MicroCapital Monitor
THE CANDID VOICE FOR MICROFINANCE INVESTMENT

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MICROCAPITAL BRIEFS | TOP STORIES

Let Them Eat Cake! Shell Oil Lends $2.3m to 48 Nigerian Communities

In yet another gross example of microfinance being manipulated for public relations, Shell Oil has loaned an average of about USD 50,000 to forty-eight communities within Nigeria, for a total outlay of USD 2.3 million. The loan was made by the Shell Petroleum Development Company (SPDC), a subsidiary of the Royal Dutch Shell oil corporation operating in Nigeria. The loan is part of SPDC's micro-credit and business development program aimed at "enabl[ing] entrepreneurs to take advantage of the economic opportunities in their locality." Benefiting communities included in the loan are from Edo, Delta and Bayelsa States. The revolving loan must be paid back for other communities to benefit. Last June, Shell gave out USD 2.1 million to 45 host communities to be used as microloans. Currently, Shell produces 43 percent Nigeria's oil. In a country wracked by war and outlandish levels of corruption, the prospect of managing a meager USD 50,000 loan fund on the community level is no less than absurd. In the past, companies like Shell would give away bread to the starving to improve their image, now they lend it with interest under the name of microfinance. August 28. 2007

NovaScotia Bank Pays $810m for Chilean Banco del Desarrollo

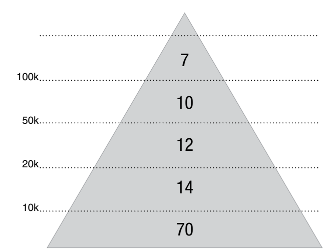
Canadian international financial institution Bank of Nova Scotia has decided to expand its role in Chile, purchasing a 79 percent stake in Banco del Desarrollo, the seventh-largest Chilean bank, for USD 810 million. Scotiabank is buying the majority stake from three shareholders and said it expects to acquire up to 100 percent. Its Chilean unit, Scotiabank Sud Americano, currently has total assets of USD 3.5 billion and 57 branches and is active in retail banking. Banco del Desarrollo, established in 1983, has assets of more than USD 5.1 billion and a network of 74 branches, specializing in providing financial services to the low income population. With the acquisition, Scotiabank would become the sixth-largest player in the Chilean banking market, with USD 8.6 billion in combined assets and more than 130 branches, plus Desarrollo's 24 small business and micro-lending centers. The bank is buying 39 percent of Banco del Desarrollo from Chilean investment firm Sociedad de Inversiones Norte Sur SA, 24 percent from Credit Agricole SA, Europe's largest mutual-fund manager, and 16 percent from Intesa Sanpaolo SpA. The transaction is expected to close in November. September 10. 2007

British Co-Operative Bank Establishes $50m Microfinance Fund

The Co-Operative Bank, an ethically centered commercial bank headquartered in Manchester, has created a USD 50 million fund in order to support microfinance. The funds will be distributed via the Global Commercial Microfinance Consortium (GCMC), Deutsche Bank's microfinance initiative. The Consortium will provide local currency financing for up to five years to Microfinance Institutions (MFI), which, in turn, provide microloans.The Co-operative Bank is already part of the GCMC, which brings together institutional investors and development agencies in order to provide finance to poor people, and is now looking to build on that commitment with other similar organizations. The Co-Operative Bank is part of Co-operative Financial Services (CFS) that includes Co-operative Insurance (CIS), and the UK's largest consumer co-operative with some 6.5 million customers and an asset base of GBP 40.7 billion (USD 82.6 billion) as of 2006. September 17. 2007 ◆◆◆

EAST ASIA AND PACIFIC REGION (EAP)

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

ResponsAbility Lends over $2.1m to Fondesurco, Fundación ESPOIR and LOKMicro

ResponsAbility Global Microfinance Fund, based in Luxembourg, has booked a series of loans totaling over USD 2.1 million to three microfinance institutions (MFIs). Fondo de Desarrollo Regional (Fondesurco) and Fundación ESPOIR borrowed USD 200,000 each. LOKMicro received a loan of approximately USD 1.7 million. Fondo de Desarrollo Regional (Fondesurco), based in Peru, was founded in 1994. The MFI had total assets of equivalent USD 2.2 million which consisted of a gross loan portfolio of equivalent USD 2.1 million. Return on assets was 5.13% and return on equity 10.12%. Fundación ESPOIR, based in Ecuador, was founded in 1992 and had total assets of equivalent USD 7.1 million, consisting of a gross loan portfolio of equivalent USD 6.6 million. Return on assets was 6.55% and return on equity was 25.73%. At the end of 2006, Fundación ESPOIR serviced 15,329 active borrowers, all women. LOKMicro, a Bosnia-based MFI, was founded in 1997 to provide financial support to disadvantaged individuals and to help them improve their standard of living through microentrepreneurship. As of March 2007, LOKMicro serviced 13,880 active borrowers with loans of approximately equivalent USD 2,400. LOKMicro's second quarter results on the MIX indicate total assets of equivalent USD 36.8 million, consisting of a gross loan portfolio of equivalent USD 33.5 million. As of December 2006, return on assets was reported at 3.84%, with a return on equity of 22.36%. September 23. 2007

Police in Uganda Investigate Front Page Micro Finance and Three Others

Ugandan Police are investigating four savings and co-operative credit organisations (SACCOs) suspected of fraud. They are alleged to be cheating their clients and making withdrawal of deposit money very difficult. The organisations are Front Page Micro Finance, Faster Micro Finance, Savings and Credit Cooperative Society Support Uganda Finance Limited and Stade Rugando Finance, all based in Kampala. According to the police up to 50 people have made complaints against the firms. September 21. 2007

Pro Mujer Peru Wins IDB's 2007 Award for Excellence

Pro Mujer Peru has been awarded the 2007 Award for Excellence in Microfinance from the Inter-American Development Bank (IDB). The Inter-American Awards for Microenterprise Development recognize institutions exhibiting growth of sustainable financial services and innovation in new products. Pro Mujer Peru was honored with the award for non-regulated financial institutions. September 21. 2007

MicroVest and Calvert Finance PRISMA and FUNBODEM

MicroVest Capital Management, a global microfinance intermediary that provides capital to growing microfinance institutions (MFIs) in emerging markets, has completed two first-time investments in two Latin American MFIs. MicroVest made its first local currency loan of 2.4 million nuevos soles (USD 750,000 equivalent) to PRISMA, the second largest unregulated MFI in Peru, and two weeks later structured a USD 750,000 loan with Calvert Social Investment Foundation to FUNBODEM, an unregulated MFI operating in Santa Cruz, Bolivia. PRISMA, also known as Asociación Benefica Prisma, is a non-governmental organization (NGO) founded in 1986. PRISMA, as of December 31, 2006, had total assets of USD 4.8 million with a return on assets of -0.13% and a return on equity of -0.23%. According to MicroVest's press release, PRISMA has over 15,000 active borrowers of which 74% are women. In addition to the loan to PRISMA, MicroVest structured a syndicated loan with Calvert Social Investment Foundation, a non-profit institution dedicated to community investment, to finance continued growth in operations for Bolivia's Fundación Boliviana para el Desarrollo de la Mujer (FUNBODEM). Calvert Social Investment Foundation's USD 250,000 note will be senior to MicroVest's USD 500,000 note meaning Calvert will receive repayment prior to MicroVest. September 20. 2007

