

FREE
PREVIEW
EDITION*

MICROCAPITAL BRIEFS | TOP STORIES

*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.

Peru's Banco de Credito Offers \$96m for Financiera Edyficar

Reuters reports that Banco de Credito of Peru has agreed to acquire at least a 77 percent stake in Financiera Edyficar after offering USD 96 million for all of the shares of the microfinance institution. Edyficar has been controlled until now by nonprofit CARE, with International Finance Corporation and MicroVest also holding stakes. Edyficar holds a loan portfolio of USD 210 million and 200,000 clients. September 7, 2009

Compartamos Triples Bond Issue to \$111m

Banco Compartamos of Mexico has issued the equivalent of USD 74 million in the local debt capital markets. This is in addition to the USD 37 million issued in July 2009. The bonds have a term of three years at an interest rate two percentage points above Mexico's 91-day interbank equilibrium rate. August 20, 2009

Citadel, Egyptian Gulf Bank Open MFI Tanmeyah

Tanmeyah Micro Enterprise Services has begun operations in Egypt, with 15 branches opened and loans worth USD 1.5 million disbursed to 1,669 clients during July 2009. Loans of USD 180 to USD 5,400 are made to borrowers that have completed at least one year in business. Tanmeyah is owned by Finance Unlimited (51 percent), Egyptian Gulf Bank (24.7 percent) and its managers (24.3 percent). Finance Unlimited is held by Citadel Capital, a private equity firm with holdings of USD 8.3 billion. September 14, 2009

Having Failed to Do So on Wall Street, Journal Gets Tough on Microfinance

In the subscriber edition this month, we cover the controversy over several recent articles in *The Wall Street Journal*.

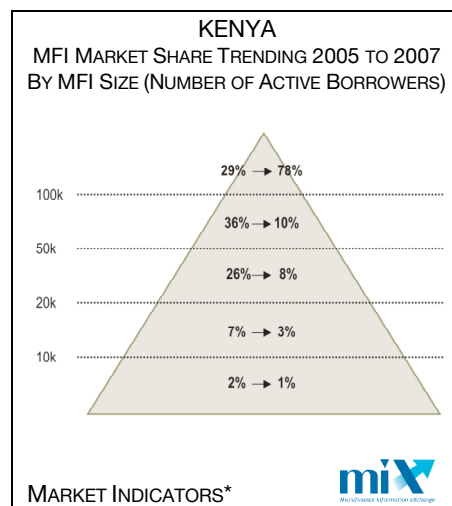
CGAP MICROFINANCE DEALBOOK

CAPITAL MARKET TRANSACTIONS
EVERY MONTH

DEALBOOK PAGE 2



INSIDE	Page
MicroCapital Briefs	*
Microfinance news	
Upcoming Events	*
Industry conferences	
Market Indicators	*
Courtesy of the MIX	
CGAP Microfinance Dealbook	2
Capital market transactions	
Meet the Boss	3
Emmanuelle Javoy, Planet Rating	
Paper Wrap-ups	5*
Latest research and reports	
Monitor Subscriptions	6
Subscribe, renew or advertise via MicroCapital.org or +1 617 648 0043	





