

MICROCAPITAL BRIEFS | TOP STORIES

The New Era Begins: Equity Bank Becomes Acquisitive

Equity Bank, a leading provider of microfinance services in Kenya, is acquiring Uganda Microfinance Ltd. (UML) in an all-share deal worth USD 26.9 million. This milestone in the evolution of microfinance signals the beginning of the long-overdue era of consolidation in this historically factious industry. Equity Bank plans to transform UML into a full-scale commercial bank. Equity Bank has a gross loan portfolio of USD 349.0 million out of total assets of USD 835.2 million. Its return on assets is 3.56 percent, and its debt-equity ratio is 262.12 percent. UML has a gross loan portfolio worth USD 14.3 million, assets of USD 21.4 million and return on assets of 3.48 percent. April 21. 2008

Legatum Backs \$350k East African Entrepreneurship Awards

The sponsors of an East African entrepreneurial award competition have released a documentary, available online, about the Legatum Pioneers of Prosperity Africa prize, worth a total of USD 350,000 to six home-grown companies. The prize was funded by Legatum, an international private investment group and microfinance investor; the John Templeton Foundation and others. The film presents an compelling critique of the "development aid" industry, reminding us that when one's business is poverty, eradicating poverty is inconsistent with self-preservation. With significant cash prizes, the sponsors refreshingly walk the talk. May 13. 2008

China to Encourage Mergers and Acquisitions Activity in Rural Finance Sector

China's banking regulators have announced a plan to loosen rules on the mergers and acquisitions of small and medium-sized rural financial institutions, broadening investors' access to rural financial markets. Under the current regulation, no single corporation - including related companies - can hold over ten percent of a rural banking institution. The combined assets of China's small and medium-sized rural banking institutions amount to an equivalent USD 787.6 billion, reportedly up 150 percent since 2003. May 1. 2008

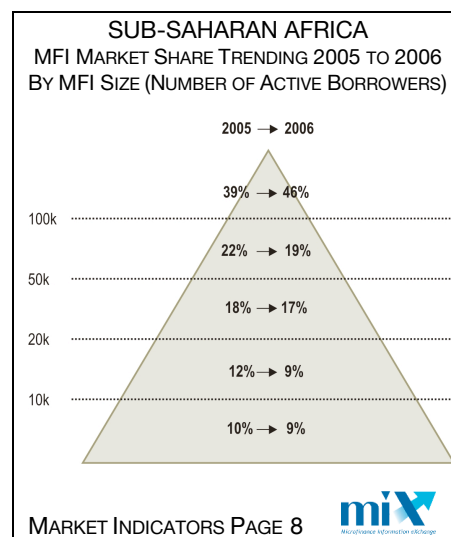
IFC and KfW Implementing \$1b Committed to Microfinance in Asia

Since June 2007, International Finance Corporation (IFC) and German development bank KfW have been implementing the first investments under the Microfinance Initiative for Asia (MIFA) through which they have committed up to USD 1 billion in debt and equity investments, structured finance and advisory services to support microfinance institutions (MFIs). Investment and advisory services will be implemented over a three- to five-year period. MFIs can also tap into risk management products offered by IFC to manage foreign exchange risks through currency swaps and accessing bond markets through credit enhancements. The initiative will focus on expansion of MFIs. April 30. 2008

Crackdown on Crooked Microfinance in Rwanda

Fifteen former microfinance institution (MFI) managers have been arrested for fraud after a year-long investigation and a government shut-down of eight bankrupt microfinance institutions in June 2006. The government has disbursed more than USD 5.5 million to compensate clients for up to fifty percent of their total deposits. April 29. 2008

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MICROCAPITAL BRIEFS

ResponsAbility Invests \$4.2m in Peruvian, Cambodian MFIs

ResponsAbility Global Microfinance Fund has made investments in four microfinance institutions (MFIs) in Peru and Cambodia. Peruvian institutions EDPYME Confianza and EDPYME Alternativa received USD 1 million and USD 1.2 million respectively. Cambodian institutions Hattha Kaksekar Limited (HKL) and Cambodia Rural Economic Development Initiatives for Transformation (CREDIT) each received USD 1 million. Managed by Credit Suisse, ResponsAbility holds assets of USD 250.5 million with USD 224.5 million invested in microfinance and fair trade. The fund's return on assets was 7.7 percent for the 2007 fiscal year. EDPYME Confianza has 47,558 active borrowers, total assets of USD 77.6 million, a debt-equity ratio of 572.73 percent and return on assets of 3.07 percent. EDPYME Alternativa has 17,290 active borrowers, USD 14.3 million in total assets and a debt-equity ratio of 605.34 percent. HKL has total assets of USD 16.4 million, a debt-equity ratio of 448.45 percent and return on assets of 5.53 percent. CREDIT holds total assets of USD 10.9 million and has a debt-equity ratio of 229.37 percent. May 20. 2008

IFC to Invest \$45m in StanChart for Microfinance in Africa, Asia

The International Finance Corporation (IFC), a member of the World Bank Group, will partner with British commercial bank Standard Chartered by investing USD 45 million for bank-issued, credit-linked notes, which will allow the bank to increase lending to microfinance institutions in Africa and Asia. Standard Chartered has annual revenue of USD 11.1 billion and a microfinance portfolio totaling USD 180 million. May 19. 2008

Incofin Lends \$3m to Latin American MFIs, \$300k in Ghana

Incofin, a Luxembourg-based social investment company, has issued loans of USD 2 million to Guatemalan microfinance institution (MFI) FUNDEA (Fundación para el Desarrollo Empresarial y Agrícola), USD 1 million to Bolivian MFI FADES (Fundación para Alternativas de Desarrollo), and USD 300,000 to Ghanaian MFI Sinapi Aba Trust. As of 2006, Incofin had assets of USD 10.6 million, of which USD 10.2 million was allocated to microfinance. FUNDEA, as of 2006, had USD 10.0 million in assets, with a gross loan portfolio of USD 8.3 million. Its return on assets was 10.53 percent, and its debt-equity ratio was 30.91 percent. FADES, as of 2006, held assets totaling USD 25.3 million and a USD 20.0 million gross loan portfolio. Its return on assets was 2.31 percent and its debt-equity ratio was 302.10 percent. Sinapi Aba Trust holds a loan portfolio worth USD 19.2 million. May 19. 2008

Legatum and Omidyar Network Invest \$40m in Unitus Equity Fund

Legatum, an international private investment group, and philanthropic investment firm Omidyar Network will each invest USD 20 million in Unitus Equity Fund II, a newly created private equity fund that will provide capital to microfinance institutions with an emphasis on growth. May 19. 2008

Food Crisis Threatens Repayments to Grameen and Everyone Else

Muhammad Yunus says that the Grameen Bank of Bangladesh is experiencing an increase in delinquency as a result of rising food prices. One suggestion is that prices have risen due to increased demand from those rising out of poverty who are only now able to afford resource-intensive food such as meat. The hidden costs of the rich world's hamburgers are now revealed. May 13. 2008

