

## MICROCAPITAL BRIEFS | TOP STORIES

### Indian Central Bank Lays Down Laws

The Reserve Bank of India (RBI) recently called on financial institutions to halt mobile payment services and also tightened capital adequacy standards governing microfinance institutions (MFIs). The stoppage of mobile payment services until new guidelines are issued will be problematic for banks that have already begun offering mobile payment services, such as ICICI Bank and Yes Bank. Draft RBI guidelines would require mobile payment providers to use message formats that will ensure interoperability and to follow anti-money laundering and "know your customer" rules. Under a separate decree, the majority of Indian MFIs will be required to increase their Capital to Risk-weighted Assets Ratio (CRAR) from 10 percent to 15 percent by April 2010. CRAR measures a bank's capital reserves as a percentage of risk-weighted assets. Some argue that the measure will force MFIs to charge higher interest rates or sell to commercial institutions. July 28 and August 11. 2008

### Violence Follows Nicaraguan President's Speech Against Usury

During protests at Fundación para el Desarrollo de Nueva Segovia (Fundenuse), a Nicaraguan microfinance institution (MFI), five police officers were injured and a protester was blinded in one eye. A Fundenuse worker was also kidnapped and threatened with bodily harm, according to a statement by the Nicaraguan Association of Microfinanciers (ASOMIF). Tensions in northern Nicaragua have been high since President Daniel Ortega visited the region on July 12 and called for protests against MFIs charging usurious interest rates. Fundenuse reports total assets of USD 12.3 million, a total loan portfolio of USD 11.3 million, return on equity of 30.91 percent, a debt-equity ratio of 119.18 percent and 15,757 active borrowers. ASOMIF is a network of twenty institutions in Nicaragua representing a total loan portfolio of USD 140 million. August 11. 2008

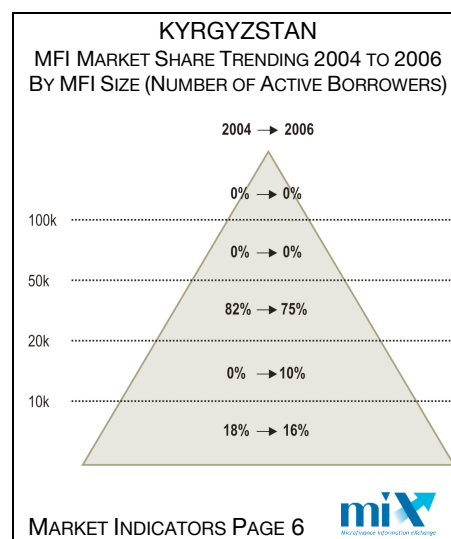
### African MFI Blue Financial Services to Acquire Credit U for \$36m

South African commercial microlender Blue Financial Services (BFS) has announced plans to purchase the entire issued share capital of South African microlender Credit U Holdings for the equivalent of USD 36 million. The acquisition of Credit U Holdings' 92 branches will increase BFS's South African network to 170 offices. Operating in twelve African countries, BFS reports total assets of USD 147 million, a gross loan portfolio of USD 64.4 million, a debt-equity ratio of 77 percent and return on assets of 7.6 percent. A commercial, non-bank financial institution, Credit U Holdings reports total assets of USD 23.6 million, a gross loan portfolio of USD 18.9 million, calculated debt-equity ratio of 68.63 percent and calculated return on assets of 24 percent. August 11. 2008

### Gates Foundation to Refocus on Microsavings

The Bill and Melinda Gates Foundation, a charitable organization with an endowment of USD 35.9 billion, plans to direct hundreds of millions of dollars to promoting savings programs in the developing world. The decision follows a review of its existing microfinance grants and a broader study of its financial services strategy. The foundation will initially focus on countries with stronger existing infrastructure, such as Brazil, the Philippines, Mexico, South Africa and India. August 6. 2008

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## MICROCAPITAL BRIEFS

### UK-sponsored CDC Group Puts \$10.5m in VC Firm Advans SA

Advans SA, a venture capital firm specializing in microfinance, has raised the equivalent of USD 10.5 million in equity capital from CDC Group, a private equity fund of funds sponsored by the British government. As a result, Advans appears poised to join the ranks of a growing number of microfinance-oriented venture capital and private equity firms - such as ProCredit Bank, AccessHolding and Catalyst Microfinance Investors - that command a large number of microfinance institutions in which they retain both operational and equity control. To date, Advans manages three microfinance ventures. Based in Luxembourg, Advans was originally founded by French consulting firm Horus Development Finance with equity backing from several development financial institutions. Owned by the UK Department For International Development, CDC Group is privately managed and reports having received no government capital for over ten years. As of December 2007, the fund held total assets of USD 4 billion and reported return on assets of 33 percent. August 18, 2008

### Fitch Gives BB+ Rating to Micro Finance Bank of Azerbaijan

Fitch Ratings, a mainstream ratings agency and microfinance neophyte, has assigned the for-profit Micro Finance Bank of Azerbaijan (MFBA) a long-term issue default rating of BB+, equal to Fitch's current ceiling rating for the country. MFBA is held by the International Finance Corporation, the European Bank for Reconstruction and Development, Kreditanstalt für Wiederaufbau Development Bank, Black Sea Trade and Development Bank, AccessHolding and LFS Financial Systems. MFBA reports a gross loan portfolio of USD 177 million, a debt-equity ratio of 713 percent, return on equity of 37 percent and over 46,000 active borrowers. FitchRatings has rated approximately twenty microbanks, all of which are located in Latin America. July 28 and August 14, 2008

### Cambodian MFI Aceda Expands Abroad

Aceda, a Cambodian microfinance institution, has obtained a banking license to expand into neighboring Laos. The bank is reportedly considering moving into China and Vietnam and also opening its shareholding to a western commercial bank. Aceda is currently 51-percent owned by its staff and other locals, while the other 49 percent is owned by foreign funds and international donors, including the World Bank's International Finance Corporation. August 14, 2008

