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#### Jamii Bora Trust Stakeholders Acquire Kenya's City Finance Bank

Stakeholders of Kenyan microfinance institution Jamii Bora Trust have bought a majority share in City Finance Bank. The transaction remains subject to regulatory approvals. Regarding City Finance, Kenyan newspaper *The Standard* reports: "The move comes barely a year after a consortium of local investors, Baraka Africa Fund and other individual investors acquired a 51 percent controlling interest in the bank with intentions of restructuring the losing-making institution through injection of fresh capital..." Jamii Bora recently reported a total loan portfolio equivalent to USD 38.3 million, with 329,000 loans disbursed since 1999. Jamii Bora also offers microfinance add-on services such as health insurance, which was developed in response to a finding that 93 percent of members that defaulted did so because of hospitalization of a family member. May 18, 2009

#### SKS Microfinance Raises \$15m Listing Bonds on Bombay Exchange

Indian microfinance institution SKS Microfinance has issued one-year, 10-percent bonds for listing on the Bombay Stock Exchange, raising the equivalent of USD 15.8 million. According to a story on the website VCCircle, SKS plans to expand its branch network from 1,350 to 1,750, increase its membership from 4 million to 6.5 million and double its gross loan portfolio to USD 1.1 billion this year. SKS CFO Dilli Raj stated that the bond listing helps diversify funding sources and enhance public accountability and corporate governance. May 22, 2009

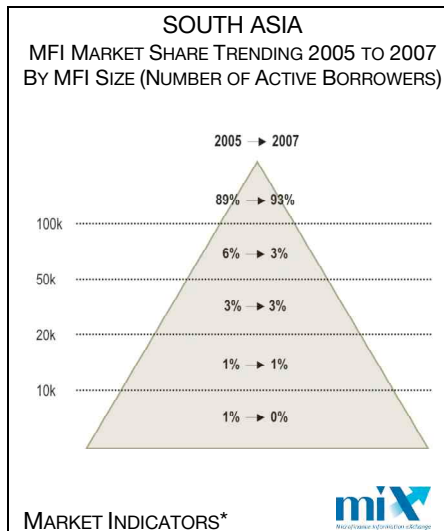
### CGAP MICROFINANCE DEALBOOK

MICROFINANCE CAPITAL MARKET  
TRANSACTIONS EVERY MONTH

DEALBOOK PAGE 4



INSIDE	Page
<b>MicroCapital Briefs</b>	*
Microfinance news	
<b>Upcoming Events</b>	*
Industry conferences	
<b>Market Indicators</b>	*
Courtesy of the MIX	
<b>CGAP Microfinance Dealbook</b>	4
Capital market transactions	
<b>Meet the Boss</b>	6
Jean-Pierre Klumpp, BlueOrchard	
<b>Paper Wrap-ups</b>	7*
Latest research and reports	
<b>Monitor Subscriptions</b>	8
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### TOP MAY 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
European Fund for Southeast Europe	Komercijalna Banka	ECA	27,800,000	Debt
Public Offering	SKS Microfinance	SA	15,800,000*	Debt
UN International Fund for Agriculture	Rural Microfinance Development Support	SSA	13,500,000	Debt
Islamic Development Bank	Development and Employment Fund	MENA	10,000,000	Debt
Microfinance Enhancement Facility (responsAbility)	ProCredit Ecuador	LAC	8,955,555	Debt
International Finance Corporation	Caja Nuestra Gente	LAC	7,400,000	Equity
Dexia Micro-Credit Fund (BlueOrchard Finance)	Khan Bank	ECA	5,000,000	Debt
Microfinance Enhancement Facility (responsAbility)	FINCA Azerbaijan	ECA	4,975,479	Debt
Co-operative Bank, Deutsche Bank & Oikocredit	Global Co-operative Development Fund	WW	3,500,000	Debt
Finance Unlimited	Tanmeyah Micro Enterprise Services	MENA	3,162,000	Equity
Microfinance Enhancement Facility (BlueOrchard Finance)	Microinvest	ECA	3,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	Confianza	LAC	3,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	Eskhata Bank	ECA	3,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	FDL Nitlapan	LAC	3,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	ProCredit Moldova Bank	ECA	3,000,000	Debt
VDK Spaarbank	Mibanco	LAC	3,000,000	Debt
responsAbility Global Microfinance Fund	Confianza	LAC	3,000,000	Debt
Microfinance Enhancement Facility (responsAbility)	FINCA Kyrgyzstan	ECA	2,985,288	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	AgroInvest	ECA	2,694,000	Debt
African Development Bank	K-Rep	SSA	2,200,000*	Unspecified
Vision Microfinance Fund (Absolute Portfolio Management)	CMAC Paita	LAC	2,000,000	Debt
responsAbility Microfinance Leaders Fund	FINCA Georgia	ECA	2,000,000	Debt
Citadel Capital	Tanmeyah Micro Enterprise Services	MENA	1,550,000	Equity
Egyptian Gulf Bank	Tanmeyah Micro Enterprise Services	MENA	1,488,000	Equity
Oikocredit	ASKI	EAP	1,340,950*	Debt
responsAbility Global Microfinance Fund	Edpyme Alternativa	LAC	1,314,901*	Debt
Oikocredit	Crac Profinanzas	LAC	1,144,600*	Debt
Oikocredit	Edpyme Alternativa	LAC	1,144,600*	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	Sinergija	ECA	1,042,000	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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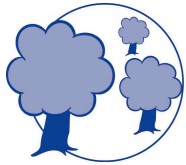


