

## MICROCAPITAL BRIEFS | TOP STORIES

### Norwegian Consortium Establishes \$117m Microfinance Initiative

The Norwegian Microfinance Initiative (NMI), a USD 117 million commercial fund, has been launched to provide capital, loans and guarantees to microfinance institutions (MFIs) in developing countries. NMI plans to ask that funds be on-lent at a 30 percent interest rate. Half of the funding will be supplied by Norfund (Norwegian Investment Fund for Developing Countries), with the remainder provided by Ferd, a private industrial and financial group with total assets equivalent to USD 2.9 billion, and three financial service and insurance providers: Storebrand, with total assets of USD 74.5 billion; DnB NOR, with USD 287.5 billion in total assets; and Kommunal Landspensjonskasse (KLP), with assets of USD 37.9 billion. June 12. 2008

### Will ASA Challenge ProCredit as the Top Microbank?

ASA International, a holding company managed and partially owned by Bangladeshi NGO ASA, has announced it will use USD 150 million of equity raised from foreign investors to expand commercial lending outside Bangladesh. While still approximately a tenth the size of transnational conglomerate microbank ProCredit of Germany, ASA's show of force in the equity markets makes it the first credible challenger to the microfinance throne. June 4. 2008

### United Bank for Africa Launching Microfinance Bank With \$25m

United Bank for Africa Group Plc (UBA) of Nigeria, the largest financial services institution in West Africa by assets, recently announced that it will invest USD 25 million to open a microfinance subsidiary, UBA Microfinance Bank Limited. UBA serves 6 million commercial and retail accounts in Nigeria and Ghana, with branches in New York and the Cayman Islands. As of September 2007, UBA had total assets of USD 9.7 billion, a 35 percent increase from September 2006. June 6. 2008

### Ecobank to Control East African Building Society

Ecobank, an African regional banking group, is currently closing a deal to acquire a 75 percent interest in Kenya's East African Building Society (EABS) bank for an estimated USD 19.3 million. Ecobank has total assets of USD 6.6 billion, return on average assets of 2.8 percent and a debt-equity ratio calculated to be 11.49 percent. EABS reports total assets equivalent to USD 160 million. June 3. 2008

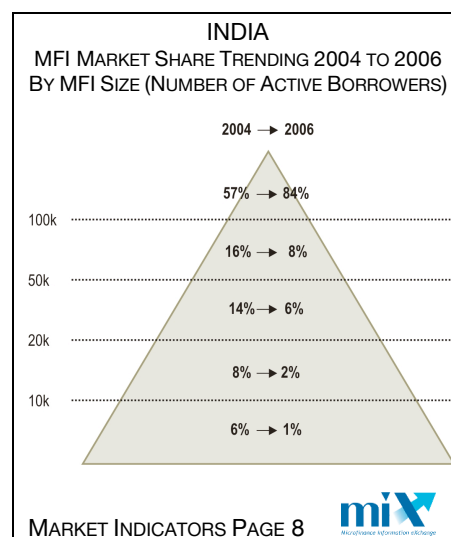
### Banco Pichincha of Ecuador Receives \$75m from IDB

The Inter-American Development Bank (IDB) recently approved two loans worth a total of USD 75 million to Banco Pichincha of Ecuador. The loans will be directed towards expanding housing finance and lending to micro, small and medium enterprises. Banco Pichincha is the largest bank in Ecuador with 327,065 borrowers and total assets of USD 3.5 billion. The IDB is a multilateral financial institution with 47 member states and total assets of USD 69.9 billion. May 26. 2008

### IFC and Standard Chartered Offer Notes Backed by Loans to MFIs

The World Bank's International Finance Corporation (IFC) and Standard Chartered have collaborated to issue notes backed by loans to microfinance institutions (MFIs) in Sub-Saharan Africa and South Asia. IFC will invest USD 45 million in credit-linked notes to be issued by MILAA (Microfinance Institutional Loans for Asia and Africa), a special-purpose vehicle set up by Standard Chartered to facilitate microfinance lending. IFC works with more than 90 MFIs in 57 countries, with a cumulative committed portfolio of USD 790 million. Standard Chartered employs 73,000 people in over 70 countries. May 27. 2008

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## MICROCAPITAL BRIEFS

### Life Insurance Corporation of India Wants 4m Poor Customers

India's largest government-owned life insurance company, Life Insurance Corporation of India (LIC), has set a target of selling 4 million microinsurance policies this year. LIC has so far sold 800,000 "Jeevan Madhur" policies that offer a minimum coverage equivalent to USD 110 with payments as low as USD 5.50 per year. LIC has total assets of USD 165 billion. June 13. 2008

### TIME Magazine: Commercial Banks May Create Trouble

TIME magazine, a US weekly, has suggested that the recent rush of big-name financial institutions to microfinance may create pressures that conflict with poverty alleviation. June 12. 2008

### Commercial Banco de Crédito del Perú to Lend \$1.2m to Pro Mujer

Banco de Crédito del Perú (BCP) will make a local-currency loan worth USD 1.2 million to microfinance institution (MFI) Pro Mujer Peru. Parent organization Pro Mujer International and the Grameen Foundation's Growth Guarantees Program are evenly splitting a USD 400,000 guarantee of the loan. Publicly traded BCP holds assets equivalent to USD 17.3 billion and has a debt-equity ratio of 1,422.10 percent and return on average assets of 2.13 percent. Pro Mujer Peru has a gross loan portfolio of USD 8.5 million out of USD 9.4 million in total assets. Its debt-equity ratio is 91.61 percent, and it has more than 39,000 active borrowers. June 11. 2008

### Vietnamese MFIs Squeezed by Government Lending Programs

US Treasury Department Official Anna Escobedo Cabral recently spoke in Hanoi emphasizing the need for more opportunities for Vietnamese women to access microfinance. According to the 2006 MIX Benchmarking Asian Microfinance report, microfinance institutions in Vietnam struggle to attain profitability because of competition from government lending programs. These programs offer highly subsidized loans to microfinance clients, thwarting the expansion of private institutions by pushing interest rates below 20 percent. June 10. 2008

### Youth Microfinance Encouraged in Middle East and North Africa

The Youth Knowledge Consortium was recently launched to counter perceived discrimination by financial intermediaries against youth-run enterprises. Targeting youth micro-enterprises in the Middle East and North Africa Region (MENA), the effort was founded by a consortium including youth service provider Silatech, the Dubai School of Government, Gallup, ImagineNations Group, the International Labour Organization, the Issam Fares Institute at the American University of Beirut, the Wolfensohn Center for Development and the World Bank's Global Partnership for Youth Investment. June 10. 2008

### IFC, KfW, Advans Group to Invest \$3.1m to Launch Congolese MFI

The World Bank's International Finance Corporation (IFC) will provide a loan of up to USD 2 million and an equity investment of up to USD 1.1 million to launch commercial microfinance institution (MFI) Advans Banque Congo (ABC). Other equity stakeholders include Advans SA, a Luxembourg-based venture capital firm that will take a majority stake, and KfW (Kreditanstalt für Wiederaufbau), the German development bank. IFC and KfW's collaborative equity investment in ABC is part of a USD 100 million effort to establish seven microfinance institutions in Sub-Saharan Africa over the next five years. Advans SA holds USD 12.93 million in fund assets and is owned and managed by Horus Development Finance, a provider of technical assistance on the ABC project. June 10. 2008