### Rwanda Receives \$6m from World Bank to Reform Microfinance

The government of Rwanda has received a USD 6 million grant from the World Bank to fund reforms in the microfinance sector as part of a USD 41 million package that also supports agricultural projects. August 14, 2008

### Less Than 1 in 8 Access Microfinance in Lebanon

A recent International Finance Corporation (IFC) study found that only 11.5 percent of a potential USD 286 million Lebanese microfinance market is currently being tapped by microfinance institutions (MFIs). The study noted a lack of funding for MFIs and an underdeveloped focus on small and medium enterprises (SMEs) by commercial banks as inhibitors to microfinance growth. The SMEs surveyed, on the other hand, pointed to competition, political instability and inflation as the top problems. August 13, 2008

### Nigerian LAPO Borrows \$5m from Standard Chartered

Nigerian microfinance institution Lift Above Poverty Organization (LAPO) recently obtained a local currency loan worth USD 5 million from Standard Chartered Bank Nigeria (SCBN), backed by a USD 2 million guarantee from US-based Grameen Foundation. LAPO reports total assets of USD 27.4 million, a total loan portfolio of USD 16.5 million, a return on equity of 39.07 percent, a debt-equity ratio of 437.68 percent and 130,979 active borrowers. SCBN is a wholly owned subsidiary of the UK's Standard Chartered Bank. August 13, 2008

### Aga Khan Agency for Microfinance Commits \$8.7m to Syrian MFI

The nonprofit Aga Khan Agency for Microfinance (AKAM), a unit of the Aga Khan Development Network, has established "First Microfinance Institution" (FMFI) of Syria. With USD 8.7 million in startup capital, FMFI will offer microloans and deposit facilities in six of Syria's fourteen provinces. AKAM, a growing chain of regional microbanks, reports USD 114.3 million in total assets, a calculated debt-equity ratio of 102.62 percent and an aggregate partner loan portfolio of USD 68.9 million. August 12, 2008

### European Microfinance Platform Seeks Speakers, Releases News

The European Microfinance Platform (EMP) has released its Summer 2008 newsletter, publicizing events, activities and ideas of EMP and its members. The organization is also seeking presenters for its European Microfinance Week, to be held November 12 - 14 in Luxembourg. Proposals may be submitted through September 8 via [contact@microfinance-platform.eu](mailto:contact@microfinance-platform.eu). August 12 and August 14, 2008

### Fund for Southeast Europe Loans \$15m to Partner Microcredit

The European Fund for Southeast Europe (EFSE) has announced a USD 15 million loan to Bosnian-Herzegovinian nonprofit microlender Partner Microcredit Foundation to complement a plan to assist the nonprofit in transforming into a commercial microlender. Managed by Oppenheim Pramerica, EFSE of Luxembourg is held primarily by development banks and government agencies. EFSE reports USD 557.2 million in total assets with USD 308 million allocated to 50 microfinance investments. Founded by Mercy Corps, Partner Microcredit Foundation is a nonprofit, non-bank financial institution reporting USD 154 million in total assets, a USD 143 million loan portfolio, a debt-equity ratio of 406.54 percent and return on assets of 4.84 percent. August 8, 2008

### MFIs Close in Zimbabwe Amid Rising Inflation, Regulation

According to a government statement, less than half of the 309 registered microfinance institutions in Zimbabwe remain operational. Amid extremely high inflation, reports indicate that the new minimum capital requirement of USD 5,000 may result in more closings. August 7, 2008

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

**Mongolian MFI XacBank Launches Mobile Phone Banking**

XacBank of Mongolia and CGAP (Consultative Group to Assist the Poor), a microfinance think tank housed at the World Bank, have announced the launch of a new mobile phone banking service targeted at rural customers. XacBank's project will be implemented in partnership with local mobile phone service providers and a cash-handling network of local merchants. XacBank reports total assets of USD 122.7 million, a total loan portfolio of USD 85.2 million, return on equity of 23.96 percent, a debt-equity ratio of 984.23 percent and 59,793 active borrowers. August 6. 2008

**"Microfinance Transparency" to Track Interest Rates**

A new US nonprofit, MicroFinance Transparency (MFT), will publish interest rates and other basic information about the lending practices of microfinance institutions worldwide. By publishing data such as annualized per year (APR) interest rates, MFT will mirror some of the standards that are commonly enforced in commercial lending. Founded by Charles Waterfield of Columbia University, MFT will be supported by donor funding. August 6. 2008

**Sri Lanka Documents High Rate of Financial Inclusion**

A government-sponsored survey of Sri Lankan households found 82.5 percent have accessed savings and credit services, with approximately 20 percent of credit obtained from informal sources borrowed from moneylenders. August 6. 2008

**ACE Foundation Grants \$720k to Freedom from Hunger**

ACE INA Foundation is making a three-year, USD 720,000 grant to US nonprofit Freedom from Hunger for its "Credit with Education" program in Mexico. The program couples group lending and savings with training on business, health and nutrition. Freedom from Hunger works with partners in 16 countries. August 6. 2008

**Malaysia Offers to Consult on African Microfinance**

Bank Negara, Malaysia's central bank, is offering African governments assistance in developing microcredit schemes, having received praise for its domestic efforts. The bank reports total assets equivalent to USD 130 billion, a calculated debt-equity ratio of 1,328 percent and calculated return on assets of 1.57 percent. August 5. 2008

**Nigeria's Jigawa State Bailing Out Microfinance Banks**

The government of Jigawa, a Nigerian state, has released the equivalent of USD 850,000 to recapitalize nine community banks, aiming to preserve the banks' liquidity while they prepare to comply with a Central Bank of Nigeria mandate that they transform into microfinance institutions. August 5. 2008

