



MICROCAPITAL BRIEFS | TOP STORIES

European Investment Bank Rolls Out \$38b for SMEs

The European Investment Bank (EIB) is indirectly assisting small and medium-sized enterprises by making the equivalent of USD 38 billion available over three years for on-lending by banks and for technical assistance to microfinance institutions (MFIs). EIB will accept half of the on-lending risk to encourage banks to get the money out the door. The technical assistance for MFIs is intended to make larger banks less hesitant to lend to them. February 26, 2009

FINO Launches Microfinance Credit Bureau in India

Financial Information Network & Operations (FINO) of India has launched Sayana Ravi, a credit bureau for poor people and the institutions that serve them. Transaction amounts and repayment histories are analyzed to give credit scores that are stored on biometric smart cards. February 26, 2009

Kenyan Banks Accused of Cheating to Woo Top MFI Borrowers

The *East African* newspaper recently reported that Kenyan microfinance institutions (MFIs) are feeling squeezed by commercial banks, which have begun to offer better terms and looser conditions to the best performing microfinance clients. MFIs may have trouble competing with commercial banks, as they often rely on loans from those same banks and have to mark up the interest rates to cover their costs. Peter Njoroge Karanja, Executive Director of the Kenya Federation of Self Help Associations, has alleged that some commercial banks are capitalizing on inside information they gain when lending to MFIs: "Banks have access to groups' savings portfolio and use the information to determine the most bankable of the groups." February 11, 2009

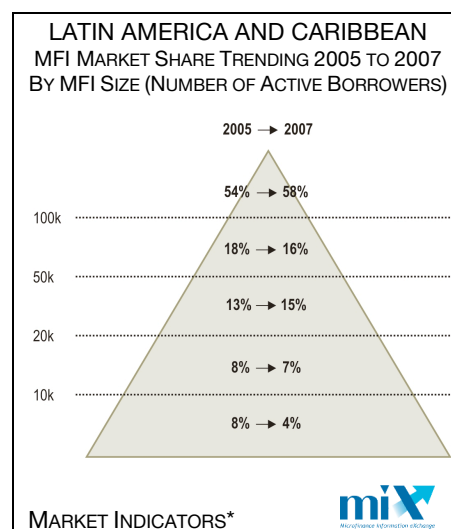
President's Infamous Brother Floods Ugandan Market with \$133m

The government of Uganda has set aside the equivalent of USD 133.7 million for subsidized loans from the government-owned Microfinance Support Center (MSC) to individuals and small businesses via Savings and Credit Cooperative Societies (SACCOs). MSC will make loans at interest rates of 0 to 13 percent to SACCOs, which will charge borrowers up to 17 percent interest, as compared to 20 to 30 percent usually charged by for-profit institutions. Overseeing the program is the controversial Salim Saleh, State Minister for Microfinance and brother to President Yoweri Museveni. In 1998, Mr Saleh resigned from a presidential advisory post following allegations that a company in which he was a major stakeholder was involved in an illegal purchase of bank shares. In separate incident, he earned a commission of USD 800,000 purchasing unusable helicopters for the Ugandan army. He was appointed State Minister for Microfinance by his older brother in 2006, with a public warning to not "get into new problems." February 5, 2009

*Want More? Subscribe Today

This month our subscriber edition includes 14 pages brimming with the best microfinance news available, including many more briefs, event listings and reviews of current research. We invite you to request a free sample via info@microcapital.org.

INSIDE	Page
Thank You to... Our top supporters	2
MicroCapital Briefs Microfinance News	3*
Market Indicators Courtesy of the MIX	*
Upcoming Events Industry conferences	*
Paper Wrap-ups Latest research and reports	5*
Monitor Subscriptions Subscribe, renew or advertise via MicroCapital.org or +1 617 648 0043	7



THANK YOU from the MicroCapital Monitor

THE MICROFINANCE NEWSPAPER

During 2008, the following organizations supplied tremendous support to our efforts to maintain the candid coverage you have come to expect from us, your microfinance newspaper. Thank you for your readership!



