

## MICROCAPITAL BRIEFS | TOP STORIES

### \*Want More? Subscribe Today

This month our subscriber edition includes 18 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](mailto:info@microcapital.org).

#### IDB Approves \$150m for MSEs in Latin America, Caribbean

The Inter-American Development Bank (IDB) has approved USD 150 million for the Latin America and Caribbean Subordinated Debt Facility, which is intended to strengthen financial institutions in the region through loans and guarantees to boost long-term financing to smaller business projects deemed to have a high social impact. The facility is a response to continued liquidity constraints caused by the financial downturn of 2008 that have reduced lending levels, particularly to smaller enterprises. The facility will utilize subordinated debt instruments financed chiefly by IDB and capital instruments to be financed chiefly by the World Bank Group's International Finance Corporation. August 11, 2010

#### Subsidies to Undercut Microloan Market in Tanzania

The government-controlled National Microfinance Bank (NMB) of Tanzania has announced its intentions to provide entrepreneurial "Juhudi" loans ranging from the local-currency equivalent of USD 3,300 to USD 330,000. With annual interest rates of 15 percent, the loans are intended to undercut reported market rates of 18 to 25 percent. Business skills training will also be provided by NMB and unnamed partner organizations. August 2, 2010

#### SKS Microfinance Launches India's First IPO by an MFI

After much anticipation, SKS Microfinance has launched India's first initial public offering (IPO) by a microfinance institution. The share price on the Bombay Stock Exchange and the National Stock Exchange of India is equivalent to USD 18.20 to 21.10 per share, which results in a company valuation of USD 1.6 billion. US-based Citigroup Global Markets, Credit Suisse of Switzerland and India's Kotak Mahindra underwrote the issue. As of March 2009, SKS reported total assets of USD 596 million, 3.5 million active borrowers, return on assets of 3.68 percent and return on equity of 18.72 percent. Please see page 12 for further coverage of the IPO and the debate it has intensified regarding the interplay of for-profit motivations with charitable intentions. July 30, 2010

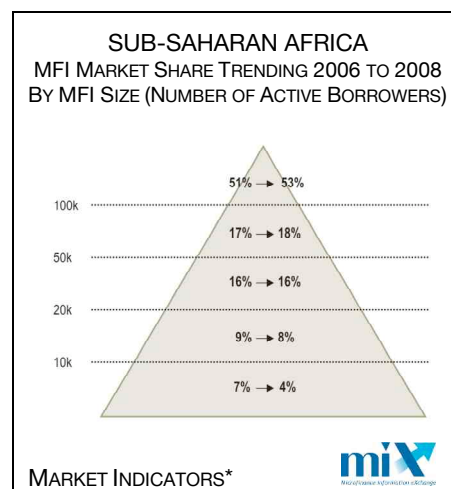
#### IFC Provides \$30m Guaranteed by Remittances to Fedecredito of El Salvador

The International Finance Corporation (IFC), a member of the World Bank Group, has agreed to loan USD 30 million to Fedecredito, a Salvadoran financial cooperative owned by 55 financial institutions, which will be guaranteed by future remittances sent by Salvadorans working abroad to family and friends at home. The precise structure of the guarantee arrangement is not detailed. Giri Jadeja, IFC Senior Manager for Financial Markets in Latin America and the Caribbean, said, "Fedecredito's ability to sustainably mobilize funding will help ensure credit access to otherwise underserved, low-income households and microenterprises in El Salvador. Given its development impact, we hope...

(For the continuation of the above story and for more top stories, please refer to the subscriber edition.)