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## MEET THE BOSS

*Jean-Pierre Klumpp has been Chief Executive Officer of BlueOrchard Finance since 2008.*

### Jean-Pierre Klumpp

*MicroCapital: Would you please tell us about the history of BlueOrchard?*

JPK: The Dexia Micro-Credit Fund (DMCF), which we manage, was launched in 1998 by Dexia Asset Management. Jean-Philippe de Schrevel, at the time a financial analyst fully dedicated to this fund, founded BlueOrchard Finance in 2001 with two partners and took over the management of the microfinance portfolio for the DMCF. With just a little more than USD 10 million under management at the beginning, BlueOrchard started an impressive ascent to about USD 1 billion assets and eight microfinance investment vehicles under management today.

Gradually, the company went through some changes like many successful startups. Jack Lowe, an experienced businessman and financier, was appointed as CEO and brought BlueOrchard even closer to the capital markets. That's when our three renowned securitizations were set up - firsts in the microfinance sector. Beyond the continued success of the DMCF, this innovation really gave BlueOrchard a greater magnitude.

In 2007, we entered a third chapter, with the introduction of our Private Equity Fund, which we manage alongside several debt and structured products. An important mark of BlueOrchard's identity is being a multi-product microfinance asset manager.

*MC: What is the current scale of BlueOrchard's work?*

JPK: BlueOrchard Finance presently has over USD 830 million total assets under management. The Private Equity Fund managed by BlueOrchard Investments can currently count on USD 131 million. We work with around 140 partner microfinance institutions (MFIs) in about 40 countries worldwide.

*MC: Please describe BlueOrchard's products and funds.*

JPK: The Dexia Micro-Credit Fund is the largest fund, with USD 477 million in assets under management as of May 2009. The fund currently covers over 30 countries and nearly 100 MFIs and has disbursed more than 600 loans since inception. About 15 percent of its loans are made in local currencies. We estimate that over 400,000 clients are reached by funding provided by the DMCF.

The Saint-Honoré Microfinance Fund was designed for the Rothschild Bank. Assets under management currently amount to EUR 10 million.

The BBVA Codespa Microfinance Fund is a regional fund focused on Latin America with some of the funding performed in local currencies. BlueOrchard is advisor for the microfinance portfolio. The fund recently received a substantial subscription from CAF (Andean Development Corporation), a regional development bank, and we are in the process of deploying these funds. Assets under management amount to EUR 28 million.

