

## **CIBE WEB SITE**

### **Student Microfinance Project Commentary**

*My participation in a CIBE-funded MAP microfinance project in spring 2006 opened my eyes to how business is done in developing countries. It was an amazing experience that had a great impact.*

*Our four-person MAP team was assigned to conduct investment-feasibility studies in four developing countries for MicroVest Capital Management, a Washington DC-based fund that invests in microfinance institutions overseas. Through these investments, MicroVest enables local lenders to provide loans to people who lack access to more traditional forms of capital. This mechanism is intended to alleviate poverty by supporting economic development in poor areas.*

*My partner and I focused on the microfinance environment in Armenia and Azerbaijan. We evaluated macro-level conditions, such as the economic and political situation in each country and its banking and regulatory systems. We also examined the state of the microfinance industry and institutions that appeared to be good candidates for MicroVest investments. Before traveling overseas, we conducted extensive preliminary research and generated leads on key stakeholders, such as central-bank representatives and leaders of local nongovernmental organizations (NGOs), so we had a full schedule of meetings when we hit the ground.*

*Our first stop was Yerevan, Armenia, where we spent a week. The city was beautiful, with a European feel, and seemed welcoming to foreigners. Historically, Armenia has poor relations with Turkey, and currently it is involved in a territorial dispute with Azerbaijan over the Nagorno-Karabakh region. In our evaluation of political risks to investments, these were significant negative factors. However, from an economic standpoint, Armenia has experienced tremendous GDP growth recently, and in general its economic indicators are strong. Armenia's microfinance sector lags behind those of other former Soviet satellite nations where NGOs already have completed the transition to credit organizations, but we thought it was moving in the right direction. It was quite a striking experience for me to speak directly with the heads of the microfinance organizations that are giving people the means to improve their livelihoods. We concluded Armenia was a good candidate for MicroVest investments, but not the strongest.*

*Next we traveled to Baku, Azerbaijan, a bustling urban metropolis twice the size of Yerevan, with international retail brands and Western-style restaurants. Although the city exhibited more Middle Eastern influence, it was not very socially conservative compared to other Islamic states. Azerbaijan's economy is largely based on oil and it has a strong economic forecast. However, the lack of economic diversity makes it vulnerable to a sudden drop in world oil prices. Azerbaijan's microfinance sector is more developed than Armenia's and has already completed the transition to a commercially oriented credit organization structure. Azerbaijan also has double the number of microfinance institutions, several of which are more developed and appropriate for commercial*

*funding than those in Armenia. Based on our analysis, we recommended Azerbaijan as a good place for microfinance investment.*

*In retrospect, I learned a lot from this project, including how politics, cultural norms and regulatory structures can influence business development. My experience reinforced my own confidence in formulating investment recommendations and working in developing countries.*

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