD 7.1 million. Return on assets for the MFI was 11.38%, and it had return on equity of 21.00%. At the end of 2006, TPC serviced 55,860 active borrowers of which approximately 88.8% are women. The average loan balance per borrower is equivalent USD 128. PRASAC MFI Ltd was founded in 1995 as the credit component of a project funded by the European Union and implemented by three ministries of the Royal Government of Cambodia. PRASAC has total assets of equivalent USD 26.2 million which consisted of a gross loan portfolio of equivalent USD 22.1 million. Return on assets for the MFI was 3.37%, and it had return on equity of 6.88%. October 15. 2007

Oikocredit Lends $1.3m to PRIZMA and $2.1m to Cambodian Entrepreneur Building

The Consultative Group to Assist the Poor (CGAP) and the MIX reported that Oikocredit, a co-operative financial development institution in the Netherlands, has issued two loans to microfinance institions: one of USD 1.3 million to PRIZMA, a MFI in Eastern Europe, and another of USD 2.1 million to Cambodian Entrepreneur Building Limited (CEB). As of December 2006, Oikocredit had total fund assets of equivalent USD 455.7 million of which USD 198 million was allocated to 306 MFI investments. PRIZMA, based in Bosnia, was founded in 1997. Year end 2006 the MFI had total assets of equivalent USD 17.1 million which consisted of a gross loan portfolio of equivalent USD 15.9 million. Return on assets for the MFI was 9.85% and it had return on equity of 17.61%. At the end of 2006, the MFI serviced 20,896 active borrowers. The average loan balance for borrowers is equivalent USD 763. Second, Cambodian Entrepreneur Building Limited (CEB) was founded in 1995 and according to its year end 2006 numbers had total assets of equivalent USD 13.2 million which consisted of a gross loan portfolio of equivalent USD 12.2 million. Return on assets for the institution was 3.97%, and it had return on equity of 17.18%. At the end of 2006, the CEB serviced 15,112 active borrowers. Average loan balance per borrower is equivalent USD 813.
October 15. 2007

Rickshaw Operators Cut Out Dealers with Microloans

An article in the Hindustan Times reports that a growing number of microfinance institutions (MFIs) are lending to rickshaw operators and competing with local dealers who rent rickshaws to pullers. This growth is fueled by the fact that many dealers are obtaining very high returns on investment (up to 84 percent per annum), while MFIs are offering cheaper loans and promoting ownership. The total cost of opening and operating a rickshaw business is approximately USD 340 the first year, which includes the cost of purchasing the rickshaw, basic maintenance and repairs, a passing license, a pulling license and renting space to keep the rickshaw. Operating costs drop to about USD 213 in subsequent years. The average rickshaw puller who rents from a dealer pays about USD 0.70 per day as rent, or roughly USD 255 per year. This means that, in the amount that pullers are paying to a dealer just in rent, they could afford to buy their own rickshaw (USD 127) in less than five months. Bandhan, for example, a Kolkata-based MFI, offers loans at an interest rate of 12.5 percent and has given out nearly 47,000 loans to help people purchase their own rickshaw. Under Bandhan's plan, a USD 127 rickshaw would ultimately cost the borrower USD 143 (INR 5,625), and would likely be fully paid off in just one year. Bandhan, founded in 2002, has 411 branches in India, 449,000 active borrowers and a gross loan portfolio of USD 30 million. It has USD 31.7 million in total assets, a 9.1 percent return on assets and a 131.2 percent return on equity. October 12. 2007

Legatum Invests $8.4m in Intellecap of India

Legatum Capital, a private firm that invests in global capital markets and social development initiatives, has invested USD 8.4 million in Intellecap, a company based out of Mumbai and Hyderabad, India, which provides business advisory services to investors and organizations seeking both financial and social returns. Among the services offered by Intellecap is Intellecash, a microfinance best practices franchise package that, according to the website, provides franchisees "with the information, systems, and processes that are required to start and manage profitable microfinance operations." Intellecap consults to some of the biggest names in Indian microfinance. In addition, Intellecap also manages www.microfinancegateway.org for CGAP of the World Bank, which until recently was the most popular microfinance website in the world. Intellecap is making preparations to further develop its services in India, as well as to expand to other countries in the near future. This deal is not the first time the two organizations have collaborated. In May of this year, Legatum made the largest microfinance equity investment to date, investing USD 25 million to acquire a majority stake in SHARE Microfin Limited, India's largest microfinance institution (MFI). Intellecap acted as Legatum's financial adviser on this landmark transaction. The same month that Legatum landed in the record books, the Dubai-based firm also bought a USD 4.5 million stake in Financial Information Network & Operations Limited (FINO), a banking technology company based in Mumbai that seeks to help microfinance lenders "bring urban to the rural." Less than a month later, Coronet Capital, a wholly-owned subsidiary of Legatum, acquired a 13 percent stake in A.Little.World, a company which integrates a microfinance model with a new multi-bank payment system. Legatum was founded in 2006 by New Zealand-born billionaire Christopher Chandler. The firm has over USD 1 billion invested in the Indian stock market, mainly in financial institutions. It has stakes in ICICI, India's largest private sector bank in terms of market capitalization and second-largest in terms of overall assets with USD 79 billion; Housing Development Finance Corporation Limited (HDFC), a premier housing finance company; HDFC Bank Limited, a commercial bank with INR 912 billion (USD 23.1 billion) in total assets as of March 2007; Axis Bank (formerly UTI Bank), the first private sector financial institution approved by the Reserve Bank of India which currently holds INR 733 billion (USD 18.5 billion) in total assets and others. October 10. 2007

Citi Foundation Gifts USD 100,000 to PlaNet Finance

The Citi Foundation, the grant-making foundation of international financial services firm Citigroup, has pledged a USD 100,000 grant to PlaNet Finance, the French non-profit company that assists microfinance institutions (MFIs) and runs subsidiary microlenders, towards the development of a microfinance training curriculum in Arabic. This will be aimed at MFIs in seven Arab countries and delivered through 50 course modules designed to provide them with skills in human resources, planning and strategy, products, accounting, supervision and finance. There will be five-day training sessions in Casablanca, Cairo, Beirut, Amman, Ramallah, Damascus and Sana'a over the next three years. The Citi Foundation disbursed USD 92 million in grants in 2006. October 10. 2007

MicroCredit Enterprises Lends to EDPYME Alternativa of Peru and Tchuma of Mozambique

