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### \*Editorial: Why They Keep Telling Us What We Already Know

Please refer to the subscriber edition this item on the impact of microfinance on poverty.

### Sri Lanka Plans \$26m in Microloans to Rebuild War-Torn North

In an effort to resettle 300,000 Tamil people displaced by ethnic conflict in the northern part of the country, the Sri Lankan government has launched a USD 26 million microfinance loan program to spur agriculture and business in the region. The Central Bank of Sri Lanka will disburse the funds at a concessionary rate of 6 percent interest to "participating financial institutions," including the Bank of Ceylon, People's Bank, Hatton National Bank, Commercial Bank, Seylan Bank and SANASA Development Bank. Loans will be limited to the equivalent of USD 1740, with an interest rate of 12 percent for five years. July 16, 2009

### Leapfrog Fund Raises \$44m for Microinsurance

The LeapFrog Financial Inclusion Fund has raised USD 44 million, which it will invest in microinsurance in Africa and Asia. Investors include the European Investment Bank, Fiduciary/Claymore Opportunity Fund, Omidyar Network, Triodos-Doen Foundation, Hivos-Triodos Fund, ACCION International, Calvert Large Cap Growth Fund, wealth manager Felipe Medina and LeapFrog insiders. June 19, 2009

### CGAP MICROFINANCE DEALBOOK

MICROFINANCE CAPITAL MARKET  
TRANSACTIONS EVERY MONTH

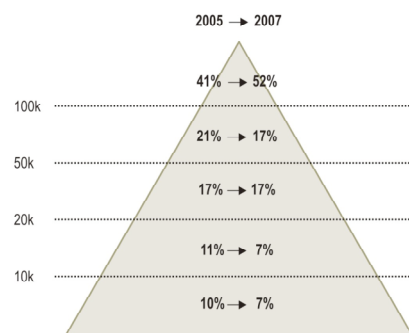
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MFI MARKET SHARE TRENDING 2005 TO 2007  
BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



MARKET INDICATORS\*






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## MICROFINANCE DEALBOOK

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### TOP JUNE 2009 MICROFINANCE TRANSACTIONS

The CGAP Microfinance Dealbook publicizes microfinance capital market transactions in an effort to bring greater transparency to the industry. Additional deals and further details on the below transactions are listed at <http://www.microcapital.org/cgap-microfinance-dealbook>. Parties to microfinance transactions are also encouraged to submit their deals via this website.

Investor	Investee	Region	Amount (USD)	Type
Small Industries Development Bank of India	Equitas Microfinance Ltd	SA	20,500,000*	Debt
European Bank for Reconstruction and Development	Azerdemiryol	ECA	10,000,000	Debt
Investment AB Kinnevik	MicroVest II	**	10,000,000	Unspecified
FMO (The Netherlands Development Finance Company)	Leapfrog Financial Inclusion Fund	**	6,400,000	Equity
International Finance Corporation	MI-BOSPO	ECA	5,600,000	Debt
Triodos Fair Share Fund & Triodos Microfinance Fund	Crear Arequipa	LAC	5,005,061*	Debt
Triodos Microfinance Fund	Mibanco	LAC	3,500,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Mibanco	LAC	3,040,541*	Debt
responsAbility Global Microfinance Fund	ProCredit Ecuador	LAC	3,000,000	Debt
responsAbility Global Microfinance Fund	Crear Arequipa	LAC	2,770,727*	Debt
Oikocredit	Equitas Microfinance Ltd	SA	2,502,914*	Debt
Triodos Fair Share Fund & Triodos Microfinance Fund	FFP FIE	LAC	2,500,000	Debt
Dia Vikas Capital (Opportunity International Australia)	ESAF Microfinance and Investments	SA	2,500,000*	Equity
Dexia Micro-Credit Fund (BlueOrchard Finance)	Kompanion Financial Group	ECA	2,000,000	Debt
Hivos-Triodos Fund & Triodos Fair Share Fund	FINCA Ecuador	LAC	2,000,000	Debt
responsAbility Global Microfinance Fund	Cafe Peru	LAC	2,000,000	Debt
Bistum (responsAbility)	ProCredit Ecuador	LAC	1,542,793	Debt
Bistum (responsAbility)	Azerdemiryol	ECA	1,542,793	Debt
responsAbility Global Microfinance Fund	Nueva Vision	LAC	1,509,031*	Debt
Hivos-Triodos Fund & Triodos-Doen	MFX Solutions	**	1,500,000	Equity
Vision Microfinance Fund	Crezkamos Kapital	LAC	1,500,000	Debt
Oikocredit	CDC	SA	1,042,881*	Debt
Oikocredit	Credible	SA	1,042,881*	Debt
International Finance Corporation	XacLeasing	ECA	1,000,000	Debt
Oikocredit	Frontiers	ECA	1,000,000	Debt
responsAbility Global Microfinance Fund	Credit MFI	EAP	1,000,000	Debt
Vision Microfinance Fund	BanDelta	LAC	1,000,000	Debt
Vision Microfinance Fund	Sunrise MKF	ECA	710,000	Debt
Locfund	Unspecified	LAC	700,000*	Debt