INSIDE	Page
<b>MicroCapital Briefs</b>	*
Microfinance news	
<b>Special Coverage</b>	*
SKS cash and controversy	
<b>Field Notes</b>	2
"Mission Accomplished"	
<b>Market Indicators</b>	*
Courtesy of the MIX	
<b>Upcoming Events</b>	*
Industry conferences	
<b>Paper Wrap-ups</b>	5*
Latest research and reports	
<b>Monitor Subscriptions</b>	7
Subscribe, renew or advertise via MicroCapital.org or +1 617 648 0043	

**MicroCapital**



## EDITORIAL

### Mission Accomplished?

Everybody's still talking about SKS. I should run the other way, but here I go anyway. I first turned to the CEO of Compartamos, Fernando Alvarez Toca, to ask what advice he would give SKS in light of his experience with the Compartamos initial public offering (IPO). His words suggest that SKS will have a tough time putting mission over money: "From now on and sooner rather than later, their team needs to focus on what they should be doing to meet the expectations of all the stakeholders, especially the new ones that are the IPO buyers...." Fernando's rightly makes a point that there is a difference between early investors and "IPO buyers." Early promoters raised money for SKS by selling a mission; IPO buyers want to protect the value of their investment. The hullabaloo over SKS's IPO is partly caused by public indignation that its early investors were in it to eradicate poverty, yet they gained large sums of money from charging clients high interest rates (to the detriment of poverty alleviation) in order to ensure SKS's profitability, and yes, ultimately outreach. One of these, Unitus, unexpectedly announced its exit from microfinance last month. Unitus's mission was, "Unitus fights global poverty by accelerating the growth of microfinance...where it is needed most." The poor are still poor, so the cry of "mission accomplished" suggests that Unitus' dual goals of accelerated microfinance institution (MFI) growth and poverty alleviation may not be as directly related as they initially seemed. There lies the conflict the microfinance industry is now struggling to resolve. Is the value of microfinance its ability to alleviate poverty, promote financial inclusion or some combination of the two? If the answer is the former, are profits appropriate? Muhammad Yunus of Grameen Bank recently commented on the SKS IPO, stating "there are ethical issues about making profits from the money of the poor." SKS

disagrees, arguing that microfinance should not be a "social business" without profit: "If the microfinance industry is going to provide the estimated USD 45 billion of credit needed by the poor, it must tap commercial capital markets - and that means structuring microfinance so that investors can expect a return on their investment." Sectors outside microfinance that provide needed services to low-income people would agree, but they don't typically have missions (or PE ratios for that matter) like that of SKS: "Our purpose is to eradicate poverty. We do that by providing financial services to the poor and by using our channel to provide goods and services that the poor need." Reliance is one of India's largest cell phone companies. Words like "eradicate" and "poverty" are nowhere to be found in its mission statement. Instead, we see: "Customer expectations; processes; products and services that are value for money and excite customers; loyalty, inspiration, and leadership." If phone companies provided all this, the world would be a better place, though not necessarily less poor. My view is that we need better segmentation of MFIs, investment funds and investors. Without sufficient transparency of social and financial objectives and performance, the industry risks alienating social investors like Unitus and pushing microfinance to be more like Reliance, following the route of Compartamos and SKS by obligation rather than by choice.

*About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni@eac-global.com](mailto:bmagnoni@eac-global.com).*



DEVELOPING  
WORLD  
MARKETS

**Celebrating 10 years of financing microfinance**

[www.dwmarkets.com](http://www.dwmarkets.com)

#### DWM Asset Management LLC

800 Post Road  
Darien, CT, 06820, USA  
Tel: +1-203-655-5453  
Fax: +1-203-656-9528  
[info@dwmarkets.com](mailto:info@dwmarkets.com)

**Developing World Markets** is a leading investment management firm linking socially motivated organizations in the developing world to the international capital markets.

By employing its extensive emerging markets, investment banking and fund management experience, DWM offers tailor-made financial solutions to MFIs around the world to contribute to poverty alleviation including:

**Senior Debt • Subordinated Debt • Convertibles • Equity • Syndications • Bond Issues**  
**USD • EUR • Local Currencies**

To date, **DWM** has provided financing to over 140 MFIs in more than 40 countries, led or advised on more than \$850m in capital raises, with more than \$650m in microfinance assets under management.