**Zambian Conference Examines Microfinance and SME Markets**

In June 2008 representatives of microfinance institutions (MFIs) and small and medium-sized enterprises (SMEs) from Zambia met to discuss topics such as (1) how a more transparent and robust governance structure for MFIs could help manage growth, (2) how directors and audit committees can help create strong governance structures, (3) funding options available to MFIs as they scale up their growth and (4) lessons learned from the Asian markets, where MFIs have enjoyed high growth and access to commercial funding. August 5. 2008

**Sierra Leonean University Offers Microfinance Course**

Njala University College of Sierra Leone plans to offer a microfinance course to its bachelor degree candidates. Developed in partnership with the National Commission for Social Action (NaCSA), the course is targeted at future practitioners of microfinance. NaCSA currently manages USD 50 million in development projects. August 4. 2008

## 2008 ASIA-PACIFIC REGIONAL MICROCREDIT SUMMIT

### SUMMIT HIGHLIGHTS

\* Microfinance Transparency, ([www.mftransparency.org](http://www.mftransparency.org)) a not-for-profit initiative that will bring transparency to interest rate pricing, was launched on the opening day. This new initiative was endorsed by institutions reaching 74 million clients (more than half of all microcredit clients in the world) including some of the largest MFIs and networks around the world.

\* Over 900 delegates from 50 countries attended the Summit. Leaders from the largest Microfinance Institutions and networks in Asia and the Pacific including NABARD, SIDBI, Grameen Bank, ASA, and BRAC were present.

\* President of Indonesia, Dr. H. Susilo Bambang Yudhoyono, opened the Summit and former President of Peru, Alejandro Toledo, delivered a moving speech at the closing dinner.

\* Nobel Peace Prize Winner Muhammad Yunus attended the summit and held a private meeting with the President of Indonesia, Dr. Yudhoyono, to discuss microfinance in Indonesia.

Thank You to participants and sponsors for ensuring another successful summit. Nobel Peace Prize Laureate Muhammad Yunus noted that this was "the best Summit yet"!

To get more detailed information on the launch, key speeches, plenary sessions, and workshops please visit our website or contact us at:  
[www.microcreditsummit.org](http://www.microcreditsummit.org)

Stay tuned for more information on the Latin American-Caribbean Regional Microcredit Summit to be held in Cartagena, Colombia, June 8-10, 2009.

### **Nigerian Global Trust Bank Acquires Ugandan MFI**

Global Trust Bank (GTB) of Nigeria has acquired Ugandan microlender Commercial Microfinance Ltd. for an undisclosed price. GTB is a full-service bank owned by Nigerian firms Industrial and General Insurance and National Insurance Corporation. Commercial Microfinance reports a gross loan portfolio of USD 11.4 million, total assets of USD 15.1 million, a debt-equity ratio of 1,068 percent, a return on assets of -0.85 percent and 11,241 active borrowers. August 4. 2008

### **Yunus Pans For-Profit Microfinance at Asia-Pacific Summit**

At the recent Asia-Pacific Regional Microcredit Summit, Nobel Laureate Muhammad Yunus argued that, "poor people should not be considered an opportunity to make yourself rich." August 1. 2008

### **New Ugandan Regulations Include Interest Rate Cap of 13%**

Following a rash of investigations into illegal behavior and fraud, new regulations on Savings and Credit Cooperative Organizations (SACCOs) in Uganda set interest rates at 9 to 13 percent. Critics have questioned the sustainability of the new scheme because the rates are significantly below the 20 to 30 percent commonly charged by microfinance institutions. July 31. 2008

### **Ethiopia to Finance Four Microfinance Institutions**

Commercial Bank of Ethiopia (CBE), a government-controlled for-profit corporation, has announced that it will finance four unnamed microfinance institutions (MFIs) in addition to the five it now supports. Some have criticized the CBE for only supporting MFIs with ties to government. For 2006, CBE reported total assets equivalent to USD 4.2 billion and a gross loan portfolio of USD 883 million. July 30. 2008

### **NABARD Sponsors Observation of Microfinance in Sri Lanka**

India's National Bank of Rural Development (NABARD) plans to take a group of twenty representatives of India's largest financial institutions to Sri Lanka to observe microfinance practices. No explanation was offered for the choice of models. Despite the high rate of penetration cited in the August 6 story above, the Sri Lankan microfinance industry has been criticized for having under-qualified staff, no national policy for microfinance and no cohesive regulatory structure. July 29. 2008

### **Nonprofit Unitus Launches For-profit Financial Advisory Firm**

Unitus, Inc., a US-based nonprofit, has launched Unitus Capital, a for-profit financial advisory firm. Unitus Capital has received USD 5.5 million in seed funding from private investors including WEGA Support GmbH; Robert Gay, Managing Director of Bain Capital; and William S. Price III, Founding Partner of Texas Pacific Group. For 2006, Unitus reports USD 13.3 million in total internal assets and an aggregate partner gross loan portfolio of USD 115.4 million. July 29. 2008

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### **Indian Microfinance Institutions Increase Focus on Urban Areas**

A study by Sa-Dahn indicates that microfinance institutions have found success in Indian cities partially because of larger loan sizes. Sa-Dhan is an association of 196 institutions serving 7 million borrowers with an aggregate loan portfolio equivalent to USD 3.5 billion. July 29. 2008

### **GE Money Grants \$1.5m to FINCA**

General Electric Consumer Finance (GE Money) has made a three-year commitment worth USD 1.5 million to support FINCA's (Foundation for International Community Assistance's) Village Banking Campaign. FINCA will use the first installment of the grant to expand in Africa, Europe and Asia. GE Money, a unit of General Electric Company, reports USD 4.3 billion in earnings and USD 211 billion in assets. As of 2006, FINCA reported assets of USD 251 million. July 28. 2008

