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Nicaragua's "No Payment Movement" Attacks Microfinance

Approximately 4,000 Nicaraguans organized under the No Payment Movement (Movimiento No Pago) are demanding a law to give debtors a 10-year amortization period and to cap annual interest rates at 8 percent. Leaders of the group have reportedly threatened to burn microfinance institution branches and take staff members hostage if their demands are not met. November 6, 2009

BlueOrchard Private Equity Fund Takes Stake in TenGer Allowing Shareholder Exit

The BlueOrchard Private Equity Fund has acquired a 14.51 percent stake in TenGer Financial Group from an unnamed shareholder for an undisclosed sum. Existing shareholders also increased TenGer's share capital by the equivalent of USD 5.3 million, of which two thirds has been invested in XacBank and one third was used to found TenGer League Investments, through which the group will implement its international expansion strategy. TenGer recently expanded beyond Mongolia for the first time with a pilot equity investment in Mol Bulak Finance Microcredit Company of the Kyrgyz Republic. With total assets of USD 131 million, the BlueOrchard Private Equity Fund is not to be confused with BlueOrchard Finance, which makes fixed-income loans to microfinance institutions. November 4, 2009

Central Bank of Nigeria May Outsource Microfinance Supervision

The Central Bank of Nigeria and its subsidiary, the Nigeria Deposit Insurance Corporation, are reportedly "overwhelmed by the number of microfinance institutions [MFIs] in the country" and have considered outsourcing MFI regulation. The trouble has been attributed to large numbers of MFIs opening and closing, widespread regulatory non-compliance and liquidity problems caused by fraud and borrower delinquency. October 27 and November 3, 2009

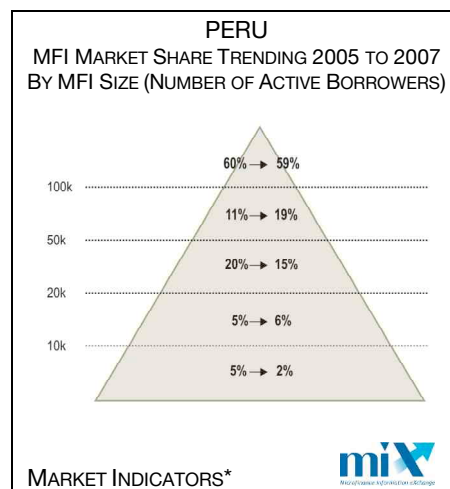
CGAP MICROFINANCE DEALBOOK

CAPITAL MARKET TRANSACTIONS
EVERY MONTH

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TOP OCTOBER 2009 MICROFINANCE TRANSACTIONS