State Bank of Pakistan Issues Islamic Microfinance Guidelines

The State Bank of Pakistan (SBP) recently issued 'Guidelines for Islamic Microfinance Business by Financial Institutions,' a series of guidelines intended to increase the scope of microfinance services and products which comply with Islamic law (Shari'a or Sharia) and to bring providers of such microfinance services under its regulatory umbrella. 'Halal' – literally 'permissible' in Arabic – refers to practices which are sanctioned by the Shari'a. The SBP guidelines specify provisions whereby four types of institutions can offer halal microfinance services to clients: Islamic financial institutions, Islamic microfinance institutions, conventional financial institutions, and conventional microfinance institutions (MFIs). At the end of 2006, there were six full-fledged Islamic banks and 12 conventional banks with Islamic banking branches in Pakistan. As yet, no Islamic MFIs have been established in the country. Islamic banking forbids the charging and payment of interest. Islamic financial institutions must share both profits and losses with their clients. Many of the largest global financial companies, including Deutsche Bank and JPMorgan Chase, have established successful halal banking branches. Hussein A. Hassan, Vice President of Global Markets and member of the Board of Directors of Deutsche Bank, has asserted that a 'modest estimate' for future annual increases in deposits to Islamic financial institutions is 20 percent, which would make it the fastest-growing banking sector in the world. September 19. 2007

IFC to Acquire Equity Stake in Chilean Factorline

The International Finance Corporation (IFC), a member of the World Bank Group, has announced its intentions to acquire an equity stake in Factorline, the largest non-bank controlled factoring and lending firm in Chile. The IFC plans to invest up to USD 15 million to obtain an 18 percent stake in the Chilean company. This investment, along with a 2.2 billion peso (USD 4.28 million) increase in capital resulting from current shareholder activity, is expected to raise Factorline's share capital base to approximately USD 46 million by the end of September. The Santiago-based company was founded in 1993. As of 2005, Factorline was the fifth-largest factoring company in Chile by overall volume of factoring operations and the largest factoring company in Chile by volume of international factoring. It has a 3,000-customer base, total assets of USD 200 million and an average ROE of over 30 percent for three years running. September 18. 2007

Tunisian Enda Inter-Arabe Joins Women's World Banking

Enda Inter-Arabe (Enda I-A), the first and largest microfinance institution (MFI) in Tunisia, has joined Women's World Banking (WWB), a US non-profit organization that works with 53 MFIs and banks in 29 countries worldwide. Tunisia is the third Arab country, after Jordan and Morocco, to be represented in the WWB network as part of their planned expansion into the Middle East. Enda Inter-

Arabe was created in 1990 as a branch of Enda Third World, the environmental and development agency based in Dakar, Senegal, with affiliates in 21 countries. According to MIX, as of 31.05.07, it has USD 14.7 million in total assets and a debt to equity ratio of 107.7%. It was awarded a B+ score by Planet Rating in June 2006. 85% of Enda I-A's 54,000 clients are women. September 18. 2007

SELF in Tanzania Lends $277,108 to 3 SACCOS

The Small Entrepreneurs Loan Facility (SELF) project, which is a wholesale microfinance lending project jointly funded by the Tanzanian Government and the African Development Bank, has made loans to three Tanzanian savings and credit cooperative societies (SACCOS): Wafanyabiashara SACCOS of Njombe which received USD 120,481, Same Teachers SACCOS which received USD 116,465 and KIMAKIM SACCOS of Mang'ula, Kilombero district which was lent USD 47,389. There are about 1,400 registered SACCOs in Tanzania. SELF was founded eight years ago and is run by the Ministry of Planning, Economy and Empowerment through the Poverty Eradication Division. As of June 2007, the project had disbursed credit funds amounting to USD 8.6 million for onward lending to a total of 158 institutions in the country. The government intends SELF to transform itself into an independent institution. September 18. 2007

IFC and Blue Financial Integrate HIV/AIDS Prevention

The International Finance Corporation (IFC), a member of the World Bank Group, announced plans to work with Blue Financial Services Group, a publicly-traded African financial services company with over 100 branches in seven countries, on a pilot HIV/AIDS awareness and prevention program in Botswana, South Africa and Zambia. A statement released by the IFC explained that the program will target small companies and local communities. The IFC will help develop financial products, while Blue Financial Services will use its broad branch network in the three countries to deliver information and prevention services to staff, clients and communities. As of February 2007, Blue Financial Services Group reported USD 573 million in total assets and USD 140 million in total liabilities. September 17. 2007

Peruvian Créditos Arequipa to Float Bonds on National Exchange, Backed by IDB

Créditos Arequipa, a microfinance institution (MFI) which serves approximately 26,000 clients in Peru's two largest cities, plans to begin issuing debt on the local stock exchange in an effort to reduce its dependence on foreign currency funding. Créditos Arequipa is one of 14 Edpymes--specialized microcredit institutions regulated by the governmental organization Superintendencia de Banco, Seguros, y AFP (SBS)--in Peru. At the end of July 2007, it had 145 million nuevos soles (USD 46 million) in total assets. The firm currently relies on multilateral financial institutions like the Inter-American Development Bank (IDB) and the Corporación Andina de Fomento (CAF) for financing. The IDB, established in 1959 to promote development in Latin American countries, is the oldest and largest regional bank in the world with total assets of USD 9.53 billion as of 2006. The CAF is the main financing source for its 17 member countries in Latin America, the Caribbean and Europe. In 2006, its loan portfolio totaled USD 8.9 million. Créditos Arequipa also accepts funding from the Peruvian government. In the first stage, Créditos Arequipa will issue short-term bonds guaranteed by the IDB. Debt issues will make up 20 percent of the firm's liabilities in the medium term, according to CEO Javier Valencia. Valencia predicts that raising local currency funds through debt issues and deposits will lead to a three-percent reduction in the firm's funding rate, dropping it to eight percent. This comes after experiencing 64 percent loan growth from 2005 to 2006. The Edpyme average that year was 49 percent. September 14. 2007

Morgan Stanley Forms Microfinance Group

Morgan Stanley, a US-based global financial services firm that provides products and services to corporations, governments, financial institutions and individuals, has announced it will form a Microfinance Institutions Group (MFIG) to provide investment banking services to microfinance institutions (MFIs) as well as microfinance networks and other market participants. Services will include corporate advice, debt/equity capital, foreign exchange and derivative products and risk management services. The Morgan Stanley MFIG will structure and distribute microfinance investment funds as well. The MFIG will be based in London and New York with global operations. The group will have 12 professional staff members representing nine nationalities and 11 languages. The group will be led by Ian Callaghan who reports to Ellen Brunsberg, head of Morgan Stanley's European Securitized Products Group. September 14. 2007

