

## MICROCAPITAL BRIEFS | TOP STORIES

### ASA Sells and Rises

Catalyst Microfinance Investors (CMI) of Mauritius announced that it has raised USD 125 million through the largest microfinance equity sale to date. Investors included private individuals as well as a number of institutional investors such as the Dutch pension fund, ABP and the US financial services organization, TIAA-CREF. The majority of the funds will be channeled to ASA International of Bangladesh, which will use the increased capital to expand operations in Africa and Asia. The investment will solidify CMI's majority stake in ASA International with a portion to be used to purchase 30 percent or higher shareholder interest in emerging microfinance institutions. A focus will be on MFIs that have the potential to merge with ASA in the future. CMI intends to achieve commercial financial returns on the fund by means of a sale or IPO of ASA and any additional investments. ASA has provided microfinance services since 1991 and currently serves over 6 million clients through more than 3,000 branches in Bangladesh, Cambodia, Ghana, India, Nigeria, Pakistan, the Philippines and Sri Lanka and expects to commence operations in China and Indonesia later this year. As of March 2006, it reported a total loan portfolio of USD 305.3 million and a return-on-assets of 14.4 percent. February 15, 2008

### Kiva Media Frenzy Continues Amid Strong Holiday Receipts

The New York Times, the US daily newspaper, is reporting that Kiva had a very busy holiday season. Kiva is a non-profit organization whose website brokers the funding of microloans in the developing world. In December, Kiva gained 49,000 new lenders, with 4,000 joining on Christmas Eve. Gift-certificate sales reached about USD 2 million over the holiday shopping season, including USD 259,000 on Christmas Eve. February 8, 2008

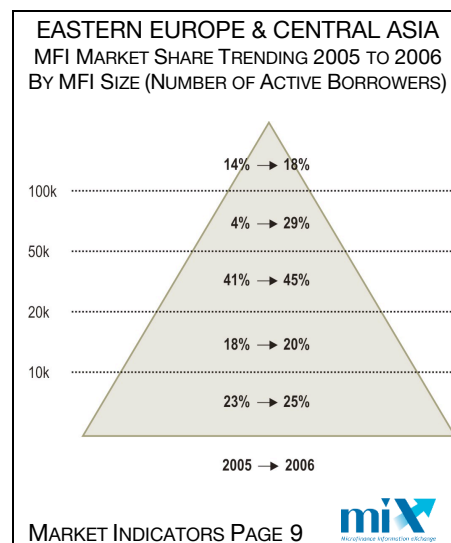
### Lone Kenyan Microinsurer Pays Amidst Violence?

Co-operative Insurance Company (CIC), a Kenyan microinsurance company, will pay claims resulting from the country's recent political unrest over a disputed presidential election. As of the end of January, CIC had already received claims totaling KES 55 million, equivalent to USD 779,037, an amount that is expected to rise as over 90 percent of CIC's insured clients have yet to file claims. CIC's decision to honor claims is a precedent in a country where insurers do not usually offer protection against loss or damage due to political risk. CIC is a private insurance company, originally established in 1978 as Co-operative Insurance Services Limited (CIS). Its products include: death and permanent disability, personal accident, in-patient medical expenses, funeral expenses, livestock insurance, fire and burglary. As of December 2007, CIC has insured over 163,000 individual members with a portfolio of KES 17.8 billion (USD 252.1 million). The Daily Nation, a newspaper in Nairobi, reports that CIC's "announcement came a day after the Association of Kenya Insurers (AKI), in a paid up advertisement that appeared in the local media on Wednesday, stated that 'loss or damage arising from political risks are not covered.'" February 14, 2008

### SKS Microfinance Raises USD 37 Million in Equity Sale

SKS Microfinance of Hyderabad, India, recently raised 147 Crore Rupees, the equivalent of over USD 37 million, through its third round of equity sales in recent months. Investors include Silicon Valley Bank (SVB) of California, Columbia Pacific, Sequoia Capital of California, Vinod Khosla of California, and Odyssey Capital. California-based Silicon Valley Bank (SVB) was established in 1983 as part of the SVB Financial Group and focuses on emerging, growth, and established technology company and the life science, private equity and premium wine markets. *Continued on Page 2*

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## MICROCAPITAL BRIEFS

### SKS Microfinance Raises \$37m in Equity Sale (continued)

...This appears to be SVB's first major investment in the microfinance arena. SKS Microfinance was established in 1997 in Hyderabad, India, and as of March 2007 SKS had over 500,000 borrowers, a loan portfolio of over USD 63 million, a debt-to-equity ratio of 379 percent and a return on assets of 1.75 percent. In 2003 the MFI received a rating of "Alpha minus" from M-CRIL, an Indian microfinance rating agency. February 4, 2008

### Microfinance Business Plan Competition in India

The Srijan Microfinance Business Plan Competition will host its third annual entrepreneurial challenge. The name Srijan means "creation" in English and the competition aims at developing innovative solutions to the resource and infrastructure problems that currently limit MFIs. Participants will compete for cash awards totaling INR 12 Lakhs (USD 30,000). February 19, 2008

### BBVA Growing in Columbia

Spanish retail and commercial bank Banco Bilbao Vizcaya Argentaria SA (BBVA) will invest COP 25 billion, equivalent to USD 13.3 million, into starting a Colombian leasing operation this year and plans to open a microbank in the third quarter of this year. The microcredit operation will be launched in conjunction with BBVA's nonprofit microfinance arm, Fundación BBVA para las Microfinanzas. The foundation began operations last year with a EUR 200 million (USD 259.9 million) endowment. BBVA also started a microfinance hedge fund, BBVA Codespa Microfinanzas, last year. The BBVA Group is the second-largest bank in Spain and Latin America, having last reported assets of EUR 502.2 billion. February 19, 2008