### responsAbility Lends \$10.2m, Primarily in Central Asia

The responsAbility Global Microfinance Fund (rAGMF) has made eight loans totaling USD 8.65 million in Central Asia, the largest of which were for USD 1.5 million each to Bai Tushum of Kyrgyzstan, Eskhata of Tajikistan and FINCA Georgia. Of four loans totaling USD 1.56 million that were made in Eastern Europe and Latin America, the largest was for USD 737,040 to AgroInvest of Serbia and Montenegro. rAGMF holds 163 microfinance investments totaling USD 224.5 million and total assets of USD 250.5 million. More details are available at MicroCapital.org. May 26, June 3 and June 10. 2008

### Dual Return's Vision Fund Loans \$1m to FINCA Armenia

Luxembourg-based investment firm Dual Return loaned USD 1,000,000 through its Vision Microfinance Fund (VMF) to nonprofit microlender FINCA Armenia. VMF invests debt-capital in microfinance institutions, with total assets of USD 50.6 million. Serving 18,000 borrowers FINCA, Armenia reports total assets of USD 21.6 million, a gross loan portfolio of USD 16.2 million, return on assets of -0.93 percent and a debt-equity ratio of 174.37 percent. June 10. 2008

### Real Estate Specialist Annexum Launches Retail Microfund

Annexum has launched a microfinance fund targeted at private investors, with a minimum investment equivalent to USD 1,500. Annexum has previously invested primarily in real estate. June 10. 2008

### Forbes on "Mobile Microfinance"

Forbes magazine, a US bi-weekly, marked the arrival of "mobile microfinance" to the mainstream investment world. The article quotes Ms. Carol Realini of Obopay: "The first thing I noticed when I arrived was cellphones everywhere....In a city where nothing worked, everyone had a cellphone!...If people can call and text each other, then they can use their cellphones to send money to each other." June 10. 2008

### Zimbabwe Suspends CARE Programs, Including Microfinance

CARE International's services to 500,000 people in Zimbabwe, including micro-credit customers, were suspended indefinitely on May 28 by the government for alleged "political activity." Since March, there have been widespread reports of violence in Zimbabwe, where annual inflation is estimated at one million percent. June 10. 2008

### WASEI Microbank Offers \$4.5m in Shares Via MFDQA Exchange

The West Africa Sustainable Economic Initiative (WASEI) is currently offering 4,505,000 Class B Common Stock Shares at USD 1 per share through the MicroFinance Exchange (MFDQA). WASEI is a for-profit microlender owned by US nonprofit Micro Venture Support. MFDQA is a creation of the Alternative Electronic Stock eXchange (AESX), a software developer which has produced several other micro-exchanges including The Caribbean Bond Exchange (Caribond) and The Dutch Caribbean Stock Exchange (DCEXCH). June 9. 2008

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

### Citibank Bangladesh Provides ASA of Bangladesh with \$10m

Citibank Bangladesh (CB) is providing Bangladeshi microfinance institution (MFI) ASA with USD 10 million in local currency credit. CB has total assets worth USD 475.1 million and a return on assets of 2.13 percent. ASA has assets of USD 355.3 million, a gross loan portfolio of USD 305.3 million, return on assets of 14.4 percent and return on equity of 26.08 percent, with 5.2 million borrowers. June 6. 2008

### eBay Seeks US MicroFinance Investors

Online brokerage MicroPlace has launched "Small change. Big change," a campaign to recruit retail microfinance investors in the US. MicroPlace is a wholly owned subsidiary of eBay. June 6. 2008

### Government of Ghana Loans \$925k

Ghana's governmental Microfinance and Small Loans Centre recently loaned the equivalent of USD 625,243 to 3,500 individuals and USD 303,797 to 164 groups. Individuals will pay an interest rate of 18.5, while groups will pay 10 percent. In 2006, President John Agyekum Kufuor directed USD 50 million towards the establishment of a Micro Credit Fund. June 3 and June 5. 2008

### Philippines Opens SME Development Center

The Philippine government has opened a Small and Medium Enterprise Development Center in General Santos City. June 5. 2008

### IFC, IAIC Acquire 20% of Brazil's Unik

The World Bank's International Finance Corporation (IFC) and the Inter-American Development Bank's Inter-American Investment Corporation will acquire 20 percent of Unik, a leading Brazilian financial service provider. Unik offers "payroll cards" for employees to make purchases which are then funded by employers. Credit can also be extended to Unik cardholders via commercial banks. June 5. 2008

### Financial Times Honors Banco Real of Brazil and Others

The Financial Times (FT) and the World Bank's International Finance Corporation have announced the winners of the 2008 FT Sustainable Banking Awards, with Banco Real of Brazil named as Sustainable Bank of the Year. June 5. 2008

### World Bank Chides China over Microcredit Rules

An official of the World Bank's International Finance Corporation has said that China is the largest untapped micro-finance market in the world, but that it is slow to introduce microcredit due to a lack of clear regulations. A cultural reluctance to take on formal debt also hampered microfinance programs, with the majority of two hundred 1990s-era rural microfinance projects having folded. June 5. 2008

### Akiba Receiving \$5.2m from Tanzania-International Consortium

Akiba Commercial Bank (ACB) of Tanzania will receive a total of USD 5.2 million in a capitalization program which includes investments from ACCION Investments in Microfinance (AIM), the Hivos-Triodos Fund Foundation, Incofin, Inter-Consult, the Netherlands Development Finance Company (FMO), the Parastatal Pension Fund, the Triodos-Doen Foundation and nearly 70 private Tanzanian individuals. ACB reports total assets of USD 29.4 million, return on assets of -0.22 percent and a debt to equity ratio of 659 percent, with 16,000 clients. AIM reports capital commitments of nearly USD 50 million. June 3. 2008

### Ugandan Minister Wants to Grow Agricultural Finance

The Ugandan Minister of Microfinance has said, "Provision of agricultural finance is the actual bullet that will kill poverty," adding that the government should provide technical assistance to prevent crop failures and other problems that cause missed payments. June 3. 2008

### Intellectap, Ford Foundation to Support Investment in Second Tier

Consultancy Intellectap of India and the Ford Foundation will announce in July the ten Indian microfinance institutions (MFIs) selected to receive assistance in becoming more "investment worthy." To apply, MFIs had to have a loan portfolio under USD 25 million and no external equity investments in place. Selected applicants will receive services such as education on the equity investment process, assessment of readiness for rapid growth and implementation of a multi-year plan to attract investment. June 3. 2008

### Pakistani MFIs Slow to Grow Savings, Outreach

Despite high economic growth and significant financial sector development in recent years, formal financial services have been slow to spread across Pakistan. The number of banking deposits - including small deposits - has dropped since the 1990's. This is according to a presentation organized by Citibank Pakistan and the Pakistan Microfinance Network (PMN) to launch a report on saving patterns conducted by PMN and Shorebank International. June 3. 2008