### **Prosperity Microfinance Bank of Nigeria Targets Expatriates**

In an effort to expand from its microcredit base, Nigerian microfinance institution Prosperity Microfinance Bank Ltd. has announced several new products including insurance, business checking and a savings account aimed at Nigerians living abroad. July 28. 2008

### **India's Gradatim Launches Microinsurance Technology Platform**

Indian information technology firm Gradatim IT Ventures recently announced the launch of "MF-Insure," a new technology platform designed to simplify the business operations of microinsurance providers. July 28. 2008

### **Banco Azteca Exports Microfinance Formula Southward**

Banco Azteca (BA) is reportedly looking to expand into Argentina, Brazil, Paraguay and Uruguay. Originally having focused on loans for consumer goods, Mexico-based BA now offers current accounts, credit cards, electronic banking, pensions, insurance, mortgages and automobile loans in five Latin American countries. BA reports income worth USD 61 million and total deposits of USD 4.1 billion. The bank is a holding of Grupo Salinas, which reports a turnover of USD 6 billion for 2006. July 28. 2008

### **Rotarians Explore Microfinance**

Rotary International, a service organization with clubs in over 200 countries, held its annual convention in June, during which the Rotarian Action Group for Microcredit encouraged greater emphasis on microfinance. July 25. 2008

### **HSBC Amanah, Islamic Relief to Offer Microfinance in Pakistan**

HSBC Amanah, the Islamic banking division of HSBC, has partnered with UK-based Islamic Relief to offer microfinance services in Pakistan that are in accordance with the Shariah, Islamic law. July 25. 2008



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### Coalition to Develop Rating Standards for MFIs in India

The ICICI Foundation, IFMR Trust and CRISIL have entered into a deal to rate microfinance institutions (MFIs). CRISIL will develop the rating criteria and rate the institutions, IFMR will provide access to enterprises working in microfinance and the ICICI Foundation will assist in the dissemination of new ratings criteria. The ICICI Foundation is the charitable arm of the ICICI Group, which reports assets equivalent to USD 80.5 billion. The IFMR Trust is a private trust that aims to increase financial access. Standard and Poor's holds a majority stake in CRISIL, a ratings, research, risk and policy advisory firm. July 25. 2008

### Consolidation of Indian Microfinance Institutions Expected

Sources including the Wall Street Journal's Livemint have predicted that microfinance in India is headed toward a phase of consolidation. Smaller microfinance institutions may seek to merge to attract investment and otherwise compete with the top 25 microlenders, which account for 75 percent of total microlending in India. July 24. 2008

### Raising Money for Microfinance in Sierra Leone

The Government of Sierra Leone, the United Nations Development Program, the United Nations Capital Development Fund, the Catholic Organization for Relief and Development Aid (CORDAID) and KfW Entwicklungsbank are seeking funding for their Microfinance Investment and Technical Assistance Facility which aims to bolster the microfinance sector in Sierra Leone through consulting and best practice dissemination. July 24. 2008

### Indian Microfinance Institutions Report Growth Despite Inflation

The Economic Times, an Indian daily, reports that several Indian microfinance institutions are on track to double in size in 2008. While major Indian banks have begun to raise lending rates in response to inflation rates not seen in 13 years, larger microfinance institutions are not reporting plans to follow suit. July 23. 2008

### South African Blue Financial Services Expands to Swaziland

Blue Financial Services (BFS), a South African microfinance institution, has opened its first branch in Swaziland. With operations in twelve African countries, BFS reports totals assets worth USD 147 million, a loan book of USD 64.4 million, a debt-equity ratio of 0.77 and a return on equity of 1 percent. July 23. 2008

### World Council of Credit Unions Holds Annual Conference

The World Council of Credit Unions held its annual conference in July in Hong Kong, featuring attendees from 48 different countries. The 2009 conference will take place in Spain. July 23. 2008

### United Nations, Yemeni-backed Agency to Establish MF Network

The United Nations Development Program (UNDP) has signed an agreement with Yemen's government-backed Social Fund for Development to create a microfinance network that will offer training, technical assistance, information exchange and increased transparency and standardization to the sector. Microfinance institutions serve approximately 35,000 active clients in Yemen, largely in urban areas. July 22. 2008

### World Council of Credit Unions Releases Oversight Guide

The World Council of Credit Unions has released a technical guide on credit union regulation and supervision that covers best practices, Basel II and safety and soundness principles. July 22. 2008

### Olive Microfinance Bank Opens in Nigeria

Olive Microfinance Bank of Nigeria has opened its first branch and anticipates receiving technical assistance shortly from Grameen Bank of Bangladesh. July 22. 2008

### Nigeria Cuts SME Fund in Favor of Microfinance

The Nigerian government has cut its seven-year-old Small and Medium Enterprises Equity Investment Scheme due to poor performance and underutilization. Leftover funds have been folded into the Central Bank of Nigeria's USD 426 million Micro Credit Development Fund, which will lend to microbanks instead of requiring banks to take equity stakes in small businesses. July 22. 2008

### Kenyan Equity Bank to Cross-list on Uganda Securities Exchange

Having finalized its acquisition of Uganda Microfinance Ltd. (UML), Kenya's Equity Bank reportedly plans to cross-list on the Uganda Securities Exchange and invest the equivalent of USD 175 million to transition UML into a full-scale commercial bank. Equity Bank reports totals assets worth over USD 833 million, a gross loan portfolio of USD 348 million, a debt-equity ratio of 255.81 percent and a return on equity of 19.34 percent. UML reports total assets of USD 34 million, a gross loan portfolio of USD 22.8 million, a debt-equity ratio of over 330 percent and a return on equity of 51.6 percent. July 22. 2008

### Indian Banking Giant HDFC to Expand Microfinance Arm

Indian bank HDFC (Housing Development Finance Corporation) has announced plans to open eight new branches solely dedicated to microfinance. HDFC's rapid scaling-up of operations reflects a general enthusiasm among prominent Indian banks for microfinance. HDFC reports USD 1.3 billion in total assets, a calculated debt-equity ratio of 107.83 percent and calculated return on assets of 0.84 percent. July 22. 2008