### Dexia Micro-Credit Fund Keeps Pace

Dexia Micro-Credit Fund, a Luxembourg-based fund, issued loans of USD 3 million to FINSOL, a Honduran MFI; USD 2 million to FUNDESER, a Nicaraguan MFI; USD 1.5 million to the Bai Tushum Financial Foundation (BTFF), a Kyrgyz MFI; and USD 100,000 to the Fund for SME Support Sodruzhestvo, a Russian MFI. The Dexia Micro-Credit Fund is a commercial investment fund, begun in 1998. As of February 2007, the fund had total assets of USD 161.8 million, of which USD 108 million was allocated to microfinance. It currently finances approximately 60 MFIs in 25 emerging economies worldwide. The fund is managed by BlueOrchard Finance, a Swiss microfinance investment advisor. February 19, 2008

### Philippine Government Advocates Lower Microenterprise Rates

Philippine government has directed microfinance lending agencies to look into the possibility of lowering interest rates to micro- and small businesses, but it is not an requirement, nor did the government specify if or when it would become one. The directive was particularly targeted at People's Credit and Finance Corporation (PCFC) and the Small Business Corporation (SB). The PCFC is a government entity to support the development of microfinance by providing loans to MFIs, has total assets of PHP 3.2 billion, equivalent to USD 79.1 million, and covers all 80 provinces. Similarly SB, which has a microfinance-lending program, is the government's third largest provider of small and medium enterprise financing with a loan portfolio of over PHP 3 billion (USD 73.2 million). Neither the PCFC nor SB have committed to lowering rates, citing "serious ramifications". The PCFC charges 10-14 percent interest, while SB's microfinance program lists rates between 9 and 12 percent. In comparison, the central bank lists an overnight rate of 5 percent, while the 91-day T-bills rate is at roughly 3.6 percent. February 14, 2008

### Citi, IFC Lead BRAC Loan of \$55m Taka Equivalent

Citi, the global bank, has concluded a USD 22 million (BDT equivalent) term loan to support BRAC's micro-lending in Bangladesh, with a partial guarantee of USD 18 million from IFC, a member of the World Bank Group. The facility will be made available in the local currency, Bangladesh Taka (BDT), and will have a tenure of five years with an amortizing structure. While this is the IFC's first guarantee to BRAC, Citi and BRAC have been banking together for several years. This loan is the first tranche of USD 55 million (BDT equivalent) in financing being arranged for BRAC by Citi Bangladesh, with announcement of the next tranches expected in March 2008. February 14, 2008

### Indian Engineers Seek to be Social Entrepreneurs

Engineers for Social Impact (E4SI), a new fellowship program in India, has begun its recruitment process to match the top five undergraduate candidates from Indian engineering schools with five partner social enterprises that are focusing on development by means of sustainable for-profit entrepreneurship. February 13, 2008

### Compartamos Windfall One Year Later

Nearly one year since the well-publicized and successful IPO of Banco Compartamos, its stock has not maintained its initial sizable gains. Compartamos is Mexico's largest microfinance bank, the first "home-grown" microfinance institution to complete an IPO and the continued subject of debate within the microfinance industry. The IPO was a secondary offering in which 30 percent of shares were sold. In addition, the IPO was 13 times oversubscribed, helping share prices to rise 32.2 percent on the first day of trading. The IPO raised over USD 400 million for early investors and was not used to raise funds for operations. Compartamos' stock reached almost MXN 70 in July 2007. The stock fell below its initial offer price to a low of MXN 38 in January 2008, and is now at MXN 45. February 13, 2008

### Mobile Phone Money Transfer Service Launched in Afghanistan

Vodafone, the international mobile communications group and Roshan, a telecommunications operator in Afghanistan, today announce the launch of Afghanistan's first mobile money transfer system. The service, branded M-Paisa, is a mobile technology platform. The M-Paisa system builds on Vodafone's highly successful M-PESA mobile money transfer service in Kenya which has seen 1.6 million people register as customers since its launch in March 2007. At launch the Afghan service will, however, have a significantly different focus from the Kenyan version. Initially M-Paisa will act mainly as a vehicle for microfinance institutions' (MFIs') loan disbursements and repayments, with an additional range of business to business applications such as salary disbursement and airtime distribution. Consumer person-to-person transactions will also be available from the outset. February 13, 2008

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**"Not Another Microfinance Case" Study by Harvard**

Harvard Business School recently published a business case study titled "Microfinance International Corporation: No, Not Another Microfinance Case", written by International Entrepreneurship Professor Daniel Isenberg. MIC is based in the Washington DC area with a 15-branch network. February 12, 2008

**Oikocredit Announces Results for 2007**

Oikocredit, a microfinance investment house domiciled in the Netherlands, recently announced preliminary results for 2007. The report reveals a 44 percent growth in dispersals since 2006, for a total EUR 135 million in the form of loans, credit lines, equity investments and guarantees to 266 project partners worldwide. The total amount outstanding with these project partners grew by 33 percent to EUR 277 million. This does not include the recent investment of USD 12.2 million in 11 different MFIs. Oikocredit also announced that it intends to continue paying a 2 percent dividend to its members. February 12, 2008

**IDB's MIF Makes Grants in Peru and Ecuador**

The Multilateral Investment Fund (MIF) of the Inter-American Development Bank, backed by member governments, recently approved grants for two technical cooperation projects in Peru and Ecuador, valued at USD 1.6 million and USD 1.5 million, respectively, to promote micro-enterprise. In addition, each country will contribute approximately USD 1 million as counterpart financing. February 12, 2008

**Indian Government Demands Growth**

Require banks to add 250 new accounts per branch per year. That is the recommendation to increase penetration of financial services in rural and semi-urban areas, from a special committee packed with political heavyweights of the Indian government. February 8, 2008.

