

--- On **Wed, 5/27/09, AMT Info** <[info@amt-forum.org](mailto:info@amt-forum.org)> wrote:

From: AMT Info <[info@amt-forum.org](mailto:info@amt-forum.org)>

Subject: AMT Query: Hugh Sinclair

T0: Hugh Sinclair

Date: Wednesday, May 27, 2009, 4:23 AM

Dear Hugh,

Thank you very much for your mail and your query.

In order to ascertain the best course of action we would need to know more details. Would you be able to share this with us? Obviously, transparency within the African microfinance sector is extremely important to us and fraudulent activities are taken seriously.

If you are in a position to share the details with us, we would be very interested to learn more.

I look forward to hearing from you.

Best regards, Jane [not real name]

---

**De :** Hugh Sinclair

**Envoyé :** mercredi 27 mai 2009 13:32

**À :** AMT Info

**Objet :** Re: AMT Query: Hugh Sinclair

Hello Jane,

Thank you for getting back to me. I was advised to speak to you prior to taking matters further. Obviously there are issues of confidentiality that need to be resolved. What I would like to do first is summarize the findings, evidence etc. and see if you think this is sufficiently serious. For the moment I would like to keep the identity of the MFI confidential, for reasons that will become obvious shortly.

1) The MFI has been illegally intermediating savings for some time. This has been known about for some years, and has reached substantial volumes. Although the institution is now attempting to achieve the correct regulatory structure, it has been operating illegally for some years. In particular, there is no client protection in place for savers, and the savings are not merely deposits, held as guarantee, but are actively on-lent to clients.

2) Data has been recently submitted to <http://www.mftransparency.org/> with the basic loan and savings data, so that a transparent calculation of the actual cost of capital can be published. This was previously stated as 3% per month, which appears somewhat reasonable. The actual rate, as calculated by the Deutsche Bank Effective Interest Rate Calculator, is about 110%.

3) The MFI was recently caught deliberately deceiving investors with falsified PAR figures. One of the investors did a site visit and confirmed this to be the case. On the basis of confidentiality, you may wish to contact this investor directly to confirm this - it is a well known player.

4) The MFI has installed a number of family members into the senior management, thus

enabling such activities to pass unnoticed.

5) Certain elements of this institution have recently leaked into the public domain, and a number of journalists are now investigating. Much of the information is publicly available. The Central Bank initially confirmed the operations of savigns mobilization were illegal for an institution of this type. When the identity of the institution was revealed, the Central Bank ceased to correspond on the topic, not surprisingly.

It appears there is very little one can do about this. The investors mostly do not care, as long as their loans are repaid. The Rating Agency is not interested. The Central Bank is turning a blind eye. In the meantime the clients, who are deserting at a healthy rate, are the most likely to suffer. MF Transparency are perhaps able to confirm the extortionate interest rates, but are not able to do anything about it. They have no tools other than pressure.

If I were to provide you with the sources of all the information and the description of what is taking place, and verification of every claim, would this be something you could investigate further ideally without revealing my identity? Again, most of the information is publicly available, and all claims can be substantiated by external, independent and well-known people.

Thanks, Hugh

--- On **Wed, 5/27/09**, **AMT Info** <[info@amt-forum.org](mailto:info@amt-forum.org)> wrote:

From: AMT Info <[info@amt-forum.org](mailto:info@amt-forum.org)>  
Subject: RE: AMT Query: Hugh Sinclair  
To: "Hugh Sinclair"  
Cc: "Mike" [not real name]  
Date: Wednesday, May 27, 2009, 8:07 AM

Dear Hugh,

Given that the MFI that you are referring to is one of our members who are expected to adhere to the principle of transparency, this matter is of great importance to us. I have discussed the issue with my colleague, Mike (in copy), who is also a Board member of AMT and we would very much like to pursue this issue.

