

MICROCAPITAL BRIEFS | TOP STORIES

Indian Government Subsidizes Interest Rates in Slums

The government of India, Asha Community Health and Development Society, the Life Insurance Corporation of India (LIC) and nine public sector banks have launched a pilot scheme to allow residents of Delhi's Ekta Vihar slum to apply for loans at a rate of 10 percent. While microfinance institutions generally charge rates of 21 to 30 percent, none currently operate in Ekta Vihar. The initiative will also aim to connect every family in the area with a "no frill" bank account, extended financial services and affordable life insurance from LIC. June 30. 2008

The Economist Comments on Profiting from Microfinance

The Economist- a British weekly targeted at an American audience - has weighed in on the CompartamosBanco debate about the Mexican microbank that made a killing in public markets, stating that, "By charging an interest rate that generates a profit, the bank can grow fast and provide many more 'micro-entrepreneurs' with the finance they need.... Since going public, it has offered financial literacy courses - some 60,000 of its clients went on one last year. If only those rich-country banks which touted subprime mortgages to the poor had been as public-spirited." While the juxtaposition to unethical US bankers is well received, even the laissez-faire Economist did not have the stomach to tell its readers that Compartamos, meaning "we share" in Spanish, made its fortune charging over 100% annual interest rates targeting illiterate Mexican mothers. Apparently, the Economist subscribes to the "don't ask, don't tell" principle, just like Compartamos and the US bankers to whom it sells subscriptions and advertisements. June 30. 2008

Morgan Stanley's Microfinance Group Shrinks

Condé Nast Portfolio reports that Morgan Stanley's microfinance group, formed in September 2007, has lost its leaders, Ian Callaghan and Ellen Brunsberg, and dwindled from over 30 to just four or five employees amid reports that "There is some talk...that perhaps they'll even abandon this area because of its small size and because of problems with CDOs and CLOs." Morgan Stanley responded that, "Morgan Stanley remains committed to microfinance and continues to pursue opportunities in the space." June 20. 2008

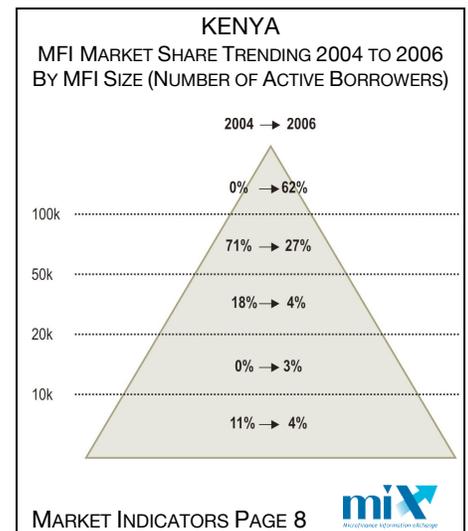
Mercy Corps Buys Bank to Support MFIs in Indonesia

US-headquartered nonprofit Mercy Corps has announced the creation of a "bank of banks" that will partner with microfinance institutions (MFIs) in Indonesia. The acquisition of commercial PT Bank Sri Partha is funded by USD 33 million raised from investors including the Bill & Melinda Gates Foundation of the US, the World Bank's International Finance Corporation and Dutch Hivos-Triodos Fund. June 23. 2008

CGAP Unveils "SmartAid for Microfinance Index" Results

World Bank-backed CGAP (Consultative Group to Assist the Poor) launched the "SmartAid for Microfinance Index" in 2007 to measure how effectively funding agencies support microfinance. The index measures: strategy, staff, accountability, instruments and knowledge management. The results of a pilot show mixed performance, ranging from 53 to 86 out of 100 points. Staff capacity emerged as the area with the most challenges. Yet again CGAP has employed ingenious finesse to critique the very donors that butter its bread. Despite CGAP's scarce support of this newspaper, we renew our applause for its work. July 2. 2008

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MICROCAPITAL BRIEFS

Indian Village Council Issues Microfinance Loans on Credit Cards

Rural Jaltara, India, is extending microfinance loans to residents via Gram Sabha (village council) Credit Cards. The size of each loan and the repayment schedule are decided in council meetings. The five percent annual interest rate is well below that charged by for-profit microfinance institutions, which routinely charge over 25 percent. The use of loans for marriage, vehicles or house construction is prohibited. So far, at least 50 loans have been extended in the village of approximately 350 people. State government backing for the loans is supported by USD 123 million from the UK's Department for International Development. July 18. 2008

Microfinance To Debut In China's Zhejiang Province

In China's Zhejiang province, small and medium enterprises' growing demand for capital has led the government to expand microlending services into the province. With China's tightening monetary policy, securing a loan through banks has become increasingly difficult for such firms. Microlenders will have to meet financial requirements, including net assets equivalent to USD 7.3 million, an asset-liability ratio less than 70 percent and three consecutive years of profitability with corresponding revenues of at least USD 2.2 million. July 17. 2008

Filipino Women to Open Sari-sari Franchises with MFI Loans

Retail chain Hapinoy plans to open or convert 40,000 sari-sari stores in 2008 by recruiting microfinance institution (MFI) customers to acquire franchises. Sari-sari stores offer general merchandise, often from the owner's house. Founded with support from Smart Communications, a Filipino wireless service provider, Hapinoy offers franchisees branded stores that are owned and run by the microentrepreneurs. Supported by the Microfinance Council of the Phillipines, Hapinoy is recruiting mostly women from four MFIs: the Center for Agriculture and Rural Development, Lamac Multipurpose Cooperative, Taytay Sa Kauswagan and Kasagana-Ka Development Center. July 16. 2008

Microfinance Raises Fresh Sub-prime Fears in India

India's Times Online reports that, "As new lenders flood the sector...concerns are mounting that a new breed of 'microloan sharks' are helping only themselves. Leading bankers fear another sub-prime-type scandal - where poor American homebuyers were sold loans they couldn't pay...." July 16. 2008

BP, IFC Backing Rural Expansion of Azerbaijani MFI

World Bank unit International Finance Corporation and energy giant BP (British Petroleum) have announced a partnership to assist for-profit microlender Micro Finance Bank of Azerbaijan (MFBA) in establishing rural microfinance branches. BP's assistance is provided via its affiliated nonprofit BP Foundation. The amount of financial support was not disclosed. MFBA reports 49,596 borrowers, a gross loan portfolio of USD 177.2 million, total assets of USD 133.3 million, a debt-equity ratio of 713.61 percent and return on assets of 0.2 percent. UK-based BP has a number of projects ongoing in Azerbaijan, including multiple oil exploration efforts and the Baku-Tbilisi-Ceyhan pipeline project. IFC has a global investment portfolio of USD 790 million, return on assets of 6.46 percent and a debt-equity ratio of 186.98 percent, as calculated from its 2007 financial statements. July 15. 2008

Nobelist Amartya Sen Discusses "Inequality and Institutions"

In Pakistan's Daily Times, Amartya Sen has stated that, "It is obvious enough that economic growth can be extremely helpful in removing poverty"; but that, "The removal of poverty and deprivation cannot be seen to be an automatic result of economic growth." July 15. 2008