**In Spanish Aid to Jordan, Two Microbanks Benefit**

The Spanish government extended "soft" (subsidized) loans totaling EUR 9 million (USD 13 million) to support Jordan's microfinance sector. Under two agreements signed between Jordan's Ministry of Planning and International Cooperation and the Spanish Agency for Cooperation and Development (AECID), the National Microfinance Bank (NMB) received EUR 5 million and the Micro Credit Company (Tamweelcom) received EUR 4 million. February 7, 2008

**Gates Awards \$24m to Opportunity's Microinsurance Venture**

Opportunity International, a large US microfinance charity, received a USD 24.2 million grant from the Bill & Melinda Gates Foundation to help Opportunity International's subsidiary, the Micro Insurance Agency, expand to enter 11 new countries and provide life, health and crop insurance to 21 million poor people by 2012. Opportunity International began offering microinsurance in 2002 and established the Micro Insurance Agency in 2005. Currently, the organization has 675,000 life, credit or crop insurance policies covering 3.3 million people in 10 African and Asian countries. February 7, 2008

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### Indian Compulink Scores on SKS Contract

Compulink and SKS Microfinance, both from India, recently entered into a contract wherein Compulink will provide SKS with its entire suite of business applications. The new system will utilize Compulink's proprietary "Whizible" framework on top of Microsoft's Net Platform to link all 650 SKS branches using web-based applications. The contract covers all of SKS's core businesses including microcredit, microinsurance and health insurance as well as providing new accounting systems and a centralized IT infrastructure. The Bombay Stock Exchange (BSE) saw this contract as a large win for Compulink. Shares of the company increased 1.83 percent to trade at INR 0.7, the equivalent of USD 0.017. This gain comes at a time when the Bombay Stock Exchange Sensitive Index (Sensex) dropped 2.41 percent. February 6, 2008

### Microcredit Featured in New Children's Book

One Hen, a new children's book, attempts to illuminate the poverty-reducing strategy of microfinance to children. More specifically, the book focuses on microcredit, a lending system for the poor who lack access to conventional banking. One Hen is written by Katie Smith Milway and published by A&C Black Publishers, Ltd. Not just an inspiring children's tale, One Hen is based on the life of Kwabena Darko, who himself overcame poverty and founded Sinapi Aba (Mustard Seed) Trust (SAT), a nonprofit microfinance institution and affiliate member of Opportunity International Network. February 6, 2008

### IFC Lends \$2.5m to Zhong An Credit of China

The IFC, a member of the World Bank Group, announced that they will supply Zhong An Credit, of Shenzhen, China with a USD 2.5 million convertible loan. This investment marks the IFC's first attempt to build a presence in China's microfinance sector. The only information this newspaper could find on Zhong An Credit was supplied by the IFC. According to their website, Zhong An is a microfinance institution headquartered in Shenzhen with operations in Hebei and Sichuan province and is "led by an [unnamed] American investment banker with extensive knowledge of China." February 5, 2008

### IFC Invests \$50m in Micro Provident Botswana Letshego

International Finance Corporation (IFC), a member of the World Bank Group, recently invested USD 20 million (SZL 147 million) in Micro Provident Botswana, a leading consumer finance company commonly known as Letshego. IFC will provide the loan in South African rands and Zambian kwachas by using local currency swap markets. The loan is part of a USD 50 million debt and equity financing package recently approved by IFC for Letshego and marks IFC's second investment in the company. The first was a 7 percent equity stake acquired in 2005. Letshego is a pan-African consumer finance group, established in Botswana in March 1998. In July 2007 it reported total assets of USD 101.5 million. In addition to IFC, its major shareholders are: Netherlands Development Finance Company (FMO), Sanlam, Investec and Kingdom Zephyr. Letshego does not currently report to MIX Market, the microfinance information clearinghouse, nor to a third-party performance evaluator. February 5, 2008

### Press Picks Up on Microloans to Youth

The Financial Times, the major European daily newspaper on financial markets, reported on YouthWorks, the first microfinance institution for young people in the Philippines, which "has given loans to more than 20 young people aged between 13 and 20 ranging from USD 100 to USD 400, with a 3 percent interest rate." February 4, 2008

### IFC Buys Share of Bancovelo for \$2m

International Financial Corporation (IFC), a member of the World Bank Group is supporting the creation of Banco Popular Coveló (Bancovelo), a microfinance institution in Honduras, with a package to provide up to USD 2 million in equity (11.8 percent of total new capital) and over USD 400,000 worth of advisory services. Bancovelo is the product of a 2007 merger of Grupo Microfinanciero Coveló's (GMC's) Popular Coveló and its two sister organizations, Fundación Coveló and Popular Asociación de Ahorro y Prestamo. Other investors include ACCION International, the Belgian Investment Company for Developing Countries (BIO), the Netherlands Development Finance Company (FMO) and the Central American Bank for Economic Intergration, all with equal equity shares of 11.8 percent. Bancovelo has a gross loan portfolio of over USD 11 million, a debt-equity ratio of slightly over 165 percent and a return on assets of 2.2 percent as of March 2006. January 31, 2008