If you could send us the sources of information so that we can verify your claims, it would be greatly appreciated. Initially, we will review the information internally and assess what our next steps should be. We will have no need to mention your name but will keep you updated on our decisions. We may have to contact you for some clarifications but other than that, we will look into this and follow up it ourselves.

Thank you for bringing this to our attention and I hope we can come up with a constructive way to resolve the issue.

Looking forward to hearing from you.

Best regards, Jane

---

**De :** Hugh Sinclair [mailto:lat\_am@yahoo.com]  
**Envoyé :** mercredi 27 mai 2009 16:29  
**À :** AMT Info  
**Cc :** Mike  
**Objet :** RE: AMT Query: Hugh Sinclair

Dear Jane and Mike,

To begin with, see the Kiva link:

<http://www.kivafriends.org/index.php/topic,3403.40.html> [page 5 is where it starts]

This is a discussion of one of your members with regards the legality of capturing savings. You will note that currently the MFI is in processing the license. However, note the original warnings in the MicroRate reports going back some years. If you have the recent MicroRate report handy this will help, but the summary, referenced on the link above, is sufficient to alert you to the general situation. Note this is publicly available information.

Regarding the Central Bank comment, see the email from Amina Abdulrahman of the Central Bank of Nigeria below (email contact amina2ha@yahoo.com, it does not look official, but this was given to be by Chuck Waterfield of Microfinance Transparency - Amina is a signatory of the transparency endorsement, see endorsement list, thus I contacted him). His email reply was:

*"Dear Hugh,*

*Sorry i couldn't get back to you on time. With regards to your questions, only licensed microfinance banks can mobilise savings from the general public. NGO-MFIs are not allowed to mobilise savings from the general public. The NGO-MFIs could set up a subsidiary microfinance bank (MFB or transform in to a MFB to enable it mobilise savings from the general public. Hope this clarifies issues.*

*Amina."*

Regarding the high interest rates, I can send you some original loan schedules with the corresponding savings deposits, but to be honest, unless you are familiar with calculating hidden interest rates, this is quite complex, and Microfinance Transparency are doing this right now. Note that MicroRate do estimate the interest rate as 70% to 80%, this is in fact an underestimate - I think because savings were ignored.

Regarding the concealment of PAR figures from investors, I was alerted to this by xxxxxx of Grameen Foundation, who are one of the investors. If you know xxxxxx or xxxxxx, contact them directly. If not, it is somewhat delicate to contact them directly and ask them if they recently discovered some deliberate concealment of information at one of their clients. However, [name changed, "large European microfinance fund"] were also present, if you know anyone there, or I can send you the scans sent to me by GFUSA with the two conflicting PAR figures (6.42% versus 1.06%), but you will have no means to understand the source of the documents nor the discrepancy. On this aspect, I would propose waiting. I am meant to be issuing some sort of joint statement to the public with GFUSA this week, but there is some delay on the wording.

---

In the AGM of ASN-Bank in Amsterdam last month the issue of exorbitant interest rates was raised in public to the ASN board and their guest speaker, the CEO of this bank. He was unable to offer a convincing explanation of how poverty relief was possible at such rates. The most recent discovery is that the General Manager, head of Audit, head of Monitoring, head of HR, the Finance Manager and the Operations Manager are all related to the CEO or his wife.

The case is large, complex and involves many players. However, my advice is focus in on one aspect you are particularly interested in and I will provide you with all the information you need. Also, tell me if you have personal contacts at GFUSA, "large European microfinance fund" or Deutsche Bank that you trust and can speak to discreetly. And please take care in discussing this with other investors. We do not wish to create a panic unnecessarily, the goal remains to apply pressure on the MFI to improve its behaviour and reduce its interest rates to its poor clients without causing a scandal.

Does this help to get you started? Do call me on my Dutch number to discuss this further.

Hugh

---

--- On **Thu, 5/28/09, Jane** wrote:

From: Jane

Subject: RE: AMT Query: Hugh Sinclair

To: "Hugh Sinclair"

Cc: "Mike"

Date: Thursday, May 28, 2009, 1:54 AM

Hi,

Thanks for that info. I will go through it and get back to you – I have all of the institution's full rating reports, thanks. I will be in Nairobi next week but when I return I am sure that I will be contacting you with some questions.