### IFC and Bai-Tushum Ease Equipment Leasing in Kyrgyz Republic

With assistance from the World Bank's International Finance Corporation (IFC), the Kyrgyz Republic has amended the its tax code in an effort to expand the leasing sector to allow small and medium enterprises to purchase equipment needed to increase efficiency. The IFC is working with Bai-Tushum Financial Foundation to develop model leasing operations, policies and procedures as part of the effort to reach poor, rural regions. The work falls under a USD 30 million IFC Azerbaijan-Central Asia leasing project. Bai-Tushum is a non-bank financial institution with 10,695 active borrowers, a gross loan portfolio of USD 23.4 million, total assets of USD 34.7 million, return on assets of 5.68 percent and return on equity of 23.31 percent. June 3. 2008



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### A Survey of the Zambian Microfinance Sector

Please see MicroCapital.org for this survey dated June 2, 2008

### Oikocredit Invests \$22m in Asia, Latin America, Eastern Europe

Oikocredit has made loans totaling over USD 20 million to 14 microfinance institutions and a USD 1.55 million equity investment in AMRET of Cambodia. In Europe, Opportunity Bank Montenegro borrowed USD 6.2 million and Inicjatywa Mikro of Poland borrowed USD 1.6 million. In Asia, loans of USD 2.5 million and USD 1.28 million were made respectively to Micro Finance Bank of Azerbaijan and Hatha Kaksekar Ltd of Cambodia. Of ten loans made in Latin America, the largest was to Cooperativa de Ahorro y Credito 23 de Julio of Ecuador in the amount of USD 1.5 million. Oikocredit is a Dutch cooperative investment fund with USD 614.5 million in total assets. More details on all of these transactions and organizations are available at MicroCapital.org. May 20, May 22 and June 2, 2008

### Whole Planet, Silverton, Triodos Loan \$1m to Timorese MFI

US-based Whole Planet Foundation (WPF) and Silverton Foundation recently announced a collaborative commitment of USD 600,000 to Moris Rasik (MR) of Timor-Leste. The funding will be paired with USD 400,000 from Triodos Bank of the Netherlands. WPF and Silverton hold total assets of USD 2.6 million and USD 15.4 million respectively. Triodos reports assets equivalent to USD 2.9 billion and a return on equity of 5.6 percent. Microfinance institution MR has a gross loan portfolio of USD 2.2 million, total assets of USD 2.7 million, a debt-equity ratio of 109.04 percent and return on assets of -1.43 percent, with 10,189 borrowers and 10,732 savers. June 2, 2008

### MasterCard Foundation Grants \$600k to Six Training Institutes

MasterCard Foundation of Canada has established a program to grant USD 604,473 to fund 200 microfinance leaders from developing countries to attend the following training programs: Boulder Institute of Microfinance, Frankfurt School of Finance and Management, HBS-ACCION Program for Strategic Leadership in Microfinance, Microfinance Centre, Microfinance Management Institute and School of Applied Microfinance. The MasterCard Foundation holds total assets equivalent to USD 1 billion. June 2, 2008

### Nigeria: HIV-Positive Army Personnel Get Micro-Credit Facility

The Nigerian Army has loaned an equivalent of USD 425 each to about 100 of its personnel who have tested positive to HIV/AIDS so that they can commence income generating activities. June 2, 2008

### Philippines Signs "Magna Carta" Encouraging Microfinance

The Philippines has passed a new "Magna Carta for Small and Medium Enterprises" updating a 1991 version. The law raises the amount banks must lend to small businesses from six to eight percent and allows micro-enterprises to count toward the requirement. June 2, 2008



### Scotiabank Peru Acquires Banco del Trabajo of Peru

Scotiabank Peru recently announced that it will acquire Banco del Trabajo, a Peruvian unit of Chilean Grupo Altas Cumbres. Scotiabank reports the equivalent of USD 451 billion in assets and a return on assets of 1.0 percent. Scotiabank Peru has total assets of 6.1 billion. Banco del Trabajo has total assets of USD 433 million, a debt-equity ratio of 892.72 percent and return on assets of -1.0 percent, with 768,239 borrowers and 580,560 savers. June 2, 2008

### State Bank of Pakistan, IFC Train Mortgage Bankers

The State Bank of Pakistan and the World Bank's International Finance Corporation (IFC) have completed a mortgage training program for local bankers to improve housing finance services to low- and middle-income people. In FY07, IFC committed USD 8.2 billion and mobilized an additional USD 3.9 billion through syndications and structured finance for 299 investments in 69 developing countries. June 2, 2008

### Equitas Microfinance to Raise \$12.5m via Private Equity

Equitas hopes to raise USD 12.5 million from two private equity firms over a two-month period to establish additional branch offices in India's southern region. In the four months following its founding in December 2007, the firm opened 15 branch offices, served 25,000 clients and built a gross loan portfolio of USD 6.25 million. May 30, 2008

### International, Korean Savings Bank Groups to Boost Microfinance

At a meeting of the World Savings Bank Institute (WSBI) in Seoul, members - including members of the Korea Federation of Savings Banks - discussed how to reverse a reported decline in microfinance activities in Korea. The decline has been attributed to policy issues and reduced functioning of credit risk institutions. WSBI is an association of retail and savings banks from 92 countries, with total assets equivalent to USD 12.5 trillion. May 28 and May 29, 2008

### Nano Banking System Targets Clients, MFIs With Low Incomes

Finacle, the banking product arm of software major Infosys Technologies, has developed a new product aimed at small institutions. Payment is made on a per-transaction basis rather than by major upfront investment. Features include audio "receipts" for illiterate customers. May 29, 2008

### Citi, Banamex Credit Card Accounts to Breach US-Mexico Border

Citi and Banamex USA recently introduced a bi-national credit card in the US state of Texas. The account allows US Citibank customers to share a credit card account with people in Mexico. The card offers applications in Spanish and English, international money transfers and US credit cards based on Mexican credit histories. Global finance institution Citi has 200 million customer accounts. May 28, 2008

 **MicroCapital Monitor**

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### Grameen Launches Website to Measure Social Performance

Grameen Foundation today launched [www.progressoutofpoverty.org](http://www.progressoutofpoverty.org), a website intended to assist microfinance institutions in improving social performance. The website features the Progress out of Poverty Index which was developed by the Grameen Foundation, CGAP (Consultative Group to Assist the Poor) and the Ford Foundation. May 28, 2008

### Citi Gives \$1.5m to Indian B-School for Financial Inclusion

Citi India today announced a USD 1.5 million grant to the Indian School of Business (ISB) to develop and recommend measures to promote financial inclusion and improve capital markets access for small investors and medium, small and microenterprises. The ISB has academic associations with the Kellogg School of Management, The Wharton School and the London Business School. The grant is part of Citi's ten-year, USD 200 million global commitment to financial education. May 28, 2008

### Poland's Citi Handlowy Launches SME Initiative

Citi Handlowy of Poland has begun offering "CitiBusiness for Start-Ups," which offers a credit line equivalent to USD 4,647 via a credit card, ATM access and other services. The Citi affiliate's assets total USD 17.7 billion, with a return on assets of 12.06 percent and a calculated debt-equity ratio of 6.97 percent. May 27, 2008

### Code of Ethics Proposed for Microfinance

Citing "low standards of transparency" and "the growing tendency of governments...to become directly involved in the retail provision of credit," the Pocantico Declaration calls for a code of ethics for microfinance. Signatories include the Grameen Foundation, Deutsche Bank, Inter-American Development Bank and CGAP (Consultative Group to Assist the Poor). May 27, 2008

