

# Micro-Finance Manager

After hours, Risk Analytics & Instruments' Birgit Galemann models a better future for Uganda's fledgling entrepreneurs

**M**icrofinance has been a hot topic in the news lately, thanks to Bangladeshi banker and economist Dr. Muhammad Yunus, who won the 2006 Nobel Peace Prize for his pioneering work in developing microcredit. The founder of the Grameen Bank, which lends to entrepreneurs too poor to qualify for traditional bank loans, called the award important support for "the proposition that peace is linked to poverty."

That notion is not new to Birgit Galemann, RAI's Head of Derivatives Exposure Methodology, who recently returned from a two-week stint in Uganda helping to implement a new performance-modeling tool she built for the Microfinance Institution (MFI) Hofokam. Founded in Fort Portal, Uganda, in 2003, Hofokam mainly offers small, short-term village bank loans—around USD100—for "generally small businesses operated by, perhaps, a carpenter who uses the funds to buy tools or a family who buys local crops to sell at market," says Birgit, who has long kept the cause of helping the less fortunate close to her heart. "I am happy to play some small role in helping people lift their standard of living, so that their children can get the education they'll need for a better life," she says.

Her dedication actually dates back to the early 1990s, when she was working toward a mathematics Ph.D. at the University of Notre Dame in Indiana. There she met many Ugandans with whom she discovered a shared commitment



**Clockwise from top left: Birgit Galemann (above) with two credit officer supervisors in front of Hofokam's head office in Fort Portal and working with Hofokam General Manager Januario Ntungwa**



to helping that nation's poorest members. In 1994, doctorate in hand, she spent one month in Uganda to help a local Catholic diocese raise development funding for the community where Hofokam is now based. She joined DB later that year and began a career in Market and

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Credit Risk Management, which has added a firm foundation in finance to her mathematical skills. "On my first trip to Africa, I so wanted to become immediately active, but now I have much more to contribute, thanks to my experience at DB," says Birgit, whose performance model Hofokam's general manager Januario Ntungwa has been using since 2005 as

clients optimize their capital, Hofokam's credit officers and loan supervisors offer advice and support when needed. During her December stint at Hofokam, where she helped employees implement the second generation of her performance model, Birgit saw ample evidence of powerful social and economic change. "Some businesses are now established enough that their principals can qualify for loans double and triple the initial amounts," says Birgit, who also met the credit officers who work in the field to oversee the disbursement of funds to the village banks. Additionally, she met with the local clients to answer questions and learn about their businesses.

part of his campaign to bring the organization to that crucial breakeven mark—which it hit in 2006.

Hofokam got there by wisely administering its USD1.5 million loan portfolio. To qualify for a loan, the MFI's roughly 14,000 clients must have already saved 20 percent of the amount they are requesting. They then apply by forming an association with some 20 other villagers to whom the MFI issues a group loan; the members serve as one another's financial guarantors. To help

ed in everything from additional services Hofokam might provide, like helping to bring a solar energy provider into the community, to the basics of cash flow analysis," she says, noting that, for families who may be enjoying for the first time the security of having money in the bank, the notion of holding some in reserve for potential business setbacks is novel. Says Birgit, "Seeing clients embrace the knowledge they need to take their businesses to the next level gave me a really good feeling about the change taking place there."

Birgit hopes that upward trend will lead to Hofokam's application for a loan from DB's Micro Credit Development Fund, which has already distributed USD1.8 million to microfinance institutions in India, Indonesia, and Sri Lanka. If Hofokam were awarded a loan, it would use the cash as collateral to receive financing from the local capital market. Toward that end, Birgit's model could prove instrumental, as it allows Hofokam's general manager to model the current and future state of the company's performance based upon the interplay of the many variables affecting cost and income.

Though the parameters Birgit and her Derivatives Exposure Methodology team use to develop DB's cross-product credit risk engine for derivatives are different from those the Hofokam model encompasses, she finds her job and volunteer work not all that different: "Both require the same approach, whether it's developing a methodology for measuring DB's repo transaction exposures or building a tool for Hofokam that clarifies which of the many screws can be turned to increase performance," she says. "The challenge is to marshal all the parameters that describe the current state of 'the world' in order to predict what it might become." For Ugandans who've had the help of Hofokam—and the benefit of Birgit's expertise and commitment—that future is looking brighter. —MH

"The clients were very interest-