I have a contact at "large European microfinance fund" so will gently ask him for his account of events. I look forward to reading your press statement when it comes available as well.

Thanks again, Best wishes

Jane

---

**De :** Hugh Sinclair

**Envoyé :** jeudi 28 mai 2009 11:29

**À :** Jane

**Cc :** Mike

**Objet :** Confidential

Hi Jane,

Good. Please understand my position, I am privy to three sorts of information: a) confidential information gained while employed by a microfinance fund where LAPO was a client of mine; b) information gathered from the public domain; and c) information gathered from investigating, asking people related to the company etc. I am relying exclusively on (b) and

(c), and again, mostly (b).

I would urge you to first look through the rating report. This contains many of the clues. The PAR discrepancy you will never discover without speaking to Grameen or "large European microfinance fund". The latter did NOT invest upon discovering the anomalies with the reported PAR, whereas Grameen has two guarantees and a loan to LAPO, as well as the potential embarrassment of having spoken so vocally about high interest rates when one of their closest partners is charging in excess of 100%. Thus I would urge you to speak to "large European microfinance fund" first. Robert [not real name] was the person I know there. What basically happened was this:

"large European microfinance fund" and GFUSA were visiting LAPO and asked for the PAR report. They printed one out without any time to "prepare", and it revealed a PAR some 6 times higher than that stated in another report that had been sent to the investors. Upon closer examination, it is likely this report itself was over-stating PAR, and that it is in fact 3-4 times over the stated rate. However, what was revealed in the process was that LAPO a) had no idea what the real PAR was, b) there were some serious problems with the MIS and c) that they would "estimate" the PAR and publish this as though it were real, while it was also extremely optimistic, without advising the investors of the problem. Do bear in mind that some loan documents contain PAR covenants (in general, I am not sure of the LAPO case), and PAR below 2.5% is a condition for obtaining a banking license in Nigeria, thus there were many motives for keeping PAR down.

Let's see if you can resolve this one without additional sources.

Regarding the high interest rates, this is the easiest to confirm, and has been known by various players for a long time. MFT are investigating this right now. I will keep you posted.

Regarding family members in the management, this will shortly be confirmed, but what is known is that three members are family. The other three will confirm shortly.

However, the best source of information you have is the MicroRate report of Dec 2007 by xxxxxx. In this report are hidden all the clues. The report was initially criticised. The more I read it, the more I think it is surprisingly insightful if you know what to look for, and my main disagreement is with the final rating (B+). Consider the following - obtaining information from ONLY the MicroRate report and perhaps the MBB comparison tables available on the MixMarket:

1) LAPO has the lowest PAR and write-offs of almost any MFI in Africa, and in 2006 had write-offs of 0%. This is by far one of the top MFIs in the world, and on such a large scale. How credible do you find this when the MFI also has very high, to the point of chronic, client drop-out? Usually client-drop out is highly correlated to PAR: high desertion = bad PAR and vice versa. And yet LAPO does exactly the opposite. Why?

2) The interest rates are hinted at, at 70%-80%. Do the portfolio yield numbers, and endless mentions of profitability in the report stack up to this interest rate? What is the role of savings on the interest rate - there is no mention of savings. I ASSUME the MicroRate estimate of 70% is formed by 3% per month x 12 months x 2 (flat versus variable). But again, ask yourself the simple question: take profit over last year over average client numbers, LAPO made \$16 net profit per client per year, on an average loan of just over \$100 I think,

with very low staff productivity. How, at these rates?

3) Look at the branch number versus client number. If you look at this through time, see previous report, you will see this hovers at about 1.000 clients per branch. Why does this never increase? Even with over 200 branches this is the same. There are mentions in the report regarding a lack of economies of scale with growth, but why? Could this be related to the high client drop-out?