### Governor of Ekiti State, Nigeria Announces Microfinance Plans

Governor Segun Oni of the state of Ekiti, Nigeria, announced an Economic Team to be established via all sixteen local governments to manage a new microcredit fund. The fund will be comprised of a state government contribution of NGN 50 million (USD 424,502) and local council contributions of NGN 10 to NGN 25 million (USD 84,900 to USD 212,250). It will be used to "develop the economic strategies of each of the local government areas." Members of the Economic Team will be nominated by traditional rulers and will serve as volunteer servants of their community. January 31, 2008

### African Development Bank Founds Advans Bank Congo

The African Development Bank (AfDB) is the owner of USD 1.1 million worth of shares in Advans Bank of Congo (ABC), which will also enjoy a technical assistance grant of EUR 650,000 (USD 970,000). ABC will be established as a new microfinance bank. The AfDB equity investment accounts for approximately 17 percent of the bank's initial share capital, which gives it a seat on the Board of ABC. The AfDB currently manages two equity investments in the microfinance sector: USD 1 million in KREP Bank in Kenya and USD 840,000 in Access Bank of Tanzania. January 31, 2008

### UK Launches \$7.9m Financial Education Fund For Africa

The International Development Secretary of England launched a USD 7.9 million Financial Education Fund to help raise financial literacy amongst poor consumers and businesses in Africa. The fund will look to back new proposals from government and NGOs as well as projects from the private sector for co-funded ventures. January 31, 2008

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### Indian Politicians Privately Promote Microcredit

The Janasree Sustainable Development Mission, a non-governmental self-help initiative, was originally launched in the Indian state of Kerala by a group of Congress leaders. Its mission is to promote sustainable development through the provision of microcredit, the launching of small and medium-sized enterprises and the creation of community insurance schemes. Janasree seeks to organize clusters of microfinance borrowers to enroll one million people across India in 50,000 units, each comprising of five to ten families. Thus far, 600,000 members have already formed 30,000 units. The project is inspired by the organizers' data indicating that, while national banks in India are "ready" to grant INR 5,000 crore (USD 1.27 billion) in microloans, only INR 50 crore (USD 12.7 million) is currently being utilized. January 31. 2008

### "The Growing Influence of Social Entrepreneurs"

So begins the article by the weekly English newspaper, The Economist: "leading social entrepreneurs have gathered near Zurich for the final annual summit organised by the Schwab Foundation for Social Entrepreneurship. Klaus Schwab, the legendary founder of the World Economic Forum, which meets later this week in Davos, convened the first summit a few years ago, but now apparently feels that social entrepreneurs are sufficiently mainstream that the event has served its purpose. They are an extraordinarily diverse bunch - so much so that it is not obvious what it means to be a social entrepreneur." The Economist then concludes its article as follows: "Yet, if the next phase in the evolution of the social entrepreneur goes well, both business and government will be significantly improved, not least in the poorer and less well-run parts of the world. Perhaps, eventually, it will be impossible to be regarded as an effective politician or social activist if you are not also entrepreneurial, or a successful entrepreneur if you do not address social needs. In that case, the term social entrepreneur, whatever it means, will no longer be necessary - but its disappearance from the dictionary will symbolise its triumph. Is that such an unreasonable thing to hope for?" January 30. 2008

### Information Annuity?

Planet Rating, a specialized evaluator of microbanks, issued the following advisory: "After nine years of offering all its rating reports for free, Planet Rating would like to advise its customers, readers and industry stakeholders that the new reports will be available for sale starting January 7th, 2008....All investors and stakeholders wishing to access these new rating reports will have three access options: 1) an annual subscription service to access all new rating reports; 2) a customized subscription service according to geographic and volume preferences and 3) a pay-per-rating service." Services are available in English, French, Spanish, Portuguese and Arabic. January 29. 2008

### India's Microfinance Sector to Total \$2b by 2009?

In a data-light article, The Economic Times, a Indian Newspaper, predicts that the total assets of the Indian microfinance market will be two billion US dollars by 2009. January 29. 2008

### Standard Chartered Lends to Chinese Charity

Standard Chartered, a global bank, has supported the China Foundation for Poverty Alleviation (CFPA), a China-based nonprofit organization, with a local currency loan equivalent to over USD 2.75 million. CFPA, founded in 1989, is a non-governmental organization that started its microfinance program in 1996. As of 2006, its total assets surpassed the equivalent of USD 4.7 million. Its total loan portfolio surpassed USD 3.5 million, its return on assets was -0.28 percent and its debt-equity ratio was 21.59 percent. January 28. 2008

### MIX Performance Trends Report for Cambodia

The Microfinance Information eXchange (MIX) released its Cambodia Microfinance Performance Trends Report 2003-2007. The report provides an overview of the development of microfinance in that country, with 13 MFIs reporting. The document indicates that the microfinance sector in Cambodia seems to be splitting into two groups: those institutions maintaining a focus on small business loans and the institutions that are working with a mixed product offering of micro- and small loans. January 28. 2008

### Yemen to Establish Microfinance Banks

The Central Bank of Yemen (CBY) is currently discussing drafting a law supporting the establishment of microfinance banks in the country and encouraging existing banks to provide microcredit services. CBY has been supporting microfinance initiatives for the past ten years, with the government-established Social Development Fund (SDF) first launching microlending programs in 1998. The "Bank for the Poor," Alamal Bank, was established in 2002 under a law drafted specifically for the creation of a government-held microfinance institution. According to a 2005 CGAP report, there are as few as 500,000 bank accounts in Yemen, serving only 2.5 percent of the country's population. The rural population has virtually no access to financial services. January 25. 2008