MicroCredit Enteprises, a microfinance investment firm based in Sacramento, California, has issued two loans totaling over USD 1.1 million to two separate microfinance institutions (MFIs). EDPYME Alternativa of Peru was granted a loan of USD 700,000 and Tchuma of Mozambique received USD 400,000. MicroCredit Enterprises is a non-profit organization that leverages private capital to promote micro-enterprises. EDPYME Alternativa is a non-bank financial institution that provides financial services to micro-enterprises in the northern and eastern regions of Peru with total assets of equivalent USD 8.2 million, which included a gross loan portfolio of equivalent USD 5.2 million. Return on assets for the MFI was 0.95 percent, and it had return on equity of 5.11 percent. At the end of 2006, the MFI serviced 11,353 active borrowers of which approximately 57 percent are women. Tchuma (Tchuma Cooperativa de Crédito e Poupança), a savings and loan cooperative in Maputo, Mozambique, was founded in 1998 and provides credit and savings services to entrepreneurs in Mozambique, particularly women. As of December 2006, the institution serviced 9,004 active borrowers. According to its most recent submission to the MIX, the microfinance data clearinghouse, it had total assets of equivalent USD 3.3 million and a gross loan portfolio of equivalent USD 2.6 million. Return on assets was 2.39 percent, and return on equity was 4.29 percent. October 10. 2007

A.Little.World Draws Big Investors Enam Financial and Legatum Capital

Enam Financial, a leading Indian financial service provider, has picked up a ten percent stake in A.Little.World, a company which integrates a microfinance model with a new multi-bank payment system in order to bring mainstream banking capabilities to the large population of un-banked rural Indians. The amount of investment was not disclosed. A.Little.World is in the middle of piloting a project that is designed to help facilitate the movement of various financial services from bank branches located in urban centers to entrepreneur "operators" who can carry out transactions in the most remote of villages using low-cost technology. The low-cost solution is the collaborative effort of A.Little.World and NXP Semiconductors, a company founded by Phillips Electronics in 2006. It is a mobile phone equipped with a biometric fingerprint authenticator, a contactless smart card, a printer and secure communication technology co-developed by NXP called Near Field Communication (NFC). According to NXP's website, NFC technology allows for "instant yet completely secure access" to various services and is available on select phone models from Nokia, Motorola, Siemens BenQ and Samsung. The total cost of the device is USD 633. A.Little.World is also partnering with Zero MicroFinance Savings and Support Foundation, a non-profit organization that works with self-help groups and entrepreneurs to establish local "operators" in rural villages and trains them to conduct banking transactions. The pilot is currently being conducted in 280 villages in seven states with the partnership of several banks from the private and public sectors: State Bank of India, Union Bank of India, Axis Bank (formerly UTI Bank), Andhra Bank, State Bank of Hyderabad, Andhra Pradesh Grameen Vikas Bank and Development Credit Bank. Five months ago, Coronet Capital, a wholly-owned subsidiary of Legatum Capital, an international investment firm, acquired a 13 percent stake in the company. See more information on Legatum above in an October 10 brief. October 9. 2007

Rating Fund Posts Seven New Microfinance Reports

The following institutions have recently had their rating reports added to The Microfinance Rating and Assessment Fund's (Rating Fund's) list of rating reports: Agency for Finance Kosovo, Microfinanza Rating, March 2007; Buusaa Gonofaa Ethiopia, Planet Rating, July 2007; CCA Cameroon, Microfinanza Rating, May 2007; CEP Vietnam, Planet Rating, August 2007; Credit Cambodia, Planet Rating, August 2007; People's Forum India, CRISIL, September 2007; Seilanithih Cambodia, CRISIL, September 2007. The Rating Fund was founded in May 2001 by the Inter-American Development Bank (IDB) and the Consultative Group to Assist the Poor (CGAP). The European Union subsequently joined the Rating Fund in January 2005. October 9. 2007

DOEN Foundation Grants $200k to Help Launch International Association of Microfinance Investors (IAMFI)

The DOEN Foundation, the Dutch charitable fund and co-founder of Triodos-Doen Foundation, will provide a USD 200,000 grant to aid the establishment of the International Association of Microfinance Investors (IAMFI), according to Program Manager of Financial Sector Development at DOEN Jeroen Loots. The IAMFI is an organization that will seek to increase investment in microfinance from the private sector by disseminating credible industry data, drawing responsible investors, establishing best practices and exploring opportunities to influence public policy. According to an IAMFI mission statement, prior to the formation of the organization, a working group was assembled to "lay a strategic foundation for its establishment." The group consists of 14 members from nine organizations including Morgan Stanley, Unitus, Blue Orchard Finance, and the Inter-American Development Bank. Sam Moss of Gray Matters Capital currently serves as the Interim Chair. October 9. 2007

ResponsAbility Lends over $1m to Peru-based Edpymes Proempresa

ResponsAbility Global Microfinance Fund, a Luxembourg-based fund, has granted a loan of USD 1.02 million to Edpymes Proempresa, a Latin America microfinance institution (MFI). Edpymes Proempresa, based in Lima, Peru, was founded in 1998 and has total assets of equivalent USD 22.3 million which consisted of a gross loan portfolio of equivalent USD 17.7 million. Return on assets for the MFI was 2.05%, and it had return on equity of 9.58%. At the end of 2006, the MFI serviced 19,602 active borrowers. October 8. 2007

IDB, Andean Development Corporation (CAF), and Economist Intelligence Unit (EIU) Present "Microscope," New Index to Compare Microfinance Climates Across Countries

A new index commissioned by multilateral financial institutions Inter-American Development Bank (IDB) and Andean Development Corporation (Corporación Andina de Fomento or CAF) debuted in El Salvador at the 10th Inter-American Microenterprise Forum during the first week of October. The IDB and CAF commissioned the index, called "Microscopio" or "Microscope," from the Economist Intelligence Unit (EIU), a specialized service of The Economist newspaper that provides country, industry and management analyses. Microscope uses 13 criteria relating to investment climate, regulatory framework and degree of institutional development to rate the favorability of conditions in a country for microfinance. The index is designed to allow for comparison between countries and analysis of the strengths and weaknesses of the business climate for microfinance in each country. In its first run, the index evaluated 15 Latin American countries: Argentina, Brazil, Bolivia, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela. Interestingly, three relatively small, poor Andean nations came out ahead of the wealthier, larger competition. According to Microscope, the countries with the best conditions for microfinance are Bolivia, Peru and Ecuador, respectively. El Salvador, Dominican Republic, Nicaragua and Paraguay followed in the ranking. Venezuela and Argentina were ranked lowest. October 4. 2007

