

Benishangul-Gumuz	ETHIOPIA
<i>Company Limited by Shares</i>	<i>Report as of December 2005</i>

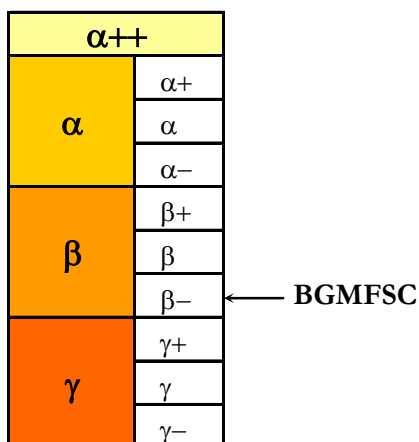
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PERFORMANCE RATING
β-

Date of visit	January 2006
Date of previous rating	n.a.
Previous rating	n.a.


Main Performance Indicators

	Dec '04	Dec '05
Gross Portfolio ('000's)	\$532.2	\$1,173.9
Number of active borrowers	9,172	12,730
ROE	(17.4%)	(9.9%)
Portfolio Yield	19.2%	20.2
Portfolio at Risk	2.6%	4.6%
Operating Expense Ratio	37.2%	28.9%
Average Loan Size	\$58	\$92
Borrowers per staff	224	209

Synopsis

With the aid of donor funding, Benishangul-Gumuz Microfinancing Share Company ("BGMFSC") was founded as a pilot project in 1998. Operations commenced in 2001, thus introducing microfinance to a remote region of Ethiopia bordering Sudan. Although the institution has reported losses every year since inception, MicroRate notes that financial results have consistently improved. It is hoped that a combination of further cost reductions and increases in unsustainably low lending rates will allow the MFI to become profitable.

Historically, BGMFSC has relied heavily on donor funding, but as this has declined, the institution has started to access debt. The majority of the MFI's roughly \$1.2 million loan portfolio is made-up of solidarity group loans whilst the viability of individual loans is still being tested.

Highlights
POSITIVE

- Solid improvement in operating efficiency.
- New loan products are leading to a more diversified portfolio.
- Excellent growth prospects, given the lack of competition.

NEGATIVE

- Deterioration in portfolio quality.
- Margins are negative, although they have consistently improved since 2002.
- Manual MIS.
- Weak risk management framework (e.g. asset and liability matching).

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