### IBM and Kiva, Marketing Partners

IBM, the multi-national computer technology corporation, announced in a recent press release the launching of its 2008 podcast series, entitled "IBM and the Future of...." The series, to be updated monthly, presents interviews with thought leaders on the impact of technology on everyday life. One of the first episodes in the series is "The Future of Microfinance," hosted by Tim Washer of IBM's Corporate Communications, with Jessica Flannery, co-founder of Kiva, and Kevin Thompson from IBM's Corporate Citizenship and Corporate Affairs. January 25. 2008



### Ugandan Law for SACCOs and Microfinance

The Ugandan newspaper the Daily Monitor reports, "Following recent public outcry over exploitation by unlicensed microfinance institutions, the government is in advanced stages of setting up a regulatory framework to bring order in the industry. Addressing MFIs and guests during the 2007 Citigroup Micro-entrepreneurship award ceremony in Kampala on January 10, State Minister for Micro Finance Caleb Akandwanaho said the law, which will be in place by June 2008, will soon be tabled in parliament for deliberation and passage. The law is expected to bring to an end to the outcry from the public who have accused unlicensed microfinance institutions of fleecing them of their funds." January 25. 2008

### In Kenya, Business Daily Africa Predicts Widespread Default

Kenyan newspaper Business Daily Africa writes that the microfinance sector is "facing an avalanche of loan defaults with the majority of borrowers having lost businesses in the riots that followed the disputed outcome of last month's presidential election." January 25. 2008

### Swiss Pledge \$100,000 to Microfinance Publication

Swiss Agency for Development and Cooperation (SDC), a government office, has granted a sponsorship of INR 4,100,000 (USD 103,000) to Microfinance Insights, a quarterly microfinance magazine published by Intellect, an Indian investment and consulting firm. According to SDC India's Deputy Country Director Adrian Marti, SDC's grant to Microfinance Insights stems from its belief that the knowledge sharing is a key factor in promoting the sustainable growth of the microfinance sector. January 24. 2008

### Nigeria Grants 107 New Licenses for Microfinance Banks

The Central Bank of Nigeria (CBN) has licensed 107 newly established microfinance banks (MFBs), in addition to the 600 community banks that have already been promoted to that status. January 24. 2008

### Micro Finance Bank of Azerbaijan Re-Distributes Shares

AccessHolding, a microbank holding company, has increased its share in Micro Finance Bank of Azerbaijan (MFBA) to 16.53 percent, from the previous share of 9.95 percent. The shares were acquired from the two other existing share holders: with 545,000 coming from KfW and 177,779 from LFS Consulting (each share has a nominal value of 1 AZN). The Micro Finance Bank of Azerbaijan is owned by six foreign shareholders: European Bank of Reconstruction and Development; the International Finance Corporation; the Black Sea Trade and Development Bank; KfW Development Bank, the Development Bank of the German Government; LFS Financial Systems GmbH, a German consulting company; and AccessHolding. January 24. 2008

### UN Aids Columbian Refugees in Venezuela

The United Nations High Commissioner for Refugees has signed an agreement worth USD 700,000 with Venezuelan microfinance institution (MFI) Banco del Pueblo Soberano. The grant will be used by the bank to distribute microcredits to about 10,000 Colombian refugees and asylum seekers in Venezuelan border states and some 200,000 unregistered Colombians. In addition to receiving low-interest loans for startup projects in agriculture, fishing, farming, small-scale manufacturing and commerce, beneficiaries will also be trained in small business management, accounting and other basic business skills. The Banco del Pueblo Soberano was founded by President Hugo Chávez Frías in October 1999 and is now one of the largest MFIs in Venezuela with 23 branches. January 23. 2008

### Google.org Announces \$3m Grant to US Technoserve

Google.org, the charitable arm of Google, is making a multi-year grant of USD 3 million to Technoserve, a US-based nonprofit organization that provides training and networking opportunities to small- and medium-sized enterprises (SMEs) in the developing world. This grant will provide general support to expand the organization's private-sector initiatives in Africa. Since 2006 Google.org has awarded Technoserve USD 1.7 million to develop and implement a business plan competition to support entrepreneurs in Ghana and Tanzania. This grant was awarded as part of Google.org's initiative, "Fuel the Growth of Small and Medium-Sized Enterprises." This market segment is sometimes referred to as the "missing middle" because it is largely made up of businesses that are too large to benefit from microloans, but not large enough to benefit from traditional banking services. January 22. 2008

### IFC Makes \$3m Equity Investment in Mongolian XacBank

The International Finance Corporation (IFC) has signed a partnership agreement with XacBank to invest USD 3 million in return for 10 percent of XacBank's outstanding shares and plans to invest a total of USD 15 million over the next three years. IFC will have a representative seated on the Board of Directors to consult in the expansion of XacBank's services throughout the region. With a total loan portfolio of USD 50.3 million in 2006, XacBank has a strong rural presence with a network of 67 branches. In 2006, XacBank was the first bank in Mongolia to be rated by Moody's and was given a credit rating of Ba2 and a stable outlook due to their strong asset quality and 66 percent increase in net profits from 2006 to 2007. Other major shareholders include: Triodos (15.06 percent), ShoreCap International (12.22 percent), Microvest (14.69 percent) and Mercy Corps (18.44 percent). January 22. 2008