MoneyBox to Launch Pan-African Mobile Banking

MoneyBox Africa, a Nigerian effort led by investment institution Integrated Capital Services, has announced a partnership with German mobile payment company Paybox in hopes of developing a pan-African mobile banking system. The initiative will deploy its Money Mobiliser product to allow remote deposits, phone airtime refills, bill payments, insurance purchases, money transfers, cash withdrawals at agencies and ATMs, access to credit and investment transactions from customers' mobile handsets. These services - to be rolled out "in the near future" - will be activated via scratch cards. May 13. 2008

Central Bank of Nigeria Warns of Microfinance Mission Drift

The Central Bank of Nigeria (CBN) recently announced concern about microfinance banks (MFBs) drifting from their core functions. Another concern was that nine out of 36 MFBs in a recent CBN survey have not applied for licensing despite holding the minimum capital requirement of roughly USD 170,000. May 13. 2008

PlaNNet Finance UAE Golfing in Dubai

PlaNNet Finance United Arab Emirates, a branch of the global non-governmental organization which provides technical assistance and consulting to microfinance institutions in close to 60 countries, held a fund-raising golf tournament dubbed "Tee Off Against Poverty" in Dubai. May 12. 2008

Big Three Dominate in Azerbaijan

The Azerbaijan Micro-finance Association (AMFA), a trade group of 22 microfinance institutions, has released first quarter 2008 performance statistics for its members. Accounting for 53 percent of AMFA's USD 424.3 million cumulative loan portfolio were the following three organizations: CredAgro (USD 38.6 million), FINCA Azerbaijan (USD 55 million) and Micro Finance Bank of Azerbaijan (USD 140 million). May 12. 2008

Branchless Banking in Malawi

CGAP reports that two large microfinance institutions have instituted branchless banking practices. First Merchant Bank is targeting tobacco farmers with a debit card for payments and withdrawals via 60 point-of-service (POS) terminals at chain retailers. Opportunity International Bank of Malawi has 70,000 clients using "smartcards" as electronic passbooks. These activities, however, may be in conflict with Malawi's Banking Act, which forbids non-bank participation in banking business. May 12. 2008

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

India's Grama Vidiyal Accepts \$3.5m in Equity

Indian non-banking finance company Grama Vidiyal Microfinance (GVM) is looking to double both its branches from its current 100 and its client base from its current 250,000 with the aid of a capital increase equivalent to USD 3.5 million. This funding was provided as a private equity investment from the Unitus Equity Fund and Vinod Khosla, a former general partner of the California firm Kleiner Perkins. GVM has a gross loan portfolio of USD 28.7 million. May 12. 2008

Confederation of Indian Industry Surveys MSMEs

The nonprofit Confederation of Indian Industry (CII) published a 2008 Business Outlook Survey on the micro-, small and medium enterprises (MSMEs) sector in India. The top-cited financial obstacles to the growth of the sector were high interest rates, collateral requirements of financial institutions and bank bureaucracy. May 12. 2008

BlueOrchard Announces Returns for Dexia Fund

BlueOrchard Finance has released new data on the Dexia Micro-Credit Fund including its net asset value of USD 353 million, total assets of USD 366 million and a microfinance institution (MFI) loan portfolio of USD 318 million. The fund has 185 loans outstanding to 100 MFIs in 29 countries. The top five MFIs by percentage of total assets include Procredit Bank of Ukraine at 7.38 percent, Procredit Bank of Georgia, Share of India, Women's World Banking Bucaramanga of Colombia and Finsol of Mexico. Returns for 2007 totaled 6.21 percent, while annualized returns over three and five years totaled 5.82 percent and 4.93 percent. May 12. 2008

MIX to Present on Transparency and West African Benchmarks

Microfinance Information Exchange (MIX) is to present on the role of transparency in helping microfinance become part of the mainstream markets at Sanabel Network's annual microfinance conference beginning in Tunisia on May 6. MIX has also announced that it will present its report on microfinance in the West African Monetary Unit (UEMOA), including analysis and benchmarks, at the annual West African Funders meeting to be held in Bamako, Mali. May 9. 2008

Benchmark Invests \$1.35m in MicroVest

MicroVest of the Washington area has announced that Benchmark Asset Managers of Philadelphia recently added MicroVest I, LP to the portfolio of two of their funds, investing USD 1.35 million. May 9. 2008

MasterCard Foundation Awards \$740k to MIX Market

The MasterCard Foundation has donated USD 740,000 over two-years to Microfinance Information Exchange (MIX) to launch "MIX Market 2.0." May 8. 2008

Boom in India Too Little?

Microfinance institutions (MFIs) in South Asia urgently need access to capital markets to expand their outreach, said Jaspal Bindra, CEO, Asia, Standard Chartered Bank, in comments at the Cracking the Capital Markets South Asia conference co-hosted by ACCION International in April in Delhi. By some measures, the number of Indian microfinance clients has risen from 1 million in 2003 to 10.5 million by the end of 2007. May 8. 2008

Visa Commits to MF at Clinton Global Initiative Midyear Meeting

At the recent Clinton Global Initiative midyear meeting, Visa committed to supporting poverty alleviation via microfinance and other means. This includes a three-year funding commitment to Oxfam America. May 7. 2008

Is Microfinance Failing Agriculture?

Charles G. Njoroge of Italy's State University Bergamo asserts in African Executive that "A global food crisis is looming.... Microfinance at its best pushes the rural active poor to urban areas and creates a nation of 'traders and hawkers' who may not feed the nation.... You only need to start a mtumba (second-hand) kiosk in an urban set-up in Kenya, link up with fellow second-hand cloth sellers, co-guarantee each other; and an MFI will support you.... Start a farming enterprise and financing will not easily come." May 7. 2008

MicroCapital Expands on ING Review

We reviewed Dutch Bank ING's recent study on commercial bank microfinance activity "A Billion to Gain? The Next Phase" in the April issue of the MicroCapital Monitor. In support of this excellent resource, we at MicroCapital have been publishing more-detailed reviews of the activities of international financial institutions covered in the study such as AXA Group, Citigroup, Commerzbank, Crédit Agricole and Deutsche Bank. These and more are available at MicroCapital.org. April 22, April 29, April 30, May 5 and May 7. 2008

Zurich Studies Microinsurance in China

Zurich Financial Services Group has announced plans for a research project with Nan Kai University's Department of Risk Management and Insurance to focus on the demand for microinsurance products in China. Existing microinsurance offerings include China Life's insurance product offering farmers fatal accident coverage of USD 114 for an annual premium of USD 14.25. By the end of 2007, 1.2 million farmers were covered with a total insurance sales of USD 160 million. May 6. 2008



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IFFCO-TOKIO General Insurance of India Offers Microinsurance

IFFCO-TOKIO General Insurance Co. Ltd. (ITGI) recently launched a microinsurance product aimed at India's low-income rural population which covers both property and serious illness. ITGI has provided microinsurance services since 2001 when it launched a personal accident policy linked to the purchase of fertilizer that has since distributed a total of USD 10.6 million in claims to 7,300 farmers nationwide. ITGI is a joint venture between the Indian Farmers Fertilizer Co-operative and Tokio Marine and Nichido Fire Group, Japan's largest listed insurance group. With 170 offices nationwide, ITGI is the third largest private-sector general insurance provider in India. May 6. 2008