4) Look at the specific mentions of the illegal (MicroRate word) savings mobilization. This is revealing. Not only do they explicitly state, in this and the previous rating, that the savings are illegal, and reaching \$8,4m in the Dec 07 report, but that they fail to mention any exemption or waiver from the Central Bank were one to exist, and LAPO did not point out that one did exist presumably. They also state that there are inadequate systems (MIS) in place to monitor these savings (principle weakness of LAPO for years), suggesting there is no client protection. They also suggest this is actively on-lent, not just held in deposit, which is confirmed in the balance sheet. And they also state this is forced and voluntary savings. If you dig around a little further you can estimate the breakdown of the two.

Anyway, I began investigating LAPO while employed at a fund, and thought some things were a bit unusual. However, what I began to realise is that actually everything is visible with some common sense and some lateral thinking. I would urge you to investigate this as much as possible without contacting any "outsiders", as this is a small world. But if you need further clarification, it can be arranged. Have a good trip to Nairobi, it is a cool city regards from Europe,

Hugh

---

FROM: [Jane](#)

TO: [Hugh](#)

CC: Mike

Thursday, May 28, 2009 6:39 AM

Hi,

Confidentiality needs understood. Robert [at "large European microfinance fund"] was in fact the contact I had in mind but I will look through publically available information first before going any further. I will contact you beforehand though if this is required.

Best,

Jane

--- On **Fri, 7/3/09**, **AMT Info** <[info@amt-forum.org](mailto:info@amt-forum.org)> wrote:

From: AMT Info <[info@amt-forum.org](mailto:info@amt-forum.org)>

Subject: RE: AMT Query: Hugh Sinclair

To: "'Hugh Sinclair'"

Date: Friday, July 3, 2009, 8:33 AM

Hi Hugh,

I just wanted to let you know that I haven't forgotten our discussions regarding LAPO, I have just been extremely busy and am off to the 4<sup>th</sup> Microfinance Conference in Burkina Faso next week. Will you be there? Once this conference is over, my summer should be a little less hectic and I should have some time to look at things properly.

Thanks again, Jane

--- On **Fri, 7/3/09, Hugh Sinclair** wrote:

From: Hugh Sinclair  
Subject: RE: AMT Query: Hugh Sinclair  
To: "AMT Info" <[info@amt-forum.org](mailto:info@amt-forum.org)>  
Date: Friday, July 3, 2009, 9:55 AM

Hi Jane,

Good to hear from you. To be honest, most people who are in the know about LAPO are not trying to forget it, but rather desperately trying to brush it under the carpet to prevent their own reputations being put at stake. As you can imagine after Yunus's Bali speech criticizing high interest rates, it would not do Grameen many favors if it came out. The rating agency is reviewing the current B+ rating, as there have been a number of inconsistencies detected. [www.mftransparency.org](http://www.mftransparency.org) (Chuck Waterfield's latest venture, very good, check it out) is assessing the loan repayment schedules of a large, medium and small loan currently. The small loan had a cost of capital of 109%, we are awaiting the rates of the other two. According to the DB model these will come in at about 100% and 90%. These will be published for all to see.

The Central Bank is well aware, but is turning a blind eye on the presumed basis of LAPO being "too-big-to-fail" (sound familiar?). KIVA also know, but they are protected by a privacy statement along the lines of not guaranteeing the actual rates charged are as stated, so they don't really care what actually happens I suspect. Anyway, my clients are safe, the data is increasingly public, and the press are now interested. So I am just allowing it to take its natural course. The problem is, everyone wants transparency for everyone else, just not themselves. As long as each investor can prove that they did not actively deliberately know about this prior to investing, the bottom line is that investments in LAPO are very safe - there is a 100% spread on the capital - it is impossible for LAPO to default, so everyone is happier to turn a blind eye. We are also following a couple of MFIs in Tanzania that are next on the list, and possibly one in xxxxxx.