**Regions:** EAP - East Asia and Pacific, ECA - Europe and Central Asia, LAC - Latin America and Caribbean, MENA - Middle East and North Africa, SA - South Asia, SSA- Sub-Saharan Africa

**Local Currency:** Deals denominated in local currency are indicated by an asterisk (\*) in the "Amount" column



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## MEET THE BOSS

*Isabelle Levard is Deputy CEO of MicroCred.*

### Isabelle Levard

*MicroCapital: Please describe MicroCred.*

IL: MicroCred is an investment company founded by PlaNet Finance that creates, builds and manages microfinance institutions. In 2005, it was created by Arnaud Ventura, who was then the CEO of PlaNet Finance. (Mr Ventura then became President of MicroCred and Vice President of PlaNet Finance.) MicroCred institutions do not have a bank status in all countries, but we do our best to obtain bank status so that we can collect savings. As of end of May 2009, we have four operational institutions in Mexico, Madagascar, Senegal and China, which serve more than 30,000 clients and manage an outstanding portfolio of EUR 18 million. We have more than EUR 1 million of savings and around 15,000 savers. We are about to launch new operations in Nigeria and Ivory Coast. Our plan is to launch two new institutions per year, with a goal of having 15 in operation by 2013.

*MC: What is your personal background?*

IL: Before joining MicroCred, I led the development of Planet Rating and structured it as a private company within the PlaNet Finance Group. Before joining PlaNet Finance, I served on the management team of a leading venture capital fund in London investing mainly in mid-cap and start-up information technology companies. I also spent almost two years traveling the world, particularly in Africa, reporting on the use of information technologies in emerging economies. I joined MicroCred in December of 2006 as Chief Strategy Officer before being appointed to the Deputy CEO position at the end of 2008.

*MC: What is MicroCred's vision?*

IL: MicroCred's vision is to offer responsible financial services to people in emerging countries with no access to financial services. In order to do so, MicroCred establishes start-up (greenfield) microfinance banks and non-bank financial institutions. We are very careful to offer responsible lending products and to behave responsibly with regard to our staff.

*MC: What is your process to establish a new microfinance institution?*

IL: There are three main stages. The first stage is the identification and assessment stage; it consists mainly of a market study. On a continuous basis we have people identifying new opportunities worldwide. Once we have identified a promising country, we meet with banks, investors, competitors, regulators and central bankers.

The second stage is pre-operational, consisting of the finalization of the equity structure, grants and technical assistance partners; the local pre-operational tasks (offices, MIS implementation and recruiting); and bank licensing.

Stage three is the launch of operations.

*MC: What are the economics of a start-up MFI?*

IL: Actually, it's quite standard. Most of our greenfield start-ups are made possible thanks to technical assistance grants provided by donors. This funding allows us to break even during the third year and to earn a positive profit during the fifth year.

*MC: Who are your investors and what are their expectations?*

IL: At the holding level we have a total of EUR 18 million in capital, and we are expecting to receive an additional EUR 3.6 million during

the next six months. Our investors are PlaNet Finance, IFC, AXA Belgium, Société Générale, IFD, EIB and Developing World Markets Equity Fund. They are mainly looking for increased numbers of clients served and an internal rate of return of 15 percent - in the long term. The first priority is providing high quality products to our clients and return is a secondary priority.

*MC: How does MicroCred make use of technology?*

IL: We've decided to use the same information system for all our subsidiaries. It is called eMerge, a spin-off of Globus. In terms of mobile money technology, MicroCred participates in the PlaNet Finance-Gates Foundation initiative for Africa and hopes to offer mobile money services to its customers soon. We believe that promoting savings won't be successful unless we offer strong means of payment. And it's not just mobile money, it's also automatic teller machines and credit cards.