Birla Sun Life Offers Microinsurance to Rural India

Birla Sun Life Insurance Company Ltd. (BSLI) has launched two microinsurance products aimed at the rural mass market and the lower-income urban communities in India. The organisation is a joint venture between The Aditya Birla Group, one of the largest business houses in India with a turnover close to USD 12 billion, and Sun Life Financial Inc. of Canada, with total assets under management of USD 415 billion. The first product is a term insurance plan and the second a term with return of premium insurance plan, offering an additional guarantee of return of premium on maturity. Both plans offer options of 5, 10 and 15 years for policy tenure with

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regular premium paying periods. The minimum sum assured is Rs.5000 (USD 124) and the maximum is Rs.50000 (USD 1,240). Both policies have features designed to facilitate uptake amongst underprivileged communities, such as no medical examination requirement and self-declaration by insured as proof of age. BSLI has overcome the distribution issues associated with servicing the Indian rural market by building up a strong network of indirect, as well as direct, sales channels. As well as their own 48 branches, BSLI has penetration through 8 Aditya Birla Group units and 97 NGOs, for example, the Dhan Foundation, MYRADA, Pradan and Prayas. This network has been essential for BSLI to successfully target a certain portion of their products at less-developed rural markets, as required by Indian law. Since inception in 2001 the company estimates it has reached 6,839 villages in 128 districts across 15 states in the country. It hopes to sell 60,000 of the new policies in the initial rollout. September 13. 2007

DIG Launches Microlending in Urban India Backed by Gates

CapStone Financial Services Pvt Ltd., has been launched by the Development Innovations Group (DIG), a private international firm specialising in development finance. Its remit will be to provide microfinance to the urban poor. The first office is in Chennai, though the company intends to spread throughout all of India, focusing on cities with populations of over 8 million. DIG states the founding money has come from the Bill and Melinda Gates Foundation, which will allow it to lend a couple of USD million in the first year, though the loan portfolio is expected to grow to USD 1 billion in the next five years. DIG is planning to register CapStone as a Non-Banking Finance Company (NBFC) with the Reserve Bank of India. It is also looking to create partnerships with local banks to provide refinancing. ICICI, India's second largest bank, is understood to be a willing potential source, and early reports suggest that the bank will co-partner the whole venture. CapStone plans to lend for housing, home improvement and microfinance. Mr Frank Daphnis, the CEO of CapStone, said home improvement loans would have an interest rate of 1.7 percent per month, mortgage loans would have 15 percent interest per annum with a declining rate and personal and consumer loans would have an interest rate of 1.7 to 1.8 percent per month. September 12. 2007

IFC Invests $70m in Central American Grupo Mundial

The International Finance Corporation (IFC), a member of the World Bank dedicated to private sector development, has invested USD 70 million in the financial conglomerate Grupo Mundial. The investment comprises a USD 30 million equity investment for about a 7 percent stake in the group and a USD 40 million long-term loan facility. Grupo Mundial Tenedora S.A., headquartered in Panama, provides insurance, banking and asset management operation in Columbia and throughout Central America, including Guatemala, El Salvador, Nicaragua and Honduras. The group has been trying to increase access to financial services in its main markets through the development of insurance products and mortgages aimed at low- to middle-income earners. The first operating firm began in 1968, and the company has been listed on the Panamanian Stock Exchange since December 2005. In 2006 the group delivered a profit of USD 16.9 million, with total assets of USD 604 million and return on average equity of 19%. The Group's main subsidiaries are Aseguradora Mundial S.A. and Banco Panameño de la Vivienda S.A. (Banvivienda). September 12. 2007

Citi Backs Conferences with Local Partners in Asia

A three-day microfinance conference put on by Citigroup, a private financial services giant, the Foundation for Development Cooperation (FDC), a not-for-profit international development organization, and the Banking with the Poor Network (BWTP), a not-for-profit regional microfinance network, wrapped up in Jakarta, Indonesia, on September 7. This event is part of a USD 570,000 grant given by the Citi Foundation to the FDC and BWTP earlier this year with the purpose of expanding microfinance services across ten Asian countries during 2007 and 2008. A similar workshop was sponsored by Citi, the FDC and BWTP in Colombo, Sri Lanka, in May of 2007. Continuing their regional microfinance program, the three groups will collaborate again on the second Asia Microfinance Forum in Hanoi, Vietnam, on August 27-29, 2008. The first forum of this kind was held in Beijing in 2006. September 11. 2007

Fiji National Microfinance Unit Targets 7,000 Savers

The Fiji National Microfinance Unit (NMU), established in April 1999 under Fiji's Ministry of Finance to oversee the implementation, monitoring and evaluation of the nation's microfinance activities, has set country-wide growth targets for the coming year. The NMU is targeting national growth of 7,000 new microfinance saving accounts, the issuance of 2,500 new loans and 2,000 repeat loans to micro-entrepreneurs. Additionally, the NMU will introduce microfinance to the two remaining microfinance-less provinces in the country. The NMU provides support and guidance to the nation's microfinance institutions (MFIs). As of December 2004, NMU had a total of 6,038 savings accounts and a total of 3,179 loans. More recent data was not available. September 11. 2007

The MIX Tries to Answer "How Many MFIs and Clients Are There?"

The Microfinance Information Exchange (MIX), a not-for-profit private company which provides financial and social performance information on microfinance institutions (MFIs), market facilitators, donor organizations and investors in microfinance, has attempted to answer the question, "How Many MFIs and Clients Are There?" with a recently published dataset. The dataset reveals a total of 2,207 MFIs representing approximately 77 million borrowers in 100 countries. Most MFIs are concentrated in South Asia and Sub-Saharan Africa. Most borrowers are concentrated in South Asia, and the East Asia/Pacific region. It is important to note that the dataset only includes MFIs that reported data voluntarily to the MIX and to the Microcredit Summit Campaign (MCS), a global initiative to propagate microfinance to 175 million people by 2015, as well as an inventory of MFIs from Latin America and the Caribbean prepared by the Inter-American Development Bank (IADB). The MIX indicates in the dataset's disclaimer that the number of borrowers and MFIs reported should not be considered an accurate representation of the entire global figures because not all MFIs and clients are covered in the sample. Additionally, the sample omits many MFIs focusing on savings mobilization. The dataset provides the following statistics for each of the 100 countries profiled: total MFIs, total borrowers, total country population, poverty rates (rural, urban, national, $1 a day, $2 a day), total poor population, and penetration rates (total borrowers/population, total borrowers/poor). September 7. 2007

Grameen Foundation to Relaunch Village Phone Initiative

The Grameen Foundation, a non-profit organization that works to replicate the Grameen Bank microfinance model around the world through a global network of partner microfinance institutions, is relaunching its Village Phone initiative in Rwanda in collaboration with MTN Rwanda (a telecommunications company). The project, called Village Phone Rwanda Tel'imbere has four local microfinance institutions (MFIs) as partners. The project was initially launched in 2006, after a pilot scheme had run for a year. The four partner MFIs in Rwanda lend money to clients so they can buy the telephone equipment that allows them to start village phone businesses. Once the equipment has been purchased, Village Phone Rwanda Tel'imbere provides special airtime rates to the Village Phone Operators (VPOs), who can set up their services in areas where electricity is unavailable. About 50 Rwandans took part in the one-year pilot program and operators will soon be available in 14 of Rwanda's 30 districts. There are now 293,000 VPOs in Bangladesh and Village Phone Rwanda expects to create 3,000 new operators and businesses in Rwanda over the next three years. September 7. 2007