Xigi.net Announces SoCap08 Conference

Xigi.net, an interactive database of social capital efforts, will hold Social Capital Markets 2008 in October in San Francisco. May 6. 2008

Pakistan Poverty Fund to Lend \$3.4m to MFI BRAC Pakistan

The Pakistan Poverty Alleviation Fund (PPAF), a public-private partnership, will provide BRAC Pakistan with USD 3.4 million. PPAF was created in 2000 by the government of Pakistan with USD 100 million in World Bank and government funding. It is an autonomous body with net assets equivalent to USD 300 million. May 6. 2008

Grameen Guarantees \$5.3m for Ethiopian Amhara

Amhara Credit and Savings Institution (ACSI) has secured a loan of USD 5.3 million from the Commercial Bank of Ethiopia, facilitated by a USD 2.5 million guarantee from Grameen Foundation. ACSI is Ethiopia's largest microfinance institution. May 6. 2008

Aga Khan Expands to Côte d'Ivoire

Aga Khan Development Network (AKDN) is reported to be opening its fourteenth microfinance institution in Côte d'Ivoire with an initial investment of USD 7 million. May 6. 2008

Asociación Benéfica Prisma Offers Insurance with InVita, FINSOL

Asociación Benéfica Prisma (which is unaffiliated with MicroCapital's parent company Prisma MicroFinance) has launched life microinsurance product "Vida PRISMA" in partnership with InVita Insurance Company and FINSOL of Mexico. May 6. 2008

MicroEnergy Credits Pushes Carbon Credits

MicroEnergy Credits Corporation (MEC) is working to connect microfinance institutions (MFIs) with carbon credit markets to facilitate the adoption of clean energy by MFI clients. This is done credit instruments such as Microfinance-originated Carbon Credits, whereby MFIs can receive revenue when they lend for energy systems that create verified carbon emissions reductions, such as solar electric systems, improved stoves and biogas digesters. May 5. 2008

Apgar of BlueOrchard Predicts Fallout

Writing in the Globalist, BlueOrchard Finance risk manager David Apgar discusses the link between the US sub-prime meltdown and the global food crisis and their potential impact on microfinance institutions (MFIs). He argues that the US has been pursuing an inflationary economic policy for years, and it continues to do so in order to stave off a recession brought about by the sub-prime mortgage debacle. This affinity for inflation has helped unleash an increase in world commodity prices, which are largely denominated in US dollars. Mr. Apgar proposes that MFIs find a way to vary the rates they charge to different customers, balancing the interests of food producers against distressed food consumers, and that they improve management of foreign currency risk. May 5. 2008

BMCE Bank of Morocco Lends \$12.5m to MFI FONDEP

Moroccan microfinance institution (MFI) Fondation pour le Développement Local et le Partenariat (FONDEP) is to receive a loan equivalent to USD 12.5 million from commercial bank BMCE (Banque marocaine du commerce extérieur) of Morocco, with a USD 3 million guarantee split between for-profit Grameen-Jameel Pan-Arab Microfinance and the Grameen Foundation. As of 2006, FONDEP's assets totaled USD 30.5 million, including a loan portfolio of USD 26.8 million. Its return on assets was 19.17 percent, and its debt-equity ratio was 225.14 percent. May 5. 2008

Société Générale Lends \$2.8m to Tamweelcom of Jordan

Société Générale de Banque - Jordanie has announced a loan equivalent to USD 2.8 million to microfinance institution (MFI) Tamweelcom of Jordan, backed by a USD 846,000 guarantee from for-profit Grameen-Jameel Pan-Arab Microfinance (GJPAM). GJPAM invests in microfinance in the Middle East and North Africa and holds a loan portfolio of USD 148 million. Tamweelcom has total assets of USD 13.4 million, with a gross loan portfolio of USD 11.6 million. Its debt-equity ratio is 189.20 percent, and it counts more than 31,000 active borrowers. May 5. 2008

Standard Chartered Arranges Currency Swap MFI Faulu Kenya

Standard Chartered Bank Kenya (StanChart) has arranged a cross-currency swap (CCS) for microfinance institution Faulu Kenya. The CCS hedges against adverse currency movement and involves the swapping of the interest-rate and currency risk on a loan. Faulu Kenya has obtained a subordinate loan worth USD 7.9 million from the Deutsche Bank Microcredit Development Fund. Through the deal, StanChart will lock the exchange rate for the loan over a seven-year term. Faulu Kenya is also offering its clients the opportunity to deposit money at StanChart, as it is not allowed to take deposits. Its loan portfolio is worth USD 25.4 million, its assets total USD 38.1 million and its debt-equity ratio is 286.62 percent. May 5. 2008

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EXECUTIVE EDUCATION

HDfC Bank Plans Mobile Microfinance Banks in India

HDfC Bank plans to launch a mobile bank for the benefit of microfinance clients. The “mobile bank-cum-ATM” will be introduced on trial basis within several months, offering credit, savings, insurance and remittances. Plans include eight new traditional branches plus 800 mobile banks, with each costing approximately USD 100,000 plus USD 2500 in monthly expenses. HDfC reports having disbursed an equivalent USD 250 million in microfinance loans. May 5. 2008

Calabash Music Routes Retail Microfinance Loans to Musicians

“Fair trade” music provider Calabash Music has launched an initiative in which fans can finance the activities of their favorite new artists. The minimum loan is USD 25. May 2. 2008

Omidyar Educates Lawyers in South Asia

This April in India the International Development Law Organization (IDLO) held a two-week microfinance program designed to help lawyers, bankers, policy-makers and practitioners from across South Asia to navigate the legal issues surrounding the region’s rapidly growing microfinance industry. IDLO is in the midst of a three-year global microfinance project funded by the Omidyar Network. Since its establishment in 1983, IDLO has contributed to the training of more than 17,000 lawyers, magistrates and officials from approximately 176 countries. May 2. 2008

ILO, Gates Offer \$18m in Microinsurance Innovation Grants

The International Labour Office (ILO) and the Bill & Melinda Gates Foundation are offering grants to encourage innovative insurance products for low-income people. Over the next five years, the project will issue 40 to 50 innovation grants worth a total of USD 18 million. The grants are open to various organizations, including risk carriers, delivery channels and suppliers to the insurance industry. May 2. 2008

World Bank, CGAP Transfer \$9.2m to Mobile Banking in Maldives

The World Bank today approved a USD 7.7 million credit to the Government of Maldives to develop a single-currency payment system allowing access to any bank account from mobile phones. Microfinance industry body CGAP (Consultative Group to Assist the Poor) will provide an additional USD 1.5 million for policy advice to the Maldives Monetary Authority on mobile banking regulations. May 1. 2008

World Bank Gives \$6m to Rwanda for Microfinance Reforms

The World Bank will grant USD 6 million to the Rwandan government for the ongoing reform of the microfinance sector. The injection will also support the improvement of auditing and accounting standards and strengthen the regulation and supervision of non-bank financial institutions and microfinance institutions. A credit bureau has also been proposed. April 30. 2008