FX Consortium Launched

The FX Consortium has been founded by players in the US microfinance industry to provide a "Foreign Exchange Risk Mitigation Service." Its aim is to help microfinance institutions (MFIs) that want to use complex financial processes, such as hedging, to manage their hard currency foreign debt obligations. The founders of the scheme and members of the steering committee which will oversee the project during its infancy are: Microrate, a rating agency dedicated to the evaluation of microfinance institutions; Global Partnerships, a non-profit microfinance vehicle with over USD 10 million in fund assets; Linkwell Capital; ACCION International, a global non-profit organization that supports MFIs and has a portfolio of USD 2 billion; Calvert Foundation, a non-profit microfinance vehicle with over USD 80 million in fund assets, and Calmeadow, a Canadian firm. Calmeadow runs and finances two microfinance funds: ProFund Internacional, worth USD 22 million, that invests in Latin America, and AfriCap Microfinance Fund, worth USD 15 million that focuses on Africa. The Consortium's role will be to aggregate the hedging needs of its MFI stakeholders and to organize a hedging service that provides a financial or possibly risk enhancement guarantee. During the next six months, while the project is being established, the Consortium aims to develop a workable business model, raise USD 10-20 million in funding and establish itself as an investment grade legal entity. October 3. 2007

First MicroFinanceBank and Pakistan Post Agree to Collaborate

First MicroFinanceBank Limited (FMBL), the first NGO turned microfinance institution in Pakistan, and the Pakistan Post, the national postal service, have formed a partnership. First MicroFinanceBank will use its 82 branches, combined with the 4,000 sub-offices of the Pakistan Post, to provide financial services. The participants estimate that this partnership will result in disbursement of PKR 15 billion (USD 247 million) to millions of clients in the next three to five years. The MIX, the microfinance data clearinghouse, reports that First MicroFinanceBank Limited had a gross loan portfolio of USD 11 million, total assets of USD 27.7 million and a debt-to-equity ratio of 133.75 percent as of December 2006. Their return on assets was 0.45 percent, and their return on equity was 1.01 percent. October 3. 2007

Alliance for Christians in Development (ACID) Work with Schoolchildren

The Alliance for Christians in Development (ACID) Trust, a non-governmental development organization based in Uganda which, among other projects, provides microfinance services to rural women and youth, will be extending microloans to parents who cannot afford to pay their children's school fees. Typically, fees cost about USD 35 per term. A September 2006 report by Save the Children indicated that 1.1 million primary-aged children in Uganda are out of school, the majority because they cannot afford uniforms, books and basic supplies. Under ACID Trust's program, the plan is that parents will borrow from the trust interest-free, invest the money to make a profit, pay back the loan and save the remainder to put toward their children's education. Funds are not only available to parents, but to children – specifically the large population of orphans in the country. ACID began as an HIV/AIDS NGO over 20 years ago but transformed into a microcredit provider. ACID has branches in seven countries: Uganda, Kenya, Rwanda, Burundi, Sudan, Tanzania and the United States. At this time, no financial information is available for either the Alliance for Christians in Development or the US chapter, known as American Christians in Development. October 2. 2007

Lonrho to Acquire 51% of Mozambican Socremo

Lonrho, the British conglomerate that is rapidly growing a portfolio of investments in Africa, has announced that it has signed a letter of intent to acquire 51% and Board control of the second largest bank in Mozambique, Socremo Banco de Microfinancas. The transaction is subject to Reserve Bank of Mozambique approval. Socremo was founded in 1998 as a "non-bank financial intermediary" and in May 2004 obtained a license to become a microfinance bank. The MIX, the microfinance data clearinghouse, indicates that it had total assets worth USD 13.5 million, a debt / equity ratio of 274% and a return on assets of -2.0% as of December 2006. It has 30,000 customers; and, according to Lonrho, the number of accounts at the bank has grown 160% during the past year, leading to an increase in its credit portfolio of 103%. To achieve its takeover, Lonrho has agreed to buy out a number of smaller shareholders. Those who will remain alongside Lonrho are AfriCap Microfinance Fund, the Dakar-based USD 15 million equity investment fund dedicated to the microfinance industry in Africa, with a 21% holding; Gabinete de Consultoria e Apoio a Pequena Industria (GAPI), a local development financial institution for small and medium enterprises, with 11%; and Nordic MicroCap, a Swedish microfinance fund, with 10%. The remainder of the equity will be held in Socremo's Treasury. According to AfriCap Microfinance Fund, Socremo is seeking further equity capital so it can meet the USD 3 million minimum regulatory capital required for it to become a commercial bank, which would allow it to offer additional financial services. Lonrho has a historic interest in Africa, as it was founded as the London and Rhodesian Mining Company in 1909. After demerging its mining business in 1990s, it is now re-investing heavily in Africa. October 1. 2007

Central Bank of Nigeria Approves Conversion

The Central Bank of Nigeria (CBN) has approved the conversion of the Olabisi Onabanjo University Community Bank Limited into a microfinance bank. The community bank has operated on the campus of Olabisi Onabanjo University (OOU) in Ago-Iwoye, Nigeria, since March 2003, and the majority of its shareholders are affiliated with the university. One source reports that, in its first year in business, the bank made a surplus that was "far in excess of its total paid up capital," but no other sources were found to corroborate this information. No further information was found on the OOU Community Bank. September 28. 2007

Deutsche Bank Securitizes Subordinated Microcredits

Deutsche Bank, a global investment bank based in Germany, has launched "db Microfinance-Invest Nr. 1," the world's first externally-rated securitization of subordinated microcredits. These subordinated loans will benefit 21 microfinance institutions (MFIs). There are three tranches making up the transaction structure. The senior tranche which is worth EUR 36 million (USD 50 million) has been subscribed to by the bank's private clients who have become increasingly interested in microfinance, such as high-net-worth individuals, foundations and church-affiliated institutions. It has been given a BBB rating by Fitch Ratings, the international credit rating agency. The mezzanine tranche is worth EUR 20 million (USD 28 million) and has been subscribed to by KfW Entwicklungsbank, a specialist bank for international development that is part of KfW Bankengruppe, which in turn is 80% owned by the German federal government. The junior tranche is worth EUR 4 million (USD 6 million) and has been taken up by Deutsche Bank itself. The bank does not make public details about the rates of return. Investors have subscribed to tranches for periods of 7 to 7.5 years. As this is the first product of its type, Deutsche Bank and its partners waived a certain proportion of their fees in order to help the asset class become established. For example, the international law firm Freshfields Bruckhaus Deringer, provided the bank with pro bono legal counsel. Deutsche Bank plans to launch a follow-up vehicle in the first half of 2008.
September 28. 2007

AIG Awards $1m to Pro Mujer Argentina

Pro Mujer Argentina was awarded a USD 1 million grant from American International Group (AIG). The three-year grant will support Pro Mujer Argentina's financial and health services and help finance its loan portfolio. September 28. 2007