### LuxFLAG Awards Microfinance Label to New Investment Vehicles

Luxembourg Fund Labelling Agency (LuxFLAG) has awarded its microfinance label to two new investment vehicles: Dual Return Vision Microfinance Fund and responsAbility SICAV. May 27, 2008

### responsAbility Mikrofinanz-Fonds Invests \$2.7m in Four MFIs

ResponsAbility Mikrofinanz-Fonds recently invested USD 300,000 in MicroInvest of Tajikistan, USD 1.5 million in AgroInvest of Serbia and Montenegro, USD 500,000 in Prestanic of Nicaragua and USD 400,000 in Fondo de Desarrollo Regional (Fondesurco) of Peru. As of April 2008, Mikrofinanz-Fonds total net assets were equivalent to USD 51.5 million. MicroInvest has total assets of USD 5.9 million. AgroInvest, affiliated with World Vision International, has total assets of USD 76.6 million. Nonprofit Prestanic has assets of USD 18.8 million. Fondesurco is a nonprofit with total assets of USD 2.2 million. May 27, 2008

### MicroPlace Offers Retail Investments in the United States

Online brokerage MicroPlace is offering microfinance investment opportunities in the United States that offer a return with a minimum investment of USD 100. The investments are issued by nonprofit Calvert Foundation to ACCIÓN Texas and ACCIÓN USA. MicroPlace is a wholly-owned subsidiary of eBay Inc. May 27, 2008

### In Forbes, Maria Otero of ACCION Discusses "Crossroads"

María Otero of nonprofit ACCION International has suggested in Forbes magazine that rigorous social performance goal setting and evaluation offer an answer the question: "How can microfinance organizations (MFIs) scale up to provide financial services to the vast majority of the world's poor who currently lack access, without losing sight of their social mission?". May 27, 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.

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### **Sa-Dhan Association Sees Indian MF Reaching \$5.9b by 2012**

The microfinance sector in India will grow from a value of USD 630 million to USD 5.9 billion in the next four years, according to a study of 83 microbanks by Sa-Dhan, an association of community development finance institutions. The number of clients is predicted to rise from 15 million today to 400 million by 2018. May 27, 2008

### **Oliver Wyman Management Consulting Allies With Kiva**

International management consulting firm Oliver Wyman has announced a strategic alliance with Kiva to support the microfinance institution's expansion. Nonprofit Kiva Microfunds, with assets of USD 22 million, raises capital online from individuals and distributes loans to micro-entrepreneurs through 89 microfinance partners. Oliver Wyman is a global consultancy with revenues of USD 1.5 billion. May 27, 2008

### **MicroCredit Enterprises Invests \$150k in Pro Mujer**

California-based MicroCredit Enterprises has made a USD 150,000 investment in microfinance institution (MFI) Pro Mujer. MicroCredit Enterprises is a nonprofit fund with USD 23.5 million invested in 26 MFIs and total assets of USD 12.2 million. Nonprofit Pro Mujer serves 74,259 clients and holds USD 39.4 million in total assets and a gross loan portfolio of USD 26.9 million. May 26, 2008

### **EFSE Provides \$15m in Local Currency to ProCredit Bank Romania**

The European Fund for Southeast Europe (EFSE) is lending ProCredit Bank Romania (PCBR) USD 15.5 million in local currency. The denomination of the loan in local currency is facilitated by multi-currency trading and hedging platform Currency Exchange Fund. Founded by KfW, EFSE is a held by donors, development finance institutions and private institutional investors. PCBR of the ProCredit Group serves 36,000 entrepreneurs. Operating in 22 countries, ProCredit institutions hold a combined loan portfolio worth USD 4.5 billion and combined savings deposits of USD 3.9 billion. May 26, 2008

### **FINCA Azerbaijan to Convert to Bank**

Non-bank credit institution FINCA Azerbaijan is currently negotiating with the National Bank of Azerbaijan to transform into a bank. FINCA Azerbaijan is represented in 55 regions of the country and is affiliated with FINCA International, which operates in 22 nations. May 26, 2008

### **SKS Microfinance to Push Urban Microcredit in India**

SKS Microfinance is planning to launch microfinance in urban colonies of Nagpur and Pune this year. By March 2009, the company plans to add 52 new branches. Typical urban microfinance branches serve 5000 to 8000 members. SKS reports having disbursed collateral-free loans worth USD 57 million. May 26, 2008

### **Anne Hastings of Haitian MFI Fonkoze Receives Award**

The Fourth Annual Women Together Award has honored Anne Hastings for her work to alleviate poverty for the women of Haiti through microfinance. May 26, 2008

### **\$50m Loaned to Small Kenyan Farm Businesses and Farmers**

The Alliance for a Green Revolution in Africa (AGRA), in partnership with Equity Bank Limited, the International Fund for Agricultural Development (IFAD) and the Kenya Ministry of Agriculture signed an agreement for a loan facility of USD 50 million to accelerate access to affordable financing for 2.5 million farmers and 15,000 agricultural value chain members such as retailers, wholesalers, processors and importers. The loans will be offered at a 10 percent interest rate and will include an insurance component. May 23, 2008

### **IFC to Invest \$10.9m in I&P Fund for Indian Ocean Nations**

The World Bank's International Finance Corporation (IFC) has announced an equivalent USD 10.9 million investment in I&P Capital II, a private equity fund that finances small and medium enterprises (SMEs) primarily in Madagascar and Mauritius. IFC has a cumulative committed portfolio of USD 790 million worldwide, with return on assets of 6.46 percent and a debt-equity ratio of 186.98 percent. The I&P Capital II fund has raised over USD 58 million to date. I&P Capital II is the successor to I&P Capital Indian Ocean, a USD 15.6 million fund established in 2003 that has been fully invested in seven companies and has exited three. May 23, 2008

### **Dutch Cordaid Loans \$559k to FINCA Honduras**

Cordaid (Catholic Organization for Relief and Development Aid) of the Netherlands has lent USD 559,017 to FINCA Honduras. At the end of 2004, Cordaid reported total assets of USD 63.5 million with USD 35.4 million allocated to microfinance investments. FINCA Honduras has total assets of USD 7.7 million, a gross loan portfolio of USD 6.6 million, return on assets of 3.86 percent and return on equity of 11.58 percent, with 22,194 active borrowers. May 23, 2008

### **Dexia Lends \$7.9m to MFIs in Latin America, Eastern Europe, Asia**

Dexia Microcredit Fund of Luxembourg has made loans totaling USD 7.9 million to six microfinance institutions. In Nicaragua, Dexia loaned USD 3 million to Fund for Local Development (FDL) Nitlapán and USD 1.3 million to Fundación para el Apoyo a la Microempresa. In Bosnia and Herzegovina, Dexia loaned USD 1.6 million to Mikrofin. Three loans totaling USD 2 million went to Asia, the largest of which was for USD 1 million to Bai Tushum Financial Foundation of Kyrgyzstan. Dexia has total assets of USD 298.5 million with USD 284.9 million allocated towards microfinance investments. More details on all of these transactions and organizations are available at MicroCapital.org. May 23, 2008

### **Philippine Government: \$1.9b Available for Microfinance**

The Philippine government has announced that it is soliciting microfinance partners to disperse funds equivalent to USD 1.9 billion. The government reports having disbursed USD 5.5 billion to 3.8 million microfinance clients via local microfinance institutions, resulting in 2.2 million new jobs since 2004. May 23, 2008