MFI Faulu Kenya Offers Free Payments Via Postal Corporation

Customers of Faulu Kenya can now repay loans through 330 Postal Corporation of Kenya (PCK) outlets across the country. They can also receive and send money through the PCK's electronic funds transfer service PostaPay. On a pilot basis the PCK has so far handled an equivalent USD 5.3 million in loans and repayments. July 15. 2008

LuxFLAG Grants Label to Belgian Incofin's Rural Impulse Fund

Nonprofit Luxembourg Fund Labelling Agency (LuxFLAG) has granted its label to the Rural Impulse Fund (RIF). The label indicates that a fund invests the majority of its assets in microfinance and has at least 25 percent of its microfinance portfolio invested in institutions rated by a recognized rating agency. LuxFLAG has granted its label to six funds that manage assets totaling USD 1.3 billion. RIF, which holds USD 38 million in assets, was developed by Belgian microfinance investment company Incofin. As the microfinance investment frenzy mounts, such authenticity is very important; please look for the label. July 15. 2008

UN Initiative Encourages "Doing Business with the Poor"

The United Nations Development Programme (UNDP) Growing Inclusive Markets Initiative recently published a report entitled "Creating Value for All: Strategies for Doing Business with the Poor," consisting of 50 case studies on small and medium-sized companies (SMEs) and multinational corporations. It examines social and financial results and focuses on strategies for doing business with the poor in order to expand markets. July 14. 2008

Intelcap Announces Srijan Microfinance Business Plan Winners

Top honors in the 2008 Srijan Microfinance Business Plan Competition, worth USD 11,585, has been awarded to the Pochampally Chenetha Kalanetha Collectives which serves weavers near Hyderabad, India. Second prize was won by Praseeda Kunam of Samhita Microfinance, which offers economic, health and technological services to poor rural women. Third prize went to Synergics, which aims to support start-up microenterprises through equity, guarantees to commercial banks and business development services. The competition was sponsored by Intelcap, Standard Chartered Bank, Aavishkaar Goodwell and Financial Express. July 14. 2008

IDB CGAP Technology Survey Offers \$15k in Consulting Services

CGAP (Consultative Group to Assist the Poor) has launched a survey on how microfinance institutions use technology, on how they approach technology planning and to identify weaknesses and opportunities in the microfinance technology market. Respondents will be eligible for a raffle to win USD 15,000 in consulting services. July 14. 2008

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Webcast Features Indian MF, Technology Leaders on Trends

Through August 3, a webcast is freely available of the Microfinance Insights panel titled: "Technology and Financial Inclusion: What Works? A Discussion about Microfinance, Regulation, M-banking, Technology & Financial Inclusion." Speakers include top people from BASIX, Vodafone, Indian Institute of Technology and Financial Information Network & Operations (FINO). July 11. 2008

UN Group Issues Final Report on Broadening Financial Access

The United Nations Advisors Group on Inclusive Financial Sectors has issued a set of recommendations on enabling poor people to better access financial services. The group noted that a microfinance scheme in five sub-Saharan countries has doubled savings between 1998 and 2006 and has the potential to double savings again in the next three years. The panel also cited the potential to expand microinsurance, housing loans and mobile phone-based financial services. July's meeting marked the end of the two-year mandate for the group. July 11. 2008

Should Inflation Be Seen as "Wake-up Call" to Microfinance?

Stefan S. Handoyo of the Microfinance Innovation Center for Resources and Alternatives recently told the Jakarta Post that inflation, "should be a wake-up call for anyone counting on investments abroad, including the microfinance sector that has been largely viewed as having high resilience towards external shocks. The reason is very clear: Microfinance clients mostly sell and consume basic commodities whose prices have been skyrocketing for the past few months.... Surprisingly, the already-deteriorating economic environment has been made even worse as the Indonesian government is now acting as if it is another big microfinancier, distributing cash to the poor with no clear mechanism on how to measure the effectiveness of such a policy. Rural banks, as well as other MFIs, have now seen the negative impact of the huge amount of cash distributed freely and carelessly by the government to clients at their doors." July 11. 2008

Central Bank Grants License to AccessBank Liberia

Central Bank of Liberia has granted provisional license to AccessBank Liberia Limited, a new microfinance bank, to operate as a commercial entity. The bank is controlled by Access Microfinance Holding of Germany, with other shareholders including International Finance Corporation, the European Investment Bank and the African Development Bank. July 10. 2008

MIX Seeks Articles for the MicroBanking Bulletin

Microfinance Information Exchange (MIX) is accepting articles for the Fall 2008 MicroBanking Bulletin through August 8, 2008. Preference is given to articles regarding analytical work on financial performance of microfinance institutions. Articles of up to 2500 words may be submitted to edowns@themix.org. July 11. 2008



Nepal Unveils National Policy on Microfinance

Nepal's government recently unveiled a new national microfinance policy that aims to expand the lending capacity of its microfinance sector. Foremost is a mandate to create a new government agency to regulate and supervise microfinance operations. Second, the policy calls for establishing a "National Microfinance Development Fund" to channel financial resources from local and international investors to microfinance institutions (MFIs). As of yet, it remains unclear as to whether such an entity would be administered directly by the Nepalese government or function as a privately administered, government-sponsored enterprise. The new policy will also allow for more flexibility in accepting deposits in an effort to encourage commercial MFIs. The Microfinance Information Exchange reports 21 Nepalese MFIs with an aggregate loan portfolio of USD 56.1 million and 424,322 borrowers. July 9. 2008

Sri Lankan Aspico Group to Launch \$1.9m Microfinance Subsidiary

Private equity firm Aspico Group has announced that it will launch a new business unit focused on lending to small and medium agricultural enterprises. The company plans to invest an equivalent USD 1.9 million in the microfinance subsidiary, which will offer loans ranging from USD 90 to USD 1860. July 8. 2008

IFC Invests \$15.6 in Grupo Mundial for Microinsurance, Lending

The International Finance Corporation (IFC) recently made a USD 15.6 million equity investment in financial conglomerate Grupo Mundial Tenedora (GMT) of Panama. Having increased its stake in GMT to 9.9 percent, IFC aims to increase the company's competitiveness in microfinance and microinsurance. USD 600,000 will be invested directly as equity in the company's microfinance subsidiary Soluciones de Microfinanzas (Microserfin). GMT, an insurance and banking conglomerate with assets equivalent to USD 1.1 billion, has expanded to five Central American countries and Colombia in the past year. July 8. 2008

Belgian VDK's Microfinance Disbursements Reach \$55m

Microfinance investment manager Incofin has announced that the MFI Loan Portfolio of Belgium's VDK Savings Bank grew by USD 18 million in the second quarter to a total of USD 55 million. The facility now serves 19 microfinance institutions (MFIs) in 12 countries. Its largest positions include the Microfinance Bank of Azerbaijan, FIE Fondo Financiero of Bolivia and Agroinvest of Montenegro. New transactions are currently being closed in Peru, Cambodia and Mexico. VDK Savings Bank holds assets exceeding USD 4 billion. Incofin of Belgium manages microfinance assets of USD 150 million and investor commitments of USD 250 million. July 8. 2008



