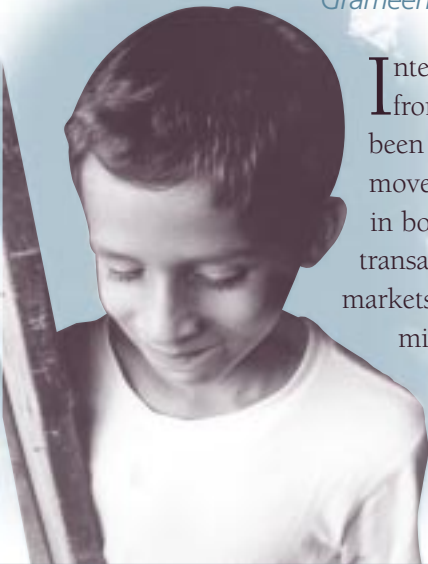


# GF-USA Helps Pioneer Micro-Finance Bond Issue

*For many strong micro-finance institutions (MFIs), availability of capital to make more loans is the main factor limiting their growth. To achieve our goal of reaching five million new borrowers in the next five years, Grameen Foundation USA is pioneering creative financing strategies, like the one described below.*




International bond offerings financed from U.S. capital markets have long been an aspiration of the micro-finance movement. In July 2004, \$40 million in bonds were issued, the first such transaction ever made in U.S. capital markets exclusively for funding micro-finance.

An estimated 120,000 children, like this son of a Nicaraguan borrower, will benefit from the \$40 million in loan capital now available.

unassailable. Today there are close to 50 million micro-loans outstanding around the world. Our goal to reach 5 million new borrowers would affect 20 to 25 million people.”

The strategic plan emphasizes donor support and investment as critical. Donors can get involved in many ways — volunteering time, hosting a screening of GF-USA’s new video, *Breaking Through* (see page 7), or making a donation. Every contribution of time, talent, and resources brings us closer to achieving our goals — and makes it possible for poor women the world over to achieve theirs.

“Grameen Foundation USA is a unique vehicle for individuals and institutions that want to leverage their contributions for maximum impact,” says Board Member Steven C. Rockefeller, Jr., Chair of the GF-USA Development Committee. “We are seeking partners, particularly those who can make multi-year commitments, to help us bring micro-finance to five million new borrowers.”

To learn how you can be a part of this exciting endeavor, visit <http://www.gfusa.org/strategy/> or contact us at (202) 628-3560. 

Grameen Foundation USA teamed with Blue Orchard Finance, Developing World Markets, and several other investors to issue the \$40 million in micro-finance bonds through the financing vehicle Blue Orchard Microfinance Securities. The bonds will provide loan capital for at least 40,000 micro-entrepreneurs in countries as diverse as Nicaragua, Cambodia, and Russia. The bonds, sold by J.P. Morgan Securities, were backed in majority by the Overseas Private Investment Corp (OPIC), a U.S. government agency.

All of the bonds were sold within an hour after being made available for sale on July 30, 2004.

“This is a solid investment and a sound strategy for reducing poverty among the poorest people in the world,” said John Anderson, Chief Operating Officer of GF-USA. “Investment in micro-finance offers a ‘win-win’ with its double bottom line: global investors earn reasonable financial returns from capital that contributes to sustainable development in emerging economies.”

Investing in micro-finance is not as risky as some might imagine, according to Drew Tulchin, manager of GF-USA’s Capital Markets Program. He notes that the average repayment rate for properly managed micro-loans (97 percent) is superior to repayment rates for U.S. credit card and student loans, which generally experience default rates of at least 5 percent.

GF-USA continues to work to broaden the range of capital available to strong micro-finance organizations that have the potential for explosive growth in reaching the poorest. A bond offering in India, a key micro-finance market, is now in the works.

For more information about GF-USA’s Capital Markets Program, contact Drew Tulchin at 202- 628-3560, ext. 123 or [dtulchin@gfusa.org](mailto:dtulchin@gfusa.org). 