MICROCAPITAL BRIEFS

Compartamos Reports Results

Banco Compartamos of Mexico has announced audited financial results for 2008, including the total number of active clients up 38 percent to 1,155,850, total loan portfolio up 37 percent to the equivalent of USD 383 million, net income up 28 percent to USD 75 million and 62 new service offices, for a total of 314. February 26. 2009

FREE
PREVIEW
EDITION*

CDC Group Invests \$30m in Asian and African Funds

CDC Group, a UK-backed fund of funds with net assets of USD 4 billion, has invested USD 15 million each in two microfinance funds. One is the India Financial Inclusion Fund (IFIF), which focuses on rural areas in India and is managed by Caspian Capital Partners. The other is Catalyst Microfinance Investors, which will make placements in greenfield microfinance institutions in India, Pakistan, Nigeria and Ghana. Catalyst is managed by a joint venture between ASA of Bangladesh and Sequoia, a Dutch corporate finance boutique. February 24. 2009

NCR, FINO to Install 30,000 Smartcard Deposit Machines in India

Financial Information Network and Operations (FINO), an Indian technology company that produces biometric smartcards, and automated teller machine (ATM) manufacturer National Cash Register Corporation (NCR), have unveiled an ATM that uses smartcards. Over the next five years, FINO has committed to rolling out 30,000 machines, which recognize 14 languages. Smartcards, which are electronic passbooks that can hold transaction records and biometric data, such as fingerprints, are especially helpful in serving illiterate customers. With global revenues of USD 4.97 billion NCR claims 70 percent of the ATM market share in India. February 4. 2009

Tanzania's PRIDE Anticipates Deposit License By December

Promotion of Rural Initiatives and Development Enterprises (PRIDE) of Tanzania anticipates securing a microfinance banking license by the end of 2009. Upon receipt of the license, PRIDE will transform into two separate institutions: a nonprofit social service provider and a licensed financial institution. Backed by the Norwegian Agency for Development Cooperation and the Swedish International Development Cooperation Agency, PRIDE reports total assets of USD 34.1 million, a debt-equity ratio of 705 percent, return on assets of 0.41 percent, 82,000 active borrowers and an average loan balance of USD 307. February 4. 2009

German Development Agency Trains Yemeni Central Bankers

The German Development Agency (GTZ) has begun a series of twelve microfinance workshops for employees of the Central Bank of Yemen in anticipation of a microfinance law under consideration by the Yemeni Parliament. The 13 MFIs in Yemen serve 31,000 clients, out of a population of 21.6 million. January 30. 2009

Bank Indonesia Welcomes Foreign Banks to Microfinance

Bank Indonesia Deputy Governor Mulyanaman D Hadad stated recently that the entry of foreign banks into the microfinance sector in Indonesia will have a positive impact on expanding the reach of financial services and that Indonesian banks should not be concerned. The Indonesian microfinance industry is large, although dominated by the storied governmental Bank Rakyat Indonesia that serves 3.5 million active borrowers. January 27. 2009

(Please refer to the subscriber edition for all eight pages of briefs.)

How social are you?

MicroFinanza Rating:
the best partner for social and credit rating

info@microfinanzarating.com
www.microfinanzarating.com

MICROFINANZA RATING | Milan | Quito | Managua | Nairobi | Bishkek

**WE VALUE YOUR
DOUBLE BOTTOM LINE
GIRAFE & SOCIAL PERFORMANCE
RATINGS**

PARIS - LIMA - DAKAR
KAMPALA - BEIRUT

RATING@PLANETRATING.COM | WWW.PLANETRATING.COM

PERFECT POINT PARTNERS
Consultants for Microfinance and Microenterprise

www.perfectpointpartners.com

MicroCapital Monitor

Want your news covered?
Send it to us at
info@microcapital.org

2nd ANNUAL GLOBAL MICROFINANCE INVESTMENT CONGRESS

May 19-20, 2009 | New York, NY

THE PREMIER DEAL MAKING EVENT FOR THE WORLD LEADERS IN MICROFINANCE INVESTMENT

American Conference Institute & PlaNet Finance have assembled a panel of key representatives from the major foundations active in the microfinance space. These industry pioneers will share unique approaches to microfinance support, drivers behind investing in this vehicle for social change, and reasons for microfinance as a viable investment option for both social & capital investors alike.