### Russian SME Lender LOCKO-Bank Borrows \$65m

The International Finance Corporation (IFC) has arranged a USD 65 million loan package for LOCKO-Bank, a Russian commercial bank focused on small and medium enterprises. The loan consists of a three-year USD 20 million loan from IFC and a USD 45 million syndicated loan. IFC, a member of the World Bank Group, holds a 15 percent share of LOCKO-Bank and actively participates on its Board of Directors. LOCKO-Bank reports assets equivalent to USD 1.1 billion, an outstanding customer loan portfolio of USD 832 million, a debt-equity ratio of 0.88 and return on equity of 1 percent. July 21. 2008 ♦♦♦

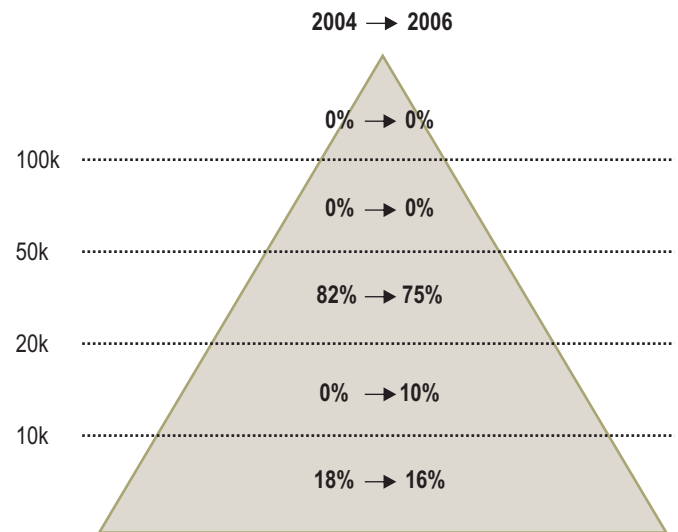
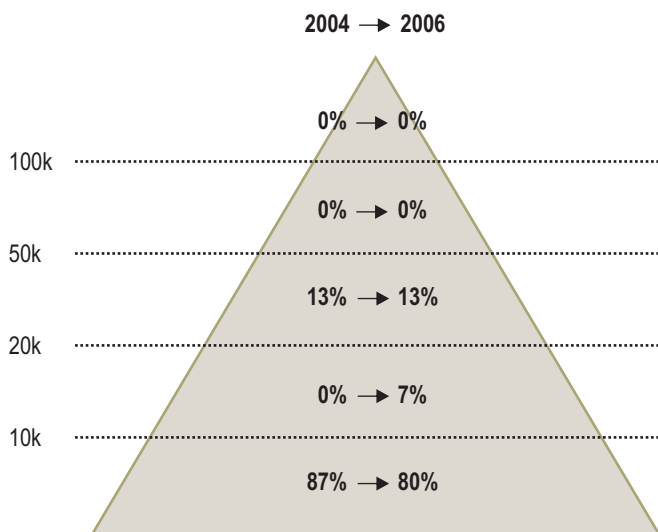
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**MICROCAPITAL MARKET INDICATORS | KYRGYZSTAN**

 15 MFIs REPORTING <sup>1</sup>
**TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

MFIs NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2004	2006
BTA Bank (formerly IneximBank)	9,910,140	33.3	25,514,440	45,334,720
Aiyl Bank (formerly KAFC)	8,537,372	21.0	36,873,944	53,948,688
FINCA MicroCredit Company (formerly FINCA Kyrgyzstan)	4,918,281	46.4	8,598,438	18,435,000
Commercial Bank Kyrgyzstan	4,502,692	22.2	18,289,496	27,294,880
Bai Tushum Financial Fund	3,190,732	66.9	3,575,571	9,957,035
Credit Union ABN	163,542	41.0	330,917	658,000
Credit Union Kairat-Bol	157,570	77.4	146,865	462,005
Credit Union Zakawat	134,674	52.7	202,161	471,509
Credit Union Tokmok Trust	79,736	43.6	150,055	309,526
Credit Union Pakhta-Trust	26,727	57.8	35,893	89,347

**PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS) MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)**


(1) Denotes only MFIs that report data for 2004 - 2006 to MicroBanking Bulletin (MBB) or MIX Market.  
 Source: Microfinance Information Exchange, Inc., July 2008, based on MFIs reporting to MBB or MIX Market.

## UPCOMING EVENTS

### Micro Banking Summer Academy

August 22 - September 5, 2008, Frankfurt am Main, Germany  
Fees to attend this Frankfurt School of Finance and Management program are EUR 2,500 per week, plus EUR 800 for the introductory course. More details are available via Carolin Drucks at +49 (0)69 154008 616, c.drucks@frankfurt-school.de or [http://www.frankfurt-school.de/content/en/intern\\_advisory/summeracademy\\_en](http://www.frankfurt-school.de/content/en/intern_advisory/summeracademy_en).

### Second Asia Microfinance Forum

August 26 - August 29, 2008, Hanoi, Vietnam  
This event focuses on partnerships and innovative technology. Registration is free, but officially closed May 31. For details, contact [info@bwtp.org](mailto:info@bwtp.org) or +61 7 3831 8722 or see <http://www.bwtp.org>.

### Fourth Central American Microfinance Conference

August 27 - August 29, 2008, Guatemala City, Guatemala  
The Red Centroamericana de Microfinanzas (REDCAMIF) is hosting this event. Although registration was officially due July 31, more information is available via [ivconferencia@redcamif.org](mailto:ivconferencia@redcamif.org), +502 2332 1920 or <http://networks.seepnetwork.org/en/node/1102>.