Anyway, I am not going to the conference, I am phasing out working in Africa in favour of Latam, where personally I believe the actual impact on the poor is greater and the work more satisfying and the living conditions better. I may be working on a project soon in Nigeria, but nothing to do with LAPO or DEC - but assisting a competitor to provide some severe pressure on both to reduce rates or collapse. This is the best weapon against such people: transparency and competition is a dangerous combination for an opaque monopolist.

Good luck, and if you want more info, contact me whenever. I can also put you in touch with a wide range of people who know the LAPO case well. Ciao, Hugh

**De :** Hugh Sinclair  
**Envoyé :** mardi 28 juillet 2009 20:26  
**À :** AMT Info  
**Objet :** RE: AMT Query: Hugh Sinclair

Hi Jane,

I thought you might find this quite interesting:

<http://www.syminvest.com/market/news/microfinance/nigeria-cbn-to-sanction-erring-directors-of-microfinance-mortgage-banks-/2009/7/27/1948>

Also, a formal complaint has been issued to ASN Bank in the Netherlands on the grounds that investing in LAPO is potentially in breach of Dutch banking law. This has been justified by demonstrating that any reasonable effort (i.e. looking at a publicly available rating report) would have clearly revealed the illegal mobilisation of savings.

ASN Bank have asked Triple Jump, their fund manager, for further details. We await the outcome. They are also aware of the extortionate interest rates.

Anyway, I hope your own work is going well. We are all fighting the same battle for transparency, but it involves over-turning some unpleasant stones along the way, and there are many vested parties inclined to keep things quiet. Good luck,

Hugh

---

FROM: [AMT Info](#)  
TO: '[Hugh Sinclair](#)'  
Wednesday, July 29, 2009 4:07 AM

Hi Hugh,

Thanks for that information. I have put the LAPO issue on the agenda of our next Board meeting which will take place on the 4<sup>th</sup> September. Hopefully the board will be able to come up with a way to resolve the issue – at least on the AMT level.

I saw Robert from “large European microfinance fund” in Ouagadougou at the start of July who, without being prompted, volunteered his experience when he visited LAPO so it was good to get his version first hand.

By the way, did you ever issue the joint statement with GFUSA?

Thanks and regards,

Jane



**De :** Hugh Sinclair  
**Envoyé :** mercredi 29 juillet 2009 10:23  
**À :** AMT Info  
**Objet :** RE: AMT Query: Hugh Sinclair

Hi Jane,

Good to hear from you. I am glad you were able to corroborate the account from "large European microfinance fund", as it would otherwise seem almost unbelievable. Also speak to MicroRate.

Grameen Foundation have guaranteed a loan to Standard Chartered for \$2m, and also to Citi, and have their own direct loan to LAPO. In addition, they have been the most vocal about high interest rates, and thus have the most to lose in terms of reputation. I wrote a draft press release to them, which they deemed too "direct", and disagreed with my "wording". I refused to compromise on the three main topics they wished to avoid: the excessive interest rates; the deceit over PAR; and the legality of savings. Thus we were unable to arrive at a statement both parties agreed with. Grameen are now, I suspect, extremely nervous, as it can be clearly demonstrated that they knew of the high interest rates prior to their guarantees to the two mentioned banks - indeed it was GFUSA (xxxxxxx to be precise) who first ever calculated the accurate total interest cost at LAPO. Equally, it is hard to deny knowledge of the legality of the savings mobilization, as this was on the front page of both publicly available rating reports from Microrate for 2005 and 2007.

