



## 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](mailto:info@microcapital.org).

#### Compartamos Banco of Mexico Issues \$80m in Long-term Bonds

Mexico's CompartamosBanco has announced that it has raised the peso-equivalent of USD 80 million through the issuance of five-year bonds in the local debt capital markets at an interest rate 130 basis points over the Mexican interbank rate (TIEE). The bonds were rated by Standard & Poor's at "mxAA" and by Fitch Ratings at "AA-(mex)". Compartamos reports assets of USD 708 million, a loan portfolio of USD 577 million and 1.5 million active borrowers. October 21, 2010

#### After Suicides in India, Lawmakers React, MFIs Call Their Lawyers

Reports of 24 suicides by Indian microborrowers in recent months have raised questions about the interest rates and collections practices of microfinance institutions (MFIs). Both the federal and local governments are considering responses such as barring multiple lending, capping microloan interest rates at 24 percent per year and requiring microlenders to register data with local authorities, including locations of operations, interest rates, due diligence systems and collections practices. The Microfinance Institutions Network (MFIN), which represents non-banking MFIs that control the majority of the market in India, is reportedly planning legal action to stall the proposed legislation. Although limited information is available on MFIN, it is reputedly supported by US-based philanthropic investor Omidyar Network and the World Bank Group's International Finance Corporation. October 18 and October 19, 2010

#### Global Partnerships Closes \$20m Fund for Latin America

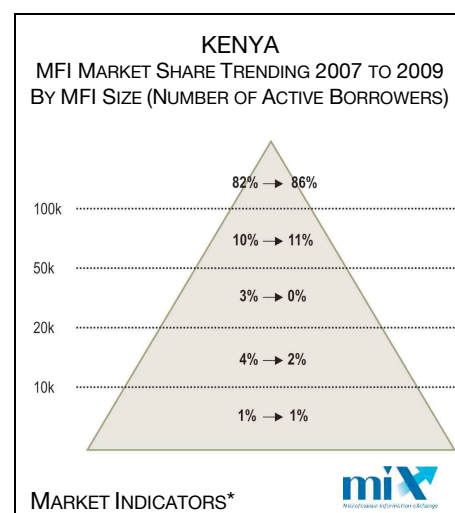
Global Partnerships, a US-based nonprofit organization that supports microfinance institutions (MFIs) in Latin America, recently announced that it has closed its Social Investment Fund 2010, its fourth fund, at USD 20 million. Global Partnerships will invest in 20 MFIs through the five-year debt fund, which carries stronger social criteria than its previous funds - in areas such as sustainability, financial access for poor people in rural areas and services such as business education and preventive health services. Investors include the Inter-American Development Bank, the Overseas Private Investment Corporation, Seattle University, the Mercy Partnership Fund, the Linked Foundation and the Perls Foundation. October 18, 2010

#### East African Community May Drop MFI Licensing

The East African Community, an intergovernmental organization comprising Burundi, Kenya, Rwanda, Tanzania and Uganda, is reportedly discussing eliminating microfinance institution licenses with the aim of facilitating the rapid expansion of microfinance operations. October 4, 2010

*(For more top stories, please refer to the subscriber edition)*

INSIDE	Page
<b>MicroCapital Briefs</b>	*
Microfinance news	
<b>Field Notes</b>	2
Is Social Responsibility Enough?	
<b>Market Indicators</b>	*
Courtesy of the MIX	
<b>Upcoming Events</b>	*
Industry conferences	
<b>Paper Wrap-ups</b>	4*
Latest research and reports	
<b>Monitor Subscriptions</b>	6
Subscribe, renew or advertise via	
MicroCapital.org or +1 617 648 0043	



## EDITORIAL

### Is Social Responsibility Enough?

This month, I am excited to share that I am beginning my second year of contributions to the MicroCapital Monitor. To celebrate, I looked at my editorial from October 2009, entitled "The Winds of Change," which I wrote coming back from the Inter-American Development Bank's (IDB's) Foromic 2009 conference. Back then, I suggested that the commercial microfinance model was becoming outdated, and I challenged the industry to reshape the discourse to generate new and enthusiastic demand for socially responsible investment in microfinance. Well, I am just back from the 2010 Foromic in Montevideo, where I felt the crisp spring air was welcoming the birth of a new era in microfinance. Two panels were completely dedicated to social performance - relating to internal operations - and social impact - relating to changes in clients' standards of living. IDB President Luis Alberto Moreno noted that his institution is ready to support efforts to measure social performance, improve transparency and protect microfinance clients. Uruguay's own president alluded to formal microfinance as a tool for "liberating" the poor.

