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MicroCapital Monitor

THE CANDID VOICE FOR MICROFINANCE INVESTMENT

MICROCAPITAL BRIEFS | TOP STORIES

Equity Bank of Kenya Well-Valued

Kenya-based Equity Bank sold 25 percent ownership of the bank (valued at KES 11 billion or USD 175.7 million) to investment group Helios EB to expand its operations to other countries in East Africa. The bank plans to open subsidiaries in Uganda, Tanzania and Rwanda by August 2008. Helios EB is a limited partnership managed by Helios Investors LP making private equity investments in sub-Saharan Africa, specializing in large buyout or growth investments, as well as new business formations. Among the notable investors in Helios EB are investment firms owned by the US government (including the Overseas Private Investment Corporation), the UK government (including the CDC Group), the World Bank (IFC), as well as funds owned by American billionaire George Soros. Equity Bank was founded in 1984 in central Kenya primarily to serve small-scale tea and coffee farmers. Originally a building society, Equity Bank formally became a bank in 2004. The bank has a current customer base of 1.8 million and, as of December 2006, had USD 287.5 million in total assets. December 19. 2007

Nigeria Backs Deposits, Looks for Funds

The Nigeria Deposit Insurance Corporation (NDIC) recently announced that, as of January 1, 2008, it is extending deposit insurance coverage of NGN 100,000 (USD 850) per depositor to microfinance institutions (MFIs) operating in the country. State governors are expected to contribute one percent of their allocations to the fund, and the CBN will be meeting with all 36 of them shortly to persuade them to comply. The stated goal is to strengthen the financial safety net in Nigeria and promote financial stability. This bailout is part of the government's increased involvement in the microfinance sector. Before microfinance, the state promoted community banks (CBs), but these institutions have experienced widespread failure. Between 1992 and 1996, 351 CBs out of a total of 1,368 operating in the country had collapsed. By 2006, there were only 534 CBs in operation that were licensed by the CBN. As a result, the CBN set a deadline of December 31, 2007, for CBs to either convert to MFIs or close shop. Over 407 have converted so far. December 10. 2007, December 17. 2007 and January 3. 2008

Grameen Capital India Launched

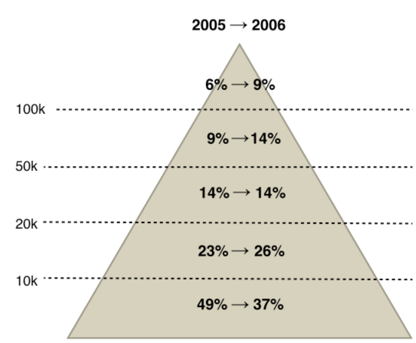
Grameen Capital India Limited (GCI) was launched backed by the Grameen Foundation, ICICI (IFMR Trust) and CFIL (Citicorp Finance India Ltd). GCI is an investment bank specializing in microfinance. January 15. 2008

Another Closing in Uganda as Unrest Continues

The Support Organization for Micro Enterprises Development (SOMED), a microfinance firm in the Kibaale District of Uganda, was shut down in December while police claim they are investigating allegations of extortion, embezzlement and fraud. This event comes less than a month after the central bank in Uganda, the Bank of Uganda (BOU), issued a statement warning that customers in the country's Savings and Credit Cooperatives (SACCOs) – a type of microfinance institution (MFI) not regulated by the bank – may lose their savings. Violence erupted at the headquarters of one of the SACCOs under investigation after the BOU stated it would be unable to intervene or provide compensation to depositors in the event of a failure. January 9. 2008

MIDDLE EAST & NORTH AFRICA

MFI Trending By Number Of Borrowers



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MICROCAPITAL BRIEFS

MIX and Forbes Rank MFIs

Using rankings compiled by the Microfinance Information eXchange, Forbes Magazine has ranked the top microbanks in the world. The Forbes Top 5 are: 1. ASA (Bangladesh), 2. Bandhan (Society and NBFC) (India), 3. Banco de Nordeste (Brazil), 4. Fundación Mundial de la Mujer Bucaramanga (Colombia) and 5. FONDEP Micro-Crédit (Morocco). MIX itself also ranked MFIs, however its criteria excluded return on investment and included information on outreach and savings. The MIX's top five MFIs are as follows: 1. Zakoura (Morocco), Sabaragamuwa (Sri Lanka), 3. Al Amana (Morocco), 4. Grama Vidiyal (India) and 5. ProCredit Bank of Serbia. January 21. 2008

IFC Bets on WIZZIT Bank

International Finance Corporation (IFC), a member of the World Bank Group, has bought a 10 percent equity stake in WIZZIT Bank, a division of South African Bank of Athens Limited that specializes in mobile phone banking. Launched in May 2005, WIZZIT focuses on areas where access to financial services is traditionally unavailable. WIZZIT employees bring the banks to their customers through temporary tent stalls. WIZZIT estimates that 80 percent of South African farmers do not line within reasonable traveling distance of a bank. Clients have access to their savings accounts through their mobile phone. Clients pay USD 6 for a savings account with an ATM card, accessible through their mobile phone. New customers sign up through "WIZZkids," youth from local communities employed as sales agents. Currently there are approximately 2,000 WIZZkids, who are paid based on the number of new customer accounts they open. January 18. 2008

EBRD Writes Second Loan to Kosovo's KEP

The European Bank for Reconstruction and Development (EBRD) made a second loan of EUR 4 million to Kosovo Enterprise Programme (KEP) which will be accompanied by a technical assistance program. This two-part package will assist KEP's transformation into a full commercial bank in 2008. KEP was established in 1999 by the International Catholic Migration Commission (ICMC), a Geneva-based non-governmental organization. It is now one of the largest MFIs in Kosovo, reporting an outstanding loan portfolio of EUR 26.2 million, a total of 30,406 clients served and 57,877 loans disbursed since its inception. According to MIX Market data from yearend 2006, KEP has a debt-to-equity ratio of 69.2 percent, return on assets (ROA) of 7.1 percent and return on equity (ROE) of 11.32 percent. KEP currently has 12,770 active clients. Owned by 61 countries and two intergovernmental institutions, EBRD was founded in 1991 to support private sector development in Central Europe and Central Asia and is now the largest investor in the region. January 18. 2008

Morgan Stanley Bemoans Lack of Opportunities in Forbes

So writes Ian Callaghan in the recent edition of Forbes magazine: "What makes a ticket hot? Novelty and publicity are two essential ingredients, but real incandescence only comes with scarcity. When a United Nations 'Year of Microfinance' in 2005 was followed in 2006 by the award of the Nobel Peace Prize to the Grameen Bank and its founder, Dr. Muhammed Yunus, the world got to know about the supposedly esoteric business of providing financial services to the poor. By the time Mexican microfinance bank Compartamos came to the market with the sector's first IPO in April, the white heat of interest in the offering caused a 13-times over-subscription for the 30% of the bank on offer - and created the first microfinance millionaires. When there are 1.5 billion potential microfinance customers to serve, when existing microfinance institutions (MFIs) are growing their portfolios at annual rates of 30% or more and when new MFIs are springing up every day, why are the opportunities to own a piece of the action so scarce?" January 18. 2008