MICROFINANCE DEALBOOK

POWERED BY microcapital™

TOP AUGUST 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
Public Offering	Compartamos	LAC	~75,200,000	Equity
European Bank for Reconstruction and Development	Europejski Fundusz Leasingowy	ECA	70,000,000**	Debt
Rwanda Development Bank	To Be Determined	SSA	~21,500,000	Debt
Security Bank Corporation, et al	CARD Bank	EAP	~10,300,000	Debt
Microfinance Enhancement Facility (responsAbility)	ProCredit Nicaragua	LAC	10,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	ProCredit Bank Serbia	ECA	9,975,000	Debt
European Bank for Reconstruction and Development	Agroinvestbank	ECA	~8,400,000**	Equity
Inter-American Development Bank	FONAVIPO (Fondo Nacional de Vivienda Popular)	LAC	7,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	WWB - Popayan	LAC	~5,062,035	Debt
International Finance Corporation	FM Bank	ECA	5,000,000	Equity
FMO (The Netherlands Development Finance Company)	Belarusian Bank for Small Business	ECA	5,000,000	Debt
FMO (The Netherlands Development Finance Company)	Grupo Supervielle	LAC	4,000,000	Debt
Advans SA SICAR	Advans Cameroun	SSA	~3,270,000	Equity
Vision Microfinance Fund (Absolute Portfolio Management)	Azerdemiryolbank	ECA	3,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	ProCredit Ecuador	LAC	3,000,000	Debt
ACCION Investments in Microfinance, SPC	Mibanco	LAC	3,000,000	Debt
responsAbility Global Microfinance Fund	FINCA Azerbaijan	ECA	2,500,000	Debt
Oikocredit	Nyesigiso	SSA	~2,185,204	Debt
Oikocredit	Saadhana	SA	~2,044,504	Debt
Oikocredit	Sahara	SA	~2,044,504	Debt
Oikocredit	Creceer	LAC	2,000,000	Debt
Oikocredit	Diaconia	LAC	~2,000,000	Debt
MicroVentures SpA	Edpyme Raiz	LAC	~2,000,000	Debt
Hivos-Triodos Fund	ODEF	LAC	~2,000,000	Debt
Dexia Micro-Credit Fund (BlueOrchard Finance)	Kazmicrofinance	ECA	2,000,000	Debt
responsAbility Global Microfinance Fund	Edpyme Alternativa	LAC	~1,519,440	Debt
responsAbility Global Microfinance Fund	ACBA	ECA	1,500,000	Debt
Locfund LP	Unspecified	LAC	~1,500,000	Debt
Bistum (responsAbility)	FINCA Azerbaijan	ECA	1,500,000	Debt
Bistum (responsAbility)	ACBA	ECA	1,500,000	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

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

Emmanuelle Javoy is the Managing Director of Planet Rating.

Emmanuelle Javoy

MC: Please briefly describe your organization.

EJ: Planet Rating is a microfinance rating agency, meaning that we provide ratings or evaluations of the sustainability of microfinance institutions (MFIs) - both the financial and social sustainability of the institution.

MC: What is the background of Planet Rating?

EJ: We have been performing ratings for ten years. We were created by PlaNet Finance, the NGO, and were spun off in 2005. We now have four shareholders. We are twenty staff spread over regional offices: Lima covering South and Central America, Dakar covering West and Central Africa, Nairobi covering East and Southern Africa, Beirut covering the Middle East and North Africa and Manila covering Asia. We completed roughly 100 rating missions per year during 2008 and 2009.

MC: What is your background?

EJ: In the first half of my career, before coming to microfinance, I worked in internet and information technology and consulting. My introduction and interest in microfinance developed through my volunteer work. Six years ago, I began at Planet Rating working as an analyst, and then I became a quality manager. I have been Managing Director for one and a half years.

MC: Who are your customers?

EJ: We currently have two types of customers. Until 2007, our only type of customer was microfinance institutions. The market had been designed this way; ratings were paid for by microfinance institutions. This had advantages and disadvantages. An advantage is that an MFI can commission one rating report for many different partners. A disadvantage is the potential conflict of interest. Since 2007, we have had investors, donors and technical partners as customers, to which we provide our reports through a subscription service.

MC: What are keys to providing quality ratings?

EJ: The keys to quality are an up-to-date methodology, well-trained and qualified staff, time spent onsite at the MFI and rating committees run by members of a senior management team.

MC: How has your methodology evolved over time?

EJ: We regularly update our methodology in accordance with rising risks and other changes in the sector. Microfinance has changed so much. Over ten years of growing with MFIs, we have learned which factors best predict outcomes.

MC: What products do you offer?

EJ: First is the financial rating of MFIs. Our methodology for these ratings is called GIRAFE. It evaluates the level of risk of a microfinance institution. In other words, we provide an assessment of the long-term sustainability based on firm performance, management and exposure to risks in the marketplace. This rating is specialized for microfinance and is similar to a "credit risk rating," as it is called in mainstream rating terminology. These ratings are key to investors in their due-diligence process.