### **Triodos-Doen, Hivos-Triodos Invest \$1.3m in Europe, Central Asia**

Triodos-Doen Foundation and Hivos-Triodos Fund of the Netherlands have invested USD 1.3 million in three Eastern European and Central Asian microfinance institutions. Triodos-Doen loaned USD 251,000 to Micro Lending Fund HUMO of Tajikistan and USD 737,000 to Alter Modus in Montenegro. Hivos-Triodos loaned USD 301,000 to Kazakhstan Microcredit Organization Bereke. Triodos-Doen is a partnership between Triodos Bank of the Netherlands and the Doen Foundation and holds a portfolio of USD 60.7 million. Hivos-Triodos Fund, which holds a portfolio of USD 51.5 million, is a partnership between Triodos Bank and the Humanist Institute for Cooperation with Developing Countries (Hivos). HUMO serves 4,300 active borrowers with a gross loan portfolio of USD 2.5 million and total assets of USD 2.6 million. Its return on assets is 17.77 percent, and its return on equity is 32.77 percent. Alter Modus serves 5,400 active clients with a loan portfolio of USD 8.1 million. Kazakhstan Microcredit Organization Bereke serves five thousand active borrowers with a gross loan portfolio of USD 3.6 million. Bereke's assets total USD 2.2 million, with a return on assets of 12.76 percent and a return on equity of 14.37 percent. May 22, 2008

**Review of the New York Global Microfinance Investment Congress**

Please see MicroCapital.org for this review dated May 22, 2008

**Triodos Partners Invest \$7.5m in Four Latin American MFIs**

Triodos-Doen Foundation, Triodos Fair Share Fund and Hivos-Triodos Fund of the Netherlands have invested USD 7.5 million in four Latin American microfinance institutions. EPDYME Edyficar of Peru and Fondo Financiero Privado para el Fomento a Iniciativas Economicas (FFPFIE) of Bolivia each borrowed USD 2.5 million. Organización de Desarrollo Empresarial Feminino of Honduras received a loan of USD 2 million. Lastly, FIE Gran Poder of Argentina borrowed USD 528,000. Triodos-Doen, holds a portfolio of USD 60.7 million. Hivos-Triodos Fund has a portfolio worth USD 51.5 million. Managed by Triodos Bank, the Triodos Fair Share Fund has assets totaling USD 54.3 million. More details on all of these transactions and organizations are available at MicroCapital.org. May 22, 2008

**MicroLoan Foundation to Education Youth About Poverty**

A US subsidiary of London-based MicroLoan Foundation (MLF) plans to conduct an educational program for young people. "Small Change, Big Changes" will be taught weekly by volunteer students from Boston College, who will form microfinance clubs. The clubs will raise funds to loan to female entrepreneurs via MicroLoan Foundation Malawi, which reports having lent to approximately 7,000 women via 9 branch offices. May 22, 2008

**Finethic Lends \$2m to FINCA Armenia, FINCA Kyrgyzstan**

Finethic Microfinance, a Luxembourg-based microfinance investment company, has issued loans of USD 1 million each to microfinance institutions (MFIs) FINCA Armenia and FINCA Kyrgyzstan. Finethic holds USD 10 million in capital. FINCA (Foundation for International Community Assistance) is an international nonprofit based in Washington, DC. FINCA Armenia reports assets of USD 21.6 million, a gross loan portfolio of USD 21.6 million, return on assets of -0.93 percent and a debt-equity ratio of 174.37 percent, with 18,000 borrowers. FINCA Kyrgyzstan reports USD 35.1 million in outstanding loans and more than 67,000 clients. May 22, 2008

**responsAbility Lends \$2.5m in Asia and Mexico**

The responsAbility Microfinance Leaders Fund (rAMLF) loaned USD 500,000 to Thaneakea Phum of Cambodia (TPC), USD 303,092 to Catalyst Microfinance Investors (CMI), USD 929,000 to ASP Financiera (ASP) and USD 750,000 to the Foundation for International Community Assistance (FINCA) Azerbaijan. Incorporated in Luxembourg, the rAMLF has 44 active microfinance investments totaling USD 118.9 million. TPC has total assets of USD 15.8 million. CMI, a private equity fund affiliated with the Association for Social Advancement (ASA) in Bangladesh, reports investments totaling USD 50 million. ASP reports total assets of USD 14.3 million. FINCA Azerbaijan holds a loan portfolio of over USD 55 million. May 20, 2008

**BBVA of Spain Lends \$1.6m to Three Latin American MFIs**

Banco Bilbao Vizcaya Argentaria (BBVA) of Spanish has loaned USD 1.6 million to three microfinance institutions in Nicaragua and Peru. The largest loan of USD 750,000 went to Fundación para el Apoyo a la Microempresa (FAMA) of Nicaragua, which holds total assets of USD 33.9 million. CRAC Profinanzas of Peru, which borrowed USD 541,440, holds assets of USD 29.6 million. Finally, Fundación para el Desarrollo de la Microempresa (FUDEMI) of Nicaragua borrowed USD 300,000. BBVA reports assets equivalent to USD 763.8 billion, a gross loan portfolio of USD 505.4 billion, return on equity of 27.4 percent and return on assets of 1.35 percent. In 2007, BBVA launched Fundación BBVA para las Microfinanzas with an initial endowment of approximately USD 273 million. May 19, 2008

**AfriCap Takes \$1.1m Equity Stake in SOFIPE of Burkina Faso**

AfriCap Microfinance Fund has made a USD 1.1 million equity investment in the newly established Société de Financement de la Petite Entreprise (SOFIPE) of Burkina Faso. Private equity fund AfriCap, which is incorporated in Mauritius and has offices in South Africa, holds USD 50 million in capital. SOFIPE is a new joint venture between AfriCap, Banque Agricole et Commerciale du Burkina (BACB) and Oikocredit. The MFI will take over BACB's current microfinance operations. Established in 1975, Oikocredit is a Dutch ecumenical cooperative investment fund which reports 2007 total assets of USD 600 million. May 19, 2008

**Calvert Invests \$1.6m in Banco Solidario, Unitus, Pro Mujer**

Calvert Social Investment Foundation invested USD 400,000 in Banco Solidario, USD 500,000 in Unitus and USD 650,000 in Pro Mujer. Calvert holds assets totaling USD 145.8 million. Banco Solidario is a microfinance institution operating in Latin America with assets of USD 327.1 million. Unitus is a nonprofit microfinance network with assets summing USD 9.5 million. International microfinance network Pro Mujer has USD 39.4 million in total assets. May 16, 2008

**Nigeria Threatens MFIs Over Reporting Requirements**

The Central Bank of Nigeria (CBN) has said it will "remove and blacklist" the managing director of any microfinance bank (MFB) who fails to meet reporting requirements. MFB operating licenses would also be at risk. 77 MFBs of 752 currently have not submitted the required paperwork. May 16, 2008

**Azeri Aqrarkredit to Transform from MFI to Agricultural Bank**

Aqrarkredit of Azerbaijan, a joint-stock non-banking credit organization, will be transformed into a full agricultural bank by the end of the year. The MFI has 2,800 active borrowers, a loan portfolio equivalent to USD 18.1 million and total assets of nearly USD 31.2 million. The Azerbaijan Ministry of Finance holds over 99 percent of Aqrarkredit shares. May 14, 2008 ♦♦♦