*MC: How do you ensure transparency?*

IL: We follow CGAP best practices. Every month, our subsidiaries have compulsory financial and operational reporting responsibilities and those are posted on our website. Every month we publish their results including classic ratios, number of active clients, income, interest rates, portfolio at risk, etc. We want our clients to know what they are paying for in each of our subsidiaries - what they can expect. We participate in MIX Market reporting and everyone who asks for results will get them.

***We believe that promoting savings won't be successful unless we offer strong means of payment. And it's not just mobile money, it's also automatic teller machines and credit cards.***

*MC: What do you look for in local and international partners?*

IL: We look for many things. First, we like to work with banks and insurance companies that offer long-term investments. On an international level, we look to development finance institutions for technical assistance grants. When we launch a new Microcred in a new country we own 50 percent or more of the capital shares, so we are looking for people to invest with us at the subsidiary level.

*MC: On a personal level, what is the origin of your passion for microfinance?*

IL: For me it started with finance. I've always liked figures and working with numbers. Also, I was born and raised in Africa. I think that the market economy and - more specifically - financial products are key to helping developing countries. 🇳🇬

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## PAPER WRAP-UPS

### The Miracle of Microfinance? Evidence From a Randomized Evaluation

*By Abhijit Banerjee, Esther Duo, Rachel Glennerster and Cynthia Kinnan, published by CGAP (Consultative Group to Assist the Poor), May 2009, 40 pages, available at: <http://collab2.cgap.org/gm/document-1.9.34827/The%20miracle%20of%20micro%20C2%85nance.pdf>*

This study, which its authors believe to be the first randomized evaluation of the effects of microfinance, concludes that microfinance has only a small effect on the fortunes and almost no effect on the lifestyles of poor people. In this case, the term randomized refers to the random selection of 52 of 104 similar poor areas of Hyderabad, India, as locations for new branches of microfinance institution Spandana. The authors distributed a survey fifteen to eighteen months after the openings of the branches amongst an average of 65 households in each area.

After the opening of a branch, the likelihood of receiving a microloan was 27 percent in areas.... (Continued in the subscriber version.)

### Microfinance Banana Skins 2009: Confronting Crisis and Change

*By David Lascelles and Sam Mendelson, published by the Centre for the Study of Financial Innovation, June 2009, 52 pages, available at: <http://www.cgap.org/gm/document-1.9.35203/Microfinance%20Banana%20Skins%202009.pdf>*

The Microfinance Banana Skins 2009 survey explores the risks, or “banana skins,” facing the microfinance industry at a time when the global financial crisis has raised new and unfamiliar challenges. The report, the second in the series, describes the risks seen by an international sample of practitioners, investors, regulators and observers of the sector. The survey was conducted in April and May 2009 and is based on 430 responses from 82 countries. The key finding of the survey is that the economic crisis has completely transformed perceptions of the microfinance risk landscape. Microfinance institutions (MFIs), their investors and regulators are now focusing on credit risk, liquidity and global economic trends, in contrast to the top three concerns from 2008: management quality, corporate governance and inappropriate regulation. (Continued in the subscriber version.)

### The Role of Mobile Operators in Expanding Access to Finance

*By Ignacio Mas and Jim Rosenberg, published by CGAP (Consultative Group to Assist the Poor), May 2009, 4 pages, available at: [http://www.cgap.org/gm/document-1.9.34485/Mobileoperators\\_Brief.pdf](http://www.cgap.org/gm/document-1.9.34485/Mobileoperators_Brief.pdf)*

Banks and mobile operators have two different perspectives on mobile banking. Banks view it as a way to enhance services to existing customers. Mobile operators, on the other hand, focus more on reaching the mass market and unbanked. This brief assesses the capacity and incentives for mobile operators to provide financial services themselves, as opposed to acting as an intermediary. The authors conclude that mobile operators do not necessarily need to “own” the financial services associated with mobile banking.

There are several options for mobile operators to participate in financial services delivery.

The mobile operator can offer basic services where it can provide secure communications services to financial service providers, enabling transactions. Thus, the mobile operator will be in the role as an intermediary, relaying messages between the provider and customer. It can also provide “mobile wallet services”.... (Continued in the subscriber version.)