Second, we provide social ratings, which are evaluations of the capacity of an MFI to actually put its stated social mission into practice.

Third, we provide interactive assessments, which are ratings designed for less mature MFIs. These assessments are for MFIs interested in understanding the evaluation framework and their own strengths and weaknesses. During these ratings, we spend more time onsite at the MFI, making sure to convey conclusions to the management team. They share in the process with us and - in the end - own the conclusions rather than the actual report. These assessments are designed to be used by donors and technical partners who want to work with an MFI to help it improve and grow.

Fourth, we offer a growing subscription service that delivers our reports to the investor and donor community.

MC: How has the current economic instability affected the ratings market?

EJ: The current situation has shed a bright light on the activities of mainstream rating agencies. This environment encourages us to examine how we work to be sure not to fall into the same traps. Microfinance rating agencies have a very strong focus on the evaluation of the systems and people that affect the performance of MFIs. We spend quite some time in the field, where the microfinance operations are conducted, and we go far beyond just looking at numbers. The ratings of future CDOs or CLOs is the area where things will have to be revised. It will be important that the rating of these products, where mainstream agencies are likely to be involved, is based on a thorough assessment of the underlying assets, meaning the MFIs themselves.

...we go far beyond just looking at numbers.

MC: What do you see in the future for microfinance?

EJ: My perspective on the market is that this difficult period we are going through will most likely strengthen microfinance. Being less naïve has huge value. We have seen many MFIs becoming stronger once they have had to overcome some challenges. Often, management has improved, putting in place systems and people that are better equipped to handle all situations. In this way, I believe that many institutions have become well-prepared for the current crisis.

One reason that I am committed to microfinance is that when I have had doubts about the direction of the market, the industry has been able to react and adapt. This is an industry that is able to recognize its weaknesses and work on the areas that need attention. Many topics have been worked on and are being improved, such as social performance, social responsibility, over-indebtedness, transparency of interest rates and quality of client service. So much has been taken care of and much work has been done. This is a huge strength of the sector - being open to changes and being open to criticism - and then sharing experiences worldwide. ☑

This feature is sponsored by:



PlaNet Finance
Your money can change the world



PERFECT POINT PARTNERS
Consultants for Microfinance and Microenterprise



www.perfectpointpartners.com

**Expertise for
Transparency in
Microfinance**

**MicroFinanza Rating:
your Best Partner for Rating and Social Rating**

info@microfinanzarating.com
www.microfinanzarating.com

Italy | Ecuador | Kenya | Kyrgyz Republic | Nicaragua | Mexico



**MICROFINANZA
RATING**



Led by industry players and recognised as the forum where relationships and deals are made... you will not want to miss this year's...

**Microfinance
Investment Summit**

6 - 7 October 2009, London UK

Book now to secure your place, as a MicroCapital Monitor Subscriber save 10% by quoting: 864F10.MCAP.

To register visit www.MicrofinanceSummit.com, call +44(0)20 7878 6888 or email registrations@C5-Online.com



MicroCapital Monitor

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

New Event

MICROFINANCE FOR INSTITUTIONAL INVESTORS

ACCION is proud to be the Official Partner of:

Microfinance for Institutional Investors, in Washington D.C., September 21st-23rd.

For more information and to register, visit www.accion.org/events.



ACCION International is a private, nonprofit organization with the mission of giving people the financial tools they need – microenterprise loans, business training and other financial services – to work their way out of poverty. A world pioneer in microfinance, ACCION was founded in 1961 and issued its first microloan in 1973 in Brazil. ACCION's partner microfinance institutions today are providing loans as low as \$100 to poor men and women entrepreneurs in 23 countries in Latin America, Asia, Africa and the United States. In the last decade alone, ACCION partners have disbursed more than 28.5 million loans totaling \$23.4 billion; 97 percent of the loans have been repaid.