Ugandan Government Subsidizes Solar Power with Microfinance

The Rural Electrification Agency (REA) of Uganda, a semi-autonomous public-private partnership created by the Ugandan Government, has announced a 45% subsidy, up from the current 14%, on all solar power equipment. The subsidy will be will be promoted through a network of rural microfinance institutions (MFIs) and non-government organisations (NGOs), who will be providing a cash payout to those who install the solar systems or a loan or a loan-offset. The new policy is part of the solar power component of the Energy for Rural Transformation (ERT) programme, a 10-year plan that aims at increasing electricity access to rural areas. Only 5% of Ugandan households have access to electricity, according to government figures, and only 3% in rural areas. The target is to reach 10% by 2012. So far solar power has made little headway in Uganda, as current devices are expensive, with the smallest solar lantern (5 watts) costing USD 88-147 in a country where four out of 10 people live on less than a dollar a day. In the past six years, the government has installed less than 10,000 solar systems.
September 27. 2007 ◆◆◆

CORRECTION

Due to a reporting error, we inaccurately stated last month that the Co-Operative Bank's new USD 50 million microfinance fund would be distributed via the Global Commercial Microfinance Consortium (GCMC). However, the GCMC will have no responsibility or involvement in the bank's new fund. The Co-Operative Bank will control funds distribution of the new fund, and the new fund will invest in funds similar in structure to the GCMC. We apologize for this error. ◆◆◆

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

PAPER WRAP UP

MDGs and Microcredit: An Empirical Evaluation for Latin American Countries

By Ricardo Bebczuk and Francisco Haimovich, published by CEDLAS, Universidad Nacional de la Plata, March 2007, 43 pages, available on the Microfinance Gateway at http://www.microfinancegateway.org/content/article/detail/39791

The results of the paper indicate that less than 10% of poor households surveyed in Latin America have access to credit. Nonetheless, the authors' exploratory statistics prove credit is indeed positively correlated to both an increase in income and an increase in household education. Furthermore, the increase in probability of completing secondary school is on average higher than the increase for primary school. However, it is important to note the results varied across countries. No gender effects were apparent in the analysis to support the Millennium Development Goal to promote gender equality and empower women.

Mr. Bebczuk and Mr. Haimovich use household survey data from numerous Latin American countries to estimate the degree to which credit affects household income as well as the probability of children attending both primary and secondary school. The paper aims to determine the suitability of using microfinance as a tool in reaching the Millennium Development Goals (MDGs), specifically the goals to (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, and (3) Promote gender equality and empower women.

The authors begin with an introduction to the paper and a review of the literature and existing hypotheses. In Section 2, the content and main features of the household database are described, and statistical data is presented. Section 3 contains the authors' econometric analysis and their empirical findings on the effect of credit on labor income and primary and secondary school attendance of the poor households. Here, the authors run multi-variate regressions to generate their impact estimate. Section 4 contains microsimulations conducted by the authors to assess the overall effect of increases in credit.

The authors conclude that microfinance can increase household income and improve education rates only if a household is willing and able to take advantage of such services. The authors suggest the most lasting effect of a microfinance program is the experience of participating in such a program. Behavioral changes, interaction with other prospective microentrepreneurs, the access to business and technical expertise and the opportunity to connect with non-bank and bank financial intermediaries all contribute to the enduring effects of a microfinance program. Additionally, the authors believe that although microfinance is a relatively powerful tool, it has limits for meeting the Millennium Development Goals. According to Mr. Bebczuk and Mr. Haimovich, microfinance should not be considered an end-all solution to global poverty alleviation, but should augment other long-term initiatives.

Ricardo Bebczuk is Licenciate in Economics at the Universidad Nacional de La Plata in La Plata, Argentina. Mr. Bebczuk holds a Master in Banking Disciplines (joint degree from Universidad Nacional de La Plata and Universita di Siena, Italy), and a Master of Sciences and PhD in Economics from University of Illinois at Urbana-Champaign. Mr. Bebczuk is Chief Economist at the Center for Financial Stability in Buenos Aires, and has served as a consultant for the Secretary of Finance on the reform of the financial system and for private consulting and risk rating agencies. He has been a researcher in projects with the IDB, the World Bank and the OECD.

Francisco Haimovich is also a faculty member of the Universidad Nacional de La Plata, specifically in the university's School of Economic Sciences Center for the Study of Distribution, Labor and Social Affairs (CEDLAS). Education and employment information on Mr. Haimovich was not available.

The Universidad Nacional de La Plata is one of the leading educational institutions in Argentina. It currently has over 75,000 regular students, 8,000 teaching staff, 16 faculties and 106 available degrees.

Group Lending and the Role of the Group Leader: Theory and Evidence from Eritrea

By Remco van Eijkel, Niels Hermes and Robert Lensink, published by University of Groningen, The Netherlands, 2007, 26 pages, available on the Microfinance Gateway at http://www.microfinancegateway.org/content/article/detail/43084

This paper explores the monitoring behaviors of entrepreneurial borrowers in a group lending environment. The paper describes a model to explain differences in monitoring behaviors and to explore the impact of group leaders on overall monitoring efforts. The authors use empirical data from Eritrea, a small country in East Africa, to prove their theoretical models. Previous research on group lending has explored whether group lending mitigates moral hazard behavior or improved repayment performance, but this paper builds on that previous research by specifically analyzing why someone chooses to become a group leader and how monitoring efforts are distributed across group members.

The paper contains ten sections. The first section introduces microfinance and explains the paper's intent to explore the group leader's role in group lending. The paper's primary purpose is to answer the question, "Why does someone volunteer to be a leader even though to become a leader is costly and typically brings no financial benefit?". The authors present a theoretical model to explain why. In section two, the authors describe the main characteristics of existing models on joint liability lending. Section three contains a description of a basic group lending model with three asymmetric borrowers. In section four, the authors show moral hazard is present if no peer monitoring exists. Section five contains details on monitoring methods and technology for both group leaders and group members. The authors introduce their benchmark case in section six, a group without a leader. In section seven, the authors introduce a group leader and then derive to baseline models. The first model contains a leader with the most profitable venture, and the second model has a leader who is the second most profitable in the group. Section eight explores a mathematical explanation for group leader selection. Section nine includes empirical evidence from group lending programs in Eritrea. In section ten, the authors provide their conclusions.

The authors conclude that monitoring efforts of borrowers in a group at equilibrium will differ from each other due to the asymmetry in loan benefits, particularly when one borrower stands to gain more from the use of a loan than other borrower. In a group, the borrower with the business or project that will generate the highest profit will put in the highest amount of monitoring effort to ensure the continuation of the lending opportunity. The authors also note that if one member begins to contribute more to monitoring efforts, other members may reduce their efforts. If a leader is added to the group, it is likely the leader will supply more monitoring effort due to the reduced per-member monitoring costs. Consequently, non-leaders are likely to reduce their efforts. So, although per-member monitoring costs are lower for a leader, the leader's total monitoring cost increases. The authors point out that it is beneficial for the most profitable entrepreneur to be the group leader. Therefore, the probability that the least profitable borrower is monitored effectively is higher than if another member became the leader. Moreover, if the group leader is the most profitable group member, the probability that the least profitable borrower puts in a high effort is maximized.