National Microfinance Bank of Tanzania Bails Out Electric Supply Company with a $56m Loan

The National Microfinance Bank of Tanzania has joined a syndicate of local banks and pension funds to lend USD 238 million to Tanesco, the parastatal electricity company wholly owned by the Tanzanian government to pay off debts to suppliers and invest in new equipment. The National Microfinance Bank was founded in 1997 and is the third most profitable bank in Tanzania, holding USD 430 million in deposits and assets. The loan to Tanesco supports NMB's business interests, as well as those of its customers, as it organises collection services for the electricity firm via its network. Currently the Tanzanian government owns 51% of the bank, having sold off the remainder of its stake in 2005. The loan syndicate involved in the bailout includes five banks and four pension funds--all from Tanzania. September 6. 2007

Women's Apparel Company Shabby Apple Pairs up With Unitus for India

Shabby Apple, a designer dress company based in Salt Lake City, Utah, is releasing their new fall line of fashions and will be donating 5 percent of its proceeds to Unitus, a US non profit. September 6. 2007

Russia's Microfinance Sector Evaluated

A recent article from the Inter Press Service (IPS), an independent news agency focused on the developing world, claims Russia's micro-entrepreneurs and micro-businesses are not receiving the capital they need to grow. The article indicates microfinance institutions (MFIs) are only supplying 15 percent of an estimated USD 8 billion in micro-business demand. Furthermore, formal banking institutions are supplying just 20 percent of the USD 22 billion needed by small- and medium-sized enterprises. According to the article, administrative bureaucracies and an inadequate understanding of microfinance are the primary barriers to micro-lending in the country. Moreover, microfinance in Russia is not yet fully regulated and the monopolistic nature of capital markets in Russia is preventing distribution of capital resources. Anton Makharov, a senior lecturer in economics at the Moscow Institute of Law and Economics, claimed the lack of economic transparency and the country's failure to observe standard regulations and business etiquettes hinder investment attractiveness in the industry. Without a proper system of resource access or risk control, the Russian economy may not support a productive, sustainable microfinance sector. According to a joint 2006 publication from the Russian Microfinance Center and the Russian SME Resource Center, the overall growth of non-bank microfinance operations from 2003 to 2004 was around 130% to 180%. As of January 2005, the aggregated non-bank loan balance of 400 surveyed MFIs was approximately USD 144 million. An extrapolated aggregate figure for all Russian non-bank microfinance providers was estimated at USD 281 million to 332 million. September 4. 2007

Micro Finance Bank of Azerbaijan Issues Bonds Worth $11.4m

Micro Finance Bank of Azerbaijan (MFBA), a central Asian and eastern European microfinance institution (MFI), has issued USD 11.4 million in bonds to international capital investors. Developing World Markets (DWM), a small US-based investment bank, sponsored and arranged the investment deal, which took place in Luxembourg, through a specially created investment vehicle titled MFBA Bond I. The debt accrued by MFBA through the bond issuance has been categorized as senior debt, with a five-year term for repayment. This transaction marks the first issuing of bonds by a single MFI, rather than by a third party investment company issuing bonds on behalf of multiple MFIs. MFBA was founded in 2002 and is owned by six shareholders: the European Bank of Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Black Sea Trade and Development Bank (BSTDB), KfW Development Bank, LFS Financial Systems GmbH and AccessHolding. As of December 2006, MFBA's gross loan portfolio totaled USD 47.3 million, with USD 55.4 million in total assets. The Azeri MFI has 16,675 active borrowers, with an average loan balance of USD 2,834, as well as 813 customers with savings accounts, with an average account balance standing at USD 4,624. September 4. 2007

Bangladesh Issues Mohammad Yunus Postage Stamp

Professor Mohammad Yunus, recent winner of the Nobel Peace Prize, is featured on the commemorative stamp of 10 taka (USD 0.14) denomination. September 4. 2007

Cameroon Chamber of Commerce Studies Funding Landscape

The Cameroon Chamber of Commerce for Industry, Mines and Artisans (CCIMA) has begun working with the African Caribbean Pacific Business Climate Facility (BizClim), an initiative funded by the European Union (EU), on a study that will attempt to identify new mechanisms for funding very small and small enterprises (VSSEs) in the West African country. FOGAMU, a Cameroonian mutual guarantee fund that caters to this category of enterprises, and the National Association of Cameroonian Microfinance Institutions (ANEMCAM), an organization with the objective to further develop the microfinance industry in Cameroon, will also be involved in the execution of the study. September 3. 2007

Nearly Half of All Indians are Unbanked

The Reserve Bank of India (RBI) claims that 40% of Indians do not have a bank account. The RBI, which is India's central bank, collated nationwide data which showed that just 59% of adults have a bank account, assuming that every person has only one account. In fact the number could be far lower as the likelihood is that some individuals have multiple accounts. The figure is even lower in rural areas at 39%, which compares to 60% in towns and cities. Most of the unbanked live in the North-East or the Eastern regions. The extent of exclusion from credit markets is even greater, as the number of loan accounts constituted only 14% of the adult population. In rural areas, the coverage decreases to 9.5%. Regional differences are significant with the credit coverage hitting 25% for the Southern Region but only 7%, 8% and 9% respectively in the North Eastern, Eastern and Central Regions. Effectively this means that 51.4% of farm households have no access to formal or informal sources of credit while 73% have no access to formal sources of credit. September 3. 2007

IDB Grants a Cool Million to El Salvadorian Government

The Inter-American Development Bank's Multilateral Investment Fund granted USD 1 million to El Salvador for a government procurement support program for micro-, small- and medium-sized enterprises (MSME). The program will develop and implement a series of services, emphasizing the use of information and communications technology to boost MSME's participation in government procurement. September 3. 2007

Dun & Bradstreet to Run Nigeria's First Credit Bureau

Nigeria is setting up its first credit bureau called the Credit Reference Company (CRC). Nine Nigerian banks have set up the bureau in partnership with Dun & Bradstreet, a global credit information provider, which has experience in running private credit bureaus in emerging markets. Accenture, a global management consulting, technology services and outsourcing company, and the International Finance Corporation (IFC), the private-sector arm of the World Bank, are supporting the initiative with technical and advisory services. The investing banks in CRC are United Bank for Africa Plc (UBA), First Bank of Nigeria Plc, IBTC Chartered Bank Plc, Guaranty Trust Bank Plc and Diamond Bank Plc. Other partner banks include Intercontinental Bank Plc, Standard Chartered Bank, First City Monument Bank (FCMB) and Access Bank Plc. A credit bureau or credit reference agency is a company that provides credit information on individual borrowers. This helps lenders assess credit worthiness, the ability to pay back a loan and can affect the interest rate applied to loans. Credit bureaux collect and collate personal financial data on individuals from financial institutions with which they have a relationship. August 31. 2007