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## Microfinancing For Developing Countries Taps US Capital Markets

*GF-USA leverages resources with innovative capital market finance deal.*

August 18, 2004

**NEW YORK (Dow Jones)**--Microfinancing in developing countries is for the first time tapping the U.S. capital market to fund small-scale entrepreneurs in poorer parts of the world.

Grameen Foundation USA, a non-profit organization that helps impoverished individuals in poor countries start their own business with loans of as little as \$50, has teamed up with two other companies involved in microfinancing to issue \$40 million in bonds in the U.S. It's the first such debt issuance in this market, according to those involved.

"The bonds have already sold," Drew Tulchin, Grameen Foundation's manager of capital market programs, told Dow Jones Newswires Wednesday. "They sold in an hour."

Grameen Foundation joined Swiss-based BlueOrchard Finance, Developing World Markets of the U.S. and a couple of other equity investors to form a special purpose company called Blue Orchard Microfinance Securities I to issue the debt. The financing vehicle has a paid-up capital of \$1.25 million and is based in the U.S.

Of the \$40 million issued, \$30 million was backed by the Overseas Private Investment Corp, a U.S. government agency that helps U.S. businesses invest overseas, and sold by J.P. Morgan Securities. Pricing on the \$30 million in senior notes was based on U.S. Treasuries plus 50 basis points, Tulchin said. Buyers included "some of the country's leading insurance companies," he added.

The remaining \$10 million of subordinated debt was also raised from institutional investors, and offers returns of up to 11% a year, according to a press statement on the deal.

The funds raised "can benefit up to 40,000 entrepreneurs at one time...(But) given that loan terms are typically less than a year, this seven-year financing can readily support up to 280,000 loans," the statement noted.

Microfinance institutions in Bolivia, Ecuador, Cambodia, Columbia, Peru, Nicaragua, and Russia will receive the proceeds from the offering.

Blue Orchard Microfinance Securities I expects to issue up to \$40 million more in bonds in the U.S. again in four to six months.

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The Corporate Social Responsibility Newswire Service

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08/18/2004

## First and Largest International Microfinance Bond Issued

by William Baue

Grameen Foundation USA joins forces with two socially responsible investment firms to issue a \$40 million bond to support microfinance institutions in nine developing nations.

([SocialFunds.com](http://SocialFunds.com)) - International microfinance, which provides small loans to micro-entrepreneurs to help them rise out of poverty, just got a huge boost. Late last month, the Grameen Foundation USA ([GF-USA](http://GF-USA)) announced the offering of the first and largest microfinance bond issued from US capital markets. The \$40 million bond, which will support microfinance institutions (MFIs) in nine developing nations, is enabled in large part by a \$30 million guarantee from the Overseas Private Investment Corporation ([OPIC](http://OPIC)).

This guarantee was secured by two socially responsible investment (SRI) firms, Geneva-based [BlueOrchard Finance](http://BlueOrchard Finance) and Connecticut-based [Developing World Markets](http://Developing World Markets), which were in turn supported by equity investments from GF-USA. These three organizations joined with a few other equity investors to form a special purpose company called Blue Orchard Microfinance Securities I to issue the bond.

According to Drew Tulchin, manager of GF-USA's capital market programs, this bond marks a progressive step in the development of microfinance, shifting from a philanthropy-based to a commercial-based model.

"We are changing the perception that microfinance institutions are funded only by charitable donations," said Mr. Tulchin. Currently, only an estimated 20 percent of microfinance funding is made by commercial operators, according to GF-USA. "This success expands the equation to include investors as viable partners through commercial financing."

The bond issues, which all mature in 7 years, will be broken down into senior and junior notes, with the latter further broken down into first and second risk tiers. The senior notes are backed by the OPIC-guaranteed funds and are therefore considered as safe as investing in 7-year US Treasury Notes (or "T-bills"). The senior notes will generate fixed yields 25 to 50 basis points (bps) more than T-bills. As they carry greater risk, the two sets of junior notes will generate higher fixed yields--100 to 200 bps more than T-bills for the second-tier risk junior notes, 400 to 600 bps more for the first-tier risk junior risk notes.

JP Morgan Securities will service the bond, a fact that has raised some hackles due to the fact that JP Morgan Chase (ticker: [JPT](http://JPT)) also financially supports payday lenders, the polar opposite of microfinance.