### Triodos-Doen invests \$1m in Cambodian Entrepreneur Building

Consultative Group to Assist the Poor (CGAP) reported that Triodos-Doen, a partnership between Triodos Bank of the Netherlands and the Doen Foundation, invested loans of USD 1 million in microfinance institution Cambodian Entrepreneur Building (CEB) on December 12, 2007. Triodos-Doen has been a shareholder of CEB since 2006 when it initially invested USD 500,000 in equity, followed by a USD 3 million loan. CEB is a microfinance institution that was established as a nonprofit organization in 1995 under the name Cambodian Community Building, originally offering financial services and health education to the poor. From 2005 to 2006, CEB's loan portfolio increased from USD 6.3 million to USD 12.3 million and continues to grow at a rapid rate. According to the Cambodia Microfinance Association (CMA), CEB currently has a 14 percent market share in Cambodia's microfinance sector. January 21. 2008 ♦♦♦



## PIONEERS IN MICROFINANCE

*Ron Grzywinski and Mary Houghton are two of the founders of ShoreBank, which was the first community bank in the United States. Mr. Grzywinski is currently Chair of the Board of ShoreBank Corporation and Ms. Houghton is its President.*

This series recognizing early innovators in social finance is generously underwritten by:

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### Ron Grzywinski and Mary Houghton

MicroCapital: What in your upbringing or background do you think steered you toward a career in social investment?

RG: Four of us came together in the late 1960s for the purpose of doing small business loans in inner-city neighborhoods in Chicago after they had experienced dramatic racial change and the beginnings of deterioration. That's how it all started. The four of us included two African-American men, Milton Davis and James Fletcher, plus Mary and myself who got along quite well and who were highly motivated by our work. We had the idea to create what eventually became ShoreBank, a corporation that was totally developed using private sector resources for the purpose of doing development amongst people who have fewer resources. We bought what was then the South Shore Bank in August 1973, and three of the four of us started working here after that time. For the first ten years or so that's all we did. We were invited in 1983 through the Ford Foundation to go to Bangladesh and to work with Yunus when he was getting a bank charter. So that's the background. I think the motivation for me was the opportunity to use the resources that I managed as a banker to achieve social objectives.

MC: It must have been unusual at that time to find bankers who wanted to do social investment.

RG: It was most unusual. We see that banks are beginning to move there now, but they are moving slowly. Compared to what it was then, today it's like a landslide. We were the second bank in the country to start a program to finance minority small businesses, and it wasn't until the mid-1980s when Governor Clinton invited us to come to Arkansas that there was a second effort made to try to use banking resources for development. So it was most unusual.

MH: Ron was the only one of the four of us who had banking credentials, the other three did not. Ron had moved from IBM, where he was selling into the banking system, to being a president of a bank at an early age, and he had sales skills.

RG: None of us had formal business training or banking training. We had all come out of different kinds of liberal arts education and had a variety of relevant experiences.

MC: At the beginning, amid all the things you were trying to achieve, what was the most important innovation? What provided the initial lynchpin for success?

RG: Right from beginning we knew the organization had to be self-sustaining and organized for profit - it's possible this was the first deliberately for-profit social business, as all the previous attempts to raise capital said that the primary focus of the investment is to achieve development outcomes, not maximize the return on capital. There was a very strong orientation that had to be for-profit and self-sustaining.

MC: At this point what was the greatest hurdle that you faced?

MH: The bank that was acquired was very well run, but its market had flipped from 100% white to 70% African-American in the previous eight to ten years. The new customers of the bank were quite a lot lower-income than the departing residents of the neighborhood, so we inherited a bank with a retail deposit business. We opened up access to

the bank by changing hours and lowering minimums, which meant we had a high-volume deposit business that was hard to manage because it wasn't very profitable. Figuring out the right model for a retail deposit business was one of our very biggest hurdles. We used an enormous amount of trial and error to find the market niches on the lending side that would help to rebuild the neighborhood; they had to be flexible enough that when it turned out the niches were different than we had imagined, we could just move with the market.

MC: What do you think is your most important achievement?

RG: That we've helped create the idea that the democratization of credit is a legitimate and sustainable objective, and that we've been able to demonstrate to the managers of debt capital that loans made correctly and soundly to low-income people, whether on south side of Chicago or in a village in Bangladesh or anywhere in between, can be solid business with profitable results and can accelerate the rate of development.

*"We've been able to demonstrate to the managers of debt capital that loans made correctly and soundly to low-income people...can be solid business."*

RON GRZYWINSKI, SHOREBANK

MC: If you were starting out now, where would you begin?

MH: We'd be smarter, faster, better, but would try to do the same thing: build an institution that tries to stand in between the for-profit and the social sector. There's still so much misunderstanding of the grey area between profit maximization and philanthropy. We should get better at identifying valid choices for resources - not valuing them as good or bad or right or wrong - but innovating in the use of resources for the benefit of community and environmental investment.

RG: Adding a specific: there is this sense that there are philanthropic dollars and profit-maximizing dollars. There's not a clear, universally accepted norm or standard about what the return on capital ought to be if it's achieving high social outputs. It's our judgment in ShoreBank that there's a consistent predictable low double digits return on equity, with liquidity, within strong mission performance. We need to get clearer on what the financial return expectations ought to be for privately capitalized business with social performance standards.

MC: What is the next challenge, beyond what's being done now?

