

## 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

### 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

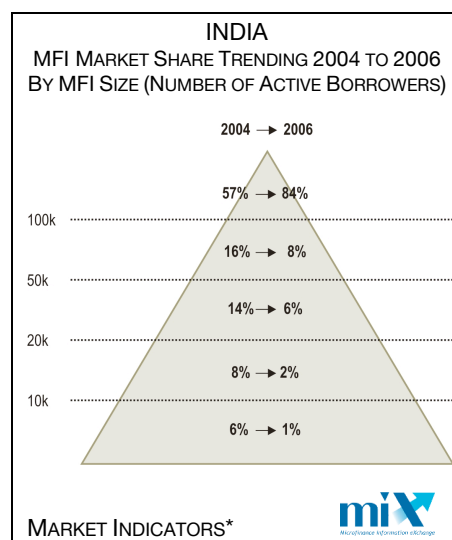
### IFC and Standard Chartered Offer Notes Backed by Loans to MFIs

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...May 27. 2008\*

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## MICROCAPITAL BRIEFS

### 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 MFDAQ 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 (MFDAQ). WASEI is a for-profit microlender owned by US nonprofit Micro Venture Support. MFDAQ 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

### 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

### 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

### 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



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## PIONEERS IN MICROFINANCE

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



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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.*



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

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