Pakistan Fund Launches \$45m Microfinance Support Program

Pakistan Poverty Alleviation Fund (PPAF), a government program, recently launched PRISM (Programme for Increasing Sustainable Microfinance) to assist Pakistani microfinance institutions in forging new partnerships with commercial funders. PRISM has an operating budget of USD 45 million and partners with organizations working in 33,000 villages. In addition to government support, PRISM was financed by a USD 35 million loan from the United Nations International Fund for Agricultural Development. PPAF holds an equivalent USD 80.4 million in loans supporting microenterprise development and overall has total assets of USD 264.2 million, return on assets of 5 percent and a debt-equity ratio of 376 percent. July 7. 2008

Boston Beer Launches Microfinance Fund With ACCION

The Boston Beer Company has announced a program offering loans and consulting to low- and moderate-income microentrepreneurs in the US food and beverage industry. Boston Beer has committed USD 250,000 to establish the Samuel Adams Brewing the American Dream Micro-Loan Fund at ACCION USA. The ACCION Network has lent USD 210 million in the US since its inception in 1991. Samuel Adams accounts for just under one percent of the US beer market. July 4. 2008

WSJ's O'Grady Says the Market Should Determine Profit Level

Wall Street Journal Editor Mary Anastasia O'Grady recently argued that, in the case of Mexico's Compartamos, "strong growth suggests that the bank's for-profit model makes both borrowers and lenders better off. Yet...the international charity brigade is at risk of becoming obsolete. Perhaps this explains why people who make their living giving away other people's money are badmouthing Compartamos for the vulgar practice of earning 'too much' profit." July 2. 2008

FINCA Azerbaijan to Increase Microlending to Farmers

FINCA Azerbaijan will increase microlending to farmers in an effort to support food security in the wake of reported global shortages. Currently 30 percent of its loan portfolio is allocated to agriculture. US-based FINCA (Foundation for International Community Assistance) is a network of nonprofits with total assets of USD 251.6 million as of 2006. FINCA Azerbaijan serves 80,000 clients and has a gross loan portfolio of USD 55 million, total assets of USD 49.4 million, return on assets of 5.31 percent and a debt-equity ratio of 432 percent. July 1. 2008

Cameroon's Minister of Finance Wants to Strengthen MF Sector

Cameroon's Minister of Finance Lazare Menye announced that the microfinance sector should be strengthened due to its suitability to the socio-cultural context of Cameroon. Menye proposed tax reform to encourage the entry of more microfinance institutions (MFIs) into the market. He also advocated greater supervision of MFIs by his ministry and improved training to address dubious management practices. July 1. 2008

Kenyan Government May Block Money Transfers by Saccos

Savings and Credit Co-operative Societies (Saccos) may no longer be allowed to offer money transfers under a bill being discussed in Parliament. The bill also would bar Saccos from trade or investment in enterprise capital to diversify their revenue lines. The restrictions are intended to reduce management problems that have occurred in some Saccos and would reduce competition for banks in certain product lines. Saccos serve 7 million members with an equivalent USD 3.2 billion in deposits and USD 2.3 billion in loans. July 1. 2008

Advans Cameroun Boosts Capital to \$2.4m

Advans Cameroun has doubled its share capital to an equivalent USD 2.4 million. Advans Cameroun currently serves over 1,000 clients with an average loan size of USD 760. Its majority shareholder is Advans SA of Luxembourg, which was created in August 2005 with committed capital of USD 22 million. Advans SA was created by Horus Development Finance with the backing of several development financial institutions to build a conglomerate of microfinance institutions in developing countries. July 1. 2008

ACE INA Gives \$720k to Mexican Freedom From Hunger Program

ACE INA Foundation, the philanthropic arm of Bermuda-based insurance company ACE Limited, will grant USD 720,000 to US-based Freedom from Hunger (FFH) to offer microfinance and financial education to women through its affiliate Alcance Mexico. FFH reports a USD 7,356,000 annual budget. ACE Limited holds assets worth USD 72 billion and operates in over 140 countries. June 30. 2008

Austria Invests \$56m in European Fund for Southeast Europe

Austria's recently established development bank Oesterreichische Entwicklungsbank (OeEB) will invest an equivalent USD 56 million of equity capital in Luxembourg-based European Fund for Southeast Europe (EFSE). While OeEB has yet to disclose financial statements, EFSE holds USD 557.2 million in total assets, with USD 308 million allocated to microfinance. June 30. 2008

Opportunity Reports Microfinance Clients Hurt by Food Crisis

An Opportunity International client has said: "We have reduced our consumption of vegetables and meat. Last week, we went to the market and brought provisions for [USD 4.50]. This week, the same items cost [USD 7]." The report adds: "The good news is that they have savings accounts for the first time in their lives - but the bad news is they are already eating through the small safety nets they had built up." June 30. 2008

Mobile Provider Nokia Targets India's Rural Markets for Growth

Nokia has targeted rural markets for its growth in India, and the company is looking at microfinance as a tool to increase mobile penetration by reducing the initial cost of the phone. June 30. 2008

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Rang De, dhanaX Launch in India Echoing Kiva

Two microlending sites, Rang De and dhanaX, were launched this year to facilitate loans by retail investors to low-income borrowers in India. The companies connect borrowers and lenders via a third-party microfinance institution in the tradition of internet phenomenon Kiva. Nonprofit Rang De, which limits investor yields to 3.5 percent, is currently supported by ICICI Group's Foundation for Inclusive Growth. In contrast, dhanaX allows borrowers to post a requested interest rate and repayment period to which investors may respond. June 27. 2008

Jordanian MFIs Receive \$4.7m from AFD via Commercial Bank

France's Agency for Development (AFD) loaned an equivalent USD 4.7 million to commercial bank Société Générale de Banque – Jordanie for on-lending to microfinance institutions (MFIs). Tamweelcom will receive USD 2.8 million, and Middle East Microcredit Company (MEMCO) will receive USD 1.9 million. Société Générale de Banque-Jordanie is the Jordan-based subsidiary of French commercial bank Société Générale Group, which is estimated to have over USD 60 million invested in microfinance. The Jordanian subsidiary reports USD 230 million in total assets, return on assets of 2.01 percent and a debt-equity ratio of 545.76 percent. For-profit Tamweelcom reports a gross loan portfolio of USD 11.6 million, total assets of USD 13.4 million, a debt-equity ratio of 189.2 percent, return on assets of 5.80 percent and 31,000 clients. MEMCO is a limited liability company that reports a gross loan portfolio of USD 10.9 million, total assets of USD 11.6 million, a debt-equity ratio of 70.67 percent, return on assets of 8.89 percent and 9,500 clients. June 26. 2008

Financial Times Reports on the "Missing Middle"