Omidyar Grants \$9m to Unitus

Omidyar Network has announced a three-year grant of USD 9 million to Unitus, a US nonprofit supporting international microbanks. This represents Omidyar’s largest microfinance grant to date. As of 2006, Omidyar had USD 284.2 million in assets. Although Unitus itself is not a direct lender, the gross loan portfolio of its partners as of yearend 2006 totaled USD 115.4 million. April 29. 2008

BNP Paribas to Lend \$10.4m to Microfinance Association ADIE

French bank BNP Paribas will lend an equivalent USD 10.4 million to ADIE (association pour le droit à l’initiative économique), a microcredit association for start-up businesses in France and French territories who lack access to traditional finance. BNP Paribas has USD 101 million in outstanding loans to 22 microfinance institutions. Its net banking income was USD 45.7 billion in 2007, and its assets totaled USD 2.5 trillion. ADIE has USD 45.7 million in loans outstanding. April 29. 2008

EBRD Extends \$1m Loan to Norwegian Microcredit of Azerbaijan

The European Bank for Reconstruction and Development (EBRD), is financing a USD 1 million loan to Norwegian Microcredit (Normicro), an Azerbaijani limited liability company reporting 2007 total assets of USD 7 million and a loan portfolio of USD 6.9 million. In an effort to maximize outreach amongst the “poorest” in Azerbaijan, on-lending is capped at USD 10,000 per borrower. A technical assistance grant of unstated size will also be presented to Normicro. The EBRD reported 2006 total assets of EUR 30.7 billion and a loan portfolio of nearly EUR 8 billion. Normicro served nearly 9,000 borrowers in 2007 with an average loan balance of USD 766. Normicro reports return on assets of 13.9 percent and a debt-equity ratio of 223 percent. April 28. 2008

AfDB Approves \$1.9m for Liberian MFI and Microenterprises

In an effort toward post-conflict recovery in Liberia, the African Development Bank (AfDB) approved an equity investment of USD 900,000 in Access Bank Liberia (ABL) and a USD 1 million grant from the AfDB-managed Fund for African Private Sector Assistance to be used in the development of micro-enterprises. ABL is to be established as a greenfield microfinance bank, with support from German companies Access Holding and LFS Financial Systems. April 28. 2008

Mixed Results Seen in Uganda from Microfinance

The Daily Monitor of Uganda reports: “Although the financial sector has tremendously expanded in Uganda, access to financial services by rural households remains very low, [Mr. Ibrahim Kasirye of the Economic Policy Research Centre] observes. “We find that rural areas have limited access to financial service providers despite being home to more than 80 percent of the Ugandan population. As such, most rural households obtain credit predominantly from informal sources - mainly friends or relations.” April 28. 2008





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“Does Microfinance Cheat Women?” Asks Time Magazine

Time Magazine, a US news weekly, asks: “As microfinance moves more and more into the mainstream of the banking world, is some of its original mission getting lost in the shuffle? That’s the implication of a landmark study....” Please turn to the Paper Wrap-up section of this issue to read more. April 28. 2008

Mindanao Microfinance Council to Study Impact, Outreach

The Mindanao Microfinance Council, Inc. (MMCI) will conduct a study to assess microfinance activities. Predominantly Muslim Mindanao is the second largest island in the Philippines. As of February 2008, the MMCI had 42 member institutions. April 28. 2008

Indian MFI BISWA Sells \$5.9m of Agri-Assets to Private Banks

Indian microfinance institution Bharat Integrated Social Welfare Agency (BISWA) has sold USD 5.9 million of its agricultural assets. The sale was arranged by Grameen Capital India (GCI). The portfolio will be sold to private sector banks in India, enabling them to meet agricultural lending requirements. BISWA has a loan portfolio of USD 29.5 million, a return on assets of 2.4 percent and a return on equity of 29.9 percent. GCI is a pro-microfinance collaboration between the Grameen Foundation, IFMR Trust and Citicorp India. April 24. 2008

IFC Invests \$33m in Dominican Republic’s Centro Financiero BHD

The International Finance Corporation (IFC) of the World Bank Group will invest USD 33 million for a nine percent stake in Centro Financiero BHD of the Dominican Republic. BHD offers loans, remittances, insurance and asset management services via twelve subsidiaries. It reports assets equivalent to USD 1.9 billion, return on assets of 2.36 percent and a debt-equity ratio of 747.97 percent. April 24. 2008

Nigerian Banker Advocates Partnerships Between MFIs, Insurers

An official of the Royal Trust Microfinance Bank stated recently that, “since insurance brokers have numerical advantage and exist in all the nooks and crannies of the country, they are most strategically positioned to forge relationships with microfinance institutions, which also operate all over the country.” April 24. 2008

World Business and Development Awards Accepting Nominations

The International Chamber of Commerce, announced that nominations are now being accepting for the 2008 World Business and Development Awards. The awards will recognize private sector institutions which support the United Nations Development Programme Millennium Development Goals. April 22. 2008

Micro Finance Bank of Azerbaijan to Increase Capital by \$11m

The shareholders of Micro Finance Bank of Azerbaijan (MFBA) have agreed to increase the share capital of MFBA by an equivalent USD 11 million to a total share capital of USD 24 million, raising the total capital of the bank above USD 40 million. The existing shareholders are participating in the current capital increase in proportion to their existing shareholding in MFBA, such that the present ownership structure will remain unchanged. MFBA’s outstanding credit portfolio exceeds 55,000 loans for a total of USD 140 million. Total assets exceed USD 160 million. April 22. 2008

Network in Ghana Touts txtnpay Mobile Banking Service

Ghana Microfinance Institutions Network (GMIN) has announced a new electronic banking service called txtnpay. The technology is a mobile phone-secured payment system, which allows users to send money to anyone with a mobile phone, pay bills, buy pre-paid airtime, check bank balances and purchase goods and services. April 21. 2008

New York Times Magazine: Cell Phones May Rival Microfinance

A recent New York Times Magazine article suggests possible ramifications of the rapid spread of mobile phones in the developing world. For example, a cell phone in the hands of an Indian fisherman who uses it to grow his business offers a textbook example of bottom-up economic development, avoiding top-down approaches in which aid filters through a bureaucratic chain before reaching beneficiaries. Another example is that a caller can transfer “money” to a mobile phone user by purchasing a phone card and reading the card’s code to the recipient of the call, giving that person the minutes. If the recipient is a professional “phone lady,” she might then pass on cash to a nearby client, receiving the cell minutes in return. April 21. 2008

IFC, Arab Monetary Fund Push Credit Bureaus

The International Finance Corporation (IFC), a member of the World Bank Group, and the Arab Monetary Fund, a quasi governmental organization owned by 22 member countries, have agreed to support a credit bureau industry in the Middle East and North Africa. The initiative will begin with a three-year assessment of credit information infrastructures in the region. April 21. 2008

Benin MFI PADME Struggles With Challenges, Intervention

Microfinance in the West African nation of Benin is struggling amidst troubles at PADME (Association pour la Promotion et l’Appui au Développement de Micro-Entreprises), which ACCION International reports has lost the confidence of potential investors. When PADME was approached by the government in March with a request for the resignation of its Board of Directors and management team, PADME mounted a legal challenge that has yet to be resolved. Founded with the support of the Benin government and the World Bank, PADME is currently transforming into a share-capital company with the aid of ACCION. Its gross loan portfolio was worth USD 32.8 million at yearend 2007, out of total assets of USD 56.5 million. It has reported a return on assets of -2.96 percent, a debt-equity ratio of 187.61 percent and active borrowers numbering 29,732. April 18. 2008