ACCION

This is a free preview of a report available by SUBSCRIPTION ONLY: Support this emerging industry by subscribing at www.MicroCapital.org

PAPER WRAP-UPS

Group Versus Individual Liability: Long Term Evidence from Philippine Microcredit Lending

By Xavier Giné and Dean Karlan, published by the Financial Access Initiative and Innovations for Poverty Action, May 2009, 37 pages, available at: http://financialaccess.org/sites/default/files/GroupversusIndividualLending-May2009_0.pdf

This study, which was carried out in Caraga, Philippines, included two separate experiments, which allowed for a comparative analysis of the merits of a group-liability lending scheme versus an individual-liability scheme. Group-liability schemes are described as involving “collateral replacement,” in that - in lieu of collateral - members put social pressure on each other to repay and even help each other do so because no one in the group can receive further loans if even one person defaults. An individual-liability scheme has no such mechanism, thus it is sometimes thought to expose the lender to greater risk.

Green Bank is a microlender with group-liability and individual-liability branches. In the first experiment, approximately half of the 161 group-liability branches were, in several waves, converted into individual-liability branches. In the second experiment, eight branches were opened in new areas and randomly assigned to offer either group-liability loans or individual-liability loans or to offer “phase-in” individual-liability loans after the successful repayment of one group-liability loan. All initial loans were for USD 18 to USD 90, with an interest rate of 2.5 percent per month and weekly payments scheduled to be made over eight to twenty-five weeks.

After three years, the main result was that there was no significant difference in repayment rates between the group- and individual-liability borrowers. In the first experiment, this similarity in repayment rates includes borrowers who were clients before the experiment started, new clients who came before conversion to individual-liability lending and new clients who came after conversion. *(Continued in the subscriber version)*

Emerging Markets in Microinsurance

Published by Arthur D. Little, August 2009, 4 pages, available at: <http://www.adl.com/reports.html?&view=421>

Arthur D. Little (ADL), a global management consulting firm specializing in strategy and operations management, published this report on microinsurance, which provides coverage for individuals living in the high-risk environments that are characteristic of developing countries. Natural disasters, chronic illness and drought can all jeopardize an individual's ability to work. Thus, the authors declare the bottom of the pyramid (BOP) an attractive and growing market for insurance companies. As stated in the report, “microinsurance aims to help those at the bottom of the pyramid (BOP) to stay above the poverty line even when they are hit by an adverse event. It does this by providing risk protection at very low premiums.”

The report identifies three criteria in the success of a microinsurance scheme: *(Continued in the subscriber version)*

Welcome MFI Leaders

(Our audience just
took a big jump.)

2005 - 2006: MicroCapital begins reporting original microfinance news at MicroCapital.org and in *The MicroCapital Monitor* monthly news digest

2007 - 2008: Readership of *The MicroCapital Monitor* exceeds 6,000; investors dominate paid readership

2009: The complete edition of *The MicroCapital Monitor* will be delivered every month to an additional 1,000+ MFI leaders

 MicroCapital

SUBSCRIBE TO THE MICROCAPITAL MONITOR

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

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

The global information exchange
for the microfinance industry



Microfinance Information eXchange

www.themix.org

MicroCapital Monitor

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

leading social investments

responsAbility

responsAbility – your professional financing partner

Is your MFI looking for:

- Fast and straightforward access to financing?
- A powerful and longterm partner at every business stage?
- Adequate pricing?

responsAbility offers you:

- A full range of tailor-made financing solutions from debt to equity
- A global network of financial service providers
- Prompt execution and transparent rates

responsAbility is one of the world's leading social investment companies, specialized in microfinance, SME financing, fair trade and media development. With our investment fund products we successfully bridge the gap between the financial markets, the goals of development cooperation and the needs of the microfinance industry.

Assets under management

- Over USD 800 million
- Invested in 250 MFIs
- In 60 countries

responsAbility

Social Investments AG, Josefstrasse 59, CH-8005 Zurich, Switzerland

Phone +41 (0)44 250 99 30, Fax +41 (0)44 250 99 31, info@responsAbility.com, www.responsAbility.com