Our collateralized debt obligations (CDOs) are closed-end structured finance products. We launched three CDOs between 2004 and 2007 for a total of USD 277 million. BOLD 2 won the *Financial Times* and IFC "Sustainable Deal of the Year" award in 2008.

The Microfinance Enhancement Facility (MEF) was launched early this year by the IFC and KfW in order to provide funding to qualifying MFIs in a crisis environment. BlueOrchard was chosen as one of three fund managers that will help the two institutions in deploying these funds.

*MC: What is BlueOrchard's investment philosophy?*

JPK: We invest - through MFIs - in the income-generating activities of microentrepreneurs and in the provision of financial services to those previously excluded from the financial system. We are convinced of the merits of a for-profit approach to complement other approaches targeting the base of the pyramid. Just as their end-borrowers have to become autonomous through the profit they gain from the funded activity, so the MFI should also become profitable and show decent financial indicators, in order to access more and cheaper funding and be able to grow. Investors should obtain both a financial and a social return for their investments. And we as a company should also be profitable, so as to continue to be able to offer interesting and innovative investment products, while safekeeping the social impact that is associated with the work we do.

*MC: What can you tell us about your returns to investors and your price of capital to MFIs?*

JPK: The borrowing rate to MFIs is composed of a base rate (often US LIBOR at 6 months) and a margin of several points that varies depending on the risk profile of the institution and on the market situation. Investors receive the collected interests less the expenses for the management of the fund. Last year the US dollar share of the DMCF provided a return of 5.3 percent. In absolute terms, these are quite attractive returns. In relative terms, these returns were well above those of many other investment schemes in the - admittedly unusual - context of 2008.

*I like to imagine that by 2050 a Nobel Prize winner for groundbreaking research in energy production might be the grandson of a microentrepreneur in what used to be called a developing country.*

*MC: Do you have any opinions on the current economic environment?*

JPK: The direct and indirect impacts of the crisis on microfinance are a central issue for all actors involved in the sector. The potentially critical dimensions have been identified, such as currency related-risks, the loss of remittances, etc. While the impacts are real and sometimes severe, we believe that the sector overall is weathering this period quite well, considering the magnitude of the financial and economic crisis worldwide. Through our close contacts with partner MFIs and the monthly data we collect, we see some slight signs of deterioration here and there, but overall the MFIs are intelligently steering through these very turbulent times. On the other hand, the investors remained true to their long-term commitments towards microfinance, even during the stressful last months of 2008.

*(Continued on page 8)*

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## PAPER WRAP-UPS

### Microfinance Funds Continue to Grow Despite the Crisis

By Xavier Reille and Jasmina Glisovic-Mezieres, published by CGAP (Consultative Group to Assist the Poor), April 2009, 4 pages, available at: [http://www.cgap.org/gm/document-1.9.34437/CGAP%20Brief\\_MIV\\_FinancialCrisis.pdf](http://www.cgap.org/gm/document-1.9.34437/CGAP%20Brief_MIV_FinancialCrisis.pdf)

So far, microfinance funds have not been severely impacted by the global financial crisis. This report acknowledges that while emerging market funds have experienced a 20 percent sell-off, microfinance investment funds (MIVs) experienced positive returns in 2008. In fact, assets in the top ten microfinance investment funds grew by 32 percent in 2008. The report is based on: (1) a UBS report on the state of emerging markets, (2) research from CGAP (Consultative Group to Assist the Poor) and microfinance investment advisor Symbiotics on the top ten MIVs and (3) the historical performance of euro-denominated funds per the Symbiotics Microfinance Index EUR.

As of December 2008, there were 104 active microfinance funds, with total assets under management of USD 6.5 billion. The industry is very concentrated, with the top 10 funds holding about 60 percent of the asset base.

The International Finance Corporation (IFC), a member of the World Bank Group, as well as other development-oriented investors are presently active in the microfinance community and have been strengthening their portfolios in response to the credit crisis. Retail investors have also contributed to the growth of microfinance funds in 2008. For example one retail-oriented fund, the responsAbility Global Microfinance Fund, has increased by 17 percent since September 2008 and 96 percent for the year.... (Continued in the subscriber version.)