The Financial Times, publisher of The Economist newspaper referenced above, recently reported on several entities that invest in small and medium enterprises (SMEs), stating that, "Providing banking services to those SMEs in the 'missing middle' is crucial because, while a microloan can support one street vendor or one tailor in their business, microfinance rarely creates jobs for others. Job creation is the most obvious benefit of funding SMEs in developing countries, and there is enormous potential." June 26. 2008

Donkey Abduction, Kidnapping, Suicide Follow Missed Payments

The Telegraph, an Indian newspaper, has reported that an unnamed microfinance company had a borrower's eight-year-old daughter kidnapped after he missed three monthly payments on a loan equivalent to a total of USD 330. Police assisted in the girl's release. In an unrelated incident, a man killed himself after reported harassment from police over a disputed loan. Also reported were kidnappings of one borrower's five-month-old baby, another's wife and child and a third borrower's donkey. The Reserve Bank of India has threatened banks with action if their recovery agents harass defaulters. June 25. 2008

Nigerian Research Institute Thinks MFIs Can Ensure Food Security

Responding to an emerging world food shortage, nonprofit research institute Nigerian Institute of Animal Science has urged the country's microfinance institutions to aim their microlending services at small and large-scale livestock farms to ensure food security. Barriers cited to serving the sector include the seasonality of farmers' income and the high cost of operating in rural areas due to poor infrastructure and low population density. June 25. 2008

Real Estate Investor Annexum Launches Dutch Microfund

Real estate investment company Annexum has launched Dutch Microfund, a microfinance investment fund offering loan, equity and collateralized debt obligation investment options, with a minimum investment equivalent to USD 1,560. Annexum manages assets worth USD 1.0 billion. June 25. 2008

Legatum, Omidyar Help Launch Unitus Equity Fund with \$56m

US-based Unitus Equity Fund has raised USD 56 million that it will invest in commercial microfinance institutions. Key stakeholders include Legatum Group and Omidyar Network, which each have invested USD 20 million. Unitus Equity Fund is affiliated with Unitus, an international nonprofit that reports an aggregate partner loan portfolio of USD 380 million. US-based Omidyar Network, legally comprised of both a nonprofit and a limited liability company, holds USD 284 million in assets. Legatum Capital of Dubai holds microfinance investments totaling USD 57.9 million. June 25. 2008

ABN Amro Bank to Double Microfinance in India to \$140m

ABN Amro Bank aims to double its microfinance operations in India to an equivalent of USD 140 million by the end of the fiscal year. The bank plans to scale up its operations in rural areas via "business correspondents" and mobile phone technology - possibly by partnering with technology providers Eko and ClassifEye. The bank currently lends to 29 microfinance institutions. June 24. 2008

Perez Elected CEO of MFI Pro Mujer, Moyer Rejoins Board

Pro Mujer International, a nonprofit microfinance and women's development network based in the US, has appointed Rosario Perez as Chief Executive Officer. Interim CEO Ben Moyer will return to the Board as a Director. Pro Mujer microfinance institutions hold USD 14 million in savings deposits. June 24. 2008

Ecobank Acquires EABS Bank, Renames It Ecobank Kenya Limited

Ecobank Transnational of Togo has completed its acquisition of 75 percent of EABS Bank, renaming it Ecobank Kenya. June 23. 2008



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<http://cgap.org/direct/training/training.php>

Indian Government Launches \$23.3m Housing Initiative

India's National Housing Bank (NHB) and the microfinance subsidiary of the government's Repco Bank have launched an initiative to provide the equivalent of USD 23.3 million in loans to members of rural self-help groups for renovating and expanding their homes. The eight-year loans will range in size from USD 582 to USD 4,656, with an interest rate of 11.5 percent. Repco Bank is a public financial institution and reports receipts of USD 362 million. Its microcredit program has disbursed USD 6.5 million via 6,000 self-help groups. June 23. 2008

MPOWER Ventures Commits \$100m to Early Stage MF Companies

US-based venture fund MPOWER Ventures has committed USD 100 million to be directed at start-up companies that provide financial services to the unbanked. The effort is funded by Roy and Bertrand Sosa of Netspend and Jorge Vergara Madrigal of Grupo Omniflife. The fund will invest first in MPOWER Labs, which assists MPOWER Ventures' companies with research, business and product development. MPOWER Ventures has invested previously in international payments, mobile payments and retail financial services. June 23. 2008

\$15.4m Austrian Bank Fund to Refinance Loans to Bulgarian MFIs

Bank Austria Creditanstalt (BA-CA) is establishing an equivalent USD 15.4 million Fund for Credit Guarantees. The first initiative of the fund will be to refinance bank loans to microfinance institutions (MFIs) in Bulgaria. The fund will cover 90 percent of the risk for the MFIs. BA-CA reports total assets of USD 321.8 billion and a return on equity of 17 percent. BA-CA is a member of UniCredit Group, a USD 1.57 trillion European financial services provider. June 23. 2008

Imp-Act Publishes Proceedings of Social Performance Task Force

Notes on the June's Imp-Act Social Performance Task Force meeting are available free of charge to users registering at <http://spmconsortium.org/>. The meeting covered a social indicators pilot, outreach to social investors and a report on assessment tools. June 23. 2008

Integrated Microfinance Bank of Nigeria Plans to Raise \$127m

Integrated Microfinance Bank (IMFB) Limited has announced plans to raise an equivalent of USD 127 million over the next three years via a three-phase private placement. The company plans to continue opening new branches and to use acquisitions to expand across the country. IMFB reports a gross loan portfolio of USD 7 million, total assets of USD 22 million and a debt-equity ratio of 303 percent. June 23. 2008

Kenyan Nonprofit MEGA to Launch For-profit Microfinance Bank

Kenyan nonprofit organization MEGA (Meru Embu and Gikuyu Association Initiative Welfare Society) has announced it will launch for-profit MFI MEGA Microfinance Company. MFI MEGA will offer loans ranging from an equivalent USD 80 to USD 6,200 at an average interest rate of 18 percent. MFI MEGA will operate as a Limited Company until it raises the USD 3.9 million in capital required to register as a deposit-taking bank. A private offering has so far raised USD 580,000. Nonprofit MEGA focuses on economic development from its base in Nairobi and three outreach offices in England. June 20. 2008

Ugandan Minister Wants More Influence Over Microfinance

The Ugandan Minister of Microfinance has cited barriers to industry growth including high interest rates, collateral requirements, limited services in rural areas and inadequate awareness of available services. To counter these issues, he proposes a shift from market forces as a basis for delivery of microfinance services to government support of Savings and Credit Cooperative Organizations (SACCOs). June 20. 2008

Compartamos Leaders Discuss IPO, Share "Core Beliefs"

Carlos Danel & Carlos Labarthe in a "letter to our peers" avow that, "We believe that microfinance is finance and has to be sustainable, that economic value is a consequence of social value.... We are in the business of trusting people. This trust allows our clients to seize opportunities otherwise they would not have." June 20. 2008

Nigeria's Rivers State Allocates \$47.6m for Microfinance Scheme

The governor of the Rivers State of Nigeria has allocated the equivalent of USD 47.6 million to finance small and medium-sized enterprises. June 20. 2008