The CGAP Microfinance Dealbook publicizes microfinance capital market transactions in an effort to bring greater transparency to the industry. Additional deals are published periodically 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
Bond Issue	International Finance Corporation	*	300,000,000	Debt
International Finance Corporation	PT Bank Tabungan Pensiunan Nasional Tbk	EAP	~70,000,000	Debt
Punjab National Bank	Bandhan	SA	~32,000,000	Debt
European Bank for Reconstruction and Development	DenizBank	ECA	~29,800,000	Debt
Small Industries Development Bank of India	Equitas Micro Finance India Private Limited	SA	~21,600,000	Debt
International Finance Corporation	Tribanco	LAC	~15,000,000	Debt
Inter-American Development Bank	Financiera Nicaragüense de Inversiones	LAC	14,000,000**	Debt
International Finance Corporation	Bank Republika	ECA	~14,000,000**	Debt
International Finance Corporation	FORUS Bank	ECA	~13,000,000	Debt
European Fund for Southeast Europe	PJSC Megabank	ECA	10,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Share Microfin Limited	SA	6,000,000	Debt
International Finance Corporation	Giros y Finanzas SA	LAC	~6,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	MIKROFIN	ECA	5,880,000	Debt
India Financial Inclusion Fund and Michael & Susan Dell Foundation	Micro Housing Finance	SA	~5,400,000	Equity
Banco de Credito del Peru	Financiera Edyficar (Purchase from IFC)	LAC	5,200,000	Equity
Triodos Microfinance Fund & Triodos Fair Share Fund	FMM Popayán	LAC	5,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	Prizma	ECA	4,410,000	Debt
ASN-Novib Fund (Triple Jump)	CRAC Senor de Luren	LAC	3,000,000	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	Sunrise	ECA	2,940,000	Debt
responsAbility Global Microfinance Fund	Crezkamos Mexico	LAC	~2,849,463	Debt
Microfinance Enhancement Facility (BlueOrchard Finance)	CREAR Arequipa	LAC	~2,500,000	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	KWFT	SSA	2,000,000	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	Opportunity Albania	ECA	1,494,150	Debt
ASN-Novib Fund (Triple Jump)	Opportunity Albania	ECA	1,480,000	Debt
ACCION Investments in Microfinance, SPC	Banco Solidario	LAC	1,227,569	Equity
Impulse Microfinance Investment Fund (Incofin)	FIE FFP	LAC	~1,148,319	Equity
MicroVentures SpA	Edpyme Alternativa SA	LAC	~1,040,000	Debt
MicroVentures SpA	Asociacion Benefica Prisma	LAC	~1,040,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	FINCA Georgia JSC	ECA	1,000,000	Debt
Global Partnerships Microfinance Fund 2008	Banco para la Asistencia Comunitaria FINCA SA	LAC	1,000,000	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	Frontiers	ECA	1,000,000	Debt
Vision Microfinance Fund (Absolute Portfolio Management)	ASP	LAC	~1,000,000	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, * - Investee location may not indicate the final destination of the funding because investee is an intermediary

Amounts: Deals denominated in local currency are indicated by a tilde (~); a double asterisk (**) indicates that the transaction included funding of non-microfinance services and the amount shown is an estimate of the allocation specifically to microfinance



MEET THE BOSS

Sébastien Duquet is the Managing Director of PlaNIS (PlaNet Investment Services), a member of the PlaNet Finance Group.

Sébastien Duquet

MicroCapital: What is your background?

SD: Until recently, I was the Managing Director of PlaNet Finance, where I have worked since 2002. Previously, I was an auditor for Andersen and Ernst & Young for ten years, and I also worked for two years at HSBC bank.

MC: Please describe PlaNet Investment Services.

SD: PlaNIS is one of the entities of PlaNet Finance Group, the international NGO. The concept is that PlaNIS acts as a bridge between international funds and microfinance institutions (MFIs). As you know, there are around one hundred microfinance investment vehicles (MIVs) in the microfinance sector. Some of those MIVs do not have a contact base with MFIs. The concept of PlaNIS is to help these international funds to finance MFIs. We help them by providing due diligence, by structuring deals and by monitoring the investments realized. Our goal is to facilitate the link between MIVs and MFIs. We are a team of ten permanent staff, and we manage a portfolio of USD 160 million with 75 active MFIs. In the last two years we have financed more or less one hundred MFIs.

MC: What is the working relationship between the NGO PlaNet Finance and PlaNIS?

SD: Thanks to PlaNet Finance network, and based on the knowledge we have built in many countries, we are able to provide close monitoring of portfolios and MIVs in many countries. Beyond the ten employees of PlaNIS, we leverage the 700 employees all over the world working for PlaNet Finance, providing us a very important advantage. In this way, we are unique: able to use our field presence to receive proper information on MFIs and the sector in many countries. Being part of PlaNet Finance group is definitely an asset in that sense. At the same time, we are very careful to avoid any potential conflict of interest with other entities of the PlaNet Finance group.

MC: Please describe the three services you offer: debt financing, currency hedging and private equity financing.

SD: Today we are mostly active in debt or fixed-income transactions, mainly with responsAbility, a Swiss asset management company dedicated to microfinance and also independent media. When it comes to hedging, we are working on a project called MICROFIX. The idea is to provide MFIs with hedging solutions to manage currency risk. Our partnership in this area is with TCX (The Currency Exchange Fund), a large Holland-based currency fund. Though it is currently still in the pilot phase, we expect that within a semester MICROFIX will become active. Finally, we are not currently advising any equity funds, but we are considering partnering with some. The idea is not for PlaNIS to have many partners but to partner with leading funds (such as TCX for currency or responsAbility for fixed income). We take our time to select the best partner.