Join ACCION in endorsing The Smart Campaign



Please visit **[www.smartcampaign.org](http://www.smartcampaign.org)**  
to find a wide selection of tools and  
resources for implementing the  
**Six Principles of Client Protection**  
at your institution.



**Endorse the Campaign**  
**[www.smartcampaign.org](http://www.smartcampaign.org)**



Keeping clients first  
in microfinance

Finance IQ  
a division of IQPC

# Microfinance 2.0

Going Beyond Microcredit and  
Shaping the Future of Microfinance



**November 15-17, 2010**  
**San Francisco, CA**

1-800-882-8684 | [www.MicrofinanceConference.com](http://www.MicrofinanceConference.com)

**KMF active clients - 24 698**  
**Loan portfolio - USD 31 241 788**

**Founded in 1997**



**Real support -  
to real business!**

[www.kmf.kz](http://www.kmf.kz)

The global information exchange  
for the microfinance industry



**mix**  
Microfinance Information eXchange

**[www.themix.org](http://www.themix.org)**

 **MicroCapital Monitor**

SINCE 2006

Did you know **every MFI**  
**on the MIX Market** receives  
the complete subscriber edition  
of the *Monitor* each month?





MCC Mikrofin is pleased to announce that for the third time in a row, it has been named best MFI in Bosnia and Herzegovina.  
[www.mikrofin.com](http://www.mikrofin.com)

2007 | 2008 | 2009

**PERFECT POINT PARTNERS**  
 Consultants for Microfinance and Microenterprise

[www.perfectpointpartners.com](http://www.perfectpointpartners.com)

## Expertise for Transparency in Microfinance

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

[info@microfinanzarating.com](mailto:info@microfinanzarating.com)  
[www.microfinanzarating.com](http://www.microfinanzarating.com)

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



Asomi, with 42,000 clients in India, is pleased to announce its goal of reaching



**200,000  
clients by  
2012**

[www.asomi.co.in](http://www.asomi.co.in)



## The Global MicroInsurance Summit

The Premier Event For The Leaders In The MicroInsurance Industry  
 29 - 30 September 2010 | The Hatton, London, UK

Register online at [www.C5-Online.com/MicroinsuranceUK](http://www.C5-Online.com/MicroinsuranceUK)  
 Use "20% Microcapital" when registering to redeem discount

## MicroCapital Monitor

Want your news covered?  
 Send it to us at  
[info@microcapital.org](mailto:info@microcapital.org)

## MTS·2010

Money Transfers Singapore

The one-day conference will be the second IAMTN conference held on remittances in Singapore. Delegates from money transfer companies, banks, mobile and card payment operators and technology providers as well as regulators



Organized by:

throughout Asia Pacific will take part in the event that will address the key issues in the remittance world in the largest receiving region in the world.  
*Looking forward to see you in Singapore on 21st of September!*

MTS Conference  
 21 September 2010  
 Mandarin Oriental, Singapore

Tel: +44 (0) 203 291 2634  
 Fax: +44 (0) 870 385 1388  
<http://mts2010.iamtn.org/>

Rafode is pleased to announce its partnership with Oxfam Novib to expand its microlending services in Kenya



[www.rafode.org](http://www.rafode.org)

## PAPER WRAP-UPS

### Microfinance Programs and Better Health: Prospects for Sub-Saharan Africa

*By Paul M. Pronyk, James R. Hargreaves and Jonathan Morduch; published by the Journal of the American Medical Association; Volume 298; Number 16; October 2007; available at: <http://jama.ama-assn.org/cgi/reprint/298/16/1925.pdf>*

This paper examines evidence on the potential for microfinance to contribute to achieving the UN's Millennium Development Goals, with specific focus on improvements in health and the challenges and opportunities for expanding such outcomes in Sub-Saharan Africa.