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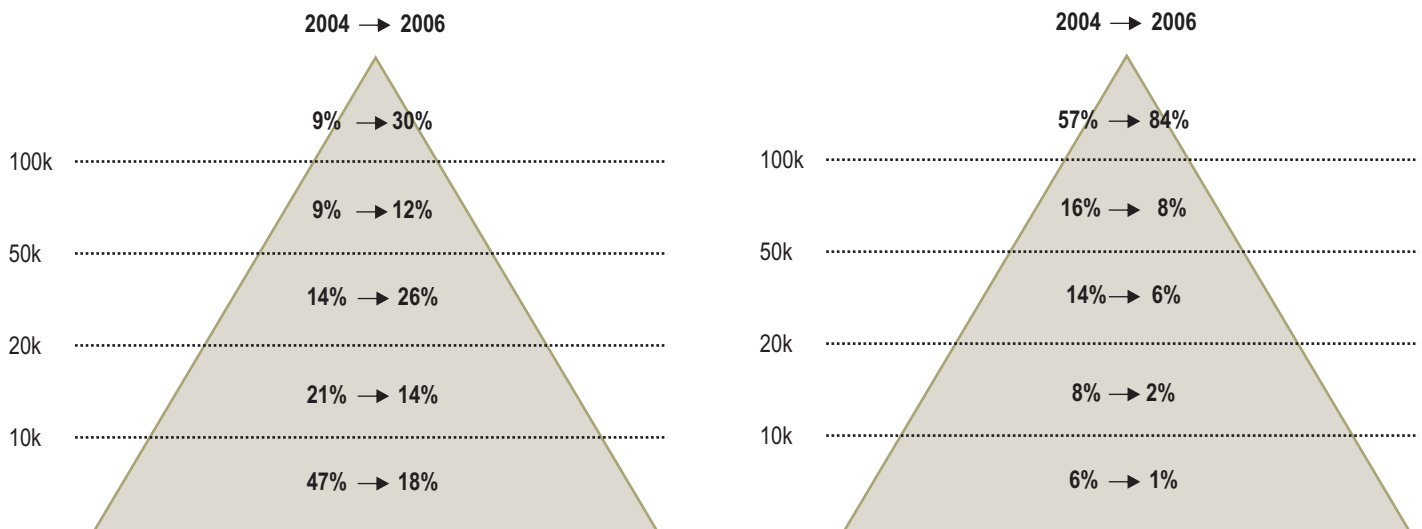
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**MICROCAPITAL MARKET INDICATORS | INDIA**

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

MFI NAME	ABSOLUTE	% CHANGE	2004	2006
SKS Microfinance Private Limited	27,430,326	189.5	7,431,101	62,291,752
SHARE Microfin Limited	24,998,514	49.7	40,328,920	90,325,947
Shri Kshetra Dharmasthala Rural Development Project	20,097,303	113.9	11,246,810	51,441,416
Asmitha Microfin Limited	15,383,378	79.3	13,895,703	44,662,458
Bandhan (Society and NBFC)	13,786,087	287.4	1,968,556	29,540,731
Spandana Sphoorty Innovative Financial Services Limited	13,593,387	22.3	54,771,944	81,958,717
KAS Foundation	12,333,229	227.9	2,529,329	27,195,787
Bharat Integrated Social Welfare Agency	10,070,622	329.6	1,153,696	21,294,940
Bhartiya Samruddhi Finance Limited	9,336,390	57.0	12,750,998	31,423,777
BWDA Finance Limited	7,425,064	235.4	1,449,148	16,299,276

**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., June 2008, based on MFIs reporting to MBB or MIX Market



## UPCOMING EVENTS

### Sustainable Finance Summit

June 23 - June 24, 2008, Brussels, Belgium

This event will address risks of ignoring sustainability and how to access sustainable and ethical opportunities. Registration fees are EUR 1,695 (EUR 1,000 for NGO representatives). Details are available via [emmeline.salado@ethicalcorp.com](mailto:emmeline.salado@ethicalcorp.com), +44 20 7375 7170 or <http://www.ethicalcorp.com/finance/>.

### Frederick's Microfinance Conference 2008

July 11, 2008, London, United Kingdom

Details on this event, to be held at the London Stock Exchange, were not available at press time, but the contact person is Margot Wilson, who can be reached at [margot@margotwilsonassociates.com](mailto:margot@margotwilsonassociates.com) or +44 (0) 791 864 2528. More details are expected soon via <http://www.fredericksfoundation.org/>.

### 2008 World Credit Union Conference

July 13 - July 16, 2008, Hong Kong, China

Mobile banking, the needs of poor women and technology trends will be addressed. The fee is now USD 1,395 with a member price of USD 1,195. Discounts are offered for various groups. Details are available via Meghan Olisar at +1 608 395 2095, [molisar@woccu.org](mailto:molisar@woccu.org) or <http://www.woccu.org/events/wcuc>.

### Making Markets Work

July 13 - July 25, 2008, Glasgow, United Kingdom

This program focuses on developing markets and the strategic and practical implications for organizations as they adopt more market-oriented approaches. The published fee is GBP 3,172 (USD 6,200), but registration is officially closed. More information is available via [global@springfieldcentre.com](mailto:global@springfieldcentre.com), <http://www.springfieldcentre.com/currentprogrammes.php> or +44 191 3831212.

### Microfinance: The Investment Opportunity

July 14 - July 15, 2008, San Francisco, United States

Silicon Valley Microfinance Network (SVMN) is sponsoring this event. Registration fees are USD 1,795 plus USD 300 for an introductory workshop, with discounts available to certain attendees. More details are available at <http://www.frallc.com/conference.aspx?ccode=B631> or from Joanne Miner at [jminer@frallc.com](mailto:jminer@frallc.com) or +1 800 280 8440.

### Building Inclusive Financial Sectors and Supportive Legal and Regulatory Networks in Eastern Europe

July 14 - July 25, 2008, Bucharest, Romania

This course focuses on legal and regulatory issues related to microfinance in Eastern Europe. More details are expected shortly at <http://www.idlo.int/> or one may contact Jami Hubbard at [jhubbard@idlo.int](mailto:jhubbard@idlo.int) or +39 06 4040 3200.

### 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.com](mailto:loga@asiainsurancereview.com) or +65 6224 5583 or at [http://www.asiainsurancereview.com/pages/conference\\_details.asp?id=99](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](mailto: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 Olaniji at [jakolgate@gmail.com](mailto: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](mailto: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](mailto:c.drucks@frankfurt-school.de) or [http://www.frankfurt-school.de/content/en/intern\\_advisory/summeracademy\\_en](http://www.frankfurt-school.de/content/en/intern_advisory/summeracademy_en).

### Second Asia Microfinance Forum

August 26 - August 29, 2008, Hanoi, Vietnam

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

### 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](http://www.european-microfinance.org/nice_en.php) or via Maria Franco at [m.franco@european-microfinance.org](mailto:m.franco@european-microfinance.org) or +33 (0)1 56 03 59 68.