MC: Please describe in greater detail your relationship with TCX.

SD: We aim to help TCX (and some traditional international commercial banks) provide MFIs with currency hedging solutions by facilitating the links between TCX and MFIs, reducing the transaction costs for TCX and trading desks of international banks to allow lower-size swaps of about USD 1.5 million.

MC: Please describe the relationship with responsAbility.

SD: We are one of responsAbility's investment partners. We have organized a team of ten experts that are split among regional investment offices to monitor the microfinance sector and maintain relationships with MFIs in need of financing. So we source MFIs on behalf of responsAbility. Then we have a team dedicated to research and analysis that provides quality risk analysis on selected MFIs and that advises responsAbility on investments using our scoring methodology, which is validated by our internal credit committee. We also offer a dedicated team in what we call GPS (Global Portfolio Support). It is a specialized structure that monitors the risk of the portfolio through monthly reports to our fund partners. In sum, what we do for responsAbility, and for the other fund we advise, is source MFI investment, analyze credit risk and monitor the risk. We have been working with responsAbility for the last four years.

The idea is not for PlaNIS to have many partners but to partner with leading funds such as TCX for currency or responsAbility for fixed income.

MC: What is the scale of your advisory business?

SD: We have structured about 250 credit lines to MFIs, and so we have financed 100 MFIs in the last four years. And those MFIs are split among all continents. PlaNIS is among very few to have financed MFIs in Africa, which we did using PlaNet Finance's fund called MicroFund. It is a small fund, worth only USD 1.2 million. We finance around 20 small MFIs each year with the Microfund. Since MicroFund is our organization's own equity, we are able to take on more risk than other commercial funds to invest in MFIs in countries like Ivory Coast, Cameroon, Ghana, Senegal, Morocco etc. where other funds are unable to go.

MC: In what regions are PlaNIS most active?

SD: We are quite active in Eastern Europe, Central Asia and Latin America. In Latin America, the microfinance sector has faced some difficulties in the last two years, especially in Mexico. Though we have reduced our exposure to Latin American countries for the last two years, due to difficulties in the microfinance sector there, we now believe that the situation has improved, and we plan to increase our financing. There has been a booming market in Eastern Europe and Central Asia for the last two decades, but we expect to see a slowdown of growth in comparison to past years. Finally, we for sure expect to see growth in Asian countries like the Philippines, Laos, India and others. ■

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2009 Microfinance Funder Survey

Published by CGAP (Consultative Group to Assist the Poor), October 2009, 7 regional documents, available at <http://www.cgap.org/p/site/c/template.rc/1.26.12206/>

Donors and investors continued to direct a growing stream of funding to microfinance in 2008, according to a new survey by CGAP (Consultative Group to Assist the Poor). In 2008 microfinance funders disbursed USD 3 billion and increased their commitments by 24 percent, reaching USD 14.8 billion committed as of December 2008. Two thirds of funders reported that the financial crisis had not affected their funding projections for 2009.

This second annual survey included responses from 38 donors and 23 investors, with the two groups each representing an estimated 40 percent of microfinance funding. Half of total funding came from Germany's KfW, the Asian Development Bank, the World Bank, the European Bank for Reconstruction and Development and the International Finance Corporation.

Nearly two thirds of total funding commitments were in the form of debt instruments, with grants comprising 17 percent, equity 11 percent and guarantees 5 percent.

Much of these funding flows continue to be concentrated in two regions, with Eastern Europe and Central and South Asia attracting about half of the total funding.

Of the USD 14.8 billion in total funding committed for microfinance as of December 2008, USD 3.65 billion is allocated to South Asia, USD 3.27 billion to Eastern Europe and Central Asia, USD 2.17 billion to Latin America and the Caribbean and USD 1.97 billion to Sub-Saharan Africa. East Asia and the Pacific have USD 1.10 billion and the Middle East and North Africa USD 717 million. The remaining USD 1.92 billion is allocated to multi-region initiatives.