Nigerian CEO Wants Big Banks Barred From Microfinance

The CEO Crown Eagle Microfinance Bank has called on the Central Bank of Nigeria to bar mainstream banks from microfinance, saying that large Nigerian banks are "supposed to" focus on competing with international banks. "They should...also loan money to microfinance banks." June 20. 2008

EBRD May Up Loan to Microfinance Bank of Azerbaijan to \$40m

The European Bank for Reconstruction and Development (EBRD) will meet to discuss an increase in a previously announced syndicated loan to Microfinance Bank of Azerbaijan (MFBA). Initially, EBRD planned to provide USD 20 million for on-lending to micro- and small enterprises. The new proposal would expand the loan to USD 40 million, structured to retain USD 10 million on EBRD accounts, with the remainder offered to commercial banks. EBRD is one of the six shareholders of MFBA, which has a loan portfolio of USD 72 million, 47,000 active borrowers, a debt-equity ratio of 713.61 percent and a 4.51 percent of return on assets. EBRD has subscribed capital totaling USD 31 billion. June 19. 2008

IFC's Thunell: "Farmers Need Level Field"

Lars Thunell, CEO of the International Finance Corporation, the World Bank's private sector finance arm, has told the Financial Times that his organization is working on a set of guidelines for responsible microfinance. The guidelines are expected to define a set of prohibited practices - including a ban on coercive loan recovery methods - and a commitment to education, disclosure and transparency, enabling borrowers to better compare interest rates and fees. The IFC also believes that competition and scale should eventually reduce interest rates. Regarding the food crisis, he said, "It's not only a moral issue; I think there are going to be tremendous business opportunities to look at agribusiness in a new way...." June 19. 2008

India's SKS Microfinance to Raise \$30m in Equity

For-profit microlender SKS Microfinance has announced plans to raise an equivalent USD 30 million in equity capital through private investors, which would increase its equity base to USD 80 million. SKS Microfinance holds total assets of USD 78.8 million, a loan portfolio of USD 64 million, a debt-equity ratio of 379.22 percent and return on assets of 1.75 percent. June 18. 2008

PetNet of the Philippines to Expand Remittances via MFIs

Money transfer agent PetNet has partnered with Alalay Sa Kaunlaran, Inc. (ASKI) and GSIS Family Bank to offer remittances to their customers. PetNet is a money transfer agent of Western Union with 200 locations in the Philippines. ASKI, which provides loans and microinsurance, reports a capital base equivalent to USD 1.4 million. June 18. 2008

Moldovan Microinvest Receives \$5.5m from Shareholders

Recent investments totaling the equivalent of USD 5.5 million have been made to Moldovan microfinance institution Microinvest by its shareholders Oikocredit (USD 1.3 million), Soros Economic Development Fund (USD 834,055), the Balkan Financial Sector Equity Fund (USD 2.98 million) and Richard Driehaus (USD 367,995). The investments led to an increase in Microinvest's authorized capital to USD 7.5 million. Microinvest has total assets of USD 25.62 million, a debt-equity ratio of 247.08 percent, return on equity of 3.15 percent and 2,691 active borrowers. Balkan Financial Sector Equity Fund is a private equity fund managed by Swiss Development Finance Equity Partners and valued at USD 77 million. Richard Driehaus is the founder of Driehaus Capital Management LLC. June 18. 2008

Jamaica's St Thomas Credit Union Puts \$44m in Small Businesses

St Thomas Co-operative Credit Union (STCCU), a non-profit financial cooperative based in Jamaica has launched a Micro and Small Enterprise unit with USD 44.2 million from the European Union and the Jamaican government. STCCU has 15,000 members. June 17. 2008

SKS, Nokia, Airtel to Offer Cheap Cell Phones in India

SKS Microfinance estimates that it can sell cell phones from its new initiative to 75 percent of its customers and has approached the Reserve Bank of India to loosen mobile banking restrictions. SKS also plans to provide non-financial services like food, consumer durables, health, disaster management to the poor. Last year, SKS extended unsecured loans worth USD 38 million to 1.9 million consumers. June 17. 2008

Compartamos of Mexico to Accept Payments at Oxxo Stores

Compartamos Banco has announced a partnership with OXXO, whereby customers of Compartamos Banco may make loan payments at any OXXO retail location. With 5,563 stores in Mexico, OXXO is a top subsidiary of major Latin American beverage company FEMSA Comercio. June 17. 2008

K-Rep Group, IFC to Implement HIV/AIDS Program in Kenya

Kenya's K-Rep Group, with support from International Finance Corporation (IFC), will help implement a corporate HIV/AIDS program for more than 900 employees. IFC will invest USD 77,000 in the effort and K-Rep will invest USD 150,000. The program will include awareness training, voluntary counseling and testing services and free medical care to those affected and their dependents. IFC is working with 27 client companies in Africa and six in India on HIV/AIDS-related projects that are linked to USD 1.1 billion in IFC investments and reach 100,000 employees. June 17. 2008

Thurman Argues "Africa Needs Microfinance" in Harvard Review

In Harvard International Review, Eric Thurman argues, "Economic patterns [in Africa] are different from other parts of the world. First, few people have wage-paying jobs. Self-employment dominates the labor force. Also, people are more dispersed than in most other parts of the world. In [this] situation...microfinance is a proven, practical way to boost personal income." He adds, "One of the main lessons learned in recent years is that eagerness for savings services is even greater among Africans than their strong appetite for small loans."

June 17. 2008

Intercontinental, Nigerian State to Launch Microfinance Scheme

Intercontinental Bank, a Nigerian commercial bank, has announced a microfinance partnership with the government of Oyo, a state in southwestern Nigeria. Oyo has set aside an equivalent USD 8.6 million to establish a new microfinance bank with Intercontinental Bank's microfinance unit, Blue Intercontinental Microfinance Bank (BIMB). Intercontinental Bank reports total assets of USD 12 billion. Recently launched with a capitalization of USD 25.9 million, BIMB is a joint venture between Intercontinental Bank and Blue Financial Services, a South African microfinance institution. June 16. 2008

Nigeria's Development Exchange Centre Loans \$2.5m to Women

Development Exchange Centre (DEC) has loaned an equivalent USD 2.5 million to 30,000 women in northern Nigeria. Founded as a joint venture between Canadian University Services Overseas and the Nigerian government's Adult and Non-formal Education Agency, DEC has total assets of USD 2.7 million, a gross loan portfolio of USD 2.3 million, a return on assets of -2.32 percent, a return on equity of -3.13 percent and 35,726 active borrowers. June 16. 2008

Emerging Capital Partners Invests \$15m in Blue Financial

US-based private equity group Emerging Capital Partners (ECP) recently invested USD 15 million in South African microfinance institution Blue Financial Services (BFS). ECP has six private equity funds totaling USD 1.3 billion. BFS reports total assets of USD 80.4 million, a debt-equity ratio of 32.63 percent and return on assets of 5.52 percent. June 12. 2008

IFC, IDB Back Brazilian Unik's Planned \$147m Microfinance Fund

The International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC) have recently invested in Unik, a Brazilian issuer of payroll cards. The IFC will obtain a 12 percent equity stake in Unik, while the IIC will hold 8 percent of the company's stock. The combined equity and debt funding - estimated to be worth USD 9.8 million - launches Unik's planned USD 147.3 million credit investment fund to develop and expand access to financial services by its 750,000 low-income clients. Brazilians without Unik cards can also use the Unik network to make cash payments at designated establishments. Unik had total revenues equivalent to USD 118.6 million and is owned by Rio Bravo, a Brazilian investment firm. June 12. 2008 ◆◆◆

ASIA-PACIFIC REGIONAL MICROCREDIT SUMMIT 2008

REGISTER NOW TO ATTEND

The Microcredit Summit Campaign and Gema PKM Indonesia will host the Asia-Pacific Regional Microcredit Summit 2008 in Bali, Indonesia from July 28-30.