More from Forbes – On the Pitfalls of Microfinance Investing

Another Forbes article about the "pitfalls" of investing in microfinance offers this solution: "…Most community foundations, including ones in New York, Tulsa, Oklahoma, and Oakland, California, as well as religiously affiliated entities, allow donor-advised dollars to be invested in microfinance. So your dollars do good overseas, even as they earn a (modest) return for charity. And you avoid tax hassles. (Warning: Donor-advised funds affiliated with virtually all mutual fund companies, such as Vanguard and Fidelity, don't offer this option.) Or you could buy shares in one of the handful of microlenders that are traded publicly. Alas, all but one are listed in such places as Indonesia and Kenya, where it's hard for foreigners to buy shares." January 18. 2008

ACLEDA Bank Cambodia Rated by Standard and Poor's

ACLEDA Bank Plc, the largest microfinance institution and the third largest bank in Cambodia, received a rating of B+/B from Standard and Poor's, four levels below investment grade. This is the first Standard and Poor's credit rating on a Cambodian financial institution. Standard and Poor's reports that ACLEDA Bank's balance sheets and asset quality are strong, with a non-performing asset (NPA) ratio of 0.10 percent in August 2007 compared to an NPA ratio of 0.16 percent in 2005. Despite the strong credit rating, Standard and Poor's has categorized Cambodia's banking industry in the lowest level (level 10), along with Jamaica, Ukraine, Bolivia and Venezuela. ACLEDA has nearly USD 160 million in loans and 12 percent of Cambodia's banking system's assets. The vast majority of its loan portfolio is secured against tangible collateral, with an interest rate at 19.9 percent. The bank has over 193 branches. January 17. 2008

Obopay to Offer Mobile-to-Mobile Payments in India

Obopay, the U.S.-based pioneer in mobile payment services, announced its formal entry into the Indian market. Obobay India is headquartered in Bangalore and headed by former Yes Bank CIO Aditya Menon. Obopay offers mobile person-to-person (P2P) money transfer and remittance services. Obopay's services are billed as operating cross-bank, cross-channel and cross-operator, meaning they work on any phone using any carrier to send payments to any bank. January 17. 2008

"Micro-Pensions" to Self-Help Groups in India

UTI Mutual Fund has entered into an arrangement with Repatriates Co-op Finance & Development Bank Ltd. (REPCO Bank) to provide a "Micro-Pension" product to members of Self Help Groups associated with REPCO Foundation for Micro Credit. Members will contribute a minimum amount of INR 100 (USD 2.55) every month to the UTI-Retirement Benefit Pension Fund up to the age of 55 years, so as to receive cash flow after they reach the age of 58 years. REPCO Bank was established in 1969 by the Government of India and is under the administrative control of the Ministry of Home Affairs, Government of India. January 17. 2008

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

Microfinanciers Ask for Bailout In Kenya

Microfinance and enterprise development institutions have appealed for international aid to put Kenya's economy back on track. The organisations have asked the donors to consider soft-funding in terms of grants to the affected business owners borrowing from microbanks. "Donor support to microfinance institutions and other affected groups can help alleviate these problems and save us from collapse," said Mr. Samuel Deya, the Executive Director of Adok Timo. January 15. 2008

Biometrics Use Rising Among Asian Microfinance Institutions

A BusinessWeek wire story tells us that: "Banks in the Asia region are turning to smart cards and biometrics to boost their microfinance operations, according to a new report from IDC's Financial Insights. The study revealed that the successes of banks such as Grameen Bank in providing sustainable microfinancing schemes, have spurred others in the region to grow their microfinance operations. The report cited Indonesia's PT Bank Danamon and India's ICICI Bank as two examples that rely on biometric and smart card technologies to alleviate the high costs of administering microfinance and to expand such operations. 'Banks in Indonesia and India have emerged as leaders in deploying innovative technologies to grow their microfinance businesses,' said Abhishek Kumar, senior research analyst of Financial Insights' Asia-Pacific banking advisory service." January 15. 2008

Desjardins and Gates to Spend $9m in West Africa, Haiti, Vietnam

Over the next three years Développement International Desjardins (DID) of Desjardins Group, a Canadian charity, will carry out a major project aimed at increasing interconnectivity among nearly 250 financial cooperatives in developing countries. The project, funded through a USD 9.1 million grant from the Bill & Melinda Gates Foundation, will span three continents with the goal of 830,000 people gaining access to interconnected services, such as banking and electronic fund transfers among the financial cooperatives. Future plans include expanding the effort across the full DID network of partners. January 14. 2008

ShoreBank of US to Consult for Khushhali Bank of Pakistan

Khushhali Bank (KB), a Pakistani microfinance institution, signed a contract to receive consulting, training and technology support from ShoreBank International (SBI), the international consulting arm of ShoreBank Corporation of Chicago, USA. SBI will develop and deliver a customized training on staff management and financial analysis and management. The effort is sponsored by the US Agency for International Development (USAID) as a part of a five-year, USD 1.5 billion aid package to Pakistan. January 11. 2008

EIB Lends $2m to Tunisian ENDA Inter-Arabe

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP), a division of the European Investment Bank (EIB) dedicated to the economic development of nine Mediterranean countries, announced that it granted a long-term loan of TND 3.6 million (USD 2.9 million) to ENDA Inter-Arabe, a Tunisian microfinance institution (MFI). This marks EIB's second loan to ENDA. EIB is a nonprofit public bank created by the Treaty of Rome in 1958 to act as the lending bank of the European Union. As of the end of November 2007, ENDA had total assets of USD 23.6 million, a gross loan portfolio of USD 21.8 million, a debt-to-equity ratio of 135.5 percent and portfolio at risk (PAR) of 0.5 percent. It also received a rating of B+ from Planet Rating in June 2006. January 10. 2008

World Bank's IDA Approves $30m Grant to Afghanistan

The World Bank has approved a USD 30 million grant to microfinance providers in Afghanistan under the Expanding Microfinance Outreach and Improving Sustainability project. The grant is provided by the International Development Association (IDA), the World Bank's concessionary lending arm. The funds will be sent through the Ministry of Finance and loaned to the Microfinance Investment Support Facility for Afghanistan (MISFA), which will use the project funds to on-lend to local MFIs. January 10. 2008

Pakistani Chamber of Commerce May Offer Microfinance

Dr. Khurram Anwar Khawaja, president of Pakistani trade association Sialkot Chamber of Commerce and Industry (SCCI), recently announced that the organization is actively considering introducing micro-credit loans into its repertoire of financial services. The organization is comprised of approximately 6,000 members: industrialists, importers and exporters from various industries including sports, surgical, gloves, leather garments, badges, musical instruments, accessories and cutlery. Currently, there are twenty microfinance providers in Pakistan which report to the Microfinance Information eXchange (MIX), over half of which are nonprofit institutions. The largest microfinance institution (MFI) in Pakistan which reports to the MIX, Khushhali Bank, reaches 237,000 clients and has a gross loan portfolio of USD 35.4 million. January 9. 2008

Uganda's Construction Sector Looks to Microbanks

African Alliance, a group which provides investment banking services across the African continent, recently released a report on Uganda's construction sector which found that, despite unprecedented growth, the industry is being threatened by financial risk. To mitigate the likelihood of default, most financial institutions charge construction firms high interest rates coupled with short repayment periods. However, the increasing number of players, particularly microfinance institutions (MFIs), is expected to help drive down interest rates. In the past five years, the construction sector has experienced an average growth rate of 12.8 percent, more than double the national average for the same period. However, due to various problems in the sector, credit institutions view financing construction projects as risky. According to Edith Tusuubira, country manager of Oikocredit, competition will help to bring down high interest rates among formal finance institutions just as it has among MFIs. Development finance institutions typically charge 14 percent interest for construction projects, while banks charge 19 percent. Average interest rates among MFIs, while still high, have fallen from 36 percent in 2005 to approximately 25 to 30 percent today. January 4. 2008

Standard Chartered in China

Standard Chartered Bank (Stanchart) recently announced that it would launch its first microfinance program in China. The program will initially provide working capital loans, without pledge or guarantee, to local cotton farmers. The loans will be disbursed to farmers through an entrustment loan arrangement with the local Awati Credit Cooperative. The maximum loan size is intended to be CNY 15,000 (USD 2,050). In 2006, StanChart had USD 266 billion in total assets and USD 17 billion in total equity. StanChart Group has developed 35 alliances with MFIs across Asia and Africa. The group also made a Clinton Global Initiative pledge in 2006, promising to channel USD 500 million to MFIs in Africa and Asia over five years. December 31. 2007

Ghanaian Government Has a Loan Book!