EBRD and Citigroup Loan $16.4m to ACBA-Credit Agricole Bank in Armenia

ACBA-Credit Agricole Bank (ACBA), an Armenian microfinance institution (MFI), has received two loan investments totaling over USD 16.4 million. The European Bank for Reconstruction and Development (EBRD) provided half of the investment in a USD 8.2 million loan. Citigroup has matched EBRD's USD 8.2 million loan with a loan routed to ACBA through EBRD's A/B loan structure. According to the EBRD website, the A/B loan structure allows EBRD to sign off as the official lender of record, while Citigroup receives the lender's benefits that would have otherwise gone to EBRD. The combined loans add 18.1 percent to ACBA's gross loan portfolio of USD 90.4 million. ACBA now has over USD 158.5 million in total assets. Founded in 1996, ACBA has 61 to 70 percent of its business devoted to microfinance, according to the MIX. The Armenian MFI provides micro loans to 61,955 active borrowers, with average loan balances of USD 1,460. ACBA has a greater number of active clients for its microfinance savings product, 88,020 customers with average savings balances of USD 315. The average savings balance is much lower than it was in 2005, when it stood at USD 505. ACBA has a 3.5 percent return on assets and an 11.8 percent return on equity. August 31. 2007

IMAGE Project in South Africa Uses Microfinance Against HIV/AIDS

Under the direction of Dr. Paul Pronyk, Director of RADAR (Rural Aids and Development Action Research Programme), IMAGE (Intervention with Micro Finance for Aids and Gender Equity) was founded in 2001 as "a community-based structural intervention for HIV prevention." The project is a collaborative effort supported by Small Enterprise Foundation (SEF), a microfinance non-governmental organization, University of the Witswatersrand (Wits), the London School of Hygiene and Tropical Medicine and the Department of Health. IMAGE provides women with short-term business loans of up to USD 1,300, operating on the presumption that an increase in earning power will encourage women to be more vocal at home, confronting unfaithful husbands about issues such as condom usage. Domestic violence and AIDS infection have long plagued the eight villages outside of Burgersfort, Limpopo Province, South Africa, where IMAGE currently operates. According to Dr. Pronyk, "of the approximately 400 women receiving loans, between 36 and 71 percent reported having been in a violent relationship." Not unrelated is the HIV/AIDS infection rate, which idicates one out of every three adults in the region is HIV positive. August 30. 2007

ACCION Backs Rural Internet Provider United Villages

Through its Gateway Microfinance Infrastructure Fund (GMI), ACCION International, a private, nonprofit organization with 35 microfinance institution (MFI) partnerships worldwide, has announced an unspecified investment in United Villages, Inc. The rural internet service provider provides people in developing economies with a voicemail box, an email address and Internet access for less than USD 1 per person. ACCION's GMI, established in June 2006, invests in organizations that help the microfinance industry achieve greater scale and efficiency. The fund invests in areas such as banking technology, software companies, credit bureaus, payment systems, remittances, micro-insurance and ratings agencies. Through its First Mile Solutions division, United Villages has developed a "drive-by" WiFi network. It installs low-cost Mobile Access Points (MAPs) on existing rural transportation infrastructure (buses, taxis, etc). User transactions are stored on WiFi-enabled kiosk computers that are placed on rural village roads. Transaction data is transferred to the MAPs once in range. United Villages then sells prepaid cards to kiosk operators and local resellers who in turn provide face-to-face support for United Village's products and services, seeking a profit. Financial data on ACCION's Gateway Microfinance Infrastructure Fund (GMI) is not available. August 30. 2007

Innovation Bank Launches in Bahrain

The United Nations Industrial Development Organization has initiated the setup of a new microcredit bank, Innovation Bank, which is scheduled to commence operations later this year. The bank will have paid-up capital of USD 13.23 million. The bank has a sole mandate to extend microcredit facilities. According to the Ministry of Finance Shaikh Ibrahim bin Khalifa Al-Khalifa, who is also Chairman of the Bahrain Development Bank, the new entity will be launched as soon as the formal approval of license from the Central Bank of Bahrain is received. The bank will be owned 40 percent by the Arab Gulf Program for United Nations Development Organizations (AGFUND), 40 percent by Bahrain Development Bank and 20 percent by private investors. August 30. 2007

Microfinance Bank of Azerbaijan Introduces Agricultural Loan Product

The Microfinance Bank of Azerbaijan (MFBA) has launched a loan product for people whose business is related to agriculture. The main product is an agricultural credit with a 3% monthly interest rate and special lending conditions including maturity, grace period, etc. taking into consideration the specifics of agricultural businesses. August 30. 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

MFI Capital Structure Decision Making: A Call for Greater Awareness

By the Consultative Group to Assist the Poor (CGAP) and the Grameen Foundation, August 2007, 4 pages. Full article available at http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/Brief_August2007.pdf

This paper seeks to answer two questions: 1) "How do MFIs make decisions about capital in the face of expanding financing options?" and 2) "How can MFIs make better decisions to optimize capital structure and increase profitability?"

In order to better understand MFI capital structure decision making processes in the face of new financing options, CGAP and the Grameen Foundation surveyed a broad set of MFI managers. The researchers found that most MFI managers are ill-equipped and inexperienced when it comes to navigating these complex issues of capital structure. Thus, they tend to weigh true cost incorrectly and make uninformed comparisons of funding options--mistakes which lead to poor decisions and, ultimately, to unnecessary loss of profit. Unfortunately when MFIs lose profit, this loss translates into loss of viability and, therefore, loss of the ability to serve their clients.

MFIs today have a larger range of funding sources at their disposal than ever before. As a result, they are able to increase their funding diversification. Several high-profile transactions involving MFIs have taken place recently which utilized non-traditional funding sources including securitizations, local bond issues, the first large-scale venture capital investment in an MFI and the first initial public offering of shares. While this diversification presents significant opportunities, it also has the effect of making decisions regarding capital structure much more complex.

The researchers found that consistently suboptimal decision making regarding capital structures by MFI managers occurs when they misunderstand three concepts: debt, equity, and deposits. According to the CGAP study, MFIs are not optimizing borrowing levels because domestic loans are increasingly difficult to obtain and managers are not taking into account the many factors involved before accruing foreign debt. But, if managers are not making debt financing decisions based on the relevant factors, then what is driving their decision? The study finds that debt financing decisions are, more often than not, made based on price (interest rate) and convenience. Cross-border hard currency debt often appears cheaper than local debt due to nominal interest rates. Yet, few MFI managers calculate currency depreciation risk when comparing interest rates in different currencies and few factor in the cost of hedge to cover foreign exchange risk. Plus, for a number of reasons, foreign finance-providers tend to have more MFI-friendly lending policies than domestic banks. But MFIs that are drawn in by the initial benefits of foreign debt end up losing out big in the long run.

MFIs misunderstand the cost of equity and accumulate too much of it due to their false assumptions. MFIs are vastly underleveraged compared to commercial banks, but, surprisingly, the CGAP study shows that most MFIs are still seeking more equity. There is much confusion among MFIs regarding the true cost of equity. One-third of MFIs in the study viewed equity as the least expensive form of capital, one-third viewed it as the most expensive, and one-third placed it somewhere in between. Adding to this confusion are philanthropists who offer MFIs "donor equity" and socially-oriented equity investors who expect minimal dividends or share appreciation--if any at all.