President of Honduras Manuel Zelaya and Nobel Peace Prize Laureate Muhammad Yunus have confirmed to attend - will you join them?

Close to 1,000 delegates from more than 40 countries are expected to attend, including microfinance institution practitioners, advocates, investors, and many more. We hope that you will join your fellow visionaries in action toward ending global poverty through microcredit.

To register for the conference and for more information:
Visit | www.inamicrocreditsummit.org or Contact | info@microcreditsummit.org

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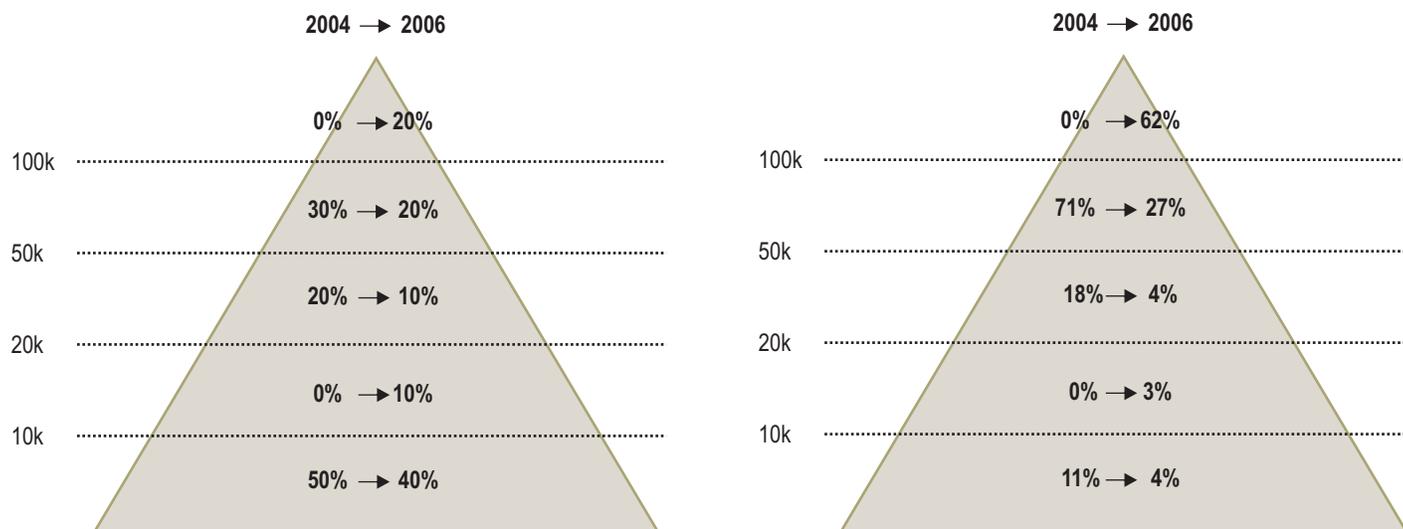
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10 MFIs REPORTING ¹

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

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2004	2006
Equity Bank	33,660,118	66.8	37,791,996	105,112,232
K-Rep Bank	13,470,788	41.0	27,241,376	54,182,951
Kenya Women Finance Trust	9,071,009	49.4	14,727,129	32,869,147
Faulu - Kenya	5,849,400	61.2	7,315,800	19,014,600
Kenya Agency for the Development of Enterprise and Technology	1,217,303	64.9	1,416,338	3,850,943
Small and Micro Enterprise Project	881,007	16.8	4,837,133	6,599,147
Microenterprise Development Services Ltd / formerly Sunlink	129,874	11.8	1,041,083	1,300,830
Business Initiatives and Management Assistance Services	127,394	9.4	1,301,018	1,555,805
Ebony Foundation	102,300	133.2	46,123	250,722
Yehu Microfinance Trust	48,725	18.5	241,767	339,216

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



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

UPCOMING EVENTS

Asia Insurance Review Microinsurance Conference

July 23 - July 24, 2008, Jakarta, Indonesia

This conference will focus on regulatory issues and client protections. Standard conference fees are USD 800 for subscribers and USD 980 for others, including discounts of approximately USD 500 which were offered on the conference website at the time of research, with no expiration date indicated. More details are available via Ms. Loga at loga@asiainsurancereview or +65 6224 5583 or at http://www.asiainsurancereview.com/pages/conference_details.asp?id=99.

Asia-Pacific Microcredit Summit Campaign 2008

July 28 - July 30, 2008, Bali, Indonesia

This conference is the twelfth in a series aimed at reaching the world's poorest families. The standard registration fee is USD 225, while those from the Asia-Pacific region pay USD 150. Add-on site visits are offered on July 27 as is a selection of classes on July 31. More details are available at +1 202 637 9600, info@microcreditsummit.org or <http://www.inamicrocreditsummit.org/>.

Microfinance West Africa 2008

July 29 - July 31, 2008, Lagos, Nigeria

This conference aims to increase the capacity of the regional microfinance sector. Fees were not available at the time of research, but details are available via Abiodun Olaniyi at jakolgate@gmail.com, +234 802 320 1920 or <http://microfinancewestafrica.org/mfwa2008/>.

Financial Institutions for Private Enterprise Development

August 17 - August 29, 2008, Cambridge, United States

This program explores how financial intermediaries for the "unbanked majority" earn profits and have positive impacts on customers. The fee of USD 8900 includes housing, insurance and some meals. More details are available via KSG_ExecEd@ksg.harvard.edu, +1 617 496 0484 or <http://ksgexecprogram.harvard.edu/program/fiped/overview.aspx>.

Micro Banking Summer Academy

August 22 - September 5, 2008, Frankfurt am Main, Germany

Fees to attend this Frankfurt School of Finance and Management program are EUR 2,500 per week, plus EUR 800 for the introductory course. More details are available via Carolin Drucks at +49 (0)69 154008 616, c.drucks@frankfurt-school.de or http://www.frankfurt-school.de/content/en/intern_advisory/summeracademy_en.