Featuring addresses from the following major foundations:

- The Citi Foundation - The Rockefeller Foundation

Presented By:

In Association With:



Valued Media Partner:



Register Now: "As an affiliate of Microcapital, you are entitled to a \$300 discount when registering with priority service code "SP2". To register call 888.224.2480 or visit: www.MicrofinanceCongress.com

ACCION

Harvard Business School (HBS) and ACCION International invite you to apply for high-level strategy and leadership training for those shaping the microfinance industry—including CEOs of leading microfinance institutions and executives of mainstream banks.

HBS-ACCION PROGRAM ON STRATEGIC LEADERSHIP FOR MICROFINANCE

APRIL 13-18, 2009

BOSTON,
MASSACHUSETTS

www.accion.org/hbs

Expanded for its fourth year, HBS's world-renowned faculty will discuss:

- *Succeeding in highly competitive financial sectors*
- *Maintaining a social focus in a commercial setting*
- *Reaching new business segments*
- *Evolving products and delivery channels*

Apply early: space is limited to 60 participants.
Applications accepted until January 15, 2009.
Details and applications at accion.org/hbs.



HARVARD
BUSINESS
SCHOOL

EXECUTIVE EDUCATION

PAPER WRAP-UPS

Shedding Light on Microfinance Equity Valuation - Past and Present

By Nicholas P. O'Donohoe, Frederic Rozeira de Mariz, Elizabeth Littlefield, Xavier Reille, and Christoph Kneiding, published by CGAP (Consultative Group to Assist the Poor), February 2009, 40 pages, available at: <http://www2.cgap.org/gm/document-1.9.9021/OP14v3.pdf>

This paper is an empirically grounded analysis of how financial valuation methods are applied by external actors to microfinance institutions (MFIs) and other lending institutions with poverty alleviation goals. This is made possible by CGAP's (Consultative Group to Assist the Poor's) data on 144 private equity transactions, the largest such dataset gathered to date, as well as information on ten MFIs and other low-income focused lenders that have raised funds by issuing securities.

Investor Interest and Constraint

Equity investment in MFIs, whereby the organization injecting funds takes an ownership stake in the future profits of the MFI, has been limited to date compared to debt financing, whereby an investor extends a loan to a MFI that leaves no ownership claim after repayment. At the same time, interest has been

FREE
PREVIEW
EDITION*

growing markedly in the former approach. There were 24 specialized microfinance equity funds with total assets of USD 1.5 billion under management at the end of 2008, while institutional investors such as pension fund Stichting Pensioenfonds ABP, a pension fund for Dutch government workers, have made microfinance equity allocations of over USD 100 million as part of socially responsible investment strategies. Likewise, well-known private equity houses Sequoia and Legatum have made significant forays.

However, a major limitation to drawing in equity to MFIs has been the lack of organized secondary markets (i.e. stock exchanges) for microfinance securities, meaning that an investor which places money into an MFI cannot then sell its ownership claim to another party with ease. Indeed, only two MFIs are actively traded in secondary markets. Equity Bank of Kenya is listed on the Nairobi Stock Exchange, while Mexican bank Compartamos is traded over-the-counter between stock dealers in New York and Mexico City. Consequently, most equity investment in MFIs has been undertaken through private placements - investors going straight to the receiving institution and negotiating an ownership claim on future profits in exchange for a fixed sum of money. The study therefore principally looks at how the valuation process works in these instances, although it offers some insights into public MFIs as well.

Core Findings

MFIs will be affected by the global financial crisis, but remain fundamentally sound. Specifically, MFIs will be hurt by higher interest rates on funds that they borrow from other financial institutions to on-lend to microentrepreneurs, and in turn their valuations by outside investors looking to provide equity financing will be diminished as MFI profitability temporarily declines. Nonetheless, their robust performance will keep operational credit flowing and, in the long term, raise their valuation numbers once the high cost of such capital comes down.

There is a lack of consensus over the value of MFIs amongst private equity firms looking to make equity placements. The need to project highly volatile streams of future profits, along with occasionally weak or non-standard accounting practices is a major contributor to this valuation diversity.

Publicly listed low-income financial institutions (LIFIs) - which in many ways mimic the goals and operations of MFIs - were aggregated into a securities index. It outperformed a broader index of global financial institutions by 238 percent since 2003. However, the difference has been just 8 percent since September 2008, when investment bank Lehman Brothers collapsed.