Growth in commitments was strongest in East Asia and the Pacific, with a 33 percent increase over 2007, followed by Eastern Europe and Central Asia, and Latin America and the Caribbean, at 31 percent each. *(Continued in the subscriber edition)*

Advances in Measuring Social Performance for Microfinance

By Micol Pistelli, published by the Microfinance Information Exchange, October 2009, 2 pages, available at: <http://www.themix.org/publications/executive-summary-social-performance-standards-presentation-2009>

Micol Pistelli argues that social performance indicators are necessary to allow for increased transparency. This is important not only to microfinance institutions (MFIs) looking to attract funds, but also to ensure that clients' needs are met. A universal set of indicators that allows for the comparison of MFIs on a level playing field can also help MFIs to benchmark their own progress and shortcomings.

With regard to the creation and implementation of such indicators, Mr Pistelli draws attention to the Social Performance Task Force (SPTF), an international group established in March 2005 by CGAP (Consultative Group to Assist the Poor), the Argidius Foundation and the Ford Foundation. The purpose of the SPTF is to define social.... *(Continued in the subscriber edition)*

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The Global Financial Crisis and Indian Microfinance

By Amit Garg and Diana Lewin, published by MicroSave India, August 2009, 2 pages, available at: <http://www.microfinancegateway.org/gm/document-1.9.37780/The%20Global%20Financial%20Crisis%20and%20Indian%20Microfinance.pdf>

This note analyzes the impacts of the financial crisis on the Indian microfinance sector. The authors focus especially on the microfinance institution (MFI) Sonata Finance Private Limited and Dia Vikas Capital Private Limited, a microfinance investor. The authors provide several recommendations for MFIs on how to cope with the effects of the crisis.

The authors first argue that, due to the recession, Sonata found it extremely difficult to raise the necessary funding for growth, which caused a delay in providing loans to clients. Consequently, the organization was forced to reduce operation costs by 71 percent and downscale its financial projections and growth strategy. It was also obliged to prioritize loans to existing clients over loans to new clients in order to maintain good repayment rates.


Dia, the investor, responded to the financial crisis and its impacts on MFIs by lobbying banks to provide funds to start-up MFIs. In addition, it has begun to provide both short-term loans and subordinated debt to its partners in order to increase their leverage and allow them to develop into attractive candidates for loans from mainstream financial institutions.

Having studied how Sonata and Dia have reacted to the crisis, the authors recommend various coping strategies for Indian MFIs. MFIs ought to consider reworking their capital and financial management by diversifying their debt sources. They should take out loans from both private and public banks and should increase equity to reduce risk. The authors state that Indian MFIs tend to be characterized by high leverage and debt obligations in times of economic crisis. Therefore they ought to turn to equity to cushion their losses and risk of default. They also recommended that they increase loan terms to reduce refinancing risk, that is, the possibility that new funding sources will either be costly to obtain as old sources mature. The cost of this strategy is that when the.... (Continued in the subscriber edition)

Half the World is Unbanked

By Alberto Chaia, Aparna Dalal, Tony Goland, Maria Jose Gonzalez, Johnathan Morduch and Robert Schiff, published by the Financial Access Initiative, October 2009, 18 pages, available at: http://financialaccess.org/sites/default/files/110109%20HalfUnbanked_0.pdf

This paper uses data on financial usage, socioeconomics and demographics to construct an estimate of how many people over 15 years old worldwide do not use formal financial services. The main findings are as follows: (1) the majority of adults - 2.5 billion - do not use formal financial services to save or borrow, (2) of the 1.2 billion adults who use formal financial services in Africa, Asia and the Middle East, about 800 million live on less than USD 5 per day, (3) in Sub-Saharan Africa 80 percent of the adult population remains unserved, as compared to 8 percent in high income OECD countries.

Additionally, the authors studied the “drivers” of financial usage in low-income countries. Per capita income had a “moderate to strong” positive relationship with.... (Continued in the subscriber edition) 

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