So, what I suspect we are witnessing now is a cover-up. Do bear in mind that Calvert also invested by sub-contracting the entire process to Triple Jump, who it can also be demonstrated were well aware of the underlying nature of LAPO prior to doing this transaction. And the irony of all this is that most of the parties involved were the first to endorse Chuck Waterfield's Microfinance Transparency initiative. In my opinion this demonstrates the final hypocrisy of the entire sector. However, until the microfinance funds in Europe begin to apply pressure and scrutiny upon their investments, it is inevitable that such exploitation will take place. Note that LAPO is one of the most profitable MFIs in all of Africa, so do you really find it that surprising that the funds are at very best turning a blind eye to the extortionate rates charged? None want a write-off, or a default, and all want to continue their bold claims of poverty reduction in a new asset-class unaffected by the turmoils of the developed world, blah blah. There are simply too many vested interests involved in keeping this covered up.

Do you not find it strange that an MFI of this size claimed a 0.00% write-off rate in 2006, with 100.000 clients in West Africa. Not a single one even died. And no one thought to question this? Is this a sector that employs professionals anywhere? The deal is simply this: we lend you money, you provide us with nice poverty statistics and good financials and return the money to us, no questions asked.

A particular favourite of mine was the recent article in the ASN magazine where the CEO of Triple Jump is interviewed about the high interest rates, and states that unfortunately they can reach as high as 30%. If only! In a previous ASN publication last year they had some photos and a nice poverty-eradication story about some Nigerian woman. Unfortunately the same photo, with varying stories, appeared on two other websites, once on NOTS and once on Microplace. I have asked ASN for confirmation that this is in fact their client as stated - no reply is forthcoming.

Also, bear in mind that the moment this is publicized broadly, we have the next two to begin work on - if you think this is an isolated case, alas it is not.

You are working in Transparency - I admire the work, but warn you, if you want to do this properly and without pandering to vested interests, you are going to have to tread on a lot of toes. Incofin are a large investor in LAPO; the ASN-Novib fund is the first ever microfinance fund. Novib is part of the broader Oxfam group. Any implication against Grameen Foundation does not bode well for the sector's saviour and spokesman Yunus with his Nobel Peace Prize. Deutsche Bank are investors via two funds. Do you really want to irritate these people? Do you really want to confront a member of yours? What if this scares off other members? MicroRate, to be frank, are about the only honest people I have come across in this process to date, and I notice you partner with them. Re-read the 2007 report by xxxxxxxx. Although I disagree with the upgrade, most of the core information is in this report, including the discussion of the client drop-out rate, and how strang this is in an MFI with so low a PAR. The 0.00% write-off is in this report, as are the endless mentions of profitability, and the scathing critique of their back-office control. In short, if you can read between the lines, the MicroRate report contains all you need to know to be highly suspicious of this institution. And the recent link from the CNB which I sent you adds some pressure.

Think carefully about your mission, but also about the implications of revealing LAPO. Some of the biggest names in the sector are involved. Do you really want to have a role to play in discrediting the sector that you are committed to? In the current economic climate this is a dangerous activity - if microfinance can weather the financial crisis, it proves the "new asset class" theory, but if it is revealed that some of the major players are actualyl involved in these sort of activities, the implications are far-reaching, and everyone knows this. Hoenstly, so many people know about LAPO. Robert is happy to talk about it, as he escaped an investment (and between you and me, "large European microfinance fund" owe me a beer!), but speak to the other people involved and you will see a different response. I am afraid to say that my own conclusion after 8 years in microfinance is that the sector is deeply corrupt and not only in Africa and not only at the field level. It is a large club of people who look after one another, and this is a classic case.

So, do give me a call at some point if you want to discuss this further. But I am leaving in mid-August, so if I can help, it will be better to speak sooner rather than later. It would be good to chat to you, regards from Holland,

Hugh

---

FROM: Jane

TO: [Hugh Sinclair](#)

Wednesday, July 29, 2009 6:38 AM

Hey again,

It is indeed a very delicate situation! Unfortunately, I am in the depths of opening registration for our microfinance investor's fair so cannot chat today but perhaps next week if you're around? We don't have skype at work (don't ask!) but will try and give you a buzz on your Dutch number.

I will try and speak to Microrate though I know that xxxxxx is on holiday at the moment so that might have to wait until mid-August. Microrate should be present at the AMT Board meeting but will probably be represented by xxxxxxx. Either way, I had intended to get in touch with them regarding this issue.