"At the Federal Reserve's April 15, 2004 [public hearing](http://public hearing) on the proposed merger of JP Morgan Chase and Bank One, I presented evidence that the two banks make secured loans to dozens of payday lenders, which lend at interest rates from 300 to 800 percent," said Matthew Lee, executive director of Inner City Press ([ICP](http://ICP)), a Bronx-based non-profit that combats predatory lending. "JP Morgan Chase's continued funding of payday lenders, as well as its even more recent move to convert to a national bank charter to escape state anti-predatory mortgage lending laws, seems inconsistent with 'socially responsible' banking."

Despite this potential inconsistency, the bond will go a long way toward combating poverty by providing affordable loans to more than 40,000 micro-entrepreneurs in Latin America, Eastern Europe, and Southeast Asia through 15 or so established MFIs. As the loan terms are typically less than a year, the seven-year financing will be able to support up to 280,000 loans.

The microfinancing will be lent predominantly to women, consistent with core Grameen strategy. This strategy dates back to 1976, when Grameen Bank was established in Bangladesh to provide tiny loans to very poor people to allow them to start "micro-businesses." Currently, 94 percent of Grameen Bank's 3.4

million borrowers are women.

"Loans are usually made to women because women are considered to be the best poverty fighters," according to Grameen philosophy. "Studies show that women invest their profits in their children, nutrition, and education."

"They also improve living conditions for their families and reinvest in their businesses, even providing employment to other community members," Grameen logic continues.

GF-USA identifies a ripe market for microfinance, which is projected to grow from a \$2.5 billion market today to a \$25 to \$50 billion market in the future.

"This landmark deal, we anticipate, is just the first of many," said Mr. Tulchin of GF-USA.

Blue Orchard Microfinance Securities I expects to issue another \$40 million in bonds in the US in the next four to six months.

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

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## **Grameen Foundation USA Generates Business Ownership Among the Poorest of Poor Women Worldwide**

Collaboration raises private investment from bond market to support 40,000 poor entrepreneurs

WASHINGTON, July 23 /PRNewswire/ -- Grameen Foundation USA (GF-USA / <http://www.gfusa.org> ), BlueOrchard Finance s.a., and Developing World Markets, Inc. are preparing to release millions of dollars into the hands of micro-entrepreneurs through microfinance institutions (MFI) in nine developing countries. This financial deal, the largest transaction of its kind to date, is a true landmark. Though bond offerings for international microfinance have often been talked about and even attempted prior to today, this is the first and largest transaction in U.S. capital markets to exclusively fund microfinance.

An equity investment from GF-USA enabled BlueOrchard Finance and Developing World Markets to consummate a \$30 million guarantee from Overseas Private Investment Corporation (OPIC) for a bond offering with proceeds used to fund MFIs. The anticipated \$40 million in total bond proceeds will be the largest microfinance offering to date. JP Morgan Securities will service the guaranteed bonds. Because they are guaranteed, this capital is considered as safe of an investment as an equivalent U.S. Treasury Note (commonly called T-bills). The proceeds will make available affordable loans for more than 40,000 micro-entrepreneurs -- mainly women -- in Latin America, Eastern Europe and Southeast Asia.

Microfinance is considered one of the most effective strategies in the fight against global poverty. The majority of microfinance borrowers are women who take small loans, starting as low as \$50, typically to expand existing or begin small, self-sustaining businesses.

According to Drew Tulchin, GF-USA's manager of Capital Market Programs, microfinance has entered a new phase in its development. "We are changing the perception that microfinance institutions are funded only by charitable donations," he states. "This success expands the equation to include investors as viable partners through commercial financing. This landmark deal, we anticipate, is just the first of many."

GF-USA is a non-profit organization that combines microfinance, technology and innovation to help empower the world's poorest to escape poverty by spurring small, private enterprises. GF-USA sprang from the deep heritage of the Grameen Bank of Bangladesh and works to replicate the bank's successes around the world. Today the GF-USA network includes 46 partners in 20 countries serving more than 800,000 clients.

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