The Ghanaian Government has disbursed USD 7.5 million in microfinance loans in the last three months, via its new agency, The Micro Finance and Small Loans Centre (MASLOC). There are two types of loans available: those worth USD 25 to 1,000, which charge 12% interest, and those worth USD 1,150 to 25,000, which charge 16% interest. MASLOC was launched in July 2006 by President John Agyekum Kufuor with USD 50 million in funding. According to a 2004 paper from the Woodrow Wilson School of Public and International Affairs, the number of potential clients of formal microfinance institutions in Ghana is estimated to be 3 million. The same paper reported that there were 117 rural banks, 10 savings and loan providers, 253 credit unions, 50 NGOs and over 4,000 informal traders and moneylenders in the country serving 2.8 million clients with various financial services. A MASLOC official remarked: "Remember that the money is not a Christmas gift, so use it well and pay back early for others to also benefit." December 19. 2007

US Microlender Lands $4m from Netherlands' FMO

Microfinance International Corporation (MFIC) received a USD 4 million financial package from FMO. MFIC is a Washington, DC, company funded partly by the Development Bank of Japan. In the US, it operates Alante Financial, serving immigrant populations. The company operates a remittance platform, ARIAS, and a distribution network consisting of banks, microfinance institutions and other financial service providers in the US and 85 other countries. It also provides microfinance institutions in developing countries with institutional loans for local on-lending. The Netherlands Development Finance Company (FMO) has an investment portfolio of EUR 2.7 billion (USD 3.9 billion), making it is one of the largest bilateral development banks worldwide, thanks in part to its relationship with the Dutch government. December 19. 2007

Kenyan Government Funds Microfinance and Itself

The Kenyan Government has established a Women's Enterprise Fund with USD 16 million (Sh 1 billion). At the launch, the government announced that the first USD 8 million (Sh 500 million), with USD 3.4 million (Sh 215 million) will go to established MFIs and the rest will be spent on fund administration and to provide 210 constituencies with money to disburse at a local level. Out of the MFIs who were allocated funds, the Kenya Women Finance Trust received the largest amount: USD 700,000. Other recipients were the Family Bank (USD 500,000), Kenya Industrial Estates (USD 500,000), Co-operative Bank (USD 485,000), Small and Medium Micro-Enterprise Programme (323,000), K-Rep (USD 80,000), Pamoja Women (323,000), Business Initiative and Management Assistance Services (USD 160,000), Jitegemea Credit Scheme (USD 80,000) and Gusii Farmers Rural Sacco (USD 97,000). At the launch, The Minister for Sport and Gender, Mr. Maina Kamanda, said that the loans provided from the Fund should charge 8%, with no additional fees added on by the intermediary. December 18. 2007

Gates Gives $34m to UN Micro-Insurance Effort

The Gates Foundation has given USD 34 million to the International Labour Organization (ILO), the specialized United Nations (UN) agency that deals with labour issues, to establish a microinsurance support initiative. Known as the 'Microinsurance Innovation Facility', it will be a one-time, five-year project that provides grants and technical assistance to organizations working in microinsurance in developing countries. The Facility will promote market education to help low-income consumers appreciate the utility of insurance, as well as provide grants and technical assistance to institutions. In addition, it will provide funding to pilot new insurance schemes. December 17. 2007

IFC, Wachovia and Mibanco Raise $40m

International Finance Corporation (IFC), a member of the World Bank Group, and Wachovia Capital Markets, a subsidiary of Wachovia Corporation, have co-arranged a USD 40 million syndicated financing agreement for Mibanco (Banco de la Microempresa S.A.), a leading private commercial microfinance bank in Peru. December 17. 2007

Consumer Protection in Ghana

The Ghana Microfinance Institutions Network (GHAMFIN) and SPEED Ghana have teamed up to launch a consumer education and protection campaign that specifically targets customers of the country's microfinance sector. The campaign, a global initiative promoted by the Consultative Group to Assist the Poor (CGAP) and the Small Enterprise and Education Promotion Network (SEEP), seeks to ensure that clients are treated fairly and with respect by financial institutions.
December 14. 2007

Bank of Southern Sudan and World Bank Enter Microfinance

The Bank of Southern Sudan (BoSS) has launched an initiative to encourage more microfinance institutions (MFIs) in Southern Sudan. Called the 'Microfinance Development Facility', it will award a total of USD 1 million to successful MFI applicants in the first quarter of 2008. The facility is supported by the World Bank-administered Multi-Donor Trust Fund (MDTF) within the framework of the Private Sector Development Project (PSD). December 14. 2007

BASIX and Grameen Brands Meet in India, Awkwardly

So reads an announcement by BASIX explaining its own expansion in India, intended to relieve potential confusion about the relation between BASIX and the Grameen microfinance brand from neighboring Bangladesh: "Indian Grameen Services (IGS), the research and development arm of BASIX, a financial and technical services group based in Hyderabad, India, plans to expand its business operations… Please note that neither IGS nor BASIX is affiliated with Grameen Bank. IGS is a nonprofit organization within the BASIX group that focuses on human resource and institutional research and development… Its work has included studies on the feasibility of introducing BASIX services to new areas and training other agencies in relevant sectors in providing project support. IGS is also active in offering various financial services, such as credit extension, insurance and money transfer, as well as developing distribution channels and systems for delivery of these services…." December 12. 2007

How Many Jobs in Afghanistan?