### 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](mailto:amfa@amfa.az), <http://amfa.az/> or +994 12 4371645.

### 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. Interested parties can request notification of the opening of registration via [info@socialcapitalmarkets.net](mailto:info@socialcapitalmarkets.net). The registration fees are not yet public, and no telephone number is provided, but more information is available at <http://socialcapitalmarkets.net/>. ♦♦♦

## PIONEERS IN MICROFINANCE

*Shafiqul Haque Choudhury is Founder and President of microfinance institution ASA of Bangladesh.*



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

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### Shafiqul Haque Choudhury

*MicroCapital: What in your background or upbringing do you think steered you towards your work in social finance?*

SHC: During my student life, I was exposed to Marx, Lenin and Mao, who tell us to think of the poor. After completing my master's degree, I joined the Pakistan Academy for Rural Development, which was geared toward helping the middle-class farmer produce more rice with high-yield varieties, irrigation, etc. At that time, it struck me that for the very poor who didn't have any land, there was nothing. Then I joined an NGO called Christian Commission for Development in Bangladesh. There I found again that nobody was actually working for the landless.

In 1979, I decided to form an organization called ASA geared towards working with the landless laborers. The basic objective was to organize the poor people, so that they could bargain for more wages, for their rights, etc. We used to organize rural landless laborers into groups of 100 to 200 people so that they had some force - collective force - to fight against landlords, against vested interest groups. By working like that, we solved a lot of problems, but we did not offer direct economic empowerment. From that time on, from 1986, people started asking how they would make a living. This was the question raised by the poor people in front of us.

We started organizing meetings with the landless laborers, collecting some smaller savings. Then from whatever we had collected, we started lending. And after one year, we were very successful. After two years, we found that all of our program hours were in the nighttime because poor people are in the fields, in the houses, in the factories during the day. Then we changed our client base from men to women, who were available during the day. Our staff could not work more than two or three hours per night, but in the daytime we could work nine hours. We became three times more productive.

*MC: So the switch to serving women was intended only to increase efficiency?*

SHC: There was a secondary objective that if we work with the women, we can empower them. When women get money in their hands, they can talk equally with their husbands. After involving the women during the daytime, we realized that their behavior was better: they were managing money more appropriately.

At that time when we started our work with microfinance, we always thought of reducing cost so that microfinance could become profitable. That was our objective. All these cost cutting concepts came to mind. We organized a residential office so that young staff can attend the office in one room and in another room they can stay. This was because we thought that if they lived in the office, they would discuss their work. And it would benefit us. It also avoided the need for extra manpower for guarding our office because four young people are there overnight.

The second way of reducing costs is we didn't recruit people with master's degrees or PhD's for our work because small loans made using an appropriate system can be done by a less-educated staff - like an army. If I don't need staff with higher education levels, my activities will be less costly. These systems ultimately make ASA very efficient, and we claim to be the lowest-cost microfinance service provider in the world.

*MC: Would you tell us about opposition that you have faced along the way, either from the public or the government?*

SHC: Yes, initially we faced a lot of problems. Number one, we faced a problem from the rural moneylenders. They were against us because with us providing financial services, they were losing lending business. Secondly we faced problems from the government initially; they tried to do a lot of harm to us. They felt our simple, decentralized system would allow corruption and nepotism. But we proved with our work that in a simple system, you could have less corruption, because everything was so simple and transparent. Then we showed them how our internal control was strong. Not by supervisors, but by peers. One of our loan officer's work is cross-checked every day by another loan officer. One of our regional manager's work is cross-checked by another regional manager. In that way the internal control system was in place in day-to-day actions. If you follow a hierarchical control mechanism, then you need to wait for seven days for your supervisor to see a problem.

*The [government] felt our simple, decentralized system would allow corruption and nepotism. But we proved...you could have less corruption, because everything was so simple and transparent.*

*MC: What does the future hold for ASA?*

SHC: We now have software being developed by our own engineers, based on our own experience and methods. For example, our software is automated such that you don't need to write entries for every account everyday unless there is deviation. Within ten or fifteen minutes, your accounts are finalized at the branches. Now we are exporting our software to subsidiaries in other countries like Sri Lanka, India and the Philippines, where ASA is expanding through investment banking.

*MC: Where do you anticipate challenges over the next five years?*

SHC: The next challenge we are facing here in Bangladesh, I would say, is that microfinance institutions are not given for-profit status. This is a big challenge in front of us. We are trying hard to convince our government to allow us to function under a for-profit status - shareholding status - so that we can mobilize savings from the public, so that we can accept public deposits, so we can borrow from commercial sources, etc. This is the biggest challenge in front of us.

And there is another: manpower. To take care of that human resource challenge, ASA has established a university where we are teaching business, English, law and other subjects.

*MC: Is there something that you would change if you were starting again today?*

SHC: Changes in ASA are a very regular thing. At one time we were against technology, now we are adopting computers. When people feel that a system is not working, then we change. If you cannot change, your company will die soon. ♦♦♦

*Grassroots Capital manages the Gray Ghost Microfinance Fund and the Global Microfinance Equity Fund.*

## PAPER WRAP-UPS

### Subprime Lending: Lessons for the Microfinance Industry

*By Cecelia Beirne, published by MicroCapital, May 2008, 4 pages, available at: <http://www.microcapital.org/downloads/whitepapers/Subprime.pdf>*

This paper discusses the subprime credit market collapse and the related forces that could apply to microfinance. It concludes with recommendations for the microfinance industry.

The author begins with a quick review of how subprime products allowed customers with less-than-perfect credit to become homeowners. With the bundling of loans into pools for sale on the secondary market, the subprime mortgage market grew from USD 65 billion in 1995 to USD 332 billion in 2003.

The author emphasizes that subprime lending is not synonymous with predatory lending. However, ample supplies of funding from the secondary market and high demand led to rapid and unsustainable growth. Lenders grew despite inadequate staff training and infrastructure development. Also, technology increased the distance between lenders and clients, creating a culture that sometimes tolerated or encouraged abusive policies.

In 2006 and 2007, loan defaults increased. Borrowers are now facing home foreclosures, lenders are acquiring properties worth a fraction of what is owed to them, loan servicers cannot handle the volume of defaults and investors have seen their portfolios depreciate.

Commercial microfinance is a nascent, high-growth industry with similarities to the early stages of the subprime lending industry including: expansion of financial services to the underserved, influx of available funding to the markets, prevalence of high interest rates to offset increased risk, market penetration of innovative new products and increased reliance on technology to facilitate growth.

The author recommends that investors perform proper due diligence and be wary of careless deployment of funding by microfinance institutions (MFIs). With microfinance breaking into the capital markets, the author believes that those in the field can learn from mistakes made in the subprime market. Investors can protect against predatory lending by monitoring whether the MFI has: average yields and net income in balance, delinquency under control, fees that are reasonable and understood by borrowers and a culture of respect for staff and clients.

### Microfinance Investments in Quality at Private Clinics in Uganda

*By Eric E. Seiber and Amara L. Robinson, published by BioMed Central, October 2007, 12 pages, available at: [http://www.microfinancegateway.org/files/49069\\_file\\_11.pdf](http://www.microfinancegateway.org/files/49069_file_11.pdf)*

The study examines 29 private clinics divided into two groups: those that received micro-loans and business training to aid in their business expansion (22 clinics) and those that did not receive aid (7 clinics). Most first-time borrowers (82.9 percent) used part of their loan to increase drug stocks, while nearly half of the loan recipients used part of their loan to buy equipment. Twenty-seven percent of loan recipients used part of their loan to renovate or expand their clinics.