RG: I think there's a massive opportunity to use modern internet techniques to organize people and their money together, so that people who accumulate savings, whether they are in primarily wealthy nations or not, can feel confident that they're not sacrificing very much in terms of financial returns for themselves and yet know their savings are being used to achieve social objectives - and in the process can have influence on what those social objectives are. If we could do that it, it could be a massive movement. ♦♦♦

## Where is the PAPER WRAP-UP Section?

We had so many great reviews this month that we are working on a special edition of the MicroCapital Monitor focusing specifically on Paper Wrap-Ups! Watch for it in the coming days...

## UPCOMING EVENTS

### Cracking the Capital Markets III

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

The third ACCION conference on microfinance investment, co-hosted by Credit Suisse, will bring hedge fund managers, institutional investors and private investors together with leading rating agencies and microfinance institutions (MFIs) to discuss the successes, challenges and trends of microfinance investment. Sessions will cover how microfinance is faring amid declining markets, risk, peer lending and a separate forum only for qualified investors. More details and online registration are available at <http://www.crackingthecapitalmarkets.com/>. For more information, call Stephanie Dolan at +1 617 625 7080 x1119 or email [conference@accion.org](mailto:conference@accion.org).

### Microfinance Forum 2008

March 27 - March 28, 2008, Budapest, Hungary

Uniglobal Research, the European conference organiser, is hosting a two-day event on emerging trends in microfinance. Presentations, case studies and networking opportunities will be aimed at financial institutions wishing to expand into microfinance. Key speakers will include: Ian Callaghan, Head of Microfinance, Morgan Stanley, UK; Kai Schmitz, Executive Vice President, Microfinance International Corporation, USA; Robert S. Kossman, Deputy Chairman of the Board, Raiffeisen Bank Aval, Ukraine; Sergey Suchkov, Senior Vice President, VTB 24, Russia and Stuart White, Chairman of the Executive Board & CEO, Opportunity Bank, Serbia. For further information, visit <http://www.uniglobalresearch.eu/en/event/2008-46> or contact Shane Crean, Conference Producer at [screan@uniglobalresearch.eu](mailto:screan@uniglobalresearch.eu) or +420 226 538 127. Registration costs EUR 1596 and may be completed online or by contacting [registrations@uniglobalresearch.com](mailto:registrations@uniglobalresearch.com) or calling +420 226 538 100.

### Microfinance Cracking the Capital Markets: South Asia

April 29 - April 30, 2008, Delhi, India

Cohosted by ACCION International and Standard Chartered Bank, this microfinance investment conference will bring together a wide range of finance professionals - institutional and private investors, leading microfinance institutions in Asia, international and regional banks, emerging markets specialists and rating agencies - to discuss the successes, challenges and trends of microfinance investment in South Asia. The conference on April 29 is targeted to investors, rating agencies and investment-ready MFIs. The workshops on April 30th are broken into sections: (1) Morning session for both investors and microfinance institutions seeking investment capital and (2) Full-day, in-depth preparation for MFIs looking to become investment ready. The main conference is free of charge, but the rate for the investment readiness workshop is USD 150. Further details and registration are available at <http://southasia.crackingthecapitalmarkets.com> or via Stephanie Dolan at [conference@accion.org](mailto:conference@accion.org) or +1 617-625-7080 x1119.

### Sanabel Microfinance Network Fifth Annual Conference and European Investment Bank Social Impact Conference

May 5 - May 9, 2008, Tunis, Tunisia

Sanabel Microfinance Network of Arab Countries has announced that it will hold a joint conference with the European Investment Bank (EIB) on the social impact of microfinance on Monday, May 5, 2008. On the following three days, Sanabel will hold its fifth annual conference. These two events will provide attendees with the opportunity to learn about and discuss new trends, challenges and opportunities faced by microfinance in the Arab region. Field trips will be organised for Friday, May 9. The organizers can be contacted at +20 2 37 48 86 24 or [info@sanabelnetwork.org](mailto:info@sanabelnetwork.org). More details are to follow shortly at <http://www.sanabelnetwork.org/en/conference>.

### Global Microfinance Investment Congress

May 14 - May 16, 2008, New York, USA

Presented by PlaNet Finance, this conference aimed at microfinance investors follows closely on the heels of a similar event in Paris held in January 2008. Topics are to include equity and fixed-income investment opportunities, measuring social performance, microfinance institution ratings, valuation and pricing, among others. Attendance fees begin at USD 1495. For more information, call +1 416 927 8200, email [customercare@americanconference.com](mailto:customercare@americanconference.com) or visit <http://www.microfinancecongress.com>.

### Microfinance Centre Eleventh Annual Conference: "Clients and Institutions Growing Together"

May 29 - May 31, 2008, Ulaanbaatar, Mongolia

The Microfinance Centre (MFC), which operates in Eastern Europe and Central Asia, will host its eleventh annual conference in Mongolia in May 2008, offering the opportunity to network with microfinance practitioners, investors, policy makers and other microfinance stakeholders. MFC can be reached at +48 22 622 34 65 or [microfinance@mfc.org.pl](mailto:microfinance@mfc.org.pl). Details on the event will soon be available at <http://xacbank.mn/mfc-conference2008/>.