Again, because MFIs fail to fully take into account the true cost of deposits, they lose money unnecessarily. Most MFIs surveyed said that deposits are the cheapest funding source and the easiest to obtain, but deposits are only the cheapest form of capital under very specific circumstances. Not all MFIs fully calculate the true cost of implementing and managing a deposit program, so they end up paying much more than they initially expect due to hidden costs and fees.

The CGAP brief and study highlight that the lack of experience and the lack of calculation regarding capital structure are more commonplace among MFI managers than might be desirable. The brief concludes that the industry has an opportunity to equip managers with more tools to help evaluate and compare the true cost and risk of all available funding sources. Such tools might be well received because MFI leaders also expressed their need and desire to receive training in financial analysis, risk management and treasury management. They were also greatly interested in receiving advice from peer MFIs that had successfully transformed. There is currently a significant opportunity to impact sustainability of microfinance by improving the support for MFI decision makers. Better capital decision making will minimize risks, maximize financial flexibility and encourage the long-term solvency needed to provide finance to poor clients.

Mission Investing in Microfinance: A Program Related Investment (PRI) Primer and Toolkit

By Jonathan C. Lewis and Robert A. Wexler. Published by MicroCredit Enterprises, July 2007, 81 pages. Available at www.mcenterprises.org/pdf/toolkit.pdf

Jonathan C. Lewis, the Chief Executive Officer of MicroCredit Enterprises, a microfinance intermediary, and Robert A. Wexler, attorney at the law firm Silk, Adler & Colvin have crafted this paper to provide technical and legal assistance to private foundations and family offices considering making a Program Related Investment (PRI) in microfinance. The paper goes beyond theory: it is a practical how-to guide.

A Program Related Investment (PRI) is the legal term for a debt or equity investment made by a private foundation to a non-profit or for-profit organisation with the chief purpose of advancing a social mission. A PRI involves the potential return of capital within an established time frame. Unlike a grant, a PRI allows funds to be recycled for subsequent investments.

The recipients benefit not only from the value of the investment itself, but also because the PRI can leverage other capital from conventional sources, allowing recipients to foster long-term sustainability and improve cash flow. PRIs can also be tailored in size and scope during periods of rapid growth, providing the potential for capacity-building that so many mission-driven organisations, especially charities, find hard to achieve.

But to provide these benefits, PRIs use financial tools commonly associated with banks or other private investors, such as loans, loan guarantees and equity investments. These potentially complex financial transactions and their concomitant legal and administrative issues mean that foundations use PRIs much less frequently than grants, despite their recognised positive impact.

The toolkit is designed to overcome the technical and legal knowledge gap and uncertainty that foundations face when considering a PRI, in particular a microfinance PRI. The primer covers a series of sections written by Mr. Lewis on microfinance or by Mr. Wexler on legal issues, explaining in layman's language the details that a foundation entering a PRI would need to consider.

Many of the sections use a Q&A format, with MicroCredit Enterprises acting as an example in each answer. This allows the document to also act as an effective marketing tool for MicroCredit Enterprises, as the format provides explanations of the benefits of its two PRI vehicles in great detail. However, MicroCredit Enterprises makes no copyright claim to any of the contents of the primer, even the appendices containing the draft legal agreements that could easily be adapted for other firms to use, so there is more than just marketing material.

The first section explains how PRIs and microfinance work, together and separately. Mr. Lewis explains the role of different players, such as Microfinance Institutions (MFIs), Microfinance Networks and Microfinance Intermediaries (otherwise known as Vehicles or Funds), and what they can offer the private foundation. He then explains various types of PRIs that are available for those wishing to invest in microfinance including their different features and benefits. The three main options are:

•Secured or unsecured debt investmen

This is a loan made directly to a MFI or to a portfolio of MFIs via a microfinance intermediary.

•Loan guarantee commitment

This a pledge of collateral assets which can secure a line of credit from a third-party lender which, in turn, is used to make a loan to an MFI or to a diversified portfolio of MFIs via an intermediary

•Equity investment

This is an ownership stake in a MFI or a microfinance intermediary

The next section, written by Mr. Wexler, describes the legal framework and requirements for PRIs, with specific reference to the demands of the US Internal Revenue Code (IRC). PRI investments are exempt from the "jeopardizing investment rule" that governs private foundations, which normally prevents them from making investments that could threaten the charity's overall assets. But the PRI has to meet various other requirements, for example, mission-compatibility with the foundation.

Through Q&As the authors show novice foundations how they can check the suitability of their own institution and the recipient PRI. These Q&A sections cover legal and tax questions, mission compatibility, financial due diligence criteria and a guide to assessing how much administrative workload might be created by the PRI.

Finally, to make the toolkit complete, the authors have included two draft legal agreements as appendices, one covering loans and one covering philanthropic guarantees, that can be edited for use by foundations.

Overall it is a very reassuring and professional guide for foundations considering making a microfinance PRI, especially those who do not have in-house or pro bono legal and financial teams, or those who are working with such teams for the first time.

However, the paper neglects to fully consider how mission-based investment strategies can underpin the whole structure of a foundation. PRIs need to be contextualized within the realm of Mission Related Investments (MRIs), whereby a foundation's entire asset base (its principal or "corpus") is eligible to support its mission, not just

LAUNCH OF 38 m USD MICROFINANCE INVESTMENT FUND TARGETING RURAL MFIs

RURAL IMPULSE FUND S.A. SICAV-FIS

impulse RURAL

First clients

- Azercredit - Azerbaijan
- Caritas - Peru
- Espoir - Ecuador
- Pride - Tanzania

Main investors

IFC International Finance Corporation World Bank Group
incofin
FMO Finance for Development
European Investment Bank
bio Development through Investment
KBC Private Equity

Promoted and managed by

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the small percentage designated for grant-making. US law mandates that a foundation grant a minimum of 5% of its total asset value annually, and it is this fraction from which foundations can make PRIs. With an MRI, a foundation can make a much larger asset base, potentially the entirety, available to support its mission. In this way, a MRI can boost the investment value by as much as 20 times in comparison to grants and one-off specific PRIs.

Importantly, a MRI strategy requires further legal and administrative chores which further complicate the foundation's activities. It may be for this reason that the authors have chosen to exclude a discussion of MRI, as the guide is already lengthy. Nonetheless, mention of MRI is important to educate the foundation community about the options before them in supporting microfinance and other socially beneficial activities that provide a return on capital. Historically, foundations have not contemplated aligning their investment strategy with their grant-making strategy and MRI provides this opportunity.

Resilience of Microfinance Institutions to National Macroeconomic Events: An Econometric Analysis of MFI Asset Quality

By Adrian Gonzalez. Published by the Microfinance Information Exchange, Inc. (MIX) as part of the MIX Discussion Paper Series, July 2007, 25 pages. Available at http://www.microfinancegateway.org/content/article/detail/41949

This paper focuses on understanding the impact of macroeconomic shocks and other variables on the quality of microfinance loan portfolios. While studying this question has important practical implications for investor confidence in the resilience of microfinance portfolios, there have only been a few case studies in the literature demonstrating the resilience of microfinance portfolios. Mr. Gonzalez' work is important because it is the first global study analyzing these dynamics with panel data from large numbers of MFIs and countries. The sample includes 639 MFIs in 88 countries and the data was collected over a decade--from 1996 to 2005.