It is argued that microfinance institutions (MFIs) have the potential to reduce poverty directly, while simultaneously producing wider benefits such as improvements in health. At the most basic level, access to reliable ways to borrow and save can make it easier to pay for medicines and clinic visits. Increased and steadier income also makes it easier to feed one's family everyday; better nutrition, in turn, leads to better health.

Several microfinance programs have recognized the potential connection between economic and health gains and have sought to provide additional health services, health education or health insurance products. A

number of studies have demonstrated the positive effects of these programs, which include higher immunization rates, healthier breastfeeding practices and better management of diarrhea. One study from Bangladesh suggests that such programs may lead to a greater use of contraception among those who do not participate in microfinance but live in villages where MFIs operate. Several programs in Bangladesh have also demonstrated positive effects on nutrition, such as increased upper-arm circumference in children and... *(Continued in the subscriber edition)*

### The State of Iraq's Microfinance Industry

*By the Louis Berger Group Incorporated, published by the US Agency for International Development, June 2010, 56 pages, available at: [http://www.imfi.org/files/StateOfIMFI\\_USAID\\_en.pdf](http://www.imfi.org/files/StateOfIMFI_USAID_en.pdf)*

The authors of this paper report that Iraq's microfinance industry was established in 2003 and is now comprised of 14 microfinance institutions (MFIs). As of April 2010, Iraq's microfinance industry had an outstanding loan portfolio of USD 86 million and served 63,000 active borrowers. Loans are made at an interest rate of 12 to 18 percent, and 15 percent of loans are made to women. The repayment rate on these loans is reportedly 99 percent. Iraq's microfinance industry employs 780 people in 100 offices.

The growth rate for MFIs in Iraq was approximately 31 percent for the year ending in April 2010. Donal Cotter, author of the report's preface and Chief of Party for the US Agency for International Development (AID)-Tijara, reports that his organization is largely responsible for this rapid growth. USAID-Tijara is an economic growth organization with a five-year mandate to promote private sector growth and employment in Iraq.

The authors report that draft regulations to enable NGO MFIs to transform into non-banking financial institutions would promote greater accountability.

Iraq's "post-conflict environment" continues to impede the growth of microfinance in many ways:

- 1) Many people are dependent on public-sector employment and are therefore reluctant to start private, income-generating activities.
- 2) Security and violence are still problems.
- 3) Current laws preclude the many displaced persons in Iraq from borrowing money by requiring borrowers to have lived in the same place for two years.
- 4) The cash-based economy increases the risk of fraud.
- 5) There is a shortage of... *(Continued in the subscriber edition)*

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](mailto:info@responsAbility.com), [www.responsAbility.com](http://www.responsAbility.com)

The Carsey Institute at the University of New Hampshire presents the



# Sustainable Microenterprise & Development PROGRAM

(formerly the MDI-NH)

Offering a new training program for microfinance and enterprise development professionals:

◆ **Zanzibar, Tanzania, October 11–23, 2010**

**WORLD-CLASS FACULTY ◆ ADVANCED SKILLS CURRICULUM**  
**PRACTICAL TOOLS ◆ POWERFUL NETWORKS**

[www.carseyinstitute.unh.edu/smdp/Tanzania-main.html](http://www.carseyinstitute.unh.edu/smdp/Tanzania-main.html)



**CARSEY**  
INSTITUTE

UNIVERSITY  
of NEW HAMPSHIRE

## A Business to Call Her Own: Identifying, Analyzing and Overcoming Constraints to Women's Small Businesses in Latin America and the Caribbean

*By Jennifer Powers and Barbara Magnoni, published by the Inter-American Development Bank's Multilateral Investment Fund, April 2010, 100 pages, available at: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282406>*

The authors of this study focus on the differences between male and female entrepreneurs in six countries in Latin America: Guatemala, Nicaragua, Colombia, Bolivia, Mexico and Peru. Specifically, they looked at the barriers that women encounter when they start a business. They also considered access to financial services and the microfinance industry.