Advanta and Kiva Partner

Credit card company Advanta and web-based charity Kiva.org have launched the KivaB4B Project. The initiative allows Advanta customers to make loans to microbanks through Kiva using their business credit cards which Advanta will then match up to USD 200 per month per account. Advanta Bank Corp is one of the largest issuers of credit cards to small businesses in the US. April 18. 2008

OPIC, IFC, Palestine Investors Push Housing in West Bank, Gaza

International Finance Corporation (IFC), a member of the World Bank Group, is partnering with the US Overseas Private Investment Corporation, the Palestine Investment Fund and the Bank of Palestine to expand access to housing finance for low- and middle-income residents of the West Bank and Gaza. The USD 500 million initiative will fund home loans for an estimated 30,000 people. Also participating are the Palestine Home Mortgage Corporation and the UK Department of International Development. April 18. 2008

DID, IDB to Open Four Microfinance Institutions in Latin America

Développement International Desjardins (DID) and the Inter-American Development Bank (IDB) have agreed to deploy one “financial centre for entrepreneurs” in each of four IDB member countries over the next seven years to serve some 430,000 businesses. April 18. 2008 ♦♦♦

UPCOMING EVENTS

Microfinance Centre Eleventh Annual Conference

May 29 - May 31, 2008, Ulaanbaatar, Mongolia

This is the Microfinance Centre's eleventh annual conference. The registration fee is USD 800 with discounts available for MFC members. Details are available via anna@mfc.org.pl, +48 22 622 34 65 or <http://xacbank.mn/mfc-conference2008/>.

2008 FT Sustainable Banking Conference and Awards

June 3, 2008, London, United Kingdom

Innovations in social, environmental and corporate governance will be covered. The conference fee is GBP 649 (USD 1,290) plus GBP 300 (USD 600) for the awards or GBP 849 (USD 1,690) for both. More details are available via +44 (0)20 7873 4109, aliki.varsamides@FT.com or <http://www.ftconferences.com/sustainablebanking/>.

Microinsurance - From Corporate Underwriting to MFI Customer

June 12, 2008, New York, United States

This event will cover the growth of microfinance and microinsurance. The general registration fee is USD 60, with a cost of USD 47 for Financial Women's Association members. More information is available via http://www.fwa.org/event/2008_0612_microins.htm or from Rosalind Lloyd at rlloyd@fwa.org or +1 212 533 2141.

HBS-ACCION Program On Strategic Leadership In Microfinance

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

This program features top Harvard Business School faculty. The cost is USD 6,850, including housing, meals and other perks. A rate of USD 5,450 for "experienced practitioners" excludes initial introductory material. More details are available via hbsaccion@accion.org, <http://accion.org/hbs> or +1 617 625 7080.

A Billion To Gain? The Next Phase

June 16, 2008, Amsterdam, Netherlands

The ING Group will host this discussion of its study of the same name. Registration is available via <http://www.ingmicrofinance.com/> and is free of charge. As no telephone number is provided, email ing.microfinance.support@mail.ing.nl for more information.

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 1,495 (EUR 800 for NGO representatives) until May 23, after which fees rise EUR 200. Details are available via 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

This event is to be held at the London Stock Exchange. Contact person Margot Wilson can be reached at +44 (0) 791 864 2528 or margot@margotwilsonassociates.com. More details are unavailable online, but are expected soon at <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. Information on discounts and other details is available via Meghan Olisar at +1 608 395 2095, molisar@woccu.org or <http://www.woccu.org/events/wcuc>.

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 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 or +39 06 4040 3200.

Asia Insurance Review Microinsurance Conference

July 23 - July 24, 2008, Jakarta, Indonesia

While registration details of this conference are not yet available, they can be requested in advance via http://www.asiainsurancereview.com/pages/conference_details.asp?id=99 or +65 6224 5583. No email address is provided.

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. Discounted pricing of USD 170 is available through May; those from the Asia-Pacific region pay USD 120. 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

The goal of the conference is to increase the strength and capacity of the microfinance sector in the region. More details are available via <http://microfinancewestafrica.org/mfwa2008/> or from Abiodun Olaniyi at +234 802 320 1920 or jakolgate@gmail.com.

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://ksgecxecprogram.harvard.edu/program/fiped/overview.aspx>.

Micro Banking Summer Academy

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

This opportunity is offered by the Frankfurt School of Finance and Management. Fees 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

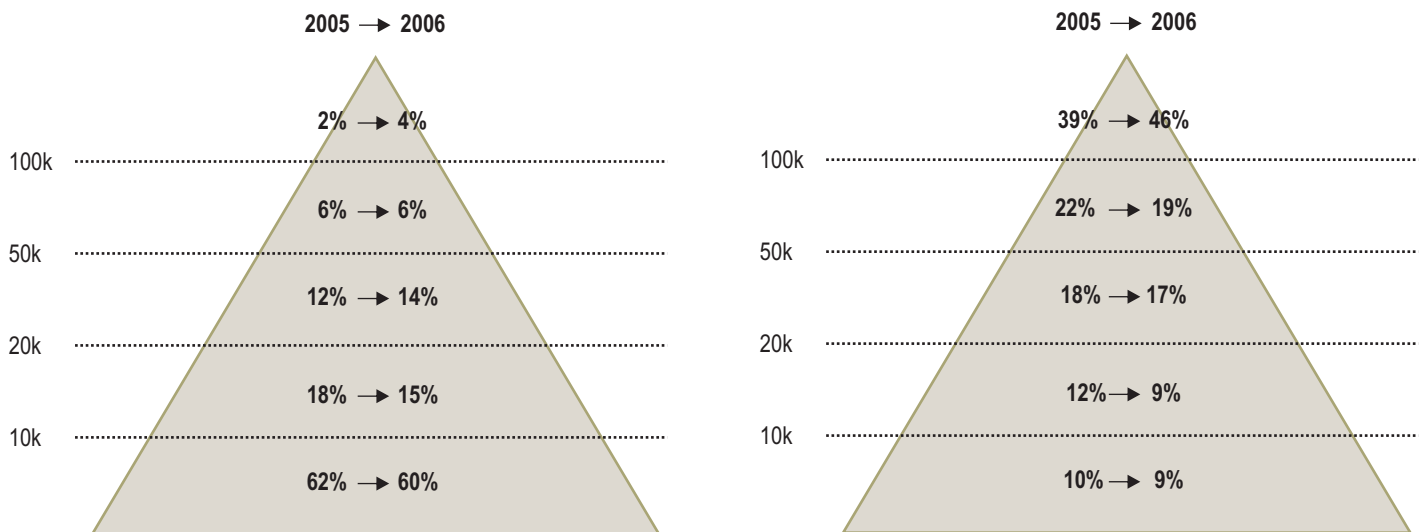
This event focuses on partnerships and innovative technology. Registration is free and closes May 31. For details, contact info@bwtp.org, +61 7 3831 8722 or see <http://www.bwtp.org>. ♦♦♦