I'm guessing that seen as GFUSA hasn't approved the document/statement you drafted, that it would not be possible to share this with the AMT board prior to their meeting? Also, at the beginning of our contact you asked to remain anonymous – is this still the case? I can say that the LAPO issue was brought to my attention by an anonymous consultant but this may raise a few eyebrows as we are dealing with “transparency” and all. If most of the information can be found in the rating report, there is no need to divulge your sources of information.

Anyhow, let's try and talk next week.

Thanks again!

Jane

---

**De :** Hugh Sinclair  
**Envoyé :** mercredi 14 avril 2010 13:02  
**À :** Jane  
**Cc :** AMT Info  
**Objet :** LAPO in the press

Dear AMT & Jane,

Following our recent discussions of one of your members, I wonder if you saw the recent front page New York Times article featuring the same member:

<http://www.nytimes.com/2010/04/14/world/14microfinance.html?pagewanted=2>

Interestingly, since the Taskforce was established, this MFI has been downgraded from a B+ at MicroRate to a C+ by Planet Rating. The cost of capital has increased rather than decreased as stated on the MFIs website, and the legality of financial intermediation is raised once again.

I applaud the work you are doing to bring about transparency in African MFIs. I notice that this same MFI remains a member of your organisation. I am intrigued to know the actual criteria for joining the AMT. Microrate issued a warning about this MFI, now they are on the front page of the NYT and have been removed from the Microplace and Calvert websites. Kiva is also mentioned along with Deutsche Bank. Perhaps you also saw the recent congressional hearings about microfinance investments in the US. This latest case is sure to surface in the next hearing.

Do not hesitate to contact me if I can be of help,

Hugh

---

FROM: [AMT Info](#)  
TO: ['Hugh Sinclair'](#)  
Thursday, April 15, 2010 4:34 AM

Hi Hugh,

Good to hear from you again.

Indeed I have seen the New York Times. Basically, after our contact last year, I presented the LAPO issue to our board of directors. It was decided to contact LAPO and inform them that we were aware of the issues surrounding the institution (reliability and integrity of data provided to third parties, collection and mobilization of unlicensed savings etc). We wrote to the institution to express our concern and to get LAPO's side of the story. We further requested that the MFI have a rating as soon as possible to try and tackle the issues being raised.

As you know, LAPO obliged and undertook a rating with Planet Rating. During the first board meeting of 2010 which was in March, Planet Rating (who is a board member along with MicroRate and MicroFinanza Rating), presented their findings to us. As I am sure that you are aware, once again the report pinpointed the issue surrounding the reliability of data collected, conflict of interests within the BoD, questionable independence of their external auditor, and of course the issue of very high interest rates.

We were pleased that LAPO agreed to the rating but in light of these issues, I will be contacting LAPO on behalf of our board to insist that they address the aforementioned concerns. We will be closely monitoring LAPO over this year to ensure that steps are taken to implement transparent best practices. Should they refuse to comply, we will be forced to call their membership of AMT into question.

The reason that LAPO is still a member of AMT is because we believe that we are working in an imperfect world where we should help our members to *become* transparent and efficient institutions. Although most of our members have had at least one financial rating, they are not necessarily the "most transparent, well run MFIs" - but the point of AMT is to help them become just that. Obviously, if a member repeatedly ignores best practices and refuses to address their situation, then we will have no choice to suspend membership.

For information on our membership criteria please see <http://www.amt-forum.org/devenirmembre.html?&L=1> however, when LAPO joined our criteria were much less rigid. MFIs just had to have had a financial rating or be willing to have one within 24 months of joining. Like I said, we are here to help MFIs become transparent entities. We will be drawing up a code of conduct for all members this year which will specify that all members must seek to actively adhere to AMT's principles and vision.

I hope this answers your questions and clarifies our position somewhat.

Let's keep in touch!

Best regards

Jane