According to the authors, barriers that prevent female businesses from growing include feeling too much responsibility to stay at home to manage the household, lack of access to financial services, risk aversion manifested as reluctance to borrow money, social conventions and a lack of education and training. The authors write that the reluctance to borrow is especially prevalent among women in lower income segments.

The authors find that women tend to reinvest their income into their households at a higher rate than men, suggesting that policy interventions to grow women's businesses would not only contribute to the economic growth of their communities through their businesses but also result in increased investment in children and education.

The authors also found that there are differences in how men and women use financial products because of women's propensity to avoid risk. Women sometimes fail to take advantage of... *(Continued in the subscriber edition)*

## Why Microfinance Take-up Rates Are Low & Why It Matters


*By Dean Karlan, Jonathan Morduch and Sendhil Mullainathan; published by Financial Access Initiative; June 2010; 13 pages; available at: [http://financialaccess.org/sites/default/files/RFN11\\_Why\\_microfinance\\_takeup\\_rates\\_are\\_low%286-17-10%29.pdf](http://financialaccess.org/sites/default/files/RFN11_Why_microfinance_takeup_rates_are_low%286-17-10%29.pdf)*

Data from 13 projects show that take-up rates vary from 2 to 84 percent of eligible individuals. The fact that participation is not complete indicates that microfinance is not for everyone - it is not a panacea. Participation

rates also reveal information about customers' interest in particular products and services, which can help practitioners design and price products to best serve clients.

Three different ways to measure take-up rates are considered. The first makes use of population-based aggregate estimates from administrative records of regulators and other government entities. The second uses household surveys. And the third relies on analyses of specific products or services.

Two major points can be made based on the data considered. First, take-up rates measured by controlled analyses were lower (2 percent to 8.7 percent) than those measured by household surveys (38 to 76 percent). The former typically involve one lender only, which may explain the low estimates of take-up, because target individuals may already be borrowing or saving elsewhere. Household surveys, however, are able to capture take-up of a wider variety of products from more lenders.

The second major point is that no clear pattern emerges when comparing take-up rates of credit, savings and insurance products. Nonetheless, take-up of credit products demonstrates the largest... *(Continued in the subscriber edition)* 



## 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](http://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

To support its growth in Cameroon,

CNPI



[www.cnpi-sa.com](http://www.cnpi-sa.com)

is now seeking funding partners.

 **MicroCapital Monitor**

SINCE 2006

Did you know **every MFI**  
**on the MIX Market** receives  
the complete subscriber edition  
of the *Monitor* each month?

**Do you need a partner to help you grow?  
Call on us.**

BlueOrchard is a leading commercial microfinance fund manager, which provides loans and equity investments to microfinance institutions world-wide. We believe micro-entrepreneurship favours socio-economic inclusion and progress, and we consider investments in the microfinance sector as a powerful tool to support this development.

*Currently, BlueOrchard has over USD 1 billion under management and invests in more than 120 partner institutions in over 40 countries*

BlueOrchard builds long-term partnerships with microfinance institutions based on mutual trust and transparency. We offer loans from a range of **six debt funds** designed to meet the evolving financial needs of microfinance institutions. Our **approval process** is fast and transparent, with as many as 15 analysts based in Geneva (Switzerland) and Lima (Peru) at the disposal of microfinance institutions seeking financing.



**BlueOrchard**  
Microfinance Investment Managers

**Don't hesitate. Call on us.**

BlueOrchard Finance S.A.  
Geneva, Switzerland  
Tel. +41 22 596 47 77  
[info@blueorchard.com](mailto:info@blueorchard.com)

BlueOrchard Finance America Latina  
Lima, Peru  
Tel. +51 1 242 1199  
[info.latam@blueorchard.com](mailto:info.latam@blueorchard.com)

BlueOrchard Finance USA, Inc.  
New York, USA  
tel. +1 212 944 8748  
[info.northam@blueorchard.com](mailto:info.northam@blueorchard.com)

[www.blueorchard.com](http://www.blueorchard.com)