Beware of Bad Microcredit

By Steve Beck and Tim Ogden, published by Harvard Business Review, September 2007, 2 pages, available by subscription or paid order at http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml;jsessionid=KXJGQ4O2KVZMCAKRGWDR5VQBKE0YIISW?id=F0709C&referral=8636&_requestid=45396

In their short article published in the Harvard Business Review, Steve Beck and Tim Ogden warn that, though microcredit programs can be highly effective, companies need to exercise caution before investing in them because of the risk for such investments to backfire, both from a social development and a public relations standpoint.

Increasingly, companies are investing in microcredit initiatives as part of their corporate social responsibility (CSR) systems. They are attracted by the seemingly endless upsides: the prospect of alleviating poverty, the non-handout ideology of helping poor entrepreneurs help themselves and the lure of regaining their investments, thus helping more people with less money.

Mr. Beck and Mr. Ogden speak from experience when they state that microcredit has the potential to be effective in increasing school enrollment, empowering women, improving nutrition and increasing household incomes. The two currently work at Geneva Global, a seven-year-old charitable investment advisory firm that encourages its philanthropist clients to invest in, among other ventures, responsible microcredit programs. Mr. Beck is the CEO and Mr. Ogden is the Chief Knowledge Officer. Currently, Geneva Global has USD 58.3 million in client investment, 126 worldwide staff and investments in 110 countries. According to the article, in the past three years, they have brokered investments in over 150 microcredit providers.

This article argues that despite the hype, poverty is resistant to silver bullets. Though a plethora of heart-warming case studies exists, there is little systemic evidence suggesting that microcredit borrowers escape poverty directly, quickly or frequently. While there is a shortage of data demonstrating the benefits of microcredit, there is also evidence that some programs may actually exacerbate problems by spiraling borrowers further into debt.

In a recent analysis by MIT's Poverty Action Lab, researchers Abhijit Banerjee and Esther Duflo evaluated dozens of studies on the economic habits of the poor. Their findings indicate that, regardless of country or continent, very little of each additional dollar of disposable income is spent on any kind of investment, or even on food and shelter. This confirms what many heads of microfinance institutions (MFIs) have admitted privately and what John Hatch, the founder of FINCA International, has said publicly—90 percent of microloans are spent on current consumption, not on stimulating enterprise. The authors cite Bangladesh as an example of the low impact that microcredit has on development. In 1991, Bangladesh was ranked 136th on the UN Development Programme's Human Development Index. In 2006, despite high microcredit penetration (one in four households had a microloan in 2001), Bangladesh was ranked 137th.

The dangers of bad investment are twofold. From a social development perspective, investment in ineffective microcredit programs siphons funds from the best programs and threatens their continued operation. From a corporate public relations standpoint, companies that make low-value or harmful investments risk attack for the impact of their CSR activities. Recently, many companies have been exposed for attempts to "green wash." As reporters cover more and more stories on failed microcredit ventures, organizations may receive bad press for "poverty washing." Experts in the industry are also increasingly wary of the sweeping promises of microcredit. In this environment, an investment in the wrong microfinance provider could not only fail to help borrowers escape poverty, but also taint the reputation of even the most well-intentioned investor.

There are several promising trends in the industry, including improvements in outcome measurement and reporting, influx of capital with precise financial and social benefits requirements and growth of commercial MFIs with the scale and discipline to drive down costs of service delivery. These trends are just emerging, and, as in any program, expert due diligence is critical.

The main challenge for CSR leaders looking to make informed investments in microcredit is still the lack of standardized, easily accessible, outcome-based measures that would foster better decision making.

In order to make the best possible investments, the authors encourage leaders and their organizations to do three things.

1) Insist on a set of clearly-defined measures of success (income growth, quality of housing, school enrollment and nutrition) and be willing to pay for the measurement.

2) Invest in improving the effectiveness of the entire microcredit industry, for example, by supporting literacy training for borrowers or improving access to technology that decreases the cost of lending.

3) Seek out opportunities to support small- and medium-sized enterprises (SMEs) in regions of poverty.

Ultimately, the article concludes, businesses that create stable jobs and strong economies are the only proven poverty reducers.

Beyond Good Intentions: Measuring the Social Performance of Microfinance Institutions

By Syed Hashemi, Focus Note no. 41, May 2007, published by CGAP, 12 pages, available at http://www.cgap.org/portal/site/CGAP/menuitem.da0167f15fefd3016780801059101 0a0/

Syed Hashemi at CGAP, the Consultative Group to Assist the Poor, has put together this overview of social performance measurements of microfinance institutions (MFIs), outlining the requirements, current methods and need for a common set of indicators. He describes the eight most common current systems and also introduces the Common Reporting Initiative that has been designed by the Social Performance Task Force (founded in May 2005 by the Argidius Foundation, CGAP, and the Ford Foundation) to provide a common set of indicators with which all the systems can work.

Mr. Hashemi highlights the major problem with social performance measurement: there is no standardized format or agreement on how it should be done, unlike the formulae for measuring financial performance. Therefore it is hard to prove whether MFIs are really doing what they have advertised to their investors and stakeholders, and whether what they are doing is to a standard that is adequate.

The task force has defined Social Performance as the effective translation of an institution's social goals into practice in line with accepted social values; these include sustainably serving increasing numbers of poor and excluded people, improving the quality and appropriateness of financial services, improving the economic and social conditions of clients, and ensuring social responsibility to clients, employees and the community they serve.

Mr. Hashemi provides case studies that prove that social performance measures matter, dismissing the argument that ongoing need is alone enough to prove that an MFI is required by its customers and doing its job. Social performance can be a driver of financial performance. For example, Prizma, a MFI in Bosnia, has shown that by implementing a social performance management system it can improve client retention by 10-25%, which covers the cost of the system as well as providing a profit.

One of the hurdles in social performance measurement is that different organizations measure different aspects of an MFI's activities, so there has been a lack of consensus on what factors indicate social performance. The task force believes that the MFI needs to be measured on: Intent and Design; Internal Systems and Activities; Output; Outcome; and finally Impact, which relates any change in client circumstance back to the MFI in question.

The current 8 systems in practice all look at different steps in this combination of indicators, but not all of them together.

CERISE Social Performance Indicators Initiative

This tool assesses the MFI's intentions and actions, determining whether it has the means in place to attain its social objectives. It examines outreach to the poor and excluded, adaptation of products and services for target clients, improvement in social and political capital, and corporate social responsibility.