The Microfinance Investment Support Facility for Afghanistan (MISFA) has released a study that estimates that clients of MISFA have created 659,000 new jobs. December 11. 2007

Public Pressure on the "Bangladeshi Big 3" after Cyclone

The three leading microfinance institutions (MFIs) in Bangladesh - ASA, BRAC and Grameen Bank - have suspended repayments of loan installments for the surviving victims of Cyclone Sidr until 2008. Both the army chief, General Moeen U. Ahmed, and the media in the country have been lobbying for the suspension. As a result of the November 15 cyclone, 3,300 people died and an estimated 564,000 were left destitute. Although the microcredit providers have written off all the loans and interest of the borrowers killed in the disaster, there still remains approximately USD 172 million (Tk 11.5 billion) of loans outstanding with 1.5 million people in the twelve south and south-western districts, according to the Daily Star, a local newspaper. The New Nation, another local paper, claimed that pressure for repayment was so intense that some of the credit recipients were selling the relief materials they received to meet the demands. December 11. 2007

IBM and CARE Ambitious in Africa

IBM and CARE are establishing the "Africa Financial Grid". The Grid is a plan to use untapped computing power to serve MFIs providing financial services in Sub-Saharan Africa. According to IBM, it is a single, unified data infrastructure in which disparate resources are integrated and virtualized to facilitate asset sharing. In the best-case scenario, programs are able to run optimally without limitations imposed by server capacity or access to data. The Grid is designed to help MFIs reduce operating costs, streamline lending processes and expand into additional financial services such as micro-insurance, bill pay, credit scoring and history and international remittances. Eventually, open platform technologies and standards will be adopted where possible to offer third-party services and capabilities, such as linking mobile payment providers to allow customers to repay via mobile phones. The project is part of IBM's plan to increase its investment in Sub-Saharan Africa by USD 120 million in the next two years. December 11. 2007

Micro Finance Bank of Azerbaijan Works with SNS, SIFEM and BP

The Micro Finance Bank of Azerbaijan (MFBA) was founded in 2002 by six shareholders: the European Bank of Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Black Sea Trade and Development Bank (BSTDB), KfW Development Bank, LFS Financial Systems GmbH, and AccessHolding. The biggest microlender in the country, MFBA reported total assets of USD 120 million as of October 1, 2007. MFBA is the leading provider of financial services for micro- and small enterprises in Azerbaijan, controlling approximately 30 percent of the microfinance market. According to its 2006 yearend report, it has a debt to equity ratio of 710.4 percent and return on assets of negative one percent. First, MFBA received a loan of AZN 4.2 million (USD 4.95 million) from the SNS Institutional Microfinance Fund, a Dutch investment fund. The fund is advised by Developing World Markets, a US-based socially responsible investment bank and fund manager. The loan is denominated in Azerbaijan's local currency, the Manat. Second, the Swiss Investment Fund for Emerging Markets (SIFEM) made a six-year USD 6 million loan to MFBA, marking the first deal between the two entities. Since 1999, SIFEM has been mandated to manage the investment portfolio of the Swiss State Secretariat for Economic Affairs (SECO). Third, BP, a British-based oil company exporting from Azerbaijan, will grant USD 1 million to MFBA. December 10. 2007, December 14. 2007 and January 14. 2008

$30m Swiss Fund Launched

Zurich-based social investment specialist responsAbility has joined forces with the Swiss Investment Fund for Emerging Markets (SIFEM) to add a new private equity investment to its offering. Credit Suisse, Switzerland's State Secretariat for Economic Affairs (SECO) and Basel private bank Baumann & Cie are all taking part in the initial closing which raised USD 30 million. SIFEM acts as co-manager. December 7. 2007

MICROCAPITAL SPECIAL FEATURE

2007 Equity Investments in Small- and Medium-Sized Microbanks

Below is a list of equity investments made in microbanks with total assets of under USD 200 million. The investments are listed in order of investee total assets. More details on the transactions are available at http://www.microcapital.org/?p=1586.

Investor	Investment Amount	Investee	Investee Total Assets
Triodos Fair Share Fund	USD 1,000,000	Cambodian Entrepreneur Building Ltd	USD 13,271,917
AccessHolding	430,414	Socremo	13,464,596
Sold shares	925,680	Crédit Du Sahel	16,279,046
Oikocredit	400,000	Opportunity International Savings and Loans Limited	19,333,723
Hivos-Triodos Fund	300,000	Fundacion Jose Nieborowski	23,770,713
AccessHolding	1,251,429	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
Black Sea Trade and Development	554,177	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
EBRD	1,114,209	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
IFC	554,177	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
KfW	1,221,838	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
LFS Financial Systems	203,176	Micro Finance Bank of Azerbaijan (MFBA)	55,431,899
IFC	7,100,000	Banco Amigo	58,200,000
Triodos Fair Share Fund	101,371	XacBank	76,327,521
Triodos-Doen	101,374	XacBank	76,327,521
Sequoia Capital, Unitus, Vinod Khosla, SKS Capital, Odyssey Capital	11,500,000	SKS Microfinance Private Ltd. (SKSML)	78,780,593
Andean Development Corporation (CAF)	200,000	MICROFIN	94,946,598
Aavishkaar Goodwell	2,000,000	SHARE Microfin Ltd.	101,328,631
Legatum	25,000,000	SHARE Microfin Ltd.	101,328,631
JM Financial	9,750,000	Spandana	101,488,992
Lok Capital	2,250,000	Spandana	101,488,992
Hivos-Triodos Fund	129,245	FIE	128,341,887
Incofin	360,000	FIE	128,341,887
Incofin	1,400,000	FIE	128,341,887
Triodos Fair Share Fund	87,685	FIE	128,341,887
Triodos-Doen	165,729	FIE	128,341,887

PAPER WRAP-UPS

From MIX: New MicroBanking Bulletin and Benchmark Reports on Africa and Honduras

Published by Microfinance Information eXchange, available for download at http://www.themix.org/

In its 15th issue of the MicroBanking Bulletin, the Microfinance Information eXchange (MIX) features benchmarks on 704 microfinance institutions (MFIs), a 50% increase from last year's sample. The MFIs represent a broad range of institutions in terms of region, size and stage of development, including 100 start-ups.

Benchmarking African Microfinance provides a comprehensive analysis of the microfinance sector for the entire sub-Saharan region of Africa whereas an accompanying report delves into the sub-region of the West African Monetary Union (Mali, Niger, Senegal, Cote d'Ivoire, Togo, Benin, Burkina Faso and Guinea Bissau). The surveyed sample for the entire African region includes 119 microfinance institutions from 24 countries, representing 5.7 million savers with USD 1.2 billion in deposits, and 3.8 million borrowers with USD 1.4 billion in loans. This breakdown reflects the nature of African microfinance, with savers outnumbering borrowers.

The Microfinance Information eXchange (MIX) and its network partner REDCAMIF (Red Centroamericana de Microfinanzas) have released "Benchmarking Microfinance in Honduras 2006," based on data collected from 12 Honduran microfinance institutions (MFIs). The report, available only in Spanish, includes three-year dynamic trend data and analyzes MFIs representing a total loan portfolio of USD 83 million, with 146,000 borrowers, and USD 6.9 million in savings from 33,000 savers. According to the report, the Honduran microfinance sector saw rapid growth in 2006, fueled by increasing access to commercial funding sources and continued demand for financial services. Honduran microfinance institutions led the entire Central America region in profitability. The report includes an in-depth examination of the OPDF regulatory structure, a Honduran law permitting MFIs to accept deposits from the public and to submit to supervision by the national banking authority. The (REDCAMIF) is a regional organization located in Nicaragua that represents the national networks of Central America.

State of the Microcredit Summit Campaign Report 2007

By Sam Daley-Harris, published by the Microcredit Summit Campaign, December 2007, 68 pages, available at http://www.microcreditsummit.org/pubs/reports/socr/EngSOCR2007.pdf

This quantitative study of global microbanking assesses whether the microfinance movement is in danger of becoming a victim of its own success. The authors contend that the recent influx of commercial capital is challenging the principles on which the microfinance movement was built. The report discusses how Mexico-based microfinance institution Compartamos launched an IPO in April 2007, which netted some USD 450 million for its initial investors. It is argued that the lure of high profits unreasonably distracts microfinance institutions from focusing on serving those with the fewest financial options.