Perhaps the most well-attended panel was "Financial and Social Performance in Microfinance." Investors from BlueOrchard, Deutsche Bank, Incofin, Oikocredit and responsAbility took the stage, awkwardly navigating through a complex discussion about how social performance is more appropriate for microfinance investment vehicles (MIVs) to measure than social impact. The consensus, it seems, is that socially responsible behavior vis-à-vis clients is enough to satisfy most MIVs - and is much easier to measure. According to Chuck Olson of Deutsche Bank, microfinance operations that are not transparent with their clients, that charge extremely high interest rates or place clients at risk of over indebtedness just don't make good business sense. Oikocredit went a step further than this "do no harm" approach, claiming that it expects to get a social return and make life better for clients. However, much of the

focus of social performance management aims at ensuring microfinance institutions (MFIs) are not harming clients. As investors, the panelists agreed that they have neither the resources nor the expertise to tell us whether their investments are alleviating poverty. So on whom does the responsibility of measuring impact fall? MFIs at Foromic had mixed views. ProCredit's Pedro Arriola noted that they don't promise to alleviate poverty, thus don't need to measure it. Others, such as Banco ADOPEM of the Dominican Republic, are measuring change in poverty, but say that initial steps out of poverty are so subtle that they can be hard to measure. Many MFIs talked about social responsibility rather than social impact.

In April, a number of high-profile MFI networks issued a short paper on measuring microfinance impact that was met with disappointment and criticism. Warm stories without methodological rigor will no longer fly. This week, some of the world's top groups studying the impact of microfinance will be hosting the Microfinance Impact and Innovation Conference, aimed at examining some of these issues with greater academic rigor. The star promises to be the impact study started in 2007 by nonprofit Innovations for Poverty Action (IPA) with Banco Compartamos of Mexico. On IPA's website, Compartamos' Executive Vice President Carlos Danel hints at some of the results that we can expect at the conference: "I think we tend to oversell the benefits of financial inclusion as a poverty alleviation tool." This echoes BlueOrchard's Jean-Pierre Klumpp in Montevideo, who stated: "We have a responsibility to reduce expectations and promise less to our investors."

*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.*

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)

The global information exchange  
for the microfinance industry



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?

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)

# learn + connect

**KEYNOTE SPEAKERS**  
Daryl Collins,  
Jonathan Morduch  
and Stuart Rutherford  
Acclaimed Authors of  
*Portfolios of the Poor*

**12TH ANNUAL GLOBAL  
NETWORK SUMMIT**  
The only global gathering  
of regional and in-country  
microfinance associations.

**TRAININGS**  
In-depth, two day courses for  
microfinance practitioners.

**WORKSHOP TRACKS**  
Risk Management  
Responsible Microfinance  
Value Chain Development  
Microfinance Business Models  
Integrated Solutions  
Savings  
Youth



**2010 Annual Conference**  
November 1-5 | Arlington, VA, USA  
Sheraton National Hotel



The SEEP 2010 Annual Conference is the premier  
event for microenterprise practitioners to connect  
on the challenges and opportunities they face.

**REGISTER AT [WWW.SEEPNETWORK.ORG](http://WWW.SEEPNETWORK.ORG)**



## PAPER WRAP-UPS

### Building Houses, Financing Homes

By Anamitra Deb, Ashish Karamchandani and Raina Singh; published by Monitor Inclusive Markets; July 2010; 16 pages; available at: [http://www.monitor.com/Portals/0/MonitorContent/imported/MonitorUnitedStates/Articles/PDFs/Monitor\\_Inclusive\\_Markets\\_Building\\_Houses\\_Financing\\_Homes\\_exec\\_summary.pdf](http://www.monitor.com/Portals/0/MonitorContent/imported/MonitorUnitedStates/Articles/PDFs/Monitor_Inclusive_Markets_Building_Houses_Financing_Homes_exec_summary.pdf)

In this paper, the authors examine the future of housing development and finance for the low-income, urban population of India, specifically Ahmedabad and Mumbai. The authors refer to a 2007 Monitor Inclusive Markets study that concluded that even the cheapest houses available on the market were at best affordable for only the richest 15 percent of the urban population. Using this study as a foundation, the authors describe the changes that have taken place since that time and make recommendations for a new business model for the low-income housing market.

The authors assert that in the last three years the low-income housing market in India has benefited from both a “macro-economic recession,” in which up-market developers have down-scaled their target customer segments, and from the efforts of development organizations that are introducing “market-based, alternative models of building commercially viable housing for the lower-income segments.”

Leading this growth in supply, the authors cite successful pilot projects, the emergence of large developers with experience in high-volume business models and an emphasis on the implementation of more efficient business practices. The authors suggest that innovation in low-income housing is directly proportional to increases in construction technologies and designs that incorporate environmental sustainability.

Innovation in construction may increase supply, but without capable housing finance corporations (HFCs) the increase may be...  
(Continued in the subscriber edition)

### Saving Through the Mobile Phone – The Case of M-PESA

By Olga Morawczynski, published by the Microfinance Information Exchange (MIX) in Issue 19 of the MicroBanking Bulletin, December 2009, 8 pages, available at: <http://www.themix.org/sites/default/files/MBB%2019%20-%20Saving%20Through%20the%20Mobile%20Phone.pdf>

M-PESA is a mobile-phone-based service for sending and storing money offered by Safaricom, a mobile service provider in Kenya. From its launch in March 2007 through the writing of this paper, M-PESA acquired 7 million users. While M-PESA was designed to be a money-transfer service, evidence suggests that customers are using it for savings as well. Olga Morawczynski studies data from “financial diaries” that record the savings practices of 14 M-PESA users for a period of one month. Eight users from the Kenyan city of Kibera represent the “urban” customers, while six users from smaller villages represent the “rural” customers.

Of the four most common savings mechanisms, home banks (storing money at home), rotating savings and credit associations (ROSCAs), regulated banks and M-PESA, Ms Morawczynski found that - on average - participants used two. The chosen mechanisms usually complemented each other, each serving different purposes, such as: accessibility, safety, interest rate gains, organizing personal finances or building credit confidence.

Concerning the urban users, Ms Morawczynski found the most popular mechanisms for savings were home banks and M-PESA. The diaries revealed that an average of 4 percent of total income was deposited in home banks, while 18 percent was put into M-PESA (any amount of which may have been used for paying bills rather than for long-term savings).

Concerning the rural users, the most popular mechanism was the home bank, capturing an average of 32 percent of total income. Again, funds were not necessarily saved for...  
(Continued in the subscriber edition)


### CGAP 2010 MIV Survey Report

By Symbiotics, published by CGAP (Consultative Group to Assist the Poor), August 2010, 42 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.11.142715/>

This fourth survey of microfinance investment vehicles (MIVs) from CGAP (Consultative Group to Assist the Poor) offers analysis and benchmarks from 90 MIVs. It focuses on two dimensions: financial performance (benchmarks on growth, risk, return, efficiency and funding patterns) and environmental, social and governance (ESG) commitment.

The MIVs manage assets equivalent to USD 7.7 billion as of December 2009, representing an estimated 93 percent of the MIV market. Asset growth slowed for the third consecutive year to 25 percent in 2009 (against 86 percent in 2007 and 34 percent in 2008), and survey respondents forecast a growth of only 15 percent for 2010. Private equity funds are growing faster (75 percent growth in assets) than others, fueled by new commitments from institutional investors, with investments concentrated in India. Local currency investments jumped by 54 percent in 2009 and now account for 31 percent of all direct debt investments.

The continuing impact of the credit crisis in several large microfinance markets translated into new loan-loss provisions representing 2 percent of the MIV direct debt microfinance portfolio. The average net portfolio yield reached a historical low of 7.9 percent at the end of 2009. The liquidity level jumped to a new high (17 percent of assets). In this context, the average net return for fixed income funds in euros dropped to 3.2 percent against 5.9 percent in 2008.

MIVs are increasingly committed to report on ESG practices: 40 percent are using an environmental exclusion list; 81 percent have endorsed client protection principles; and 69 percent report on ESG issues to their investors. 



**microfinanceIndia**  
SUMMIT 2010

access

**Mission of Microfinance:**  
Need to Reflect and Reaffirm  
November 15 - 17, 2010

**REGISTER NOW**  
Early Bird Registration  
ends on September 30<sup>th</sup>  
2010

More details at  
<http://www.microfinanceindia.org/>



**MicroCapital Monitor**

Want your news covered?  
Send it to us at  
[info@microcapital.org](mailto: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](mailto:info@responsAbility.com), [www.responsAbility.com](http://www.responsAbility.com)

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)

## 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 microbankers 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

*Brought to you by the producers of the Global Microfinance Investment Congress*

## INTERNATIONAL IMPACT INVESTING SUMMIT

December 2-3, 2010 | Flatotel, New York, NY

Register Now • 888-224-2480 • [impactinvestingsummit.com](http://impactinvestingsummit.com)



## 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)