### Fifth European Microfinance Network Annual Conference

September 8 - September 10, 2008, Nice, France  
Fees for this conference range from EUR 300 to EUR 440, with further discounts available for certain groups. More information is available at [http://www.european-microfinance.org/nice\\_en.php](http://www.european-microfinance.org/nice_en.php) or via Maria Franco at [m.franco@european-microfinance.org](mailto:m.franco@european-microfinance.org) or +33 1 56 03 59 68.

### Building Inclusive Financial Systems: How Can Funders Make a Difference

September 8 - September 12, 2008, Dubrovnik, Croatia  
Organized by CGAP (Consultative Group to Assist the Poor) and the Microfinance Management Institute, this course focuses on developing microfinance projects and policy. This event costs USD 1,900 and will be held in English. (Another session will be held in French in Rwanda in November.) For more information, contact Natasa Goronja at [ngoronja@themfmi.org](mailto:ngoronja@themfmi.org) or +1 202 721 5605 or visit <http://www.themfmi.org/course/>.

### Fourth Azerbaijan Microfinance Conference

September 16 - September 17, 2008 Baku, Azerbaijan  
This conference will focus on best practices, challenges, benchmarking performance, innovative products and opportunities to access investors. Fees are USD 300 for those from abroad or AZN 400 for those from Azerbaijan, with discounts available for members. More information is available via [amfa@amfa.az](mailto:amfa@amfa.az), <http://amfa.az/> or +994 12 4371645.

### Boulder Bergamo Forum on Access to Financial Services

September 18 - September 20, 2008, Bergamo, Italy  
The Boulder Institute of Microfinance and the Università Degli Studi di Bergamo will host this forum subtitled "Expanding the Rural Frontier." The conference fee is EUR 400 (USD 590) and more details are available via [info@bouldermft.org](mailto:info@bouldermft.org), +56 2 673 37 47 or <http://www.bouldermft.org/bergamo/>.

### Building Fair Financial Markets For All

October 1 - October 2, 2008, Geneva, Switzerland  
This symposium is hosted by the World Microfinance Forum Geneva. The cost is the equivalent of USD 728 for both days, with special rates for single-day passes and nonprofit organizations. For registration or more information, contact <http://www.microfinanceforum.org/>, [info@microfinanceforum.org](mailto:info@microfinanceforum.org) or +41 22 770 00 83.

### Eleventh Inter-American Forum on Microenterprise (FOROMIC)

October 8 - October 10, 2008, Asuncion, Paraguay  
The Inter-American Development Bank will host this forum which costs USD 450. More information is available via [foromic@iadb.org](mailto:foromic@iadb.org) or <http://www.iadb.org/foromic/>. No telephone number is offered.

### Social Capital Markets 2008 (SoCap08)

October 13 - October 16, 2008, San Francisco, California  
Xigi.net is organizing this conference, which will include a microfinance investing track. The registration fee is USD 1195. More information is available at <http://socialcapitalmarkets.net/> or from [amy@xigimedia.net](mailto:amy@xigimedia.net). No telephone number is offered.

### Third Global Credit Reporting Conference

October 21-23, 2008, Rio De Janeiro, Brazil  
This conference will be hosted by the World Bank, International Finance Corporation and the Central Bank of Brazil. The registration fee is USD 700 per person, with a USD 50 discount available until September 15. More information is available via [http://www.ifc.org/ifcext/economics.nsf/Content/CON\\_Credit\\_Reporting\\_Brazil](http://www.ifc.org/ifcext/economics.nsf/Content/CON_Credit_Reporting_Brazil). Registration forms may be requested from Angela Bello at [abello1@worldbank.org](mailto:abello1@worldbank.org) or +1 202 473 1000.

### European Summit On Global Microfinance Investments

October 29 - October 30, 2008, London, United Kingdom  
The conference will examine risks, business models, how microfinance may become an asset class and how to facilitate increased microfinance investment. The cost of the conference is GBP 1,291 (USD 2,230), with discounts available for microfinance institution staff. More information is available via +44 20 7878 6888, [enquiries@c5-online.com](mailto:enquiries@c5-online.com) or [web.c5groupinc.com/www\\_secure/conf\\_details.php?conf=5438](http://web.c5groupinc.com/www_secure/conf_details.php?conf=5438).

### SEEP "Powering Connections" 2008 Annual Conference

November 4 - November 7, 2008, Arlington, United States  
The SEEP network is hosting this conference with financial support from the US Agency for International Development. Early registration is available until September 19 for USD 215 per day for members and USD 290 per day for non-members. More details and registration are available via <http://seepnetwork.org/conference/>, +1 202 884 8392 or [seep@seepnetwork.org](mailto:seep@seepnetwork.org).

### Microinsurance Conference 2008

November 5 - November 7, 2008, Cartagena, Colombia  
This is the fourth such conference hosted by CGAP (Consultative Group to Assist the Poor) and Munich Re Foundation. Fees for registrants from industry are EUR 690 (USD 1010), for those from NGOs in rich countries EUR 390 (USD 570) and from NGOs in poor countries EUR 100 (USD 150). Details are available via +49 89 3891 8888, [info@munichre-foundation.org](mailto:info@munichre-foundation.org) or <http://www.munichre-foundation.org/StiftungsWebsite/Projects/Microinsurance/2008Microinsurance/>.

### European Microfinance Week 2008

November 12 - November 14, 2008, Luxembourg  
Hosted by the European Microfinance Platform, this year's event is themed "Frontier Issues in Microfinance - opportunities and challenges for European actors." Registration details are not yet available, but more information is available via [contact@microfinance-platform.eu](mailto:contact@microfinance-platform.eu), +352 26 27 13 55 or [http://www.microfinance-platform.eu/mmp/online/website/news/index\\_EN.html](http://www.microfinance-platform.eu/mmp/online/website/news/index_EN.html).