Mr. Gonzalez uses panel regression to control for observable variables that may have an impact on the portfolio, such as the size of an institution, lending methodology, years of experience as a microcredit provider, its clients' average loan balance, key factors in cost structure, staff productivity and salaries. After controlling for MFI and country characteristics, he finds no evidence of a statistically significant relationship between changes in GNI per capita and four commonly used indicators of MFI portfolio quality. These results suggest that microfinance portfolios have high resilience to economic shocks. The paper subsequently provides a general description of the sample, discussion of many self-selection issues, econometric estimation and discussion of the expected results, the results and conclusions.

One of the most surprising findings in the analysis is the fact that MFI size does not contribute to the quality (or the risk) associated with a portfolio. Initial predictions estimated that this factor would play a role, but Mr. Gonzalez concludes that the size of the MFI is irrelevant in determining its resilience to economic swings. It is also interesting to note that individual lending, not group or solidarity lending, is the most secure methodology when it comes to loan repayment during times of wide-scale economic depression. Many have argued that group lending provides the most secure repayment system regardless of circumstances because pressure from peers encourages one to be responsible and pay back debts. While this may hold true for idiosyncratic shock, Mr. Gonzalez' study suggests that, in certain instances (cases of systemic shock), group lending is less effective or may even induce defaults in members.

Also surprising was the finding that MFIs disbursing the smallest loans actually benefited proportionately more from economic growth than MFIs disbursing mid-sized or large loans. However, it was not the small, but the mid-sized loan providers that suffered most from economic decline. This finding suggests that the poorest borrowers are not the ones hit hardest by macroeconomic shocks, but more research is still needed on the subject.

Overall, Mr. Gonzalez presents a persuasive argument that refutes a strong relationship between macroeconomic shocks and portfolio depreciation, but the results cannot be interpreted to mean that MFIs are in no way harmed by unfavorable economic conditions. For example, Mr. Gonzalez mentions one possible confounder to explain the findings: it is possible that downturns in the economy necessitate the reallocation of MFI resources to ensure repayment of loans. Thus, though loan collection remains constant, valuable resources may have been taken away from other operations--such as new growth and market expansion. Ultimately, this report demonstrates that there are many important but unobserved variables which affect portfolio risk. Management and human resources, governance, credit policies, mission and commitment to sustainability have long been considered among the most significant determinants of risk for an MFI. Other factors affecting risk include disruptions within client populations--such as poor health conditions due to poor sanitation or chronic illness--and poor market infrastructure--such as lack of roads. These remain chiefly unstudied. More reliable, consistent data on these variables is needed in order to truly understand what makes an MFI a precarious versus profitable investment. ◆◆◆

UPCOMING EVENTS

Clinton Global Initiative Annual Meeting

September 26 - September 28, 2007, New York, USA

President Clinton will host the third annual meeting of the CGI, an event which brings together prominent leaders from business, the media, government, academia, science, religion and non-governmental organizations to discuss and develop "workable solutions to some of the world's most pressing challenges." The goal is to inspire these leaders to implement solutions in their respective fields. The session "Successful Models for Sustainable Development" will feature Nobel Prize-winning Founder of the Grameen Bank, Muhammad Yunus. For more information on the event, please visit http://www.clintonglobalinitiative.org/NETCOMMUNITY/Page.aspx?&pid=1311&srcid=1113.

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

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

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

Workshop: A New Business Model for Microfinance

Concurrent with above forum, October 3, 2007, 9 a.m. – 5 p.m.

Hosted by ACCION International and the ACCION Network, this workshop explores a model for microfinance that challenges a number of accepted maxims of the relational banking model and incorporates efficiencies and technologies of the transactional banking model used by consumer lenders. Elements of the new model include a widely diversified product portfolio, integrated delivery channels, tools for controlling risk and a new look at core back end systems. For a full agenda and to register, please visit www.accion.org/workshop_taller.asp. Simultaneous translations (English-Spanish-English) will be available throughout the workshop.

Microfinance India Conference 2007

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

This event is the fourth in a series of annual conferences. Registration fees range from Rs3200 to Rs3800 for Indian organizations, from Rs2800 to Rs3200 for RRB Chairperson/bank branch managers, and from USD 175 to USD 225 for international organizations. For more information about the conference, contact Mr. Nishant Tirath at +91 11 2651 0915 (Ext. 250) or via fax at +91 11 2685 0821; or visit http://microfinanceindia.org/Docs/Save%20the%20date.pdf. Send email inquiries to microfinanceindia@accessdev.org

The African Banking Technology Conference

November 13 - November 14, 2007, Lagos, Nigeria

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

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UPCOMING EVENTS (CONTINUED)

to http://new.aitecafrica.com/node/399.

Microinsurance Conference 2007

November 13 - November 15, 2007, Mumbai, India
For the third year, CGAP Working Group on Microinsurance and the Munich Re Foundation will host this event 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. Registration was scheduled to close August 31, 2007, but to inquire about availability, email info@munichre-foundation.org. For more information, call +49 89 3891 5909, or go to 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 fee ranges from 8,287 Rubles to 11,960 Rubles (USD 330 to 480) for one participant. Discounts apply for multiple participants. For more information, please call conference organizers at +7 495 258 68 31 or email Conference Technical Director Ekaterina Rozina at conference@rmcenter.ru. For general information, visit http://www.rmcenter.ru/en/news/anons-detail.php?ID=2483.

European Microfinance Week 2007

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

Opportunity Finance Network 2007 Conference

December 11 - December 14, 2007, Miami, USA
Sponsored by the Opportunity Finance Network, the goal of this event will be to "focus on creating a high volume financing system through industry innovations and transformations." The organizers expect the attendance of CFDI (Community Development Financial Institutions) and Opportunity Finance practitioners, CFDI Board members, bankers, regulators, foundation staff, religious investors and investment managers. For more information, please contact Ed Fischer at efischer@opportunityfinance.net or +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, 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, 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.

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. ◆◆◆

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MICROFINANCE MARKET INDICATORS: EAST ASIA AND PACIFIC REGION (EAP)

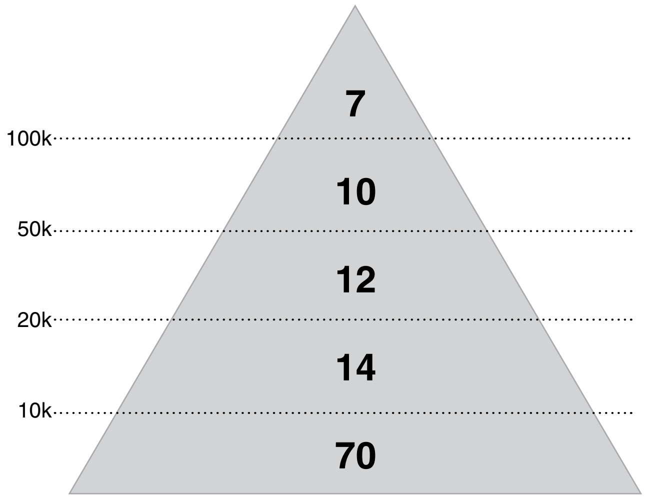
9 COUNTRIES | 113 MFI'S REPORTING [1]