MICROCAPITAL MARKET INDICATORS | SUB-SAHARAN AFRICA30 COUNTRIES | 162 MFIs REPORTING¹

| | | | | | | | |
|--------------|-----------|---------------|------------|------------|--------------|-----------|----------|
| Angola | Cameroon | Cote D'Ivoire | Kenya | Mali | Rwanda | Swaziland | Zambia |
| Benin | Chad | Ethiopia | Liberia | Mozambique | Senegal | Tanzania | Zimbabwe |
| Burkina Faso | Congo | Ghana | Madagascar | Niger | Sierra Leone | Togo | |
| Burundi | Congo, DR | Guinea | Malawi | Nigeria | South Africa | Uganda | |

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

| MFI NAME | COUNTRY | ABSOLUTE | % CHANGE | 2005 | 2006 |
|---|--------------|------------|----------|------------|-------------|
| Capitec Bank | South Africa | 44,960,457 | 55.3 | 84,358,768 | 129,319,225 |
| Centenary Rural Development Bank Ltd. | Uganda | 29,264,945 | 55.1 | 53,069,144 | 82,334,089 |
| Amhara Credit and Savings Institution | Ethiopia | 26,670,931 | 52.2 | 51,075,120 | 77,746,051 |
| Equity Bank | Kenya | 26,240,160 | 33.3 | 78,872,072 | 105,112,232 |
| K-Rep Bank | Kenya | 20,470,143 | 60.7 | 33,712,808 | 54,182,951 |
| Crédit Mutuel du Sénégal | Senegal | 18,387,120 | 32.7 | 56,313,372 | 74,700,492 |
| FINCORP | Swaziland | 15,746,972 | 180.4 | 8,730,123 | 24,477,095 |
| Cameroon Cooperative Credit Union League Limited | Cameroon | 13,751,797 | 33.5 | 41,087,184 | 54,838,981 |
| Kenya Women Finance Trust | Kenya | 12,726,821 | 63.2 | 20,142,326 | 32,869,147 |
| Faitière des Unités Coopératives d'Epargne et de Crédit du Togo | Togo | 11,770,742 | 42.2 | 27,919,434 | 39,690,176 |

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 2005 and 2006 to MicroBanking Bulletin (MBB) or MIX Market.
Source: Microfinance Information Exchange, Inc., March 2008, based on MFIs reporting to MBB or MIX Market

PIONEERS IN MICROFINANCE

Dr. Akhtar Hameed Khan is the originator of two development exemplars: the Comilla Model and the Orangi Pilot Project.

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

Deutsche Bank



Dr. Akhtar Hameed Khan

We diverge from our interview format this month to bring you the following profile of Dr. Khan, who passed away in 1999.

Dr. Akhtar Hameed Khan helped lay the basic foundations of the microcredit movement through his work on the Comilla Model of rural development in the 1960s and the Orangi Pilot Project in the 1980s. The Comilla Model, originally developed at the Bangladesh Academy of Rural Development (BARD), focused on the integration of public and private resources to create a collaborative institutional base for development work. The Orangi Pilot Project was initiated as a grassroots development project that emphasized self-help as the primary means of developing the “katchi abadis” (informal sector).

Dr. Khan was born in 1914 in Agra, located in the state of Uttar Pradesh, India. He began his career in the prestigious Indian Civil Service in 1936, serving primarily in East Bengal and later pausing to study literature at the University of Cambridge. Disillusioned after the Bengal Famine of 1943, he resigned from the Indian Civil Service to work as a locksmith. This was a very unusual choice for someone who had held such a coveted position. Historian Nasim Yousaf explains that Dr. Khan “wanted to study the poor man’s life.”

In the early 1950s, Dr. Khan returned to East Bengal, now Bangladesh, where he worked as the principal of Comilla Victoria College and became director of the newly formed BARD, where he developed the Comilla Model.

The Comilla Model is rural development approach that evolved from a number of pilot projects which were aimed at objectives including establishing a model that could be replicated throughout the country. The Comilla Model was based upon the principle of cooperatives and people’s participatory role at the grassroots level. Thus, a main feature of model was the two-tiered agricultural cooperative, consisting of voluntary farmer groups, at both the village and central levels. Through these cooperatives, farmers were able to generate capital via deposits, obtain microcredit and basic training and also develop a shared knowledge base.

Other components of the model included a Rural Works Program, which helped build infrastructure and generate employment; the Thana Training and Development Centre, which unified national-level officials and resources involved in rural development; and the Thana Irrigation Programme, which facilitated the development of agricultural methods. Key techniques that differentiated Dr. Khan’s work included careful research, exploring agricultural credit and providing supplies and training to poor people.

After Bangladesh’s independence in 1971, Dr. Khan served as a research fellow, visiting professor and advisor at several universities in Bangladesh, Pakistan and the United States. In 1980, he returned to Pakistan to continue grassroots development work through the Orangi Pilot Project (OPP), which emphasized self-help as the solution to obtaining capital and improving sanitation, health, education and employment within low-income settlements near Karachi. OPP assisted residents in family planning, improved building construction, organized immunizations and helped install low-cost sewers that served 72,000 homes and 600,000 people at one-tenth the cost of conventional sewage systems.

He learned a lot when he was working as a locksmith, as a laborer.... He thought that people can be extremely productive...provided that they are organized somehow....

NASIM YOUSAF, HISTORIAN

Architecture in Development attributes the success of the sewer program to the adoption of the lane as the basic unit of social organization. Under this system, twenty to thirty houses were built on either side of a road and formed a cooperative that was headed by two elected managers who served as the links between the residents and the OPP. Today, three institutions remain in Orangi: OPP-Research and Training Institute, Karachi Health and Social Development Association (KHASDA) and the Orangi Charitable Trust. All three support local initiatives by following Dr. Khan’s principle of employing local resources and building on the central self-reliance component of poverty alleviation.

Throughout his career, Dr. Khan has received many prominent awards, including an honorary doctorate from Michigan State University. Dr. Khan’s written works include Orangi Pilot Project: Reminiscences and Reflections, published by Oxford University Press, and The Works of Akhtar Hameed Khan, a three-volume work published by BARD. ♦♦♦

PAPER WRAP-UPS

Guidelines to Evaluate Social Performance

By Rehka Reddy, published by ACCION International, November 2007, 21 pages, available at: http://publications.accion.org/insight/InSight_24_230.asp

This paper offers microfinance institutions (MFIs) guidelines by which to measure their social performance. The author quotes an industry-wide task force definition of social performance as “the effective translation of an institution’s social mission into practice in line with accepted social values.” Gauging this aspect is important for MFIs in order to differentiate their brand, mitigate risks such as greater regulatory control and supply data on participant’s perceptions of the MFI. In addition, it helps investors evaluate investment opportunities, monitor their investees’ success, report to shareholders and improve governance.

ACCION’s tool for evaluating social performance is called SOCIAL and includes six dimensions: Social Mission, Outreach, Client Service, Information Transparency & Consumer Protection, Association with the Community and Labor. This framework was used to analyze six MFIs, with each illustrating a key dimension of social performance. The framework is confined to processes and outreach indicators rather than measuring client impact, which would require external, unbiased parties.