### HBS-ACCION Program On Strategic Leadership In Microfinance

June 15 - June 21, 2008, Cambridge, United States

This program, hosted by Harvard Business School (HBS) and ACCION, offers finance leaders from around the world the opportunity to connect with peers while engaging with top HBS faculty. The 2008 course offers for the first time an expanded curriculum for all financial institutions - from microfinance specialists to conventional commercial banks - engaged in expanding finance to underserved clients around the world. More information is available at <http://accion.org/hbs>, via [hbsaccion@accion.org](mailto:hbsaccion@accion.org) or at +1 617 625 7080. The cost is USD 6850 and includes housing, meals and other perks. A discounted rate of USD 5450 is available to "experienced practitioners" opting out of the first day and a half of introductory material.

### Asia-Pacific Microcredit Summit Campaign 2008

July 28 - July 30, 2008, Bali, Indonesia

This event had been planned for March 4 - March 6, in Islamabad but was postponed due to the political situation in Pakistan. The relocated summit will be held in Bali in partnership with Gema PKM. The organizers can be contacted at [info@microcreditsummit.org](mailto:info@microcreditsummit.org) or +1 202 637 9600. Details have not been announced, but should be available shortly at <http://www.microcreditsummit.org/summit/upcoming.htm>.

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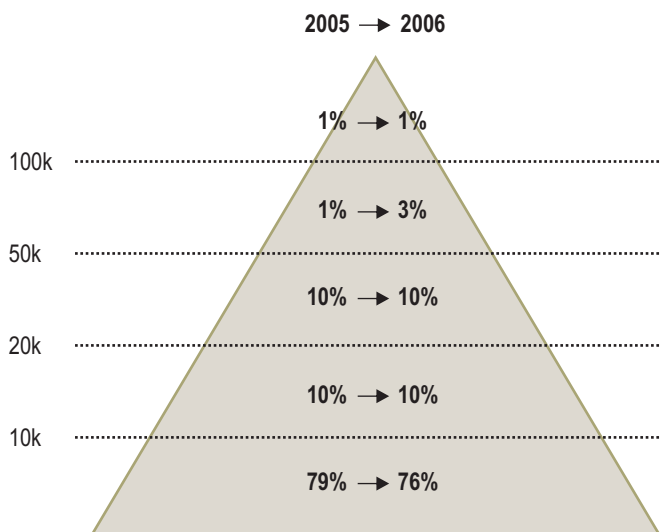
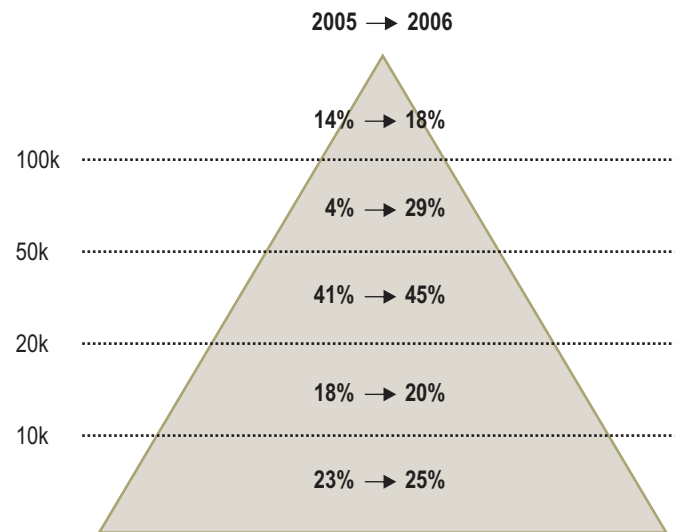
**MICROCAPITAL MARKET INDICATORS | EASTERN EUROPE AND CENTRAL ASIA**21 COUNTRIES | 178 MFIs REPORTING<sup>1</sup>

Albania Bosnia and Herzegovina (BH) Georgia Kyrgyzstan Mongolia Russia Turkey  
 Armenia Bulgaria Kazakhstan Macedonia Poland Serbia and Montenegro (SM) Ukraine  
 Azerbaijan Croatia Kosovo Moldova Romania Tajikistan Uzbekistan

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 Microfinance Information eXchange

**TOP 10 MICROFINANCE INSTITUTIONS (MFIS) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD**

MFIs NAME	COUNTRY	ABSOLUTE	% CHANGE	2005	2006
KMB Bank	Russia	304,204,368	67.8	448,728,704	752,933,072
ProCredit Bank Serbia - formerly MFB	SM	181,806,922	83.3	218,222,640	400,029,562
ProCredit Bank Ukraine - formerly Microfinance Bank	Ukraine	126,359,992	73.3	172,447,008	298,807,000
ProCredit Bank Romania - formerly Miro Bank	Romania	102,128,799	97.3	105,006,720	207,135,519
Khan Bank (Agricultural Bank of Mongolia LLP)	Mongolia	93,361,884	87.4	106,843,856	200,205,740
ProCredit Bank Kosovo - formerly MEB	Kosovo	88,566,952	44.3	199,866,752	288,433,704
ProCredit Bank Bosnia and Herzegovina	BH	60,138,936	63.6	94,489,160	154,628,096
ProCredit Bank Bulgaria	Bulgaria	57,328,227	21.8	262,848,192	320,176,419
ProCredit Bank Georgia - formerly MBG	Georgia	49,607,352	36.9	134,368,720	183,976,072
Opportunity Bank A.D. Podgorica	SM	47,015,582	121.9	38,568,396	85,583,978

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

(1) Denotes only MFIs that report data for 2005 and 2006 to MicroBanking Bulletin (MBB) or MIX Market.

Source: Microfinance Information eXchange, Inc., December 2007, based on MFIs reporting to MBB or MIX Market

# MICRO & EMPRESAS FINANZAS

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Building Inclusive Financial Systems:  
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