Microfinance, Subsidies and Dynamic Incentives

By S. Ghosh and E. Van Tassel, published by Florida Atlantic University, 2007, 30 pages, available at http://home.fau.edu/sghosh/web/Ghosh-VanTassel(FinalVersion).pdf

This report examines the interaction between subsidised microfinance lending and private, profit-oriented lending. "Private moneylending and subsidised microfinance can complement each other at certain levels of subsidy. The authors build a two-period model of a credit market with a monopolistic moneylender and a subsidized microfinance institution (MFI). They apply their model to explain why offering subsidized loans to agents who are poor due to previous project failure does not necessarily lead to moral hazard. Agents' incentives to work hard and save will not always be distorted. The authors identify a range of subsidy levels for which the behaviour of the moneylender complements the poverty reduction mission of the MFI. Small subsidies might even be beneficial to the private moneylender. A subsidy above the proposed range would still increase the distribution of microfinance loans to the poor. However, it would cause downward pressure on the interest rate charged by the private moneylender. The authors conclude that using microfinance to allocate credit subsidies to the poor can work in tandem with a monopolistic moneylender, with each institution maximizing its respective objective function. If the level of the subsidy remains in a certain range, the availability of subsidised loans will improve the terms that successful agents negotiate with the private lender and the negative dynamic incentives will be mitigated.

CGAP Funds Study on the Use of Marketing to Increase Savings in Peru

Forthcoming from Innovations for Poverty Action

CGAP's (Consultative Group to Assist the Poor) of the World Bank has funded a forthcoming study of marketing techniques to encourage long-term savings among poor Peruvians. Enrolled members receive preferential interest rates when they meet specific savings commitments over a period of six to 24 months. Previous data reveals that only 58 percent of clients meet their savings commitments, demonstrating that financial incentives alone are not enough to foster regular savings habits. A key finding is that negative messages, like "Remember that if you fail to meet your savings commitment, you will lose your preferential interest rate!", improved clients' chances of completing their savings goals by three to four percent. This latter finding demonstrates that message-framing is a cost-effective method for retaining clients. The study underlines the point that marketing can have a significant impact on the effectiveness of microfinance services, which are most effective when they can engage and retain clients over the long term. Full study results will be available in March 2008.

Microfinance and Public Policy

Edited by Bernd Balkenhol, published by Palgrave MacMillan, December 2007,194 pages, available for purchase at http://www.palgrave-usa.com/catalog/product.aspx?isbn=0230547028

This study, headed by the International Labour Office, surveys 45 well-established microfinance institutions in 24 countries. One theme cut through all of these organizations: the importance of efficiency. In microfinance, efficiency can be defined as using the least amounts of inputs - particularly staff time and capital - to produce the greatest number of loans, reach under-banked clients and deliver a range of valued services. Every single one of the 45 institutions reviewed in the survey has a donor partner that provides some form of subsidy. The use of subsidies decreased in twelve institutions from 1999 to 2003, but in fourteen the share of subsidies on total liabilities increased. So far, however, the decision of governments or donors to grant subsidies is not based on considerations of efficiency but other factors.

The Role of International Capital Markets in Microfinance

By Brad Swanson, published by Developing World Markets, 2007, 16 pages, available for download at http://www.dwmarkets.com/News/Capital%20Markets%20Funding%20Microfinance_Swanson.pdf

This paper explores the entry of commercial investors into the sector of microfinance and the associated evolution of capital markets[1] funding. The potential demand for microfinance is estimated at fifteen times the current market size of USD 17 billion. While more than 75 percent of that amount can be attributed to domestic funding, Swanson speculates that domestic sources are unlikely to remain sustainable for three main reasons: most existing microfinance institutions (MFIs) do not take deposits, due to the cost and complexity of operations; capital markets in most developing countries are thin and major institutional players, including domestic commercial banks, are typically averse to accepting MFI risk. On the other hand, only USD 4 billion of the market is currently being funded by international sources, leaving over USD 200 billion of demand open to be filled by international capital markets.

The first collateralized debt obligation (CDO) based on microfinance risk was created in 2004 by BlueOrchard, a Swiss company specializing in microfinance investment management, and Developing World Markets, a US-based emerging markets fund manager and advisor. The dual aim of this CDO, called BlueOrchard Microfinance Securities I (BOMSI), was to provide long-term funding for MFIs and to attract commercial investors with competitive rates. While in BOMSI's first closing of USD 40 million in July 2004 only four percent of the capital raised came from commercial investors seeking full market returns, that number rose to 41 percent in its second closing of USD 47 million in April 2005. In both offerings, investors purchased seven-year notes with a single repayment of principal at maturity. The proceeds were used to fund MFI loans of the same maturity.

While CDOs are the first and largest feature in microfinance capital markets, some challenges for their future growth include:

- the relative scarcity of top-quality MFIs, which may force CDO arrangers to look to MFIs of lesser size and credit quality (to date, less than 100 out of an estimated 10,000 existing MFIs have qualified for inclusion in a CDO),
- the challenge of persuading investors to take risks on smaller and less-established MFIs, either through education or structure enhancements and
- the growth of investment funds that together currently control more than USD 2 billion of capital.

Swanson also explores challenges faced by two other features of microfinance capital markets: microloan securitizations and commercial equity investments. He concludes that the first is constrained by several factors, namely: short maturities characteristic of microloans, challenges faced by MFIs in constantly originating a sufficient volume of loans, unpredictable performance of the MFI service officer and lack of regulatory structures in many emerging markets. Similarly, the demand for equity among maturing MFIs remains unmet by the existing handful of private equity funds. Swanson cites the small number of successful exits to date as a major factor in slowing the growth of commercial equity investment in MFIs.

The author does not fail to acknowledge the important role that non-commercial investors play in microfinance investment. Because they often take on risks that commercial investors are uncomfortable with, they help leverage their risk capital to the benefit of both parties. In doing so, non-commercial investors significantly speed up MFIs' access to capital markets. On the other hand, however, Swanson warns that bilateral and multilateral development agencies may be crowding out private sector investors from commercially-viable deals by concentrating their funding on the latter's target investment market: the largest and most successful MFIs.

The study concludes by summarizing some challenges faced by microfinance funding as a whole and presents some optimistic possibilities. One of the largest constraints to its growth is the illiquidity and instability of many local currencies of developing countries, especially since most MFIs cannot rely on domestic funding. On the international funding market, foreign investors are usually uncomfortable with local currency risk that cannot be hedged. As a result, many MFIs end up borrowing in dollars and euros and, in doing so, pass the risk to their borrowers in the form of high interest rates. Additional strains on MFI operations are presented by constant adjustments to match volatile exchange rates, as well as high interest rates and fees in the case of borrowing from a local commercial bank that acts as a middle-man for offshore lenders. However, Swanson believes that when local currency markets mature, so will hedging facilities to boost investor confidence.

Another concern for microfinance is the risk of default in the event of global or local recession, since a significant number of MFIs have only operated during periods of prosperity. On the other hand, many MFIs have been in operation for ten to twenty years and have successfully weathered significant economic and political instability. This resilience is further supported by research showing that MFIs are inherently less vulnerable to economic shocks and largely uncorrelated to other emerging market assets, both qualities that help reduce portfolio volatility (beta). As previously mentioned, there is also fear that the top tier of MFIs may soon become "overbanked", forcing investors to turn to lower quality MFIs. However, Swanson maintains that the underlying robustness of the microfinance business model has also given rise to many smaller, more obscure, but equally credible MFIs. Finally, a fourth concern is the shift of some MFIs away their low-income clients as they move upmarket with their more successful ones. But Swanson believes that most will still focus on microloans while providing higher-level services, in order to continue to develop higher-value customers.