SPA Tool

This tool looks at six dimensions of outreach: breadth, depth, length, scope, cost, and worth of outreach to clients and the community, data which is found in the MFI's financial and client information.

ACCION SOCIAL Tool

SOCIAL is an acronym for the six elements of social performance that the ACCION tool seeks to capture: social mission, outreach, client service, information transparency, association with the community, and labor climate.

CGAP–Grameen–Ford Progress out of Poverty Index (PPI)

The index is designed to represent a set of globally comparable client-level

indicators, using "poverty scorecards". The scorecards are based on statistical analysis of national household expenditure surveys. They use a small set of simple, easily observable indicators to estimate the share of clients who are below an established USD 1–2 per day poverty line.

FINCA's Client Assessment Tool (FCAT)

FCAT is a tool that includes demographic information, loan information, household expenditures, asset accumulation, social metrics (health, housing and education), business metrics and client satisfaction and exit interview questions.

Three ratings agencies are introducing social rating as a complementary product to credit rating:

M-CRIL's Social Rating

M-CRIL is piloting a social performance rating tool that covers both organizational systems and results, including client-level indicators. It analyzes mission statements, policies and internal systems of the organization.

Microfinanza Social Rating

Microfinanza has two ratings, the first being very similar to M-CRIL and the second being a more simplified version of the first.

Planet Rating

Planet is conducting pilot ratings that are entirely based on information that comes directly from the MFI.

The task force is establishing a set of indicators that can be used by all these systems called the Common Reporting Initiative. The task force now has over 150 members working within the microfinance industry and has tried to develop indicators that are conceptually clear, simple, practical, cost-effective, statistically rigorous and comparable across countries, with an attempt to bridge the gap in microfinance reporting between institutional and client-level information. A draft outline of the Core Social Performance indicators features as an appendix of the focus note, and the MixMarket, as a member of the taskforce, has agreed to highlight this format and make social performance data available through its website. ◆◆◆

UPCOMING EVENTS

2007 SEEP Network Annual Conference

October 22 – October 26, 2007, Washington, USA

The Small Enterprise Education and Promotion (SEEP) Network's 2007 Conference is themed "Powering Connections." Pre-conference events will occur by invitation only on October 22 – October 24. Primary conference workshops and plenary activities will begin on Thursday, October 25. Workshops will be geared toward poverty, finance, health and the value chain. Sample topics include (1) "Powering Connections" between microfinance institutions and capital markets and (2) effectively integrating market, finance and technology in value chains for better results in rural development. For a complete program-at-a-glance, download http://www.seepnetwork.org/files/5570_file_program_at_a_glance.pdf. The fee to register for the primary conference is USD 225/day for SEEP network members and USD 300/day for non-members. To register, visit http://www.seepnetwork.org/section/ac_2007/how_to_register. For additional inquiries, contact Jeanne Long at +1 202 884 8392.

Paths to Learning: Successful Innovations in Rural Microfinance

October 28 – November 14, 2007, Bolivia, Ecuador and Peru

Sponsored by the Ford Foundation and Procasur Corporation, the Paths to Learning system will also tour Asia in April 2008 and Africa in October 2008. The program employs a rigorous travel schedule with the intent of enhancing participants' analysis and management skills. In-the-field training covers the design and implementation of new solutions in financial services serving poor rural populations through the study of and direct dialogue with best practitioners on each continent. More information may be sought at http://www.procasur.org or from bbudinich@procasur.org or jmoreno@procasur.org.

Microfinance Dialogue: The Next Decade

November 2, 2007, Medford, Massachusetts, USA

Quite a few top thinkers in the industry will be on hand at Tufts' Fletcher School to state their positions and engage in discussion with the audience. Topics are to include:

- Microfinance and the Capital Markets – Who Benefits?
- Microfinance and Soft Money – What Is It's Best Use?
- Microfinance and the Next Decade – What's Next?

Dialoguers will include top figures from ACCION, AIU Business Development, American International Group, Banco Compartamos, Cooperacion Andino De Fomento, Developing World Markets, Harvard Business School, Harvard University, M-CRIL, MicroRate, NABARD, Omidyar Network, Tufts University and Yes Bank, Ltd. Admission is free, but attendees are asked to register at: http://fletcher.tufts.edu/ceme/events.html. No direct telephone number is given, but the university switchboard can be reached at +1 617 627 3700.

Microinsurance Conference 2007

November 13 – November 15, 2007, Mumbai, India

This event is in its third year and will be 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, but registration was scheduled to close in August. For more information, Tel: +49 89 3891 5909, or visit http://www.microinsuranceconference2007.org.

Microfinance in Russia: Building an All-Inclusive Financial System

November 14 – November 16, 2007, Moscow, Russia

This conference will focus on the "role of microfinance in improving access to financial services in Russia." Registration fees range from 8,287 to 11,960 Rubles (USD 330 to 480) for one participant. Discounts are available for multiple participants from one organization. For more information, call +7 495 258 68 31 or +7 495 258 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.

UPCOMING EVENTS (CONTINUED)

TBLI (Triple Bottom Line Investing) 2007 Europe

November 15 – November 16, 2007, Paris, France

Brooklyn Bridge-TBLI Group, the Dutch consultancy and conference organiser specializing in triple bottom line investing, is hosting what it claims to be the largest regular global event on Socially Responsible Investment (SRI) in November. The event will have participants and speakers from microfinance institutions (MFIs), as well as investment bankers, social entrepreneurs, fund managers, researchers, environmentalists and all kinds of SRI stakeholders from around the globe. The rate to attend the conference for both days (including the gala dinner) is EUR 1,295 (USD 1,840), or EUR 865 (USD 1,230) for non-profits. Packages are available for those wishing to attend one day only. To register for the conference, go to: http://www.regonline.co.uk/Checkin.asp?EventId=129975. For sponsorship details, please contact Brooklyn Bridge at +31 0 20 4286752 or visit http://www.tbli.org.

Building Financial Systems for the Poor: How Funders Can Make a Difference

November 19 – November 23, 2007, Denpasar, Indonesia

This seminar aims to provide an overview of contemporary microfinance and address state-of-the-art principles and practical recommendations for how donors, investors and policymakers can effectively help build financial systems that serve poor people. Techniques and tools for managing microfinance projects and investments and criteria for evaluating, managing and promoting microfinance projects and investments will also be covered. The cost is USD 1,500. For more information about this program, visit http://cgap.org/direct/training/training.php or contact Natasa Goronja, ngoronja@themfmi.org.

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" for the 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 +1 215 320 4306; or go to http://www.opportunityfinance.net/knowledge/conference_resource_center/07default.aspx?id=1524.