Data was collected from 2,387 client exit questionnaires that covered client perception of services, quality of care and client loyalty. Respondents were most concerned with the availability of drugs, fairness of charges and cleanliness and physical appearance of clinics. Clinics that had received loans were rated higher than non-loan recipient facilities.

The study concluded that private health clinics run by midwives, nurses, pharmacists and doctors fill an important gap in Uganda's health care needs but are often constrained by lack of funds.

## Human Resource Challenges and Solutions

*By Microfinance Insights, April 2008, 19 pages, available at: [http://www.microfinancegateway.org/files/49049\\_file\\_HR\\_Survey\\_Report\\_FINAL\\_FINAL.pdf](http://www.microfinancegateway.org/files/49049_file_HR_Survey_Report_FINAL_FINAL.pdf)*

Ninety respondents from 31 countries participated in a Microfinance Insights survey on human resources. 51 percent of surveyed microfinance institutions (MFIs) cited human capital issues as their most challenging issue, in comparison with financial issues at 29 percent. The challenges of recruiting qualified staff, preventing turnover and offering relevant training and capacity building initiatives were highlighted.

Respondents cited recruiting the right kind of people as one of their major human resource obstacles, with 63 percent of respondents listing "strategic thinkers with experience in microfinance" as the most difficult people to find. Many institutions also had difficulty finding qualified people who were willing to work at the grass-roots level.

Participants cited poaching of staff by commercial banks as a major obstacle to employee retention. 57 percent of surveyed MFIs used monetary performance-based incentives to reduce turnover rates. Surveyed institutions generally used capacity building and training as a retention tool, with more frequent training corresponding to more-competitive hiring environments.

The main methods of recruitment were through advertisements in local magazines, newspapers, online job sites and word of mouth (72 percent). Only about 25 percent of the sample used headhunting firms, business schools, colleges and career fairs. The majority of the sample MFIs stated insufficient availability of job service providers with appropriate knowledge in their region.

A gender gap also was noted, with 46 percent of all MFIs reporting less than ten percent of management positions held by women.



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## The Market Led Revolution of Equity Bank

By Graham A. N. Wright and David Cracknell,  
published by MicroSave as Briefing Note No. 63,  
Spring 2008, 2 pages, available at:  
[http://www.microfinancegateway.org/  
content/article/detail/49430](http://www.microfinancegateway.org/content/article/detail/49430)

In 1993, the Equity Building Society was a mess. With poor board oversight and incapable management, the predecessor to Equity Bank of Kenya saw a 54 percent non-performing loan portfolio, the equivalent of USD 500,000 in accumulated losses and liquidity of 5.8 percent. Today, it is the highest capitalized bank in Kenya with USD 250 million of equity, two million customers and plans for expansion. This paper highlights seven lessons to be learned from this reversal.

The overall theme is that the bank has been able to successfully manage an environment of continuous change. With the help of outside consultants, it was able to implement new or refined products and procedures, new credit strategies and a “strategic alignment approach,” in which it developed a mission, values and vision.

The first lesson is a commitment to customer focus. Equity Bank employed strategies that included social and community activities, product re-pricing, longer hours, manager-customer interactions, customer surveys and the implementation of a new IT system that drastically reduced customer waiting times.

Lesson two is the bank's ability to market itself via word of mouth and focused public relations efforts. Instead of spending large sums on expensive marketing tools, it has relied on the lower-cost efforts such as: encouraging word of mouth recommendations, press releases and staff involvement in community and industry meetings.

Lessons relating to human resources include: improving corporate culture, with an emphasis on a professional demeanor; optimization of corporate governance practices, including a code of conduct and performance assessments of Directors; and flexibility in creating new positions and reassigning and terminating staff.

Additional strategies include managing grants via a steering committee to improve the bank's reputation and growing its customer base with new ATMs, traditional branches and “mobile branches” that have been deployed to serve rural areas.

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Discount: USD 99 per year - Available only OUTSIDE rich countries

## Microfinance for Water, Sanitation and Hygiene: An Introduction

Edited by Catarina Fonseca et al, published by the  
Netherlands Water Partnership and the International  
Water and Sanitation Center, October 2007, 33  
pages, available at: [http://www.microfinancegateway.  
com/content/article/detail/49068](http://www.microfinancegateway.com/content/article/detail/49068)

This paper addresses the use of microfinance services to develop sustainable infrastructure for drinking water, sanitation and hygiene services in developing countries. Microfinance institutions (MFIs) have not generally offered these services in the past because they were not considered profitable. Recently, however, more MFIs have argued that the opposite is true. This paper stresses the importance of the non-financial services required to develop the water, hygiene and sanitation sector such as training, counseling and market sensitization. Still, a major barrier is the connection costs that generally must be paid in one lump sum.

Centre Régional pour l'Eau Potable et l'Assainissement à faible coût (CREPA) reported in 2005 that their Côte d'Ivoire branch partnered with La Société de Distribution d'eau de Côte d'Ivoire (SODECI), the country's public water utility, to provide a group loan to pay for connection to drinking water for 300 households. Coupled with a capacity building program provided by CREPA, the loan was repaid within 17 months. CREPA is now piloting this scheme in Burkina Faso.

In Togo microfinance is being used to install household water points using shallow boreholes and rainwater tanks. There is an interest rate of 21 percent plus a 2 percent service charge. Seventy percent of the loans have been repaid within six months using revenue from selling the drinking water.

In India, Lesotho, Vietnam, Bangladesh, Pakistan and Burkina Faso, microfinance has been used for sanitation-related services including the construction of public toilets, manual latrine-cleaning services and suction trucks used to empty pit latrines.

A major obstacle, however, is the prevalence of highly subsidized pilot projects that are unable to become self-sustaining.

In one neighborhood in Burkina Faso, a savings-credit initiative was set up for the household management of domestic waste. Payback rates went from 18 to 80 percent after an awareness campaign.

With village shared sanitation facilities, supply-chain micro-businesses can also be set up providing soap, toilet parts, sewage management and construction.

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Development Bank and the Microfinance Information  
Exchange, April 2008, 52 pages, available at:  
[http://www.mixmbb.org/Publications/002-  
REG/ASIA/MIX%20Asia%20100/2007%20MIX%20Asia%20100.pdf](http://www.mixmbb.org/Publications/002-REG/ASIA/MIX%20Asia%20100/2007%20MIX%20Asia%20100.pdf)

This study reviews 392 microfinance institutions, ranking them by number of borrowers, number of depositors, scale, market penetration, growth, profitability, efficiency, productivity and portfolio quality. Only one institution managed to rank in eight of the nine categories: Kashf of Pakistan. The surveyed institutions reach than 40 million borrowers and manage USD 8.4 billion in loans, with 50 million voluntary deposit accounts that total USD 6.3 billion.

## The MicroBanking Bulletin, Issue No. 16

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Spring 2008, 92 pages, available here:  
[http://www.themix.org/pub\\_popup.aspx?  
publicationID=237](http://www.themix.org/pub_popup.aspx?publicationID=237)

This publication presents trend lines from 2004 through 2006, based on performance data from 340 microfinance institutions in 68 countries. Articles include “Economic Exposure of Microfinance Institutions,” an analysis of foreign exchange risk for MFIs, and “Competing Business Models and the Microfinance Double Bottom Line,” by Marc de Sousa Shields. ♦♦♦