The first dimension of social mission includes commitment to the MFI’s mission by all staff and the incorporation of that objective in all aspects of the work. For instance, Indian NGO and microfinance service provider ASA-Grama Vidiyal trains incoming employees on its mission and values, assesses its staff’s commitment to those values and discusses both social and financial issues at its Board of Directors meetings.

Outreach encompasses whether the MFI broadens access to financial services, especially to poor and underserved populations. Determining outreach uses mostly quantitative measures and should include geographic coverage, growth, demographics, poverty data and efforts to reach underserved clients. The paper presents Peruvian MFI Mibanco as an exemplar of strong outreach. In 2007, it had 29 percent client growth; 55 percent of clients were women; 60 percent of clients were poor; 11 percent of loans did not require collateral; and 27 percent of new formal financial system borrowers in Peru were Mibanco clients.

Quality service includes efforts to promote client satisfaction and feedback mechanisms. For example, Fundacion Paraguaya has one of the highest client retention rates in the ACCION network, maintaining 96 percent of clients versus an average 79 percent among the 30 MFIs on which ACCION collects data.

Information transparency and consumer protection can minimize over-indebtedness. Uganda Microfinance Limited is a deposit-taking MFI which clearly discloses interest rates and fees, prints client receipts for each transaction, requires clients to undergo a seminar on credit terms and procedures, safeguards client privacy and has clear policies on client treatment.

The community dimension encompasses corporate social responsibility, striving to improve the communities in which an MFI operates and ensuring sustainable growth. BanGente is the first commercial bank in Venezuela to serve small and microenterprises. It also operates a foundation with a USD 200,000 budget, donating services to support vocational programs and funding legal assistance programs for microentrepreneurs.

The final dimension, labor, involves development of human resources, promoting staff satisfaction and feedback mechanisms to improve staff communication. CREDIFE, a subsidiary of Ecuadorian microfinance service provider Banco Pichincha, epitomizes the successful implementation of this dimension. CREDIFE retained approximately 80 percent of its employees in 2005 with clearly defined human resource policies, a clear salary scale and incentive plan and roughly six hours of continuing education per year.

Performance on these six indicators are reported on a Social Scorecard, which is designed to fit on one page with the aim of being easily and cheaply updated. The use of benchmarks and targets to provide context is encouraged.

Challenges to mainstreaming social performance evaluations include a lack of consensus on how to measure social goals given the recent proliferation of social performance tools. A clearinghouse is proposed where all MFIs can report on their social performance. Another challenge is to create frameworks which are both credible and practical - i.e. they must yield accurate information but be simple to implement. There is also the question of whether the approach should be specific to the microfinance industry or a “mainstream” approach.

The Early Experience with Branchless Banking

By Gautam Ivatury and Ignacio Mas, published by CGAP (Consultative Group to Assist the Poor), April 2008, 16 pages, available at: <http://www.microfinancegateway.org/content/article/detail/48543>

The authors predict that mobile banking could reach large numbers of poor people who are outside the formal financial system. It calls for the development of interoperable payment platforms, practical and risk-based approaches to regulation, as well as shared networks of cash-handling agents. There is also a need for product development that overcomes customer concerns such as the lack of human interaction and reliability concerns.

The report argues that payment and funds transfers dominate mobile financial services because mobile operators find these transactions to be more aligned with traditional revenue models and because these services are less likely to cause operators to run afoul of banking regulation.

Despite the expected benefits of branchless banking - convenience, better security and lower costs - the report cites challenges to growth that include a reluctance on the part of banks to get involved, as well as outdated or inadequate regulations.

Microfinance Institutions in Central Asia: Benchmarks and Analysis

Published by the Microfinance Information Exchange and the Central Asia Microfinance Center, February 2008, 20 pages, available at http://www.themix.org/pub_popup.aspx?publicationID=234

This report addresses the environment for and the development of microfinance institutions within the Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Available in English and Russian, it also analyzes donor effectiveness and external financing. Country-specific reviews cover local legal and regulatory issues.

2006 saw external financing to MFIs in Central Asia almost double as many investors made their first investments in the region and as more local banks and funds started to work with MFIs. While microfinance services have spread rapidly in Central Asia over recent years, this growth - including external investment - has been concentrated at a small group of leading institutions. Central Asia continues to house over 1000 microfinance institutions, but more than half of the borrowers are served by the leading three percent of institutions. Hundreds of smaller, locally-run institutions still struggle to expand services and reach sustainability.

Benchmarking Azerbaijan Microfinance

By Nigar Pirmamedova, published by the Azerbaijan Micro-finance Association and the Microfinance Information Exchange, January 2008, 9 pages, available at: http://themix.org/publication_detail.aspx?publicationID=228

Based on data from 11 microfinance institutions (MFIs), this report covers major changes in Azerbaijani microfinance from 2004 through 2006, highlighting an expansion in scale and outreach as well as an increase in operational efficiency and overall productivity. In an environment of rapid economic growth Azerbaijani MFIs increased active borrowers to 223,000 and reported a total loan portfolio of USD 316 million as of September 2007. However, significant portions of the population are still underserved, including those in rural areas and women, who comprised 38.2 percent of borrowers in 2006.

Despite increased outreach and growth, gains were concentrated in a few institutions. In 2006, gross loan portfolio (GLP) increased by 33 percent, but 90 percent of this growth originated from three institutions. Notably the Micro Finance Bank of Azerbaijan (MFBA), an MFI with 2007 total assets of USD 133.3 million, accounted for 53 percent of GLP growth. Similarly, increases in outreach were focused in a small number of institutions with the Foundation for International Community Assistance (FINCA) Azerbaijan contributing 58 percent of nationwide growth in borrowers.

Profitability continues to improve, with increases of 14.7 percent in operational self-sufficiency (OSS), 152 percent in return on equity (ROE), and 50 percent in return on assets (ROA).

The author cites an increase in average debt-equity ratio from 0.4 to 1.6 as indicative of increased trust in the sector by investors and donors. However, local commercial banks tend to charge higher interest rates, and most commercial capital comes from abroad, with domestic funds largely supplied by the government.

Four legal and regulatory restrictions are discussed: a lack of legislation specific to MFIs, a 22 percent tax on profits, a prohibition on collecting savings and a requirement for non-governmental organizations to register as credit organizations in order to provide banking services. The author also notes that "MFIs have not invested sufficiently in data collection and impact assessments."

Pirmamedova concludes by noting that Azerbaijani microfinance has significant growth potential, but that the sector is still behind other countries in the region.

Performance and Transparency: A Survey of Microfinance in South Asia

By Blaine Stephens and Hind Tazi, published by the Microfinance Information Exchange (MIX), January 2006, 100 pages, available at: http://microfinance.gateway.com/files/31049_file_MIX_South_Asia_Performance_and_Transparency_2_.pdf

This report is based on research conducted by the Microfinance Information Exchange (MIX) on 125 microfinance institutions (MFIs) in Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka. The authors analyze performance and transparency by institution and country and by comparing the region as a whole against others. Microfinance in South Asia has been hampered by poor financial reporting, poor outreach and industry associations' failure to advocate for greater transparency and wider use of reporting standards.