Microfinance for the Institutional Investor

January 14 – January 15, 2008, New York, USA

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

The African Banking Technology Conference

February 19 – February 21, 2008, Nairobi, Kenya

March 13 – March 14, 2008, Lagos, Nigeria

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

Asia-Pacific Microcredit Summit Campaign 2008

March 4 - March 6, 2008, Islamabad, Pakistan

Hosted by the Pakistan Poverty Alleviation Fund (PPAF). More information about the upcoming summit to follow at http://www.microcreditsummit.org/summit/upcoming.htm.

Cracking the Capital Markets III

March 10 - March 11, 2008, New York, USA

The third ACCION conference on microfinance investment, sponsored by Credit Suisse, will bring together money managers, bankers, institutional and private investors, as well as leaders of hedge funds and rating agencies—many as yet unfamiliar with microfinance—with senior staff of microfinance funds and leading MFIs to learn about the opportunities, challenges and realities of microfinance investment. For more information, please call +1 617 625 7080. ♦♦♦

MICROFINANCE MARKET INDICATORS: SOUTH ASIA REGION (SA)

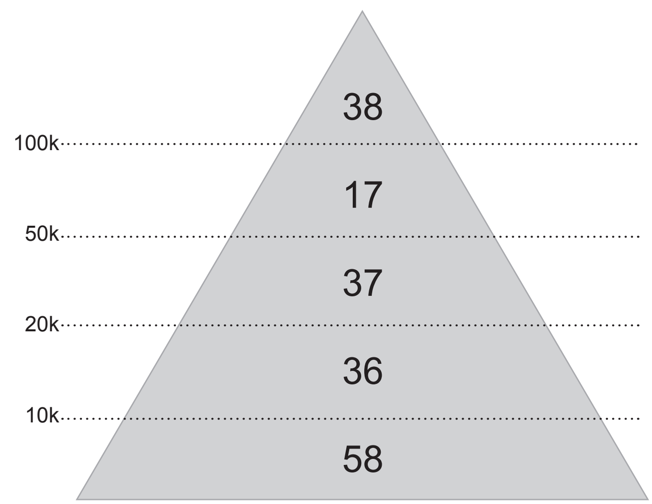
6 COUNTRIES | 186 MFIs REPORTING [1]

Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka

POWERED BY mix Microfinance Information eXchange

Total Population (m) [2]	1464.5
Gross Domestic Product (USD m) [2]	$1,015,200
Average GNI Per Capita (USD) [2, 3, 4]	$792.3
Average Population Density (inhab/sq km) [2]	371.6
Microcredit Penetration [5]	2%
Total Number of Active Borrowers (m)	29.21
Total Number of Voluntary Savers (m)	11.51
Voluntary Savings (USD m)	$394.9
Average Loan Balance Per Borrower (USD) [6]	$136.9
Total Equity (USD m)	$662
Gross Loan Portfolio (USD m)	$2,523.7
Women Borrowers	84%

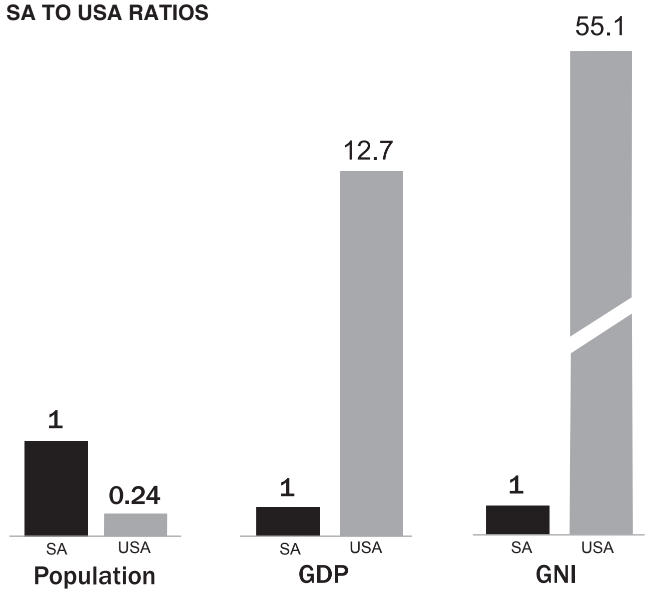
NUMBER OF MFIs BY TOTAL NUMBER OF ACTIVE BORROWERS



TOP 10 MFIs BY NUMBER OF BORROWERS

6,287,000	Grameen Bank, Bangladesh
5,121,561	ASA, Bangladesh
4,054,897	BRAC, Bangladesh
1,587,166	PROSHIKA, Bangladesh
916,261	Spandana, India
826,517	SHARE, India
512,963	SKS, India
501,523	TMSS, Bangladesh
449,214	Bandhan (Society and NBFC), India
443,532	SKDRDP, India

SA TO USA RATIOS



(1) Denotes only MFIs that report to Microbanking Bulletin (MBB) or MIX. (2) Represents total of 6 countries reporting to MIX as indicated at top of this page. (3) Based on World Development Indicators, 2005. Averages are weighted using total population. Only countries with MFIs reporting to MIX are considered. (4) "GNI" indicates Gross National Income. (5) Calculated using ratio of Total MFI borrowers to Total Population. (6) Simple average over all MFIs in region.

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

WHO'S WHO IN MICROCAPITAL

MicroCredit Enterprises

NON-PROFIT MICROFINANCE GUARANTEE FUND, USA

MicroCredit Enterprises is a non-profit organization based in Sacramento, California, that leverages private capital to promote micro-enterprises throughout the developing world by issuing loans and guarantees to creditworthy microfinance institutions (MFIs). Founded in 2005, MicroCredit Enterprises' loan portfolio includes 17 MFIs in 12 countries, impacting 235,000 poor people. The balance of total loans issued is USD 9.3 million, and MicroCredit Enterprises' current loan default rate is 0.00%. The organization allocates 3% of its loan portfolio or USD 300,000 to budgeted expenditures. The low operating expense is possible because MicroCredit Enterprises' senior management team, with the exception of the Senior Vice President for Portfolio Management, serves the organization on a pro bono basis.

MicroCredit Enterprises' senior management team consists of the following individuals.

Jonathan C. Lewis, MicroCredit Enterprises' Chief Executive Officer/Founder and Chairperson, has been President of the Academy for International Health Studies and the International Summit on the Private Health Sector, both of which he founded. He has chaired overseas health system trade/study missions to over 20 countries. Now retired, Mr. Lewis devotes full-time efforts to MicroCredit Enterprises and other public interest activities. Mr. Lewis has worked as the Chief Budget Advisor for the President of the California State Senate, Head of Governmental Relations for the California Superintendent of Public Instruction, Chief of Staff for a California State Senator, CEO of the California Association of Health Maintenance Organizations and as Chief of Staff for three blue-ribbon, state government policy study commissions. He has founded a public policy consulting firm, real estate investment company, public interest citizens' group (tax reform) and contemporary art gallery.