### Risk Management Excellence in Microfinance

November 17 - November 21, 2008, Luxembourg  
This workshop is targeted at MFIs which are about to create or have already created risk management departments. Details have not been published, but may be requested via [microfinance@attf.lu](mailto:microfinance@attf.lu). ♦♦♦

## PAPER WRAP-UPS

### Securitization in Microfinance

*By Brad Swanson, published in Microfinance Insights, June 2007, 2 pages, available at: <http://www.dwmmarkets.com/Resources.htm>*

In this paper, Swanson explains the difference between collateralized debt obligations (CDOs) and the securitization of microcredit loans. He reviews the benefits and challenges of each and cites recent examples of both types of microfinance security. Swanson defines securitization as “a financing process in which a company moves assets into an ostensibly bankruptcy-remote vehicle to obtain lower interest rates from potential lenders.” Securitization allows for a simpler analysis of credit risk than analyzing company debt because the repayment of loans incorporates fewer variables than the functioning of an entire business. It also allows companies to raise money without selling equity - which can be costly and dilute future returns - and allows easier diversification of asset allocation.

Swanson explains that “CDOs are securitizations in which corporate loans or corporate bonds comprise the asset pool.” To date at least seven microfinance CDO transactions, totaling approximately USD 300 million, have occurred in international capital markets. The first major transaction of this nature was BlueOrchard Microfinance Securities I (BOMSI), co-sponsored by Developing World Markets and BlueOrchard. Importantly, BOMSI did not ask investors to lower their expected financial returns due to the positive social nature of microfinance.

Microloan securitization is similar to the CDO process, except that the asset pool is comprised of individual microloans and not the corporate debt of microfinance institutions (MFIs). According to Swanson, a great deal of excitement surrounds this type of financial transaction, but only two true microloan securitizations, totaling USD 75 million, have taken place so far.

Swanson explains several challenges facing the securitization of microfinance loans. First, he cites the short maturity of microloans. Securitizations of other assets, like mortgages, are usually not repaid for a period of many years, even decades. Since most microloans are repaid within one year, several generations of loans must be incorporated into each securitization. This involves a great deal more effort and complexity because work must constantly be done to continue deciding which loans should be repaid to the asset pool. This extra work leads to increased costs, meaning that investors must accept a smaller financial return. The short maturity of microcredit loans also leads to increased “origination risk,” the possibility that the MFI won’t be able to find enough loans to keep paying the asset pool in full. The return to investors is also dependent on the effectiveness of the MFI in ensuring that loans are repaid and proper candidates selected, a problem that is exacerbated by the high level of involvement between MFIs and their borrowers. Another challenge is the lack of a standardized rating system. While rating agencies do exist for MFIs, credit ratings for specific investment products, like microloan securitizations, are rare. SKS has undertaken a rigorous analysis of its outstanding loan products, indicating that some MFIs can handle these investment ratings.

Swanson cites the microloan securitization by BRAC, a nonprofit MFI in Bangladesh, as the prime example of this type of transaction. In this deal, BRAC went to great lengths to minimize the risk of default, including adding large amounts of extra loans to the asset pool to substitute for any defaults, a process known as over-collateralization. It is unlikely that for-profit organizations would find this to be an attractive proposition, but Swanson contends that the benefits of receiving high credit ratings and international exposure enticed BRAC to undergo the deal.

Swanson concludes by explaining some factors that affect the likelihood of securitization emerging as a prominent source of capital for MFIs in India. He believes that MFIs have been able to raise enough funds from equity in the past - although it is the most expensive form of raising capital - but that burgeoning loan portfolios will force MFIs to look elsewhere for funds. The ten times debt-equity cap set by the Reserve Bank of India also increases the likelihood of securitization because MFIs need to raise capital without taking on more debt. Conversely, the Priority Sector Lending rules, which force banks to devote a certain amount of resources to microfinance loans, cause an excess of competition that forces banks to drop their rates significantly in order to attract borrowers. These lower rates make it harder to attract investors because the money repaid into asset pools will be smaller than they would be otherwise. Swanson remains hopeful that the worldwide attention on this matter will lead to success stories with replicable models.




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## Mexico, Benchmarks 2007

*Published by ProDesarrollo and the Microfinance Information Exchange, August 2008, 16 pages, available at: [http://www.themix.org/publication\\_detail.aspx?publicationID=249](http://www.themix.org/publication_detail.aspx?publicationID=249)*

Based on data from 2007, these benchmarks are based on financial and operational data from 44 microfinance institutions (MFIs) throughout Mexico and are compared to MFIs in the entire Latin America region using a peer group methodology. The benchmarks are comprised of more than 60 key indicators, including information based on the type of credit products the microfinance institutions specialize in, such as micro-enterprise, consumer, commercial and mortgage. A full report with analysis on the Mexican microfinance sector is expected from the Microfinance Information Exchange and ProDesarrollo in the fourth quarter of 2008.

## Latin America and Caribbean, Benchmarks 2007

*Published by the Microfinance Information Exchange, August 2008, 20 pages, available at: [http://themix.org/publication\\_detail.aspx?publicationID=241](http://themix.org/publication_detail.aspx?publicationID=241)*

This benchmark report covers 2007 data from 283 microfinance institutions in 15 countries in Latin America. Key indicators include financing structure, number of active borrowers, average loan balance per borrower and operational self-sufficiency. Also covered are the types products the microfinance institutions specialize in, such as microenterprise, consumer, commercial and mortgage.

