

MICROCAPITAL BRIEFS | TOP STORIES

Thailand's Bank of Ayudhya (Krungsri) Buys Cambodia's HKL

Please see page 2 for coverage of this "MicroCapital Deal of the Month."

Root Capital to Invest \$5m in Young West African Ag Firms

The MasterCard Foundation, a Canadian organization founded by US-based payments firm MasterCard Worldwide, recently agreed to provide USD 5.2 million over five years to Root Capital, a US-based nonprofit investment fund, to support early-stage agricultural businesses in rural Côte d'Ivoire, Ghana and Senegal. The program includes: (1) investing in approximately 100 agricultural businesses with capital needs under USD 150,000 and/or annual revenues under USD 300,000; (2) offering advisory services on a pilot basis; and (3) "developing a framework for documenting and analyzing the costs and impacts associated with early business growth in the agricultural sector." Root Capital reports total assets of USD 135 million and a loan balance of USD 107 million outstanding to 586 agricultural businesses. September 21, 2016

MIF Approves \$4m in Equity for Latin America's Angel Ventures

The Multilateral Investment Fund, a member of the US-based Inter-American Development Bank Group, recently announced an equity investment USD 4 million in the Angel Ventures Pacific Alliance Fund (AVPAF), a Mexico-based venture capital fund that recently was launched to fund "start-up" and "scale-up" businesses in Chile, Colombia, Mexico and Peru. The fund will target 25 firms that "are engaged in generating a positive social, economic, and environmental impact on society" in the following sectors: financial technology, biotechnology and health, agricultural technology, retail, and information and communication technology. The fund, which will also provide advisory services, has a target size of USD 80 million. Angel Ventures' other fund is the Angel Ventures Mexico Co-Investment Fund I, which raised USD 20 million for start-ups headquartered in Mexico. The firm also manages a network of approximately 250 angel investors. September 17, 2016

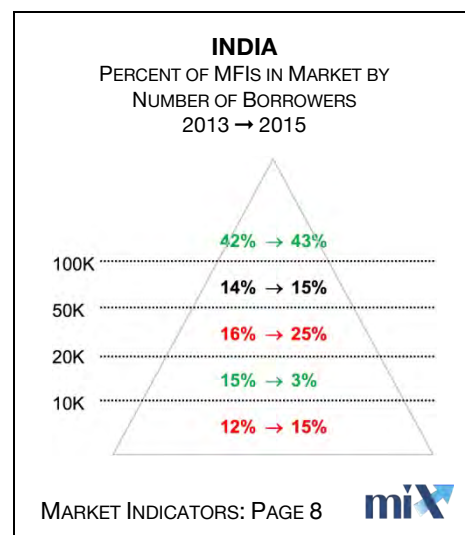
Ghana to Link Mobile Money Platforms

Deputy Governor Johnson Asiama of the Bank of Ghana recently announced the implementation of a framework to allow users of different mobile money network providers to transfer money among them, including the services of Airtel, MTN, Tigo and Vodafone. Linkage to the Ghana Interbank Payment and Settlement System will also allow for transactions to and from microfinance institution accounts. September 16, 2016

ADB to Loan \$50m to China Foundation for Poverty Alleviation

The Asian Development Bank (ADB), a 67-member institution headquartered in the Philippines, recently launched a credit facility of USD 50 million for CFPA Microfinance Management, a unit of the China Foundation for Poverty Alleviation (CFPA), to support rural microfinance in China. CFPA Microfinance will on-lend the money to end-borrowers in areas that government authorities have deemed "poverty-stricken." ADB estimates that the "long tenure" revolving loan will enable credit for 130,000 microentrepreneurs through sub-loans totaling USD 200 million. CFPA reports assets of USD 403 million and a gross loan portfolio of USD 365 million outstanding to 306,000 borrowers. The organization does not accept deposits. September 2, 2016

INSIDE	Page
MicroCapital Briefs	2
Microfinance news	
European Microfinance Week	5
Housing microfinance	
Ear to the Ground	6
Cambio Climático en Nueva York y Perú	
Ear to the Ground	7
Climate Change in New York vs Peru	
Market Indicators	8
Courtesy of MIX	
Upcoming Events	10
Industry conferences	
Paper Wrap-ups	12
Latest research and reports	
Subscribe to the Monitor	13



MICROCAPITAL BRIEFS

Zambia's PABS Borrows \$3m for Invoice Discounting

The Pan African Building Society (PABS), a Zambian non-bank financial institution focusing on leases and loans for enterprises of all sizes, recently acquired a credit line of USD 3 million arranged by Verdant Capital, a corporate finance firm with offices in Ghana, Mauritius and South Africa. The facility, which is slated to include multiple investors, is paired with a technical assistance package to support PABS's invoice discounting and supply chain financing. PABS Acting CEO Urvesh Desai said, "[N]ew and existing clients of PABS will have the opportunity to discount their invoices against pre-approved debtors or buyers and receive early cash payments; furthermore it will thereby generate a new secured asset class in PABS's loan book." PABS, which has a balance sheet of USD 30 million, is primarily held by the Hawkwood Mukwa Fund. September 30, 2016

Thailand's Bank of Ayudhya (Krungsri) Buys Cambodia's HKL

The Bank of Ayudhya (Krungsri), a Thai subsidiary of Japan's Bank of Tokyo-Mitsubishi UFJ, recently acquired Hattha Kaksekar Limited (HKL), a microfinance institution in Cambodia, for an undisclosed price. Krungsri CEO Noriaki Goto was quoted as saying, "The acquisition offers a meaningful footprint for Krungsri in Cambodia to enhance our [Cambodia, Laos, Myanmar and Vietnam] strategy, particularly values from business opportunities pertaining to both [the] growing domestic market as well as cross-border connectivity in the future." HKL reports total assets of USD 446 million, a gross loan portfolio of USD 364 million outstanