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Top Stories November:

Nobel Peace Prize to M. Yunus and Grameen Bank

Please see final page for comments on the award. October 13. 2006

AccessHolding Launches, Goes the ProCredit Way

Recently formed Access Holding AG, announced that KfW, the European Investment Bank (EIB), the International Finance Corporation (IFC) and the Omidyar-Tufts Microfinance fund have each purchased 19.2% of the company's equity. The founding company LFS Financial Systems GmbH, together with its employee investment company MicroAssets, hold the remaining 23.2% equity. The company states that its "strategic objective is to build up a network of commercial microfinance banks, with common principles and under a common management." A strategy akin to what follow German firm ProCredit Holding has been executing to considerable attention from the capital markets. AccessHolding and Procredit Holding have similar investor profiles as well. With EUR18 million of committed initial capital, AccessHolding has made its first investments by purchasing equity stakes in Micro Finance Bank of Azerbaijan (MFBA) and the to-be-founded AccessBanque Madagascar. LFS, AccessHolding's founding company, which specializes in providing business and technology consulting to microfinance institutions in developing countries, has management control over both. October 30. 2006

Agreement Reached with Indian State Government

Most micro-banks in Andhra Pradesh, India, have reached a statewide agreement with the state government on interest rates, product portfolio, inter-MFI competition, credit disbursement and loan recovery methodologies. MFIs have agreed to an interest rate ceiling of 15%. They have agreed to desist from providing multiple loans to an existing borrower and recover loans at a pace compatible with the borrower's income level. MFIs are also to remain strictly within the micro-credit domain, avoiding micro-insurance products. This marks an important step in the ongoing imbroglio between the state government and MFIs, which has been widely reported. The state government had come down heavily on MFIs following reports of farmer suicides due to heavy-handed collection methods. Competition for the same markets led to these MFIs lending to the same borrower. When floods in the Krishna and adjoining districts further dulled the recovery outlook, recovery practices contributed to suicides and attracted the attention of the local administration. The state government rapped four MFIs - Spandana, Asmita, Umduma Poddu Pedatha and Share Microfin. Credit disbursements, especially those of ICICI bank, which writes most of these loans using these MFIs as disbursement and collection agents, faced potential write-offs worth Rs 500Crore (USD100 million). October 11. 2006

Bangladesh's ASA Establishes Private Equity Fund

Bangladeshi microbank, Association for Social Advancement (ASA), has established private equity fund Catalyst Microfinance Investors (CMI). ASA, which holds a 33% stake in CMI, seeks to invest in emerging, high potential microfinance institutions (MFI) in Asia and Africa. According to ASA president Shafiqul H. Choudhury, CMI has already attracted USD25 million from various investors; individual investments range from USD100,000 to USD1 million. ASA, a nonprofit, was established in 1978; its microcredit and savings program began in 1991. Total assets for ASA at the end of 2005 amounted to USD298 million with a return on assets (RoA) of 14.53%; the debt to equity ratio was 86.57%. The number of active borrowers was 4.2 million at the end of 2005. October 20. 2006

Top Story October: TIAA-CREF Buys \$43mn of Shares in Frontrunner ProCredit Holding

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Unitus Receives USD 1.46mn from Gates

Unitus, a US non-profit microfinance support organization, has announced a USD1.46mn grant from the Bill and Melinda Gates Foundation to fund a new project to enhance micro-banking efficiency. Unitus will analyze the business practices of four of its partner micro-banks and recommend steps to improve efficiency (total operating costs/average loan portfolio), personnel expense (personnel expense/average loan portfolio), and halving the yield gap and identifying optimal levels of delinquency. During the three-year project, Unitus will most likely work with Grameen Koota (from India), Bandhan (also Indian), Pro Mujer Mexico, and Fondo Inversion Social (Argentina). **November 2, 2006**

Emergency Liquidity Lends \$2mn in Ecuador

Banco Solidario, Ecuador received a USD2 million loan from the Emergency Liquidity Facility. Banco Solidario, established in 1995, reported for 2005 a gross loan portfolio was USD207 million, total assets of USD297.6 million, RoA of 1.42%. The debt to equity ratio was 1,153.64%. The total number of active borrowers at year-end 2005 was 153,452; total number of savers was 111,468. The Emergency Liquidity Facility (ELF), based in San Jose, Costa Rica, is a lender of last resort to microfinance institutions that have been affected by natural disasters or man-made crises; ELF has over USD10 million available for emergency lending purposes. ELF's main shareholders are the Swiss State Secretariat for Economic Affairs (SECO) and the Inter-American Development Bank (IADB) through the Multilateral Investment Fund (MIF). **November 2, 2006**

Indian Microbank Start-Up Announces \$33m Goal

Moksha-Yug Access, an Indian microbank, which started operations in April 2006, has announced plans to raise INR 1500 Million (about USD33.4 mn) from high net worth individuals, family and friends to finance its expansion plans. The organization is following what seems to be the conventional growth route for for-profit microfinance in India. It has joined with the ICICI bank, a government funded bank, using ICICI's 'partnership model' wherein Moksha-Yug identifies the Self Help Groups (SHGs), voluntary savings and loan associations, and the bank then channels the loan through the microbank, which deposits 10% of the loan amount with the bank as security. **November 1, 2006**

Triodos-Doen Lends USD 5.1mn to 3 Microbanks

The Triodos-Doen Foundation, managed by Triodos International Fund Management BV, made the following loan disbursements: **FDL** (of Nicaragua, loan of USD2.5 mn along with its partners; Hivos-Triodos Fund and Triodos Fair Share Fund) was founded in 1992 had 48,261 active borrowers, a gross loan portfolio of USD34.0 mn, and total assets of USD42.3 mn as of year-end 2005 and return on assets (RoA) was 6.39%. **MFBA** (Microfinance Bank of Azerbaijan, loan of USD2 mn with Triodos Fair Share) was founded in 2002 by the Black Sea Trade and Development Bank (25.5% current equity), European Bank for Reconstruction and Development (18.2%), International Finance Corporation (25.5%), and LFS Financial Systems (5.7%). In 2004, KfW Development Bank bought 25% of the stock. As of the end of 2005, MFBA had assets totaling USD21.7 million, loans of USD17.3 million, and a net profit of USD146,000. **Constanta** (of Georgia, loan of 636,000) has recently received loans from several other funds including GCMC, please see October 25 story. Triodos-Doen, founded in 1994 by the Dutch Triodos Bank and the DOEN Foundation is under the management of the Triodos Bank Group, and in 2005, had an operating profit of USD1.64 million and total assets of USD47 million. **October 27, November 2 & 6, 2006**

Philippines Government and Catholic Church Launch Microbank with USD350,000

The Philippines government launched a new microfinance institution called First Micro-Finance Bank, modeled on the Grameen Bank, with funding from the Catholic Church. The institution, which has capital reserves of USD350,350 was recently licensed by the central bank of Philippines -

Bangko Sentral ng Pilipinas. The Church provided USD20,200 in start-up financing, with other groups such as governmental officials, labor unionists, and activists providing the rest. The head of the Bank, Jose Oviedo, is a priest in the region north of Manila where it will operate. **October 27, 2006**

GCMC Lends 14.5mn to Five Microbanks

We are reporting on 5 loans worth USD14.5 mn made by Global Commercial Microfinance Consortium (GCMC), which is a USD75 mn fund created in late 2005 by members of the financial and development sectors, including Deutsche Bank (who organized the venture), USAID, the UK Department for International Development (DFID) and the Gray Ghost Fund. The loans are as follows: **XacBank** (of Mongolia, USD4 mn loan) was formed in 2001, after the merger of Goviin Ekhlel and X.A.C., Mongolia's two largest non-bank financial institutions. As of the end of 2005, the bank had a gross loan portfolio of USD30 mn, total assets of USD48.1 mn and return on assets (RoA) of 2.59%. **Constanta** (of Georgia, USD4 mn loan) has a gross loan portfolio of USD7.7 mn, total assets of USD8.8 mn, and total equity of USD6.5 million as of the end of 2005. It reported a return on assets of 0.49% and a return on equity of 0.58%. **Banco Solidario** (of Ecuador, USD4 mn loan) was established in 1995, at the end of 2005, reported a gross loan portfolio of \$207 million on total assets of \$297.6 million. Its RoA was 1.42% and debt to equity ratio (D/E) was 1,153.64%. The total number of active borrowers at year's end 2005 was 153,452 people; total number of savers 111,468. **ODEF** (of Honduras, USD 1.5mn loan) was established in 1992, reached 13,826 active borrowers and 8,101 savers at year-end 2005. ODEF's gross loan portfolio equaled USD7.9 mn, and its total assets were 10.3 mn at that time. Its D/E ratio was 142.45%, RoA 2.02%. **Edpyme Confianza** (of Peru, loan of USD 1mn) was created in 1997, and, as of the end of 2005, its gross loan portfolio equaled \$22 million, its total assets were \$28.5 million, its D/E ratio was 477.73%, and it had 24,142 active borrowers. **October 25, 30 & November 7, 2006**

Philippines' Planters Borrows \$2m from ShoreCap

Planters Bank received a USD2 million loan from ShoreCap International. Planters Bank is a private development bank founded in 1961 in Manila, Philippines. As of year end 2005, it had outstanding loans of USD 440 million and assets worth USD 740 million. In addition, its debt to equity ratio was 218% and net income was USD6.9 million. ShoreCap International was founded in 2003 as a socially-responsible investment fund operating out of Chicago and registered in the Cayman Islands. Its investment mix is 80% equity and 20% debt. In addition, ShoreCap had USD28 million invested (of which USD4.9 million was allocated to microfinance) in East Asia (55%), India (30%), and Africa (15%). **October 25, 2006**

responsAbility lends Over USD5 mn to 6 MFIs

We are reporting on 6 investments made by Swiss Global microfinance fund responsAbility, a private investor and open-ended investment fund established in 2003 under Luxembourg law, which has a total fund volume of USD79.2 million (September 2006), the majority of which (83%) is in invested in loans to MFIs. responsAbility made loan disbursements to various microfinance institutions: **FIMEDER** of Mexico (USD1.95 mn) which began in 2003, has a loan portfolio of USD18.5 mn at the end of 2005. It had 5,612 clients with loans that averaged USD3,726. **Edpyme Confianza** of Peru (USD1 mn) has, at year-end 2005, has total assets of USD18.5 mn, gross loan portfolio of USD22.1 mn, debt to equity(D/E) ratio of 477.73%, RoA of 3.72% and RoE of 21.30%. It had 24,132 active borrowers. **ZAO FINCA-Russia** (USD1 mn) has an outstanding loan portfolio of USD17.4 million and is responsibility's first transaction in Russian Rubles. **EcoFuture** of Bolivia (USD0.5 mn) as of December 2005, had total assets of USD23.6 mn, gross loan portfolio of USD19 mn, total equity of USD2.5 mn, RoA of 1.18%, RoE of 11.04% and D/E of 834.93%. There were 15,064 active borrowers and 8,032 savers. **FINCA-Kosovo** (USD0.4 mn), founded in 2000, has USD8.5 mn in assets and a profit margin of 6.47% as of August 2005.

Prestanic-Nicaragua(USD0.4 mn) reports total assets of USD8.9 mn and an RoA of 3.93%. **October 24, 26 & November 3, 2006**

Incofin offers Credit Lines to African MFIs

We are reporting two agreements which Incofin, a Belgium-based microfinance investment fund, has made to grant credit lines to MFIs. One of the recipients, Kenya Women Finance Trust (KWFT) received a USD600,000 line of credit while the other, Uganda Microfinance Limited (UML) received a USD240,000 line of credit. KWFT has 62,790 borrowers and a total loan portfolio of USD20.1 million. It had assets of USD33.1 million, debt to equity at 211% and return on assets of 3.61%. UML, established in 1997, at year-end 2005 had 31,145 clients, total assets of USD16.5 million, a return on assets (RoA) of 4% and a debt to equity (D/E) ratio of 295%. Founded in 1992, Incofin's investment mix was 56% loans, 43% equity, and 1% guarantees at year-end 2005, with assets of USD5.6 million, of which USD4.5 million allocated to microfinance investments. Incofin is 50% invested in Latin America and 40% in Africa, with 10% in Western Europe. **October 24 & 26, 2006**

BNP Paribas Extends Guarantee-Backed Loan

Egyptian Microfinance Institution (MFI), Dakahlia Businessmen's Association for Community Development (DBACD) received a USD2.5 million loan from BNP Paribas, thanks to a USD2 million guarantee from the Grameen-Jameel Initiative. Egypt-based DBACD, founded in 1995, is a non-profit microfinance provider, which, as of July 2006, had 63,288 clients and a loan portfolio worth USD9.7 million. Debt-to-equity was 64.6%, with assets stood of USD18.4 million on a return of 4.9%. US-based Grameen Foundation and Abdul Latif Jameel Group partnered in 2003 to strengthen the microfinance industry in the Arab world. The Grameen Foundation is a US non-profit, nongovernmental organization that works with 52 partners to promote microfinance. It has USD13.8 million in assets. Abdul Latif Jameel Group and is one of the largest businesses in the Middle East. BNP Paribas began in 1815 and now has USD62 billion capitalization. The bank, which operates in 88 countries, has assets of USD1.4 billion and loans totaling USD310 million (2005 figures). Net income was USD5.9 billion in 2005. **October 23, 2006**

Impulse Microfinance Fund Receives Total Credit Line of USD6.36 mn

News coming to us courtesy of the CGAP-MIX MCM Newsletter: Impulse fund has received two credit lines of EUR2.5 million (about USD3.18 million) each from KBC Bank and VDK Spaarbank. KBC and VDK Spaarbank happen to be founding partners of the Belgian fund. Recently, the fund issued a EUR2 million (about USD2.5 million) bond secured by Pax-Bank and DZ Bank of Germany. The Impulse Microfinance Fund is a private investment fund founded in 2004 by the Belgian Social Investment Company Incofin along with Belgian Institutional Investors - KBC, Boerenbond, VDK Spaarbank and Volksvermogen, with initial capital of USD5,863,729. It is a closed ended fund that expires in 12 years (2016). As of Q2 2005, the fund assets were worth USD15,413,875. KBC is one of Belgium's largest banks with total assets of EUR320.4 billion (USD404.2 billion) and a total loan portfolio of EUR177.1 billion (USD223.4 billion). **October 20, 2006**

ShoreCap and Triodos-Doen Team Up with USD2 mn in Equity for BRAC Afghanistan

The Afghani operation of Bangladesh Rural Advancement Committee (BRAC), a society with huge micro-banking operations in Bangladesh, received USD2 mn in equity from ShoreCap International and the Triodos-Doen, who each invested USD1 mn. BRAC Afghanistan, founded in 2002, was initially supported by the Microfinance Investment and Support Facility in Afghanistan (MISFA), the government's Ministry of Rural Rehabilitation and Development (MRRD) and the World Bank. ShoreCap, started by American ShoreBank, is a private equity company specializing in microfinance. In 2003, it purchased USD1.5 million in equity in BRAC

Bangladesh. As of the end of the first quarter of 2006, it had USD12 million in total microfinance investments. **October 20, 2006**

IDB Provides Loan to Honduran Government for Support of Low-Income Housing

The Inter-American Development Bank (IDB) will be loaning the government of Honduras USD30 mn for the promotion of low-income housing. The project, which falls under the IDB's new Building Opportunity for the Majority initiative, is the first step in a multiphase program that may include a second USD30 mn loan for the establishment of a microcredit housing fund. The loan will be repaid over the course of 40 years, with a 10-year grace period. It has an annual interest rate of 1% during the first decade and 2% over the rest of its life. The money will be distributed to low-income families as subsidies toward the purchase, construction or renovation of new and existing homes. Additionally, municipal governments will receive subsidies for the development of infrastructure in poverty-stricken areas. Others involved in the project include the World Bank, the Central American Bank for Economic Integration (CABEI), Germany's KfW and the Swedish International Development Agency (Sida). **October 19, 2006**

Citigroup Hails Microbusiness Owners in Uganda

Citigroup, a US financial service provider will make awards to fifteen microcredit entrepreneurs in Uganda. The event is part of the global Citigroup Microentrepreneurship Awards 2006 program that will take place in countries in Asia, Africa, Latin America, the Middle East and Eastern Europe. This is the second year in which Citigroup has conducted these awards in coordination with the United Nations. **October 19, 2006**

responsAbility Buys USD3.4 mn Equity in ProCredit

The Europe based fund responsAbility bought shares worth EUR2.7 million (USD3.43 million) from ProCredit Holding A.G. This is responsAbility's largest exposure to a single microfinance portfolio. ProCredit Holding AG is the parent company of a group of 19 banks that operate in transition economics and developing countries in Africa, Latin America and Eastern Europe. At the end of July, the banks had a EUR1.9 billion loan portfolio that was comprised of 670,000 loans. **October 19, 2006**

"Bombay Lenders" Shunned in Philippines

The Mindanao Microfinance Council (MMC), a local group in the Mindanao region of the Philippines met to consider proposals to promote microfinance. The forum convened as a reaction to the spread of "Bombay lenders", Indian nationals who move to the area and act as "informal money lenders," providing loans to locals at high rates. Although one top government official proposed a solution that would not require new legislation, the government-owned Land Bank of the Philippines' National Livelihood Support Fund (NLSF), the country's largest development institution, led directly to "cooperatives and market vendors associations" which would in turn supply loans to members, thereby generating competition which would limit the spread of the shunned foreign lenders. Ignacio Alvizo, the director of the MMC, disagreed, stating that the market for micro-loans in the state has been saturated and that the real obstruction to growth is the lack of institutions with the capability to distribute funds and collect repayments. Instead of providing money to lend, Mr. Alvizo suggests that the government should fund third-party training to existing institutions. According to his estimates, only 50 of the 100 plus micro-lenders in Mindanao have the technology to run a successful business. **October 18, 2006**

Oikocredit Grants 10 Loans Worth USD9.25 mn

We are reporting on 10 loans worth USD6.4 mn by Oikocredit, a Dutch ecumenical co-operative financial development institution with 86% of its investment portfolio in the form of loans to microfinance institutions (MFIs)

worldwide. Oikocredit invests mostly in Latin America (55%) and had year-end 2005 assets worth USD304 mn and 219 active microfinance investments. These investments include loans to two Bosnian firms - MIKRONFIN (2-year, USD2.85 mn) and PRIZMA (a USD1.9 mn, 3-year term loan), 3 Indian MFIs - ESAF (USD1 mn), Pragathi (USD654,600, 6-year term), and Adarsha (USD436,400), 4 Latin American MFIs -- Fundeser and the Cooperativa de Servicios Múltiples 20 de Abril of Nicaragua a 5-year USD600,000 loan each, the Cooperativa de Desarrollo Comunal Indígena of Ecuador a 4-year, USD300,000 loan, Enlace of El Salvador a 5-year \$400,000 loan and, finally, a loan of USD0.58 mn, 3-year term, to Soro Yiriwaso of Mali. **October 18, 19, 23, 24, November 5 & 7. 2006**

Sudan and World Bank Establish USD50 mn Fund

The Central Bank of Sudan (CBS) and World Bank launched a USD50 mn microfinance fund to be invested in micro-lenders and establish a microfinance department within CBS. A particular focus will be put on areas that have been hit hard by civil war and famine, such as the Darfur region. The Sudanese microfinance industry includes efforts by USAID, CARE, CHF, CRS, and WSBI, which are the only organizations reporting to the Microfinance Information eXchange (theMIX.org), a microfinance information clearinghouse. **October 16. 2006**

Cameroon to Organize Its 650 Microlenders

The National Committee for Microfinance (NCM) of Cameroon recently met to make a plan to bring its constituents together. Cameroon's microfinance sector developed as a reaction to the privatization and internationalization of the country's financial sector after several banking crises in the 1990s. As of 2000 there were 650 MFIs in the country, so the sector can be considered highly decentralized. There are only 9 institutions reporting on the microfinance information website Mix Market, most of which are credit unions. There has been some scaling down by commercial banks, most notably Afriland Bank's Rural Development Bank (MC²) and MUFFA projects. As for regulation of the sector, The Central African Economic and Monetary Community (CEMAC) created a set of region-wide microfinance laws for the sector in 2003, which led to the creation of the NCM. **October 16. 2006**

Gray Ghost's Secondary Market Activity

Gray Ghost, a for-profit microfinance investment fund, announced recently that it has completed three large-scale secondary market deals in the last three months. In September, Gray Ghost completed a transaction on behalf of Gray Matters Capital, a sister organization. It bought 2305 shares in the Accion Investments in Microfinance Fund (AIM) for USD3.8 mn from the Inter-American Development Bank (IADB)'s Multilateral Investment Fund (MIF). This is the fund's second investment in AIM, after its December 2003 purchase of USD1 mn in shares. Additionally, Gray Ghost was involved in a second agreement in which it bought USD3 mn in first-list Collateralized Loan Obligation Notes issued by Blue Orchard Loans for Development 2006-1 S.A. (BOLD) from the Netherlands Development Finance company (FMO), which had been the lead underwriter for the B-Class Notes. The BOLD Collateralized Loan Obligation was closed in April 2006, and raised USD99.1 mn, which was disbursed to 21 microbanks. Gray Ghost also purchased shares in the Latin American Challenge Investment Fund (LACIF) from the Norwegian Investment Fund for Developing Countries (Norfund) and MIF for USD2 mn. The deal, which occurred in July of this year, leaves Gray Ghost owning 41% of LACIF. **October 13. 2006**

Exxon Mobil Lends \$130,000 to 11 Microlenders

Exxon Mobil loaned \$130,000 to eleven microfinance institutions in Bonny Island, Nigeria. The loans were offered at "minimal interest rates", and will go to about 650 residents. Exxon Mobil is involved in Nigerian oil production through a joint venture with Nigerian National Petroleum Corporation, a government-owned operation. Using year-end 2005 figures, Exxon had revenue of \$371 billion and net income of \$32 billion.

Worldwide charitable contributions totaled \$132 million, of which \$82 million was allocated to the United States. **October 13. 2006**

Bangladesh's BRAC to Extend into Pakistan

Bangladesh Rural Advancement Committee (BRAC), one of the large Bangladeshi microfinance institutions (MFI) will soon pursue operations in Pakistan. The announcement is considered the result of an encouraging attitude on the part of the Pakistan government towards microfinance. The MFI recently applied for a license in the country and is expecting to hear back soon. Pakistan's microfinance sector consists of over 18 operating MFIs. Those institutions posting on Mix Market, the MFI information clearinghouse, have a total gross loan portfolio of USD107 million. In 2001, the government created a regulatory framework, which has established guidelines for sector growth. BRAC is one of the largest MFIs in the world and is a leader in linking to the microfinance to capital markets. As of the end of 2005, BRAC had total assets of USD321 million, a return on assets of 5.49%, and a return on equity of 18.08%. As reported earlier this year, BRAC became the first MFI to securitize its micro-loan portfolio, in a USD180 million deal with several large commercial banks. **October 12. 2006**

Intercontinental of Nigeria Goes to Ghana

Nigerian Bank - Intercontinental Bank Plc has acquired CITI Savings and Loans Ltd, a microfinance institution (MFI) and transformed it into a bank. The new bank, to be known as Intercontinental Bank Ghana Ltd will be used to expand microfinance operations in Ghana. Intercontinental Bank Plc, the third largest bank in Nigeria, has shareholder equity of NGN54.5 billion (about USD425 million) on a total asset base of NGN369.2 billion (about USD2.9 billion). The bank recently announced plans to raise USD1 billion through equity sales. In October 2005, the bank acquired three Nigerian Banks - Equity Bank of Nigeria Plc, Global bank Plc and Gateway Bank Plc. The acquired organization, CITI Savings and Loans Ltd, was a savings-led organization that operated in the Greater Accra region of Ghana. It operated based on the ROSCA (Rotating Savings and Credit Association) methodology, commonly called 'susu' in Ghana. ROSCA refers to a group of individuals who come together and make cyclical contributions to a common fund that is then regularly given as a lump sum to one member of that group. **October 12. 2006**

UK Gives USD75 mn to Bangladesh

The British government is providing approximately USD75 million to the Bangladesh Central Bank to support the country's microfinance sector. The program, entitled PROSPER, will primarily be a partnership between two Bangladeshi actors: the microfinance-funding organization, Palli Karma-Sahayak Foundation (PKSF), and the Bangladeshi government's newly established Microcredit Regulatory Authority (MRA). The PKSF was founded in 1990 to provide financial and non-financial services to Bangladeshi MFIs. It has received funding from the government of Bangladesh, the World Bank and USAID, among others. It had total assets of USD363 million and operating income (from loans to MFIs) of USD7.5 million as of July 30, 2005. **October 12. 2006**

USD2.2 mn in Australia Aid to Papua New Guinea

The Australian government's aid agency, AusAID, gave USD2.2 million to Papua New Guinea-based Bougainville Microfinance Scheme (BMS). The funds, which will be disbursed over three years, are to be used for training and lending. BMS was established in 1998 following a ten-year civil conflict which claimed 15,000 lives out of a population of 150,000. BMS is managed by Australian Volunteers International, a non-profit organization established in 1951 and funded with AusAID and private donations. AusAID has donated USD170 million to Bougainville since 1997, and had a presence in the province since the beginning of the conflict. **October 11. 2006**

Nicaragua's ACODEP Borrows \$1.5 mn from Local Bank BANPRO Back by Grameen Foundation

Nicaragua-based ACODEP received a USD1.5 million loan from BANPRO. This loan was backed by a USD500,000 guarantee from the Grameen Foundation, a US non-profit. ACODEP stated it would use the funds to build its client base from the current 51,444 to 118,000 by 2009. ACODEP, begun in 1990, reported year-end 2005 assets of USD19.5 million and a loan portfolio worth USD15.8 million. Its debt to equity (D/E) was 309% and return on assets (RoA) stood at 8.9 percent. BANPRO, a commercial bank established in 1991, has 48 branches throughout the country and assets of USD860 million. At year end 2005, its net income stood at USD14 mn. Grameen Foundation, the guarantor, is partnered with 52 microfinance institutions around the world. It reported assets of USD8.4 million in 2005. Non-profit Global Partnerships, who conducted the due diligence assignment, currently works with nine microfinance institutions. **October 10. 2006**

Bangladesh Requires Licenses

Bangladesh's Microcredit Regulatory Authority (MRA) recently announced that all microlenders in Bangladesh must apply for special microfinance licenses by February 26, 2007. According to the agency's director, Dr. Salehuddin Ahmed, "The MRA will examine the source of funds, ownership, internal governance and the real financial position of the NGOs before giving the license." The Micro-credit Regulatory Authority Act, enacted on July 16th of this year, falls under the control of the Central Bank of Bangladesh. The agency was formed to, "ensure security of the savings of the depositors and accountability of the customers of microfinance institutions". One other official, however, noted the need for monitoring all financial flows after a wave of Islamist attacks last year. Bangladesh, often seen as the heartland of microfinance, has over 2000 microfinance institutions in operation. ASA and BRAC, which have overtaken the Grameen Bank, are the largest microlenders in Bangladesh. **October 6. 2006**

Biggest Insurer in India Offers Micro Product

India's largest Life Insurance Company, the Life Insurance Corporation of India (LIC) has launched a microinsurance life product - 'Jeevan Madhur' (roughly translates to 'sweet life'). Under this product scheme, life insurance coverage from a minimum of USD110 equivalent to a maximum of about USD650 equivalent can be obtained. The customer can make minimum premium payments of Rs25 (USD0.55) per week, Rs50 (USD1.1) fortnightly, Rs100 (USD2.2) per month and a minimum of Rs250 (USD5.5) over longer periods. The term of the policy ranges from 5-15 years. LIC's first foray into offering microinsurance services in 2001-2002 in cooperation with the government did not meet with success. While the subsidies were attractive, there were aspects of the product life cycle and the institution's bureaucratic manner of functioning that made LIC's policies unworkable in practice. While earlier it was the MFIs that had approached LIC, this time LIC itself wants to actively develop market share in the emerging microinsurance sector. The Indian insurance industry is still dominated by a handful of government owned operations, though private players have moved in after the liberalization of this sector in 1999. LIC has 2048 branches and 10.1 million insurance policies written in 2005. **October 6. 2006**

Canadian Microfinance Aid for Afghanistan

The Canadian International Development Agency (CIDA) made a \$12 mn loan to Microfinance Investment Support Facility for Afghanistan (MISFA). The funds will be disbursed by MISFA to its 12 partner microfinance institutions in the country. MISFA, established in 2003 by the government of Afghanistan, the World Bank Group, and the Consultative Group for the Poor (CGAP), has received funds in the past from the CIDA, USAID, and

the UK Department for International Development. MISFA uses these funds to provide loans to microfinance institutions operating in Afghanistan, such as FINCA Afghanistan, BRAC, AKDM, CARE, CHF, and Women for Women. Originally operating within the country's Ministry of Rural Reconstruction and Development, it became an independent entity in 2004. It does not report to the MIX, the microfinance information clearinghouse. **October 5. 2006**



PAPER WRAP UP

Track Research and Recommendations

Transforming Microfinance Institutions: Providing Full Financial Services to the Poor

By Joanna Ledgerwood and Victoria White, published by World Bank and the Microfinance Network, August 2006, 566 pages, purchase here for \$50: http://publications.worldbank.org/ecommerce/catalog/product?item_id=5646 933

This is a 566 page how-to manual for credit-focused microfinance organizations seeking to become regulated deposit-taking financial intermediaries. According to the author's abstract, the book "outlines how to manage the transformation process and address major strategic and operational issues inherent in transformation including competitive positioning, business planning, accessing capital and shareholders, and how to "transform" the MFI's human resources, financial management, internal controls, and branch operations". Author Joanna Ledgerwood was Deputy Chief of Party for the USAID-funded Support for Private Enterprise Expansion and Development (SPEED) Project in Uganda and also served as Deputy Chief of Party for the Microenterprise Access to Banking Services (MABS) Project in the Philippines. Ms. Ledgerwood is also author of The Microfinance Handbook: An Institutional and Financial Perspective published in 1998. Fellow author Victoria White is Vice President of International Operations for ACCION International where she provides technical assistance to ACCION's African- and Caribbean-based microfinance partners.

Capturing Remittances in Central America

By Sam Logan, published by the International Relations and Security Network, October 5, 2006, 4 pages, view here: <http://www.isn.ethz.ch/news/sw/details.cfm?ID=16752>

This article, "Capturing Remittances in Central America" presents a short exposition about the role microfinance may play in channeling worker remittances into the formal financial sector. This is the second in a three-part series presented by the International Relations and Security Network's (ISN) publication, Security Watch, on the impact of microfinance programs in the region containing the Andes, Central America, and the US-Mexico border area of northern Mexico. An excerpt from the paper: "The growing amount of remittances to Central America remains largely undocumented, moving through networks outside of the formal financial sector. ...[M]ore focus has been placed on how to capture the growing amount of remittances and channel this wealth into formal systems where regional and local banks and micro-lending organizations play a role in bringing more Central Americans into the formal financial sector." The paper presents interesting data on remittances in Honduras and Nicaragua but offers no in-depth research or policy suggestions.

Doing Business 2007: Comparing Regulation in 175 Countries

By World Bank staff members, led by Simeon Djankov and Caralee McLiesh; October 2006; 12 pages, download here: http://www.doingbusiness.org/documents/DoingBusiness2007_Overview.pdf

Regulation in Africa overall is improving while South Asia stagnated in 2006, according to the World Bank's recent paper. The African continent, especially the sub-Saharan region, had a vastly higher pace of reforms compared to two years prior. The authors hint that the same reforms occurring in places like Tanzania and Ghana "started India's economic boom" in the 1990s. China earned praise for implementing its massive credit information registry; so did Eastern Europe for its "EU-friendly" reforms. Mexico was lauded for its "bold" new securities law, which puts

greater priority on investor protections. Forty-three countries made it easier to start a business, by far the most frequent reform in the paper. Other findings show that reforms are biggest during the first 15-months of a new government in power, and that comparative measurements among countries help foster new regulations. The authors concluded that Singapore was the easiest place in the world to do business. OECD countries rounded out the next nine rankings. Georgia jumped the greatest number of places, from 112 in 2005 to 37 this year. The international organization compared seven geographic regions (and 175 countries within those regions) with reform measures such as ease of starting a business, getting credit, enforcing contracts, and protecting investors. Overall, negative reforms (i.e., those that hinder economic growth and capital flows) were dwarfed by positives ones: in 2006, only 25 were viewed as negative by the World Bank, while 213 were positive. Data was compiled from more than 5,000 professionals from 175 countries.

Building on Success: The Next Challenges for Microfinance

By Robert Eichfeld, Henry Wendt, published by American Enterprise Institute, September 2006, 7 pages, download here: http://www.aei.org/publications/filter.all,pubID.24913/pub_detail.asp

This American Enterprise Institute (AEI) publication reads like a promotional case study of the Grameen Bank and friends, albeit billed as a discussion of microfinance capital markets. Founded in 1943, the American Enterprise Institute for Public Policy Research is a private, nonpartisan, not-for-profit institution dedicated to research and education on issues of government, politics, economics, and social welfare. Author Henry Wendt is a trustee emeritus at AEI and worked in the pharmaceutical industry and retired as chairman of SmithKline Beecham. Co-author Robert Eichfeld worked for 35 years with Citibank and is a board member of Grameen Foundation.

Cash Grants and Microfinance in Livelihood Recovery: Experiences from Tsunami-affected Areas of Sri Lanka

By M.M.M. Aheeyar, published by Overseas Development Institute, March 2006, 33 pages, download here: http://www.odi.org.uk/HPG/papers/BGP_SriLanka_cash_mfinance.pdf

M.M.M. Aheeyar, research associate at Hector Kobbekaduwa Agrarian Research and Training Institute, Colombo, Sri Lanka, studied the impact of cash grants on the microfinance market in areas of Sri Lanka affected by the tsunami of 2004. Mr. Aheeyar writes, "There were reports of uncoordinated and poorly targeted cash grants. Some areas attracted a large number of NGOs and aid agencies, resulting in more cash and in-kind assistance than was required. According to the MFIs, this had a negative impact on repayment cultures and on the honesty of beneficiaries. There is insufficient evidence to prove that excessive cash grants affected the repayment of culture of beneficiaries. In any case, the problem lies not with the concept of cash assistance, but with a lack of coordination and improper targeting in its delivery". Mr. Aheeyar examines both groups and determines that relief grants are essential for rebuilding; however, microfinance organizations need to assist in a coordinated manner to accelerate rebuilding and cover needs unmet by grants. At the conclusion of this paper, Mr. Aheeyar proposes several suggestions to further improve recovery efforts in disaster-affected communities in the future. Among other proposals, Mr. Aheeyar recommends not providing grants to MFIs to write-off loans as it may lead to a loss of institutional efficiency and sustainability. Mr. Aheeyar further suggests the formulation by the Government of Sri Lanka of a debt write-off policy for disaster-affected communities to help people utilize cash grants for livelihood re-activation without facing pressures to repay debt by MFIs.



UPCOMING EVENTS

Global Microcredit Summit 2006

November 12-15, Halifax, Nova Scotia

Best wishes to everyone at the Summit and thank you to everyone who has contributed to make it possible. For those of you outside the microfinance industry, please know this is the Big One. It happens every 5 years.

Microcredit Summit Campaign, 440 First Street, NW, Suite 460, Washington, DC 20001 USA, TEL: 1 202 637 9600, E-MAIL: info@microcreditsummit.org, globalmicrocreditsummit2006.org. *It is not too late to go!*

1st Central American Conference on Remittances and Microfinance

November 15-17, 2006, Guatemala City

The conference is organized by Guatemala's Banker's Association (ABG), and is sponsored by the Latin American Federation of Banks, the Guatemala Superintendent of Banks and the Multilateral Investment Fund of the Interamerican Development Bank. Contact ABG at (502) 2382-7200 or coremif2006@abg.org.gt.

Triple Bottom Line Investment Conference

Nov 16, 2006, Paris, France

"Brooklyn Bridge will be organising the Triple Bottom Line Investing (TBLI)...[which has] has grown into the largest international networking and learning event, dealing with all forms of sustainable investment. As the TBLI Conference enters its eighth year...there are significant developments around the issues of climate change, private equity, long term value investing, micro financing, sme financing, quality of life choices and faith-based investments...we expect over 500 guests from the financial community, attending the two conferences this year." For more information, contact Brooklyn Bridge, Watteaustraat 36, 1077 ZM Amsterdam, The Netherlands, Tel: 31-(0)204286752, email: info@tbli.org.

2nd Microinsurance Conference 2006

November 21-23, 2006, Cape Town, South Africa

The Conference is jointly hosted by CGAP, Munich Re Foundation, and Finmark Trust. "Around 120 experts from international organisations, non-government organisations, development-aid organisations and the insurance industry will discuss insuring people with low incomes." Conference fee: US\$290, contact Dirk Reinhard, Vice Chairman of the Munich Re Foundation, Phone: +49 (0) 89/38 91-59 09, dreinhard@munichre-foundation.org.

Luxembourg Microfinance Week

November 29-30, 2006, Luxembourg

The gathering officially launches the European Microfinance Platform and European Microfinance Award Ceremony. For more information, contact Anne Bastin at +352- 295858 Ext 234, at the Luxembourg Agency for Development Cooperation.

Towards the Mainstream: Capital Structuring for Sustainable Microfinance

8 Jan 2007 - 12 Jan 2007, Hyderabad, India

Intellectual Capital Advisory Services Pvt. Ltd. (Intellectap), a full service Indian consulting firm, offers this course focusing "on equipping participants with the knowledge and skills to help them align their institution's capital structure in a manner that maximizes its social and financial returns. At the end of the course, the participants would be able to:

Discuss the relevance of capital structuring decisions in growth-oriented microfinance operations, Discuss implications of financing environment, business strategies, regulations and stakeholder value propositions, Explain and apply the objectives and considerations involved in capital structuring decisions, Adopt informed strategies to finance microfinance operations."

Fees are as follows: For a national MFI participant - Rs. 30,000, For a national non- MFI participant - Rs. 40,000, For an international MFI participant - USD 900, For an international non- MFI participant - USD1100. For more information see www.intellecap.net or call/email Ms. Manju Mary George at +91-40-23222461, +91-98850-13361 or training@intellecap.net or manju@intellecap.net.

MicroCredit Enterprises Fact-Finding Mission

January 13-20, 2007, Guatemala

Hosted by MicroCredit Enterprises, LLC, the Fact-Finding Study Mission to Guatemala aims at: Learning about microcredit self-help programs for impoverished families; visiting operational village banks run by women struggling against poverty; and meeting local micro-entrepreneurs. Cost of Mission (per person double occupancy) is \$2,700 (with an optional Single Room Supplement for another \$895), not including airfare (prices available on request). Contact Destinations and Adventures International for more information, see www.daitravel.com, email GailB@DAITravel.com, or call at (323) 650-7267 or (800) 659-4599.

CGAP Donor Training: Building Financial Systems for the Poor: How Donors Can Make a Difference

5 Feb 2007 - 9 Feb 2007, Mali, Africa

Serious donors listen to CGAP. "The course targets development and government specialists who focus on areas such as pro-poor policies, poverty reduction, economic development, private sector and business development, livelihoods, employment promotion, and gender. It is equally useful for specialists in crisis prevention and recovery, environment and health who seek a better understanding of how financial services are related to their spheres of work. The course will be conducted in French." Fee is USD 1500. For more information see

http://cgap.org/direct/docs/MaliDonorCourseBrochure_2007.pdf or contact Natasa Goronja at ngoronja@worldbank.org, no phone available.

HBS-ACCION Strategic Leadership for Microfinance

9 Apr 2007 - 14 Apr 2007, Cambridge, Massachusetts USA

ACCION International and the Harvard Business School team up to "provide management and leadership training to the microfinance industry's CEOs, executives, and key sector protagonists. The program will address issues confronting microfinance leaders, including: Succeeding in highly competitive markets; maintaining a social focus in a commercial setting; working with equity investors and accessing commercial capital markets; Reaching new business segments and evolving products. The fee is USD \$5,300. For more information see <http://www.accion.org/hbs.asp> or contact hbsaccion@accion.org, no name or phone available, ACCION International's general number in Boston is 617-625-7080.

Microfinance in a Banking Environment: Models, Experiences and the Way Forward

25 Apr 2007 - 27 Apr 2007, Berlin, Germany

The European Microfinance Network fourth annual conference "will focus on the relation between microfinance and the banking sector in Europe and how microfinance can develop within this strong developed sector." Fee information is to be announced. For more information call Maria Franco at EMN at +33 (0)1 56 03 59 68 or m.franco@european-microfinance.org or see www.european-microfinance.org. ❖

WHO'S WHO IN MICROCAPITAL

Omidyar Network

Investment Group, Redwood City, CA, USA

Pierre and Pam Omidyar founded the Omidyar Network (originally Omidyar Foundation) in 2004. Currently, **Pierre Omidyar** serves as Chairman of the Omidyar Network. Pierre Omidyar's current endeavors include serving as a trustee of Santa Fe Institute, a director of Meetup Inc., and as the chairman of eBay Inc. Prior to founding eBay, he worked as a consumer software engineer at Claris, an Apple subsidiary. He also co-founded Ink Development Corp., later renamed eShop which was acquired by Microsoft. He has a BS in Computer Science from Tufts University. The other co-founder, Pam Omidyar, also serves as a board member for Tufts University's Tisch College of Public Service. She established Humanity United in 2005, an organization focused on defending human rights. In 2000 she founded HopeLab, a nonprofit organization focused on aiding young people with chronic illnesses. She has a BS in Biology from Tufts University and a master's degree in Molecular Genetics from the University of California at Santa Cruz. **Mike Mohr** serves as Senior Advisor for the Omidyar Network. He has over 25 years of financial and managerial experience and is the founder and chairman of Comprehensive Financial Management. **Iqbal Paroo** is the CEO of the Omidyar Network. Previously, he was president of IFP and Associates where he specialized in turnaround, change and transition management for venture-founded companies and academic health care centers. Prior to IFP, he was founder and CEO of Qualitas Healthcare International. He has also served as president of Hahnemann University in Philadelphia, CFO of various hospitals in the Hospital Corporation of America (HCA) system, as well as serving on the Board of the Aga Khan Foundation-USA.

The Omidyar Network staff consists of the following: **Jim Bunch**, Director, was the CFO of MTI Micro Fuel Cells Inc., a company commercializing direct methanol fuel cells for handheld electronics. He has also worked as an energy sector equity research analyst for Goldman Sachs. From 1993 to 1998 he worked for Goldman Sachs with a stint in 1996 working for Renaissance Capital, a Russian investment bank. Mr. Bunch has a BA in International Relations from Stanford University and an MBA from Harvard. **Stephen DeBerry**, Director, was co-founder and CEO of LTC Health Partners and had also served as CEO of Kundi, Inc., a video search company. He has also served as senior manager of business development at Interval Research, a technology think tank founded by Microsoft co-founder Paul Allen. He has an MBA from Oxford University, a Masters degree in Social Anthropology and a Bachelors degree in Cultural and Linguistic anthropology. **Christine Herron**, Director, makes investments in technologies and organizations that foster the voice of the individual. She has been the vice president of Marketing for Mission Research, a company that develops software for emerging nonprofits and as a principal with Cycle Partners. She is also the founder of Mercury2, an international trade policy software vendor. She began her career as an investor with Geocapital Partners. She has a BA in English from Columbia University and an MBA from Stanford University. **Marnie Sigler**, Director, focuses on strategy, impact evaluation and knowledge management for the Omidyar Network. Prior to joining the Omidyar Network, she was program officer for strategic philanthropy at the William and Flora Hewlett Foundation. She has been a management consultant to the government and commercial clients and also an Investment Banker in the technology sector. She has a J.D. from Stanford Law School and is a member of the California Bar. She also holds a bachelor's degree with honors from Princeton University. **Todor Tashey**, Director, oversees the investment process and portfolio management. Prior to the Omidyar Network, he used to advise senior management at LiveOps on market, competitive strategy, and fundraising issues. He has also worked at Tellme Networks, a voice applications network, and at JP

Morgan Capital Equity Investments. He has a MA in International Economics from Carleton University, Canada, a law degree (LLM) in International Law from the Moscow Institute of International Relations, and an MBA from the Harvard Business School. **Elizabeth Clarkson**, Manager, looks after investments for Omidyar Network. She has prior experience as a business manager for Hewlett Packard, as an early stage venture capitalist and as a financial analyst for Morgan Stanley's Global Infrastructure Group. She has an MBA from Harvard Business School and a Bachelor's degree in Government from Wesleyan University. **Steve Hardgrave**, Manager, evaluates investment opportunities for the Omidyar Network. Prior to joining the Omidyar Network, he worked for the Mexican Association for Rural and Urban Transformation for eight years. He also started and managed a microfinance program, which continues to serve marginalized communities in Mexico City and the southern state of Chiapas. He has an MBA from the Haas School of Business at UC Berkeley and a BA in International Economics from UCLA. **Crystal Hutter**, Manager, invests in for-profit and non-profit initiatives for Omidyar Network. Prior to working at Omidyar Network she served as a senior engineer at Oracle Corporation. She has an MBA from Columbia Business School. **Dhaya Lakshminarayanan** is another Manager at Omidyar Network. Prior to Omidyar Network, she consulted small businesses and entrepreneurs on strategy planning and operations. She has also worked at Booz Allen Hamilton, a global management consulting firm, and at Parnassus Investments, a \$1 billion socially responsible mutual fund. Dhaya holds a BS and a Masters in City Planning and a BS from MIT. **Dena Jones Trujillo** is a Manager at Omidyar Network. Prior to joining the Omidyar Network in 2002, she was a consultant with Ripple Effect Consulting and with Accenture, LLC. She has also been a facilitator and consultant with CASC, a California-based youth leadership organization. She holds a BS in Business Management and Organizational Analysis from Santa Clara University. **Alexa Zhang**, Manager, focuses on investments in consumer technology. Before joining Omidyar Network, she was a senior associate at Apax Partners' IT/Telecom Group, focusing on investments in software and technology-enabled services. Prior to Apax Partners, she was with Maveron LLC, a venture capital firm. She also has private equity experience with Newbridge Capital, has worked in business development for Good Technology, and was in the Mergers & Acquisitions Group at GoldmanSachs. She has an MBA from the Wharton School at the University of Pennsylvania and a Bachelors degree in Economics. **Erin Mohr** acts as an Investment Analyst at Omidyar Network where she researches and executes investments for Omidyar Network and provides project management support for the investment team. She graduated from Pomona College in 2003 with a BA in Cognitive Science.

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EDITORIALS

Open the Capital Flood Gates: Mohammed Yunus of the Grameen Bank Wins Nobel Peace Prize

In the October issue of the MicroCapital Monitor, we reported that “we may look back on September 2006 as the catalyst month for microfinance.” From the microcapital perspective, the Peace Prize awarded to Mr. Yunus will take us from catalytic moment to a flood of capital more quickly than most anticipated.

Are we ready? On this day of great celebration, we urge caution.

Mr. Yunus has traveled the world tirelessly to promote “credit as a human right”, inspiring audiences and global leaders alike with his unflappable charisma and compelling message. To see him is to believe him; to understand his message is to be called to action. The Nobel committee aptly states that he “has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people...[because]... lasting peace can not be achieved unless large population groups find ways in which to break out of poverty.” For over 30 years, microfinance entrepreneurs like Mr. Yunus have overcome all naysayers to prove the practice: Micro-credit works.

However, for years now, business-minded microfinance luminaries committed to eradicating global poverty in our lifetimes have cautioned us that “microfinance lacks capacity”. This is to say that micro-banks currently lack the institutional strength to become large (“scaled”) organizations due to weak management, opaque governance, and meager balance sheets. Poverty continues to dwarf micro-banks. In short, micro-banks as a class are still immature.

Mr. Yunus’ micro-bank, of course, does not lack capacity. Since 1983, when the Grameen bank was founded, it has lent the equivalent of USD 5.72 billion to some 6 billion Bangladeshis in 70,000 villages. It has a gross loan portfolio (as of December 2005) of USD 424 million on a total asset base of USD 646.5 million, upon which it returned 0.32%.

Such powerful micro-banks are the exception to the rule. Of the estimated 10,000 micro-banks operating around the world (no one knows the actual number), almost all are small “mom and pop” outfits unprepared to handle the coming flood of capital. Around 100 have the capacity of the Grameen Bank. However, this cautionary reality will be lost, lost when millions of people today flock to the wires to learn about microfinance after Mr. Yunus’ long-overdue recognition.

Broad and deep institutional capacity is required to deliver credit as a human right. Until recently, donors have bank-rolled this development. Indeed, Grameen is a success story propelled by millions of dollars in donations and subsidies. However, those days are over. Now that microfinance has turned the corner, such donations and subsidies wreck progress by distorting competition and retarding the institutional capacity of emerging micro-banks. The job of being a responsible donor in microfinance has become very complicated.

Accordingly, microfinance investors also face huge challenges to success. Now that the flood gates have opened, we will soon start to see melt-downs of microfinance sectors in specific countries due to over-investment, be it investments for a return on capital, or subsidies, or donations which continue to flow contrary to established best-practices.

The flood of interest by the Peace Prize will require investors to seek innovation like never before. Examples of buy-side products to watch include: TIAA-CREF’s equity investment, Citigroup’s fund committed to “second-tier” or emerging micro-banks, or Gray Ghosts’ secondary market activity. Donors too are innovating (often led by CGAP); examples of donor

innovation include Kiva’s peer to peer lending or the Grameen Foundation’s guarantee fund.

In conclusion, Mr. Yunus, thank you so very much for your leadership. The microfinance watershed is upon us thanks to great leaders like you and everyone who has labored for so long to prove that micro-credit works. The next stage, the stage when we provide responsible financial services to the global majority at a good price, will depend on world-class risk management. **October 13, 2006**

Rebuttal to New York Times Editorial: A Flashy False Dichotomy with a Happy Ending

Today’s New York Times ran an editorial entitled “Shopping for a Nobel” by John Tierney.

The argument made by Mr. Tierney is that Mr. Walton of Wal-Mart has done more for world peace than Mr. Yunus of the Grameen Bank, Nobel Peace Prize recipient. What is the connection between Wal-Mart and the Grameen Bank? Same old story: Shamelessly selling newspapers.

Controversy about Wal-Mart (and Grameen Bank) aside, overcoming global poverty requires both “macro” and “micro” solutions. One does not exclude the other. On the contrary, creating wealth for a global majority requires both huge corporations and micro businesses. Mr. Tierney, if you want to argue the social value of Wal-Mart, then please make such an argument on its own merits.

Mr. Tierney is particularly disingenuous when he opens: “I don’t want to begrudge the Nobel Peace Prize”. (A quick review of Mr. Tierney’s editorials reveals that he often abdicates himself in this way when sensationalizing).

The New York Times name was dragged through the mud today and Mr. Yunus’ with it. Doubtful that Mr. Walton would approve either.

Why is Mr. Tierney indignant, albeit childish? Indignant that business is not recognized as a social good. Many of us share that righteous indignation. The ultimate indignity for a man like Mr. Tierney is that bankers as business people are often painted as devils by social workers. Now, a “micro-banker” walks off with the saint’s prize. Such are the ironies of globalization, sir, please do try to keep up with the market.

Take heart, Mr. Tierney, it turns out that the very genius of a “social entrepreneur” like Mr. Yunus is that he recognizes the social value of business. He makes it work. Have you heard of Grameen Phone? The cellular carrier who is making huge profits? In simplistic terms: Mr. Yunus is Mr. Walton in Bangladesh. You shamelessly juxtapose these men and belittle Mr. Yunus’ awesome accomplishments to sell a paper? Dead wrong. Take personal responsibility, Mr. Tierney; that is the future. The global age of capitalism must be imagined civilly if we are to succeed. **October 17, 2006**

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