Cambodia	Indonesia	Philippines	Vietnam
China	Papua New Guinea	Samoa	
East Timor		Thailand	

POWERED BY mix Microfinance Information eXchange

Total Population (m) [2]	1772.5
Gross Domestic Product (USD m) [2]	$2,857,293
Average GNI Per Capita (USD) [2, 3, 4]	$1,875
Average Population Density (inhab/sq km) [2]	143.9
Microcredit Penetration [5]	0.6%
Total Number of Active Borrowers (m)	10.40
Total Number of Voluntary Savers (m)	32.19
Voluntary Savings (USD m)	$5,859.7
Average Loan Balance Per Borrower (USD) [6]	$536.4
Total Equity (USD m)	$829.8
Gross Loan Portfolio (USD m)	$4,754.7
Women Borrowers	72%

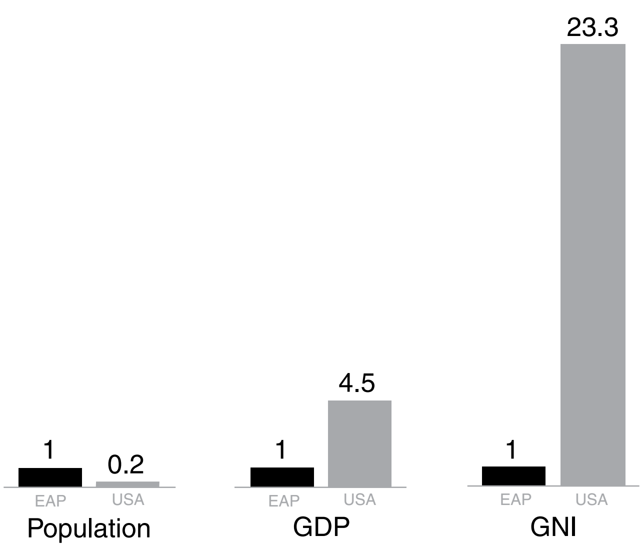
NUMBER OF MFI'S BY TOTAL NUMBER OF ACTIVE BORROWERS



TOP 10 MFI'S BY NUMBER OF BORROWERS

4,695,986	Vietnam Bank for Social Policies, Vietnam
3,455,894	Bank Rakyat Indonesia, Indonesia
173,002	Taytay Sa Kauswagan Inc., Philippines
159,917	Association of Cambodian Local Economic Development Agencies, Cambodia
159,673	Center for Agriculture and Rural Development, Philippines
142,370	TSPI Development Corporation, Philippines
141,957	Amret Co. Ltd. - Formerly EMT, Cambodia
94,264	Prasac MFI Ltd., Cambodia
83,167	Kabalikat Para Sa Maunlad Na Buhay, Inc., Philippines
77,813	CCT Credit Cooperative, Philippines

EAP TO USA RATIOS



(1) Denotes only MFIs that report to Microbanking Bulletin (MBB) or MIX Market. (2) Represents total of 9 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), Sep 2007

Based on MFIs reporting to MIX Market or Microbanking Bulletin (MBB). 2005 data used when 2006 data unavailable. WWW.MIXMARKET.ORG

WHO'S WHO IN MICROCAPITAL

Triodos Bank and Triodos Investment Management

PRIVATE BANK, THE NETHERLANDS

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

Triodos Bank is divided into three parts: national branches, investment banking, and private banking. The bank's three divisions manage USD 4.0 billion in total assets. Through the investment banking division, which manages USD 1.9 billion of Triodos's assets, Triodos Bank invests in microfinance worldwide. This division is managed by Triodos Funds Management and Triodos Investment Management, with the latter handling microfinance investment. There are eight investment groups managed by Triodos Investment Management, three of which invest in microfinance: the Hivos-Triodos Fund Foundation, Triodos-Doen Foundation and Triodos Fair Share Fund.

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

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

Marilou van Golstein Brouwers is the Senior Fund Manager of Triodos Investment Management, a position Ms. Brouwers has held since 1990. Ms. Brouwers is a member of the Boards of several organizations, including: INAISE, Akiba Commercial Bank of Tanzania, K-REP Bank Ltd. of Kenya and Small Business Bank in Russia. In 2003, she joined the Women's World Bank's Board of Trustees. Ms. Brouwers has also served as an advisor for the United Nations' International Year of Microcredit 2005, where she campaigned for microfinance. As manager of Triodos Investment Management, Ms. Brouwers assists in the management for Hivos-Triodos and Triodos Fair Share and serves as Managing Director of Triodos-Doen.

J.F. Schut, or Hans Schut, is the second Fund Manager of Triodos Investment Management. Within his role, Mr. Schut also manages the three Triodos groups invested in microfinance. Mr. Schut is also the managing director Triodos Venture Capital, another investment group under Triodos Investment Management. Within Triodos Renewables Europe Fund, an additional Triodos investment vehicle, Mr. Schut is the Senior Fund Manager of Triodos Solar Development Group.

Bob Assenberg is Deputy Management Director of Triodos Investment Management, where his focus is management of funds for renewable energy, specifically the Triodos Renewable Energy for Development Fund. Mr. Assenberg supervised the founding of the Global Energy Efficiency and Renewable Energy Fund. In regards to microfinance, Mr. Assenberg is Fund Manager of Triodos Fair Share.

Triodos-Doen Foundation

MICROFINANCE INVESTMENT VEHICLE, THE NETHERLANDS

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

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

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

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

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

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

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

Hivos-Triodos Fund Foundation

MICROFINANCE INVESTMENT VEHICLE, THE NETHERLANDS

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

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

The fund has operations in Latin America, Africa, Asia and the Eastern Europe and Central Asia region. Hivos-Triodos holds USD 42.1 million in total assets. The fund has 70 investments, 43 of which are with microfinance institutions (MFIs). In 2006, Hivos-Triodos provided loan investments to 20 MFIs not previously financed by the fund.

Frank Streppel is Fund Manager of the Hivos-Triodos Fund Foundation. For the United Nations' International Year of Microcredit 2005, Mr. Streppel served as a member of the Netherlands National Committee. In 2003, Mr. Streppel was also a member of the investment committee for the AfriCap Microfinance Fund, an equity investment fund with an investment portfolio of USD 15 million.

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

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

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

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

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

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

Triodos Fair Share Fund

MICROFINANCE INVESTMENT VEHICLE, THE NETHERLANDS

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

Triodos Fair Share is entirely financed by private investors working with Triodos Bank. The fund has an investment portfolio of USD 23.4 million and utilizes an investment criterion requiring qualified organizations to have demonstrated a profitable financial record of two to three years. The vast majority of this portfolio, 99 percent, is invested in 31 microfinance institutions (MFIs). Triodos Fair Share is controlled by Triodos Investment Management and a Supervisory Board.

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

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

Adri Dijkstra and J.M.F. Verheijen are board members of Triodos Custody, Custodian for Triodos Bank and Triodos Fair Share. Mr. Dijkstra serves on the Board of Management for Triodos Bank. In 2006, he served as the bank's Chief Operations Officer. No further information on Mr. Verheijen is available. ◆◆◆

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