Swanson notes that many of these risks reflect the fact that microfinance has only recently entered capital markets. As investors gain more exposure to this asset, he foresees a proliferation and standardization of financial products and tools, especially since the microfinance business model has already laid a strong foundation for solid growth with a large potential market. Overall, the paper argues that microfinance is attractive for institutional investors seeking diversification, absolute return and – potentially – social rewards.

[1]The author defines "capital markets" as transactions or funds in which all or a major portion of the investment is raised from private sector institutional investors seeking fully risk-adjusted returns.

Remittances, Competition and Fair Financial Access Opportunities in Nigeria

By Manuel Orozco and Bryanna Millis, published by US Agency for International Development, October 2007, 49 pages, available for download at: http://www.thedialogue.org/PublicationFiles/NigeriaAMAP%20FSKG%20-%20Nigeria%20Remittances-%20FINAL.pdf

This report explores the policy and development implications for senders and recipients of remittances to Nigeria. The main problem identified in the findings is that the competitive environment for money transfers in Nigeria is so highly constrained that it actually encourages informal transfers of money. Other findings in this report show that there is willingness among most banks and other financial institutions to entertain alternative strategies, including partnerships with other money transfer operators or innovative technologies for money transfers.

Benchmarking Latin American Microfinance 2006

By Matthew Gehrke and Renso Martinez, published by Microfinance Information eXchange, November 2007, 16 pages, available for download at http://www.mixmbb.org/Publications/002-REG/LATIN%20AMERICA%20AND%20THE%20CARIBBEAN%20(LAC)/01-LAC/Benchmark%20Report%20-Latin%20America-English%20-%20Final.pdf

This annual report surveys 228 microfinance institutions (MFIs) in Latin America whose loan portfolios total USD 9.7 billion with over 9 million borrowers. The first part of the report tracks the latest performance trends in the major regional markets, paying special attention to changes in the competitive environment. The latter part of the report details performances of three categories of microfinance institutions: consumer-lenders, microenterprise-focused lenders and microenterprise-only lenders.

General observations for the major microfinance markets of the region included: “robust” but “lopsided” growth, lower interest rates, increases in average loan balance and average balance per borrower, lower ratios of operating expenses to gross portfolio, higher cost per borrower, declines in loan officer productivity, mild increases in profitability and delinquency and trends of diversification among the three types of MFIs.

The report states, while growth was positive and strong in most major Latin American microfinance markets, it was lopsided in that many MFIs experienced accelerated growth in loan portfolio but slow growth in number of clients. This was the result of a several factors. First, there was a significant increase in loan size, as MFIs took advantage of higher client demand to maximize portfolio growth. Another reason for the growth in loan portfolio can be attributed to repeat borrowers, especially in Bolivia, Columbia and Peru, where the ratio of loans to borrowers increased. The report also observed that growth in individual markets did not necessarily depend on the competitive environment of each country, as exemplified by Bolivia which added 20 percent more loans in one of the most competitive and mature microfinance markets in the region.

These increases in average loan size and in average balance per borrower have several implications. First, because MFIs’ income and expenses are distributed over a larger asset base, they are able to lower cost and interest rates. Second, apparent improvements in efficiency may actually be due to scaling, rather than operational improvements in lending practices and technology. This second point is supported by the fact that even though the ratio of operating expenses to gross portfolio declined in the last three years, the cost per borrower has nevertheless increased. In addition, a decline of 10 percent in loan officer productivity is further evidence of a dearth of operational improvements. Third, expansion through larger and riskier loans, rather than through new clients, could be an early sign of future indebtedness.

Another finding was a small increase in profitability, as measured by return on assets (ROA), with the largest increase in Peru. The report offers several reasons for this increase, including lower interest rates due to increasing competition, higher average loan balances and a lower expense to income ratio. Because these factors are all closely correlated, the added profitability can be best explained by a lower net cost, made possible by fewer and larger loans in an increasingly competitive environment.

The mild increase in delinquency is attributed to several factors. First, the trend of increasing loan sizes is inherently associated with larger risk. Second, expansion into new markets is often risky and tends to trigger higher delinquency rates. Finally, the report observes an emerging over-indebtedness in some markets, which could also be contributing to the increase in delinquency. However, MFIs in Columbia and most Central American countries are actually experiencing lower rates of delinquency due to the ability of leading institutions to satisfy demand for larger loans in a less saturated market.

The second part of the report presents a new way of classifying MFIs based on their product focus. It divides the sample into consumer-lenders, whose mixed portfolio contains at least 50 percent consumer loans; microenterprise-lenders, whose mixed portfolio contains at least 50 percent microenterprise loans, and microenterprise-only lenders, who lend exclusively to microentrepreneurs. The report found that consumer-lenders tended to be larger institutions that mostly made individual loans. They tended to be more heavily leveraged and experienced positive and steady returns in 2006. Because these lenders were able to offer lower interest rates in a highly competitive environment and lower expense ratios through increasing individual loan size, they experienced the fastest growth in 2006 among the three types of MFIs. Other factors that fostered their growth included productive loan officers, voluntary savings and repeat clients with known credit histories that reduced both risk and cost. However, consumer-lenders held the riskiest portfolios because their large loans were not backed by guaranties nor reliable income streams.

On the other hand, microenterprise-only lenders consisted mostly of small NGOs that made group loans to microentrepreneurs in niche markets. Even though they tended to have higher cost and income structures, they also experienced strong and steady growth with a significant increase in profitability. This is because, in addition to larger average loan balances and lower interest rates, microenterprise-only lenders were able to make efficient use of loan portfolio assets. In 2006, these lenders lead in portfolio quality with a 50-percent decline in delinquency. These lenders also experienced a 30-percent increase in access to market-priced financing.

Finally, the majority of MFIs that were surveyed were microenterprise-lenders whose portfolios contained consumer loans, as well as individual and group microenterprise loans. Their performance was reflective of the Latin American region as a whole in that they also had lower interest rates, a 13-percent increase in average loan size and a mild increase in profitability and delinquency.

The report concludes with a note on the trend of diversification among all three types of MFIs. More specifically, those working mostly with consumer loans began to explore the microenterprise loan market and those who focused on making working capital loans to microentrepreneurs began to expand into home improvement, mortgages and consumer loan products. Some advantages of this diversification include lower risk, due to availability of products that are tailored to client needs, and acceleration of growth from cross-selling of products to known and trusted clients. Diversification also creates the potential for MFIs to develop monogamous relationships with clients, as they become one-stop shops for all financial needs. On the other hand, however, increasing loan balances per borrower, especially those without strong guaranties in the consumer loan market, places MFIs at higher risk for delinquency and over-indebtedness in saturated markets. Over-diversification may also cause mission drift from the MFI’s core social principles. Nevertheless, the report predicts that increasingly similar performances can be seen in the future as all three types of MFIs continue to diversify their portfolios.