Second Asia Microfinance Forum

August 26 - August 29, 2008, Hanoi, Vietnam

This event focuses on partnerships and innovative technology. Registration is free, but officially closed May 31. For details, contact info@bwtp.org or +61 7 3831 8722 or see <http://www.bwtp.org>.

Fourth Central American Microfinance Conference

August 27 - August 29, 2008, Guatemala City, Guatemala

The Red Centroamericana de Microfinanzas (REDCAMIF) is hosting this conference, themed Competitive Microfinance Institutions with a Social Impact. Conference fees of USD 350 are due by July 31; special rates are available for REDCAMIF members and groups larger than three. For more information, contact ivconferencia@redcamif.org, +502 2332 1920 or <http://networks.secpnetwork.org/en/node/1102>.

Fifth European Microfinance Network Annual Conference

September 8 - September 10, 2008, Nice, France

Fees for this conference range from EUR 300 to EUR 440, with discounts available for various groups and all registrations before June 30. Add-on exchange visits and training courses incur additional fees. More information is available at http://www.european-microfinance.org/nice_en.php or via Maria Franco at m.franco@european-microfinance.org or +33 (0)1 56 03 59 68.

Building Inclusive Financial Systems:

How Can Funders Make a Difference

September 8 - September 12, 2008, Dubrovnik, Croatia

Organized by CGAP (Consultative Group to Assist the Poor) and the Microfinance Management Institute, the course will provide recommendations and tools for developing microfinance projects and policy. The cost of the event is USD 1,900. While this course will be held in English, a French version will be held in Rwanda beginning November 10, 2008. For registration or more information, contact Natasa Goronja at ngoronja@themfmi.org or +1 202 721 5605 or visit <http://www.themfmi.org/course/>.

Fourth Azerbaijan Microfinance Conference

September 16 - September 17, 2008 Baku, Azerbaijan

This conference will focus on best practices, challenges, benchmarking performance, innovative products and opportunities to access investors. Fees are USD 250 for those from abroad or AZN 400 for those from Azerbaijan, with discounts available for members and for all registrations received by June 25. More information is available via amfa@amfa.az, <http://amfa.az/> or +994 12 4371645.

Building Fair Financial Markets For All

October 1 - October 2, 2008, Geneva, Switzerland

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

Eleventh Inter-American Forum on Microenterprise (FOROMIC)

October 8 - October 10, 2008, Asuncion, Paraguay

The Inter-American Development Bank will host this forum which costs USD 450, with a USD 50 discount for registrations made by August 15. Registration and more information is available via foromic@iadb.org or <http://www.iadb.org/foromic/>. No telephone number is offered.

Social Capital Markets 2008 (SoCap08)

October 13 - October 16, 2008, San Francisco, California

Xigi.net is organizing this conference, which will include a microfinance investing track. The registration fee is USD 1195. More information is available at <http://socialcapitalmarkets.net/> or from amy@xigimedia.net. No telephone number is offered.

European Summit On Global Microfinance Investments

October 29 - October 30, 2008, London, United Kingdom

The conference will examine how microfinance may become an asset class, the risks of investing, business models and how to facilitate increased microfinance investment. The cost of the conference is GBP 1,291 (USD 2,230), with discounts available for microfinance institution staff and all registrations completed by August 20. More information is available via +44 20 7878 6888, enquiries@c5-online.com or webserv.c5groupinc.com/www_secure/conf_details.php?conf=5438. ◆◆◆

PAPER WRAP-UPS

Transitions To Private Capital - Case Studies From The Liability Side Of The Balance Sheet

By Marc de Sousa-Shields and Caroline Esther Averch, published by the United States Agency for International Development (USAID), July 2007, 26 pages, available at: <http://www.microfinancegateway.org/content/article/detail/49344>

Once it became evident that microfinance could be a financially sustainable enterprise, many microfinance institutions (MFIs) operating as non-governmental organizations (NGOs) sought to change their legal status to that of commercial MFIs. As private entities, these MFIs could both turn a profit and also access private investors' debt-capital to expand operations. This paper reviews the funding strategies employed by three Latin American MFIs following their conversion to for-profit entities.

The year following its inception in 1987, Peruvian NGO ACP (Accion Comunitaria del Peru) had steadily grown to serve 20,000 clients with a gross loan portfolio of USD 7 million. To maintain its high growth trajectory, ACP sought additional funding to expand operations, but found difficulty tapping private sources of capital because of its NGO status. This restriction prompted the ACP to apply to become a regulated private financial institution. Upon government approval, nonprofit ACP became a majority stakeholder in nascent, for-profit Mibanco.

With the bulk of its debt resting in government creditors, Mibanco looked to diversify its liabilities via private creditors. Toward this end, Mibanco established retail banking operations offering savings accounts to individuals. Secondly, Mibanco began offering term deposit services for institutional investors, including mutual funds, pension funds and private banks. In order to minimize risk by serving a higher number of institutional investors, Mibanco limited deposits to USD 3 million.

In addition to deposits, the commercial bond market was tapped to increase the number of Mibanco's institutional investors, which would help improve credibility and expand Mibanco's network of potential future investors. In addition, the relatively low administrative cost of issuing bonds would offset the high administrative costs of running Mibanco's deposit services.

Peruvian EDYFICAR (Entities of Development for the Small and Micro Business) charted a similar course to private capital. Created by NGO parent CARE International, 74 percent of EDYFICAR's non-equity liabilities came from domestic government sources. EDYFICAR's strategy, like Mibanco's, was aimed at reducing its dependence on public funds and at accessing private capital to expand its services.

EDYFICAR's first round of private debt-capital took the form of large loans from international creditors, including Blue Orchard Microfinance, Belgian Investment Company for Developing Countries (BIO) and International Finance Corporation. This influx of investment brought currency exchange risks, which managers hedged against with a bond offering, thinking that this would produce a more diverse set of creditors than would a few credit lines from commercial banks. As an emerging microfinance institution, a top priority for EDYFICAR was to quickly build a network of investors that they could approach in the future. This objective could not be accomplished with lines of credit from a small set of banks. In addition to networking concerns, EDYFICAR chose bonds over credit lines for their lower cost.

Mexican Compartamos was founded in 1990 by a small group of students working in social development in the states of Oaxaca and Chiapas. By 1997 the NGO was self-sufficient. Its founders, along with a group of investors, received government authorization to operate as a regulated financial institution.

As with Mibanco and EDYFICAR, Compartamos felt a need to diversify its liabilities away from heavy government support and toward a larger number of private investors. Compartamos achieved this through a bond offering. Similar to EDYFICAR, Compartamos' management held the belief that a bond offering would be the quickest way to establish a reputation among a large number of lenders that could be later approached for additional rounds of investments. In addition, Compartamos reasoned that building a solid reputation in the bond market would enable them to secure a line of credit that did not contain risk premiums.

In summary, early stage MFIs often find the commercial bond market more attractive than credit lines from banks because of the risk premiums that banks charge. Bonds also offer the promise of expanding an MFI's network of investors. Finally, MFIs often seek international funding for large loans, but these carry the risk of fluctuating exchange rates.