(Continued in the subscriber edition; please refer to the subscriber edition for all four pages of paper wrap-ups.)



2ND ANNUAL MICROFINANCE FORUM IMPLEMENTING INNOVATIVE TOOLS & OPENING NEW HORIZONS

March 19th, 20th 2009
Vienna, Austria



REGISTER AT: www.uniglobalresearch.eu

Today Microfinance practitioners and donors are increasingly focusing on expanding financial services to Microfinance clients pushing Microfinance into the main stream.

Several questions remain unanswered: Is Microfinance an investible asset class or is it considered as a bottom-up development model to today's financial institutes?

This Conference follows the major success of our event in March 2008 in Budapest: During this year's unique event we will examine new innovative tools and strategies to successfully operate in the Microfinance sector. Discover new opportunities and find solutions to overcome the challenges, and maximize profit whilst minimizing the risks.

We will take a look at the future potential of this market and how to improve growth whilst considering cost reduction strategies. This event will show case the best Microfinance experts who will share knowledge and highlight strategies for future success.

PARTNERS



SUPPORTED BY



MEDIA PARTNER



LATIN AMERICA - CARIBBEAN REGIONAL MICROCREDIT SUMMIT 2009

CARTAGENA
COLOMBIA
JUNE 8-10

SAVE THE DATE

Join the **President of Colombia Álvaro Uribe, Nobel Peace Prize Laureate Muhammad Yunus**, and more than 1,000 microfinance leaders and other stakeholders at the Latin America - Caribbean Regional Microcredit Summit to be held in Cartagena, Colombia from June 8-10, 2009.

We are pleased to announce that the **Microcredit Summit Campaign** has partnered with **Banca de las Oportunidades** to host the Summit.

We hope that you will save the date and plan on joining us.



photo | Poverty Fighters



MICROCREDIT SUMMIT CAMPAIGN
A Project of RESULTS Educational Fund

Summit Organizers |
Microcredit Summit Campaign
Banca de las Oportunidades

info@microcreditsummit.org
www.microcreditsummit.org

Twice the visibility. Clear value. Take advantage of the 20/20 Deal today!

Microfinance
InsightsTM
An Intelicap Publication

And

 **MicroCapital Monitor**
THE MICROFINANCE NEWSPAPER

Present the **20/20** Deal

Microfinance Insights (www.microfinanceinsights.com) and
MicroCapital Monitor have a clear vision of

how to help you get the most for your advertising investment.

Put an advertisement in both publications* and take 20% off on both advertisements!

*Must confirm advertisements in both publications within a 7 day time span.

Deal applies to full and half page advertisements. Contact lindsay@mfinsights.com or call +91-22-4035 9209

SUBSCRIBE TO THE MICROCAPITAL MONITOR

Issues of the MicroCapital Monitor are available only by subscription. Subscribe today to support a representative voice for micro-bankers and microcapital investors by visiting MicroCapital.org or calling us at +1 617 648 0043. All subscriptions include twelve monthly issues plus access to all back issues. Rates are as follows:

Bronze: USD 149 per year

Sent to one email address

Silver: USD 299 per year

Sent to three people at an organization

Gold: USD 699 per year

Customized, organization-wide access

Discount: USD 99 per year

Available only OUTSIDE rich countries

Buy One, Get One Offer!

For a limited time only, Microfinance Insights and MicroCapital Monitor have teamed up to bring our readers the opportunity to get more microfinance news more often.

Are you a MicroCapital Monitor subscriber?

Current MicroCapital Monitor subscribers will get **FREE Shipping** on a year long subscription to Microfinance Insights, the global bimonthly print magazine.

Are you a Microfinance Insights subscriber?

Current Microfinance Insights readers will get **US\$ 50 off** a year long subscription to MicroCapital Monitor, the popular microfinance newspaper.

How does it work?

Subscribe to MicroCapital Monitor today. If you're already a Microfinance Insights subscriber, just send an email to bob@microcapital.org. We'll take US\$50 off the regular MicroCapital rate!

MicroCapital Monitor

Can't wait for the next issue
of the Monitor?
**Read daily microfinance news at
MicroCapital.org**

The global information exchange
for the microfinance industry



www.themix.org



A global alliance created by



MicroCapital Monitor

Want your news covered?
Send it to us at
info@microcapital.org