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### M-Bureaus: M-Banking's Next Killer Application?

By Alice Liu and Michael Mithika, published by USAID, April 2009, available at: <http://collab2.cgap.org/gm/document-1.9.34524/17.pdf>

The authors explore the possibility of using mobile phone payment transaction history to determine credit information for customers "at the bottom of the pyramid." Kenya is used as a case study due to its successful mobile-payment (m-payment) system. The authors worked on the assumption that most clients who make m-payments do not have access to banking services, but this assumption was proven to be false. In fact, a study by the Financial Sector Deepening Kenya (FSD Kenya) found that 70 percent of those who make m-payments use multiple banking services. However, this leaves 30 percent who do not use bank services and whose credit history may be determined through m-payments. Kenya's M-PESA m-payment system, offered by the mobile phone company Safaricom, was launched in 2007 and registered 2 million customers within one year of operation. Currently, 6 million of Kenya's 39 million people use M-PESA. By February 2009, the cumulative value of money transfers made through M-PESA was USD 1.5 billion. Zain Kenya brought competition to the sub-sector with its launch of the Zap m-payment platform in February 2009.

M-PESA records name, national ID number and date of birth for registered users, but this information falls short of the data required by credit reference bureaus. M-payment data does not include income or securities information. And although m-payments offer a history of bill payments, the actual due date for the payments is known only to the merchant and not to the payment platform. However, m-payments can be used to determine whether customers make regular bill payments.... (Continued in the subscriber version.)

### 2008 Microfinance Technology Survey

CGAP (Consultative Group to Assist the Poor) and EU/ACP Microfinance Program, March 2009, 15 pages, available at: <http://www.cgap.org/gm/document-1.9.34552/2008%20Microfinance%20Technology%20Survey.pdf>

Many microfinance institutions (MFIs) use scarce resources to fund inadequate technology projects or simply do not invest in technology at all. This limits an MFI's ability to compete. Technology can improve efficiency, accuracy and increase outreach for many MFIs. Most importantly, current technology has the potential to reduce costs. Technology is cited as one of the greatest challenges faced by MFIs globally.

In regards to loan portfolio management and what types of systems are used to manage their portfolio, 18 percent reported the use of manual systems or spreadsheets, 53 percent use custom-built software and 29 percent use off-the-shelf products. A similar survey in 2004 found that far more (46 percent) were using spreadsheets or manual systems to manage their portfolio.

The survey provides a breakdown of portfolio management systems by region and type of institution. Sub-Saharan Africa, South Asia and East Asia and the Pacific have the greatest number of MFIs using manual systems and spreadsheets. This lack of industry standardization can increase costs for MFIs.

Spreadsheets and manual systems are most common among MFIs with less than 50,000 clients. While many functions remain largely manual such as insurance, social performance, cost accounting and human resources, automated systems are widely used to manage loans, deposits, remittances and client information.

57 percent of MFIs acknowledge that funding is key obstacle to improving their information systems.... (Continued in the subscriber version.)



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## MEET THE BOSS

**Jean-Pierre Klumpp**

*(Continued from page 6)*

*MC: What trends in the industry do you foresee?*

JPK: The momentary, forced slowdown in most microfinance markets will allow the industry to tackle some negative side effects of its hyper-growth in recent years, like over-indebtedness, mission-drift, etc. Social impact measurement will also be progressively implemented, as it will be required by all public and private contributors. Beyond the crisis, a strengthened and more-capable microfinance industry will be able to grow again, as the demand remains vast.

Sustainable and socially responsible investments are gaining momentum in the current crisis context. Microfinance can be an integral part of these new schemes. If governments would gradually request their own investments to be done in a sustainable and socially responsible way, this could even open larger pools.

*MC: What drives you personally?*

JPK: I like to imagine that by 2050 a Nobel Prize winner for groundbreaking research in energy production might be the grandson of a micro-entrepreneur in what used to be called a developing country. 🇳🇵

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