UPCOMING EVENTS

Global Microfinance Investment Congress

January 21 - January 22, 2008, Paris, France
May 14 - May 16, 2008, New York, USA

Presented by PlaNet Finance, these conferences begin a series aimed at microfinance investors. Topics are to include equity and fixed-income investment opportunities, measuring social performance, microfinance institution ratings, valuation, pricing and others. The cost for the Paris conference is USD 330. For more information, visit http://www.microfinance-congress.com or contact Mr. Eike Haas at +33 (0) 1 4921 2615 or ehaas@planetfinance.org. Pricing for the New York conference begins at USD 795 for those registering before the end of the year. For more information on the New York event, visit http://www.microfinancecongress.com, call +1 416 927 8200 or email customercare@americanconference.com.

Muhammad Yunus Book Tour

January 23, 2008, New York, USA
January 24, 2008, Philadelphia, USA

Since January 11, Muhammad Yunus has been touring the United States to promote his new book Creating a World Without Poverty: Social Business and the Future of Capitalism. In the book, Yunus outlines his vision of a new business model that is driven not by profit, but rather by the principle of social benefit. Social business, he posits, is the next phase of social and economic development to be spearheaded by the Grameen Bank and the microlending movement. Yunus' book contains three central themes. First, he addresses the complexities of poverty, and proposes that it is generated by shortcomings in economic, social, and political systems. The second theme is the role of women as the driving force of social change. Third, Yunus advocates the importance of technology in decentralizing economic and political power. The presentations are free of charge, and seating is first come, first served. More details can be found at: http://www.publicaffairsbooks.com/publicaffairsbooks-cgi-bin/display?book=9781586484934&view=tour.

International Conference On Microfinance at Pondicherry U

January 23 - January 25, 2008, Puducherry, India

The Department of Commerce at Pondicherry University is sponsoring this International Conference on Microfinance to provide a forum to develop strategies for using insurance, savings and credit to eradicate poverty. Topics are to include innovations in services and service delivery, regulation and governance of microfinance institutions (MFIs), financial inclusion and microcredit. Conference fees vary as follows: Rs.500 for Research Scholar delegates, Rs.750 for author delegates (author delegates will be provided free lodging and boarding for two nights and three days during the conference), Rs.1500 for other delegates from Indian organizations and USD 100 for international attendees. Further information and registration forms are available at http://www.pondiuni.edu.in/icomfi2007, by telephoning +91 0413 2654369 or by emailing icomfi2007@pondiuni.edu.in.

Asia-Pacific Microcredit Summit Campaign 2008

To be determined

This event, previously planned for March 4 - March 6, 2008 in Islamabad, has been postponed and will be relocated due to the current political situation in Pakistan. The new date and location have not been announced. Information about refunds for those who have already registered is available at http://www.microcreditsummit.org/summit/aprms.html. The organizers can be contacted at regmcs@ppaf.org.pk or +92 51 2609647.

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. For more information, call Stephanie Dolan at +1 617 625 7080 x1119 or email conference@accion.org. More details and online registration are available at http://www.crackingthecapitalmarkets.com/.

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. Kossmann, 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://wwww.uniglobalresearch.eu/en/event/2008-46 or contact Shane Crean, Conference Producer at screan@uniglobalresearch.eu or +420 226 538 127. Registration costs EUR 1596 and may be completed at the above website or by contacting the Operations & Hospitality Team in Prague at registrations@uniglobalresearch.com or +420 226 538 100.

The African Banking Technology Conference

April 1 – April 3, 2008, Nairobi, Kenya
June 9 – June 11, 2008, Lagos, Nigeria

Please note that the dates above have changed more than once. These conferences, hosted and organized by AITEC Africa, will explore strategies to achieve an effective and profitable balance between meeting international best-practices and the need to reach the large number of un-banked Africans. In-depth briefings from African and international experts will also enable attendees to assess the latest banking technology systems. The cost for each conference is GBP 270 (USD 525) per person. To propose a forum presentation, email a brief outline to Sean Moroney at seanm@aitecafrica.com. For more information or to register, call +44 1480 880774, email info@aitecafrica.com or visit http://www.aitecafrica.com/?q=conference.

MICROCAPITAL MARKET INDICATORS | MIDDLE EAST AND NORTH AFRICA (MENA) GROWTH TRENDS

9 COUNTRIES I 35 MFIs REPORTING[1]

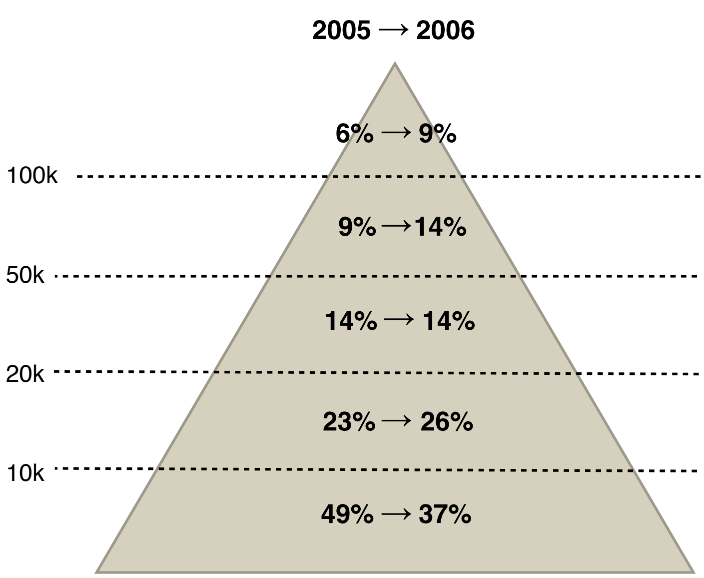
Egypt
Jordan
Lebanon
Morocco
Palestine
Sudan
Syria
Tunisia
Yemen

POWERED BY mix Microfinance Information eXchange

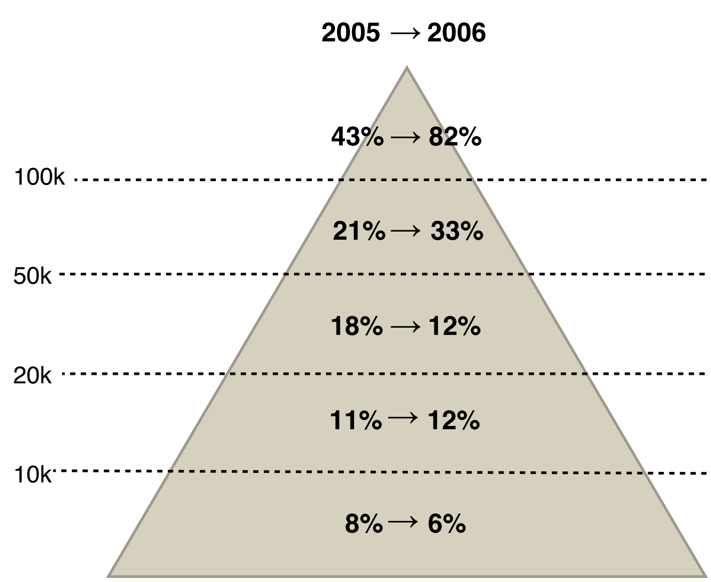
TOP 10 MFIS BY GROWTH IN GROSS LOAN PORTFOLIO (GLP): CHANGE IN GLP

MFI NAME	COUNTRY	ABSOLUTE	%CHANGE	2005	2006
Association Al Amana for the Promotion of Micro-Enterprises Morocco	Morocco	136,101,093	164.8	82,574,832	218,675,925
Fondation Zakoura	Morocco	53,721,883	182.0	29,511,568	83,233,451
Fondation Banque Populaire pour le Micro-Credit	Morocco	38,150,740	119.7	31,860,612	70,011,352
FONDEP Micro-Crédit	Morocco	15,874,137	146.0	10,876,254	26,750,391
Development and Employment Fund	Jordan	5,511,707	15.1	36,588,520	42,100,227
Enda Inter-Arabe	Tunisia	5,357,698	86.9	6,165,296	11,522,993
Microfund for Women	Jordan	3,733,668	73.6	5,069,513	8,803,180
Micro Credit Facility Syria	Syria	3,509,894	57.5	6,100,113	9,610,007
Jordan Micro Credit Company	Jordan	2,928,505	56.1	5,222,817	8,151,322
Alexandria Business Association	Egypt	2,758,662	22.0	12,514,216	15,272,878

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.