Microfinance in Russia: Benchmarks and Analysis 2006

Prepared by the Russian Microfinance Center (RMC) and the Microfinance Information Exchange (MIX), February 2008, 20 pages, available at: <http://www.microfinancegateway.org/content/article/detail/48948>

This report covers performance characteristics of Russian microfinance from 2003 through 2006, reviews the Russian regulatory environment and offers benchmarking against microfinance institutions (MFIs) in Central Asia, Central & Eastern Europe and the Caucasus.

Russia's 2,000+ MFIs have experienced loan portfolio growth of 20 percent annually, however services remain limited in rural areas, where 27 percent of the population lives. The regulatory environment is another limiting factor in this country where 45 percent of the population has no bank account.

Credit cooperatives - non-bank institutions drawing 87 percent of their funds from members' deposits - report a combined gross loan portfolio (GLP) in 2006 of RUB 11.4 billion (USD 434.3 million) and comprise 66 percent of all MFIs operating in the country. Private Commercial Noncredit Microfinance Institutions (PCMIIs) - drawing capital for their loan portfolios from 97 percent debt - encompassed only 18 percent of total MFIs with a combined GLP of RUB 1.8 billion (USD 68.3 million).

The authors note that GLPs and total assets are increasing, but more slowly than in all three benchmark regions. Profitability and financial sustainability also show gradual improvement, but Russian MFIs are less profitable than institutions in Central Asia and Eastern Europe.

With regards to revenues, Russian MFIs currently offer interest rates at or above the rates offered by conventional banks. However, the authors point out that, "strict loan requirements, long application procedure[s] and large loan amounts prevent banks from becoming serious competitors to many microfinance institutions in Russia."

Russia is similar to surrounding regions in terms of efficiency, but productivity is low. Two factors resulting in a significantly lower number of borrowers per loan officer relative to benchmarks include (1) a tendency toward individual lending over group-based methodologies and (2) a large share of MFIs offering savings services. Lastly, the authors report that Russian MFIs have average risk levels of 1.7 percent of loans, which is inline with surrounding regions but low globally.

Central Asia Benchmarking Report 2006

By Scott Gaul and Olga Tomilova, published by the Microfinance Information Exchange, February 2008, 20 pages, available at: <http://www.microfinancegateway.org/content/article/detail/48949>

This report tracks the performance of 1,100 microfinance institutions (MFIs) in four countries in Central Asia that make up a disproportionately high percentage of the region's poverty: Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

While only 3 percent of the region's low-income residents now access microfinance services, total outreach grew by 40 percent from 2006 to 2007. Also notable is that 55 percent of borrowers are serviced by only 27 MFIs. Despite low productivity, aggregate financial self-sufficiency is at 121.4 percent. In Kyrgyzstan and Tajikistan, market entry requirements are so low that the authors claim, "Opening a microfinance institution has become a form of microenterprise in its own right."

In Kazakhstan, the regulatory environment has improved, with relaxed licensing requirements and an increase in maximum allowable loan size to USD 67,000. At the end of 2006, 196,200 borrowers were served by 523 MFIs with a total loan portfolio of USD 2.2 billion. In Kyrgyzstan the average loan balance per borrower decreased and many MFIs are transforming into microfinance banks. At the end of 2006, 175,100 borrowers were served by 483 MFIs with a total loan portfolio of USD 184.2 million. In contrast to Kyrgyzstan, Tajikistan's average loan balance per borrower increased, and 57,400 borrowers were served by 62 MFIs with a total loan portfolio of USD 28.4 million.

Uzbekistan experienced a turbulent political year, with the closing of all internationally-funded non-governmental organizations (NGOs) providing microfinance and the suspension of lending by all other microfinance NGOs for eight months. Nonetheless, 59,600 borrowers were reportedly served by 51 MFIs with a total loan portfolio of USD 74.5 million.

In Kazakhstan, Kyrgyzstan and Tajikistan, internationally-linked MFIs' outreach is 20 times greater, their loan portfolios are more than 10 times larger and they are more leveraged than their locally-run competitors. During the period from 2000-2006, USD 600 million was allocated to microfinance in the region by 11 donor agencies, primarily through debt instruments. During this time there is a clear shift away from financing from development financial institutions in favor of foreign microfinance investment funds and local commercial banks.

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Microfinance in Nigeria and the Prospects of Introducing its Islamic Version There in the Light of Selected Muslim Countries Experience

By Aliyu Dahiru Mohammed and Zubair Hasan, published by the Munich Personal RePEc Archive, April 2008, 18 pages, available at http://mpra.ub.uni-muenchen.de/8127/1/MPRA_paper_8127.pdf

This paper examines the potential for microfinance in Nigeria and suggests that the replication of Islamic microfinance, which has had success in other countries, would bring greater growth. The paper begins by classifying the majority of Nigerians as poor people working within micro and small-sized enterprises. It traces the country's previously unsuccessful attempts at offering finance and states that despite the existence of microfinance institutions (MFIs) in Nigeria, 65 percent of the population lacks access to financial resources.

As the charging of interest is not allowed under Islamic law, the authors propose various methods to offer microfinance to the 55 percent of Nigerians who are Muslim. The paper explores examples of Islamic Microfinance Institutions in Bangladesh, Sudan, Malaysia and Yemen. Joint liability and profit sharing are especially highlighted as they align with Islamic prohibition against usury (which restricts interest rates). One example is of the "benevolent loan" (Qardhul Hasan) whereby the lender may not demand interest, but the borrower may offer it as a form of gratitude. Another example cites a fee for "protection" of a limited form of collateral in exchange for a loan. The study concludes by asserting that the Nigerian microfinance market is unexploited, and with more diversified microfinance opportunities, the country could offer much opportunity for investors.

Social Entrepreneurship: The Case for Definition

By Roger L. Martin and Sally Osberg, published by the Stanford Social Innovation Review, Spring 2007, 13 pages, available at http://www.skollfoundation.org/media/skoll_docs/2007SP_feature_martinosberg.pdf

The authors argue that the term *social entrepreneurship* needs clarification to protect its public image and secure flows of investment and donations. The following entrepreneurial traits are discussed: the ability to create or sense opportunity, out-of-the-box thinking and determination. The proposed definition of entrepreneurship includes these qualities plus the transformation of opportunity into the creation of value. The experiences of the following entrepreneurs are reviewed: Steve Jobs and Steve Wozniak of Apple Computer, Pierre Omidyar and Jeff Skoll of eBay, Frederick W. Smith of FedEx, and Ann and Mike Moore of Snugli.

Shifting to social entrepreneurship in particular, the authors specify that social entrepreneurs identify a highly underserved or disadvantaged population and provide a transformative societal benefit that may not have otherwise been realized. Dr. Muhammad Yunus, the 2006 Nobel Peace Prize Laureate and founder of Grameen Bank of Bangladesh, is given as an example. In contrast, the authors cite social service provision and social activism as forms of social engagement that are often falsely labeled as social entrepreneurship.

They conclude their paper with the following description of a social entrepreneur: "Someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large." ♦♦♦

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