The authors note that South Asian MFIs serve more borrowers than any other region (50 percent of the global market), focus on women (whom constitute 85 percent of regional borrowers) and reach the poorest of the poor with average loan balances below 25 percent of gross national income (GNI) per capita. Additionally, South Asian MFIs have grown at an absolute rate second to none (adding nearly 3 million borrowers out of total 3.7 million global growth), are highly capitalized by banks and other financial institutions (funding 80 percent of their assets from loans) and are efficient (14 cents spent per dollar of loans) and productive (staff members serve nearly 50 percent more customers than in other regions).

Average portfolio quality is poor, with over seven percent of loans at risk (with late payments greater than 30 days). However, the authors note that much of the regional risk is concentrated in Pakistan and Sri Lanka. Despite extremely low cost structures, South Asian MFIs are the least profitable, on average, of any world region. However, there are numerous examples of highly self-sustainable institutions, mostly based in Bangladesh. Notably, average profitability in the region is driven down by Afghanistan and Pakistan. The authors also found that increasing scale was crucial for achieving sustainability, with financial revenue increasing dramatically after MFIs reach 10,000 clients.

The authors evaluate regional microfinance transparency by covering the following eight "Building Blocks" of transparency: management information systems, internal controls, external audits, performance measurements, benchmarking, performance standards, ratings and supervision.

The state of MFI performance reporting in South Asia is characterized by poor reporting outside of the leading institutions. Many MFIs also obtain audits, but non-governmental organizations (NGOs) providing integrated services often do not separate their microfinance activities, which makes evaluation difficult. Moreover, in many areas, local auditors are not educated on accepted international standards and produce reports which fall short. Increased education on international MFI reporting standards for both institutions and auditors is presented as the solution.

Performance monitoring is stressed as a potential key to development throughout the region, and the authors encourage the building of long-lasting associations and projects in each country to report on a broad range of institutions using accepted reporting standards.

Independent ratings, another important component of transparency, are not readily available in South Asian countries outside of India. The cost of ratings continues to be a barrier for many MFIs. Thus, support from national microfinance associations for the establishment of local ratings expertise is emphasized as an opportunity for improvement.

Finally, there is much room for progress in regulation and supervision. Because MFIs are constituted as different types of entities, regulations and reporting standards are inconsistent and information is decentralized.

New Partnerships for Innovation in Microfinance

By Ingrid Matthäus-Maier and J.-D. Pischke, published by Springer, 2008, 388 pages, available for purchase here (table of contents free of charge): <http://www.springer.com/business/finance/book/978-3-540-76640-7>

Three types of partnerships are examined in this book. The first focuses on equity investments in microfinance, especially the possibilities for engaging private investors through structured microfinance investment funds, with rating agencies providing more transparency in this area. The second focuses on collaboration among microfinance providers, governments, private investors and technology companies which help microfinance institutions to integrate new technologies into their business models, reducing cost and increasing outreach to clients. The last type of partnerships covers micropensions, microinsurance and the role of securitization for the future of microfinance.

Benchmarking Arab Microfinance 2006

By Ranya Abdel-Baki and Hind Tazi, published by Sanabel Microfinance Network of Arab Countries and the Microfinance Information Exchange, January 2008, 16 pages, available at: http://themix.org/publication_detail.aspx?publicationID=230

This report analyzes the performance of 37 Arab microfinance institutions (MFIs) from nine countries with additional outreach data from a regional survey of 97 microfinance service providers. At the end of 2006, microfinance institutions in the Arab region had loan portfolios totaling USD 910 million and reaching over 2.1 million clients. The sector had increased transparency and relatively strong outreach with an average of 13,000 clients per institution and 162 borrowers served per staff member.

Large-scale, sustainable microfinance institutions had the highest outreach levels, serving 77 percent of regional borrowers, though they represented only half of the sampled institutions.

Outreach was concentrated in Morocco and Egypt with eight large institutions serving 80 percent of the region's total market, with an average of 50,000 borrowers each.

Despite Egypt's large population and high poverty rate, the 27 Egyptian MFIs sampled served only two percent of the poor population, ranking alongside Yemen among the least-served markets in the region.

In Palestine and Lebanon, conflict and war were significant obstacles to MFI operations, causing a doubling of portfolio at risk over 30 days and a 50 percent increase in loan provisioning costs. Outreach dropped from 33,149 borrowers in 2005 to 30,932 in 2006 with a three percent drop in median growth.

MFIs in the region were largely dependent on donations and retained earnings for the financing of their loan portfolios, with more than 50 percent of assets funded by equity. Savings mobilization remained virtually nonexistent in the region because of legal constraints. Morocco was the only country able to raise significant amounts of capital through commercial financing, with its large institutions raising just over USD 2.00 in debt for every USD in equity.

The authors cite low revenues due to inefficient loan management in smaller microfinance institutions as causing the Arab microfinance sector to lose 0.5 percent in 2006. Large Arab MFIs were extremely profitable with a return on assets of 3.2 percent.

Microfinance in Russia: Benchmarks and Analysis

Published by the Russian Microfinance Center and Microfinance Information Exchange, February 2008, 20 pages, available at: http://www.themix.org/pub_popup.aspx?publicationID=232

This report, available in Russian and English, includes benchmark data and analyses of legislation regarding microfinance, development tendencies within the sector and the major characteristics of Russian microfinance institutions.

The report uses high-level trend data from more than 180 microfinance providers and gives a more detailed performance data for 20 institutions.

Stemming the Tide of Mission Drift: Microfinance and the Double Bottom Line

By Christina Frank, published by Women's World Banking, April 2008, 23 pages, available at: http://swwb.org/files/pub_lang_WWBworkingpaper.pdf

Microfinance institutions (MFIs) are less likely to lend to women and more likely to make larger loans once they are "transformed" from nonprofit lenders to regulated financial institutions according to this paper.

The study examined the five years after "transformation" for 27 organizations and compared them to 25 that had not commercialized. On average, it found the proportion of women served by transformed institutions dropped from 88 percent to 60 percent. It also found that average loan sizes were two to three times greater than those of non-commercialized outfits.

The findings are troubling, suggests Time magazine, because they may demonstrate a drift from many of the original tenets of microfinance - a focus on lending to women and the poorest segments of society. Women have traditionally been considered better clients because they are less likely to spend money on consumable goods and more likely to use funds to fulfill social needs, such as health care and education. Larger loan sizes may serve as evidence that banks are increasingly turning away from the very poor, who tend to take out smaller loans - though the WWB study suggests this finding might be a result of improving economic conditions.

As commercialization has gained in popularity in recent years, this question is raised: Do commercialized MFIs become more interested in serving their investors than in serving the poor?

The study does acknowledge several benefits of MFI transformation. Transformed institutions tend to extend their borrower reach and diversify their product offerings. The study reveals that the number of active borrowers increased by 30 percent a year on average for commercialized MFIs, compared to 25 percent for the nonprofits. Also, since many countries do not allow nonprofits to take deposits, savings accounts are more widely available with transformed MFIs. The number of savings accounts grew by an average of 45 percent annually for the commercialized institutions, while those in the non-commercialized group that were already able to offer such accounts only saw 28 percent average growth. ♦♦♦

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