WHO'S WHO IN MICROCAPITAL

BRAC

BRAC, formerly Banglandesh Rural Advancement Committee, was initiated 1972 by Fazle Hasan Abed as an almost entirely donor-funded, small-scale relief and rehabilitation project to aid post-Liberation War Bangladesh. Today, it is one of the largest private development organizations employing 97,192 people (61 percent of whom are women). It actively carries out its twin objectives of poverty alleviation and empowerment of the poor in all 64 districts of Bangladesh, as well as in other countries including Afghanistan and Sri Lanka.

BRAC adopts a holistic approach to helping its clients achieve and maintain improved livelihoods through a range of core programs: BRAC Economic Development Programme; BRAC Social Development, Human Rights and Legal Education Services Programme; BRAC Education Programme and BRAC Health Programme. One of its innovations includes the Challenging the Frontiers of Poverty Reduction - Targeting the Ultra Poor (CFPR-TUP) program, which integrates income generating activities, training, and health care services to target the bottom 25 percent of poor households, most of which are headed by women. Another is its Non-Formal Primary Education program, which targets children who are traditionally outside of the formal schooling system, and now serves 11 percent of primary school children in Bangladesh.

BRAC is the only non-governmental organization (NGO) that has its own independent Research and Evaluation Unit that provides analytical research support for improving existing programs, as well as directing new ones. BRAC operates on a national scale in partnership with the government and other organizations, contributing about 1.14 percent to the country's gross domestic product (GDP). It has an annual budget of USD 245 million, of which more than 75 percent is self-financed. According to MIX, the microfinance information clearinghouse, at yearend 2006 BRAC held a gross loan portfolio of USD 350.1 million, total assets of USD 393.5 million, debt-to-equity ratio of 238.3 percent, return on assets (ROA) of 6.9 percent and return on equity (ROE) of 23.3 percent. BRAC also reports 4.55 million active borrowers, of whom 96.4 percent are women, and 45,234 members with savings accounts averaging USD 11. Since its inception, it has disbursed Taka 133.21 billion (USD 2.59 billion) with a recovery rate of 98.7 percent.

Fazle Hasan Abed, BRAC's Founder and Chairperson, was educated in Dhaka and Glasgow Universities. During the time of the Liberation War of 1971, Abed was working as a senior corporate executive accountant at Shell Oil in Chittagong. He left his job and settled in London to support Bangladesh's war effort. There, he initiated a campaign called Help Bangladesh to raise funds and awareness about the war. After the war and his return to Bangladesh, Abed set up BRAC to rehabilitate returning refugees in a remote area in the northeastern district of Bangladesh. As BRAC grew over the decades, Abed continued to ensure that it employed a holistic approach to target and empower the landless poor, particularly women, in rural Bangladesh

He has received widespread recognition and awards including: Alan Shawn Feinstein World Hunger Award (1990), Olof Palme Award (2001), Social Entrepreneurship Award from the Schwab Foundation (2002), Gates Award for Global Health (2004) and UNDP Mahbud ul Haq Award for Outstanding Contribution in Human Development (2004). His academic achievements include: Doctorate of Laws from Queen's University Canada (1994), Honorary Doctorate of Education, University of Manchester, UK (2003), Doctorate of Human Letters, Yale University (2007). He currently acts as Commissioner for the UN Commission on Legal Empowerment of the Poor (CLEP) and Global Chairperson for the International Network of Alternative Financial Institutions (INAFI). He is also Chairman of the BRAC Bank Limited and President of the Governing Board of BRAC University. Abed has many publications on participatory development, social mobilization and disease control.

Dr. Mahabub Hossain has been BRAC's Executive Director since June 2007. He is a development economist known for his contributions to development economics and agricultural policy in South and Southeast Asia. In 1984, he received the Bangladesh Agricultural Economist Association's first gold medal for his work. Prior to joining BRAC, he was head of the Social Sciences Division and leader of the Rainfed Ecosystems Program at the International Rice Research Institute (IRRI) in the Philippines. From 1989 to 1992, he was Director General of the Bangladesh Institute of Development Studies (BIDS). Dr. Hossain obtained his Masters in Economics in 1969 from Dhaka University and PhD in 1977 from Cambridge University, UK. He has authored and co-authored numerous books and hundreds of papers.

Muhammad A (Rumee) Ali, managing director of enterprises at BRAC, obtained a degree in economics in 1973 from Dhaka University and in 1975 began a 25-year banking career with Grindlays Bank. In 1997, as country head and general manager of Grindlays, he became the first Bangladeshi to head a major international bank in Bangladesh. In 2000, when Grindlays was taken over by Standard Chartered Bank, he was appointed CEO of the Standard Chartered Group in Bangladesh and headed both Standard Chartered Bank and Standard Chartered Grindlays Bank. In 2002, he was appointed deputy governor of Bangladesh Bank before joining BRAC.

Aminul Alam is the Deputy Executive Director of BRAC. After receiving a Masters in physics from the Dhaka University, he spent most of his career at BRAC, starting as program organizer in 1975. Since then, he has held the positions of Project Administrator, Regional Manager of the Rural Credit and Training Project and Program Coordinator and Director of Field Operation of the Rural Development Program.

Dr. AMR Chowdhury, Deputy Executive Director of BRAC, received his BA in statistics from Dhaka University in 1976, and his PhD from the London School of Hygiene and Tropical Medicine. He joined BRAC in 1977 as a statistician and since then has worked as Evaluation Manager of the oral rehydration therapy program and as Director of the Research and Evaluation Division. Prior to BRAC, he worked at the London School, received a Ford Foundation fellowship to study demography at the London School of Economics and Political Science, was a MacArthur Fellow at Harvard University, worked as founding coordinator of the Working Group on Essential National Health Research in Bangladesh and was the principal investigator for Bangladesh of the Social Science and Immunization Research Project. Currently, he is also visiting professor at Columbia University, co-coordinator of the Task Force on Child Health and Maternal Health for the UN Millennium Project, as well as project director and coordinator for numerous international and national development projects. Dr. Chowdhury is a prolific author of many journal articles and books.

BRAC's governing body consists of ten non-executive members including, in addition to Fazle Hasan Abed: Taherunessa Abdullah, Shabana Azmi, Debapriya Bhattachariya, Timothy G. Evans, Kazi Aminul Huque, Syed Humanyun Kabir, Ainun Nishat, Latifur Rahman, Rokia Afzal Rahman and Maria Otero.

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