## Transforming NGO MFIs: Critical Ownership Issues to Consider

*By Kate Lauer, published by CGAP (Consultative Group to Assist the Poor) as Occasional Paper Number 13, June 2008, 28 pages, available at: [http://www.cgap.org/gm/document-1.9.4213/OccasionalPaper\\_13.pdf](http://www.cgap.org/gm/document-1.9.4213/OccasionalPaper_13.pdf)*

This paper examines nonprofit microfinance institutions (NGOs) that plan to transform into regulated for-profit companies, while focusing on the issue of establishing ownership and the challenges it can present. The author deems the study a “guidance paper for those who plan to carry out a transformation.” Topics covered include legal restrictions to NGO’s ownership of the transformed institution, limits concerning the transformation of assets and liabilities, limitations regarding grant funding and the issuance of shares in the transformed institution.

Lauer explains common motives for transformations, including statutory requirement and the desire to provide new services to clients, such as savings and money transfers. Lauer argues that in most transformations the NGO wishes to retain control over the transformed institution. She then explains legal restrictions that can interfere with this aim, such as limitations set by national law on the percentage of shares an individual or an entity may own in a regulated financial institution.

Establishing ownership of the transformed institution can involve a capital contribution comprised of the NGO’s loan portfolio and other assets. However many countries do not allow such transfers of loan portfolios in exchange for shares. Transferring liabilities can also raise problems. Lauer advises that an NGO with outstanding borrowings should review whether these liabilities will be assigned to and assumed by the new company or stay with the NGO.

Lauer emphasizes the difference between the governance of an NGO and a company, stating that “a company is controlled by owners who have an incentive to protect their private financial interests, while an NGO has no owners and depends on the social motivation of its governing body.” She further argues that with the transformation, the NGO has to adjust to new measurements of accountability and accommodate new shareholder’s interests.

To conclude, Lauer offers insight on how to protect the NGO’s original mission once the transformation occurs. She calls on NGOs to familiarize themselves with legal and financial considerations that may affect the NGO’s selection of outside investors: “There has been significant upside to some transformations because they are permitted to offer additional services, access commercial capital and work toward better governance. Some of this upside can be traced specifically to the introduction of outside owners, who may bring financial expertise, important connections to providers of capital and the potential to contribute to effective governance. There are also risks, including in particular the possibility of mission drift.”



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## Governance Issues in Microfinance

*By the United States Agency for International Development Nigeria PRISMS Project, December 2005, 8 pages, available at: <http://www.microfinancegateway.org/content/article/detail/31050>*

This paper examines the concept of institutional governance, exploring governance issues that concern microfinance institutions, both commercial and nonprofit. The paper begins by defining good governance as the process by which an organization's Board of Directors guides the institution in fulfilling its mission and protecting the institution's assets. The paper asserts that good governance is contingent upon directors adhering to the highest standards of ethical behavior including:

- "Duty of loyalty" - placing the interest of the institution above self
- "Duty of care" - being fully informed, participating in decisions prudently and taking responsibility for actions
- "Duty of obedience" - being faithful to the institution's mission by being transparent with shareholders and clients

The paper stresses that Boards of organizations providing financial services must assume a higher level of fiduciary responsibility than those Boards of other types of organizations because financial institutions are entrusted with the public's money. Boards of microfinance institutions have two additional responsibilities beyond those of other financial institutions. First, the type of individual that borrows from an MFI often lacks access to other sources of financing, which suggests that the MFI's financial failure might mean the end of an individual's access to any capital. Second, Boards of MFIs need to consider the fact that the insolvency of a large-scale MFI could have a severe impact on the domestic and international microfinance sector. Following the implosion of a "key player" in microfinance, lenders and investors might question the overall economic viability of microfinance lending. Thus, Boards must understand that shirking their fiduciary responsibilities could have ramifications that extend well beyond their own institution. To navigate through these challenges, the authors outline two best practices that should be employed by MFIs: use of appropriate criteria in selecting Board members and the establishment of a specific governance structure.

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In selecting directors, three points are cited. First, the Board should collectively hold a diverse set of technical and managerial skills. To this end, the selection criteria for candidates should vary in order to balance the Board's overall skill set. Second, potential Board members must recognize and be committed to fulfilling the "dual mission" that guides the operation of a microfinance institution. Finally, the Board must be the appropriate size - one that fosters ample ideas and perspectives on issues without being so large as to hamper efficiency.

When establishing a governance structure, three mechanisms ensure that the Board operates ethically and efficiently. First, the paper strongly advocates that the roles of Chairman and Chief Executive Officer not be assumed by one individual. Separation of these roles ensures that the Chairman can facilitate Board meeting discourse without harboring a conflict of interest. If the Chairman were also the CEO, the individual tasked with running daily operations, he or she could not objectively facilitate a discussion that critically examined the firm's daily operations. The second essential mechanism in the governance structure is having a detailed definition of the Chairman's role, particularly in relation to other Directors. Finally, the governance structure must assign specific roles and responsibilities to each committee.

## Learning By Association: Micro Credit in Chiapas, Mexico

*By Gustavo A. Barboza and Humberto Barreto, published in Contemporary Economic Policy Volume 24, Number 2, April 2006, 16 pages, available at: [http://econpapers.repec.org/article/oupcoecpo/v\\_3A24\\_3Ay\\_3A2006\\_3Ai\\_3A2\\_3Ap\\_3A316-331.htm](http://econpapers.repec.org/article/oupcoecpo/v_3A24_3Ay_3A2006_3Ai_3A2_3Ap_3A316-331.htm)*

This paper aims to investigate "peer mentoring" or "learning by association" through traditional microfinance borrowing groups whereby a loan is made to a group instead of to individuals. The authors examine the relationship between peer mentoring and client repayments after hypothesizing that stronger support through "peer mentoring" groups will enable weaker members of the group to advance and succeed. They consider that poor people do not just lack access to financial services, but also the skills and discipline to manage money. Peer mentoring provides both support and a level of transparency. The authors analyze client data from AlSol, a non-governmental organization established in 1999 in Mexico, committing the bulk of the paper to equations measuring repayments. The results show a positive relationship between repayment rates and peer mentoring, which indicates that weak group members perform more favorably under the influence of stronger members. ♦♦♦