Michael H. Katcher, Chief Operating Officer and Chief Financial Officer, has held a variety of senior executive positions during his 30-year career in healthcare including President of Kaiser Foundation Health Plan of the Northwest, Senior Vice President of Kaiser's National Medicare Program and Vice President of Sales, Marketing and Insurance Services for Kaiser's Southern California Division. Since retiring from Kaiser, Dr. Katcher has worked with numerous healthcare start-up companies as a consultant or Board member. Prior to his healthcare career, he was a researcher in biomedical engineering and sensory physiology at the Stanford Research Institute. Dr. Katcher holds a PhD from the University of California, Berkeley in experimental and biological psychology and is also a graduate of the Stanford Executive Program.

Kyle R. Salyer, Senior Vice President, Portfolio Management, was a MicroCredit Enterprises Management Fellow in 2004 during which time he co-researched and wrote an analysis of international lending to microfinance institutions and microfinance capital market trends. Prior to his internship with MicroCredit Enterprises, he was a regional manager with the Mexican Association of Rural and Urban Transformation and developed and managed their Chiapas-based microfinance institution. Mr. Sayler was responsible for creating savings and loan products, identifying new markets, managing the loan portfolio and developing a strategic plan for program growth. Mr. Salyer earned his Masters of Business Administration from the University of California at Davis Graduate School of Management and his BA from UCLA in International Economics and International Development Studies. Mr. Salyer is also fluent in Spanish.

Dawnie M. Andrak, Senior Vice President, Development, is currently a Founding Partner and currently Chief Operating Officer of Capitol WebWorks, a Sacramento, California-based company, which develops online database applications for political and legislative clients. She has served as Development Director for Californians Against Waste and helped found the California Voter Foundation. Ms. Andrak holds a BA in Political Science from the University of California, Irvine. She also serves as the CEO of the MicroCredit

Enterprises Fund, Inc., which operates the Endowment for Microfinance Sustainability.

Gregg Schoen, Managing Co-Chair, Council of Guarantors, has been the Private Client Group Director for Bear Stearns, Alex Brown and Sons and Cowen and Company. Mr. Schoen holds a law degree from the University of Washington and is a Board Member for the San Francisco AIDS Foundation.

William G. Way, Managing Co-Chair, Council of Guarantors, is Office Managing Partner of Accenture's Phoenix, Arizona office. Mr. Way's consulting work has included overseas residencies in Japan and England. He holds a ScB in Economics from Whitman College and an MS in Economics from the London School of Economics. Mr. Way is a member of the Phoenix Art Museum and the Asian Arts Council Boards of Directors, the Whitman College Board of Overseers and the National Advisory Committee of the Marriott School of Business.

Additionally, the following individuals serve on MicroCredit Enterprises' Board of Directors. All board members serve on a pro bono basis.

Daniel Brunner, an attorney and member of the California Bar, has more than 30 years of experience in health care law, policy and corporate management in both the public and private sectors. Mr. Brunner served as General Counsel for the California Governor's Office of Special Health Care Negotiations and was Chief of Staff for California Assemblyman Howard Berman. In addition, he was Director of the Legislative Office at the Western Center on Law and Poverty, General Counsel and Deputy Director of Legal Affairs in the State Department of Benefit Payments and was on the faculty at UCLA and USC law schools. Mr. Brunner earned a bachelor's degree in accounting at UCLA and obtained his law degree from California Western University.

Christopher Dunford, current President of Freedom from Hunger, is an International speaker and writer on village banking, integration of microfinance with health education and impact evaluation and poverty measurement. Dr. Dunford has published with The World Bank, Inter-American Development Bank, Asian Development Bank, USAID, CGAP, Global Health Council, Microcredit Summit, Small Enterprise Education and Promotion Network, Journal of Microfinance, Small Enterprise Development and several US universities. Dr. Dunford has over 30 years of experience in development planning and management in Africa, Asia, Latin America and the United States. Dr. Dunford holds a PhD in Ecology from the University of Arizona and a bachelor's degree in Biological Science from Cornell University.

Janet A. McKinley is Chair of Oxfam America, and also serves on the boards of The Asia Foundation and Smith College. In 2004, Ms. McKinley retired from Capital Research and Management Company (CRMC). During her career at CRMC, Ms. McKinley served as one of the company's directors of research, responsible for building the research team to support a new global investment unit. Prior to joining CRMC in 1982, Ms. McKinley was Manager of Investor Relations and a financial analyst for International Paper Company. Ms. McKinley graduated summa cum laude from Smith College (Phi Beta Kappa) and attended the University of Krakow, Poland, as a Fulbright Scholar. Ms. McKinley also attended the New York University Graduate School of Business.

Ed Michael Reggie is an entrepreneur and healthcare investor. Mr. Reggie founded American LIFECARE, a multi-state managed care organization, and served as its Board Chairman until August 2004, at which time it was sold to Private Healthcare Systems of Waltham, Massachusetts. Previously, Mr. Reggie served as the Chief Executive Officer of Regent Health System, a rural hospital chain. Mr. Reggie serves as Treasurer of Freedom from Hunger and holds a faculty appointment at Tulane University in the Department of Health Systems Management. Mr. Reggie received his MBA from the A.B. Freeman School of Business at Tulane University.

Barry M. Smith is the founder, Chairman and CEO of Bon Travay, SA, a charitable organization dedicated to healthcare and educational efforts in developing countries. Mr. Smith is a founding board member of MicroCredit Enterprises and also sits on the Ambassador's Council of Freedom from Hunger. Mr. Smith is Chairman of the VistaCare Foundation, Bon Travay Development and Eatza Pizza, and serves on the Board of Directors of Magellan Health Services and Inpatient Consultants.

Roger Widmann was a Principal of the investment banking firm Tanner & Co. Mr. Widmann also served as a senior managing director of Chemical Securities, a subsidiary of Chemical Banking Corporation. Mr. Widmann is a director of Paxar Corporation and is also a senior moderator of the Executive Seminar in the Humanities at The Aspen Institute. He is a board member of the March of Dimes of Greater New York and of Oxfam America. Mr. Widmann received an AB from Brown University and a JD from Columbia University.

Susan Cornell Wilkes is Founder and President of Adventures in Giving. Ms. Wilkes has worked in a broad range of philanthropic, international development, education exchange and business activities in 30 countries. Ms. Wilkes and her husband Jim Klobuchar co-authored, "The Miracles of Barefoot Capitalism," a story of their experience visiting microcredit organizations, clients and programs on three continents. Ms. Wilkes received her education at Harvard and launched her career in the independent sector as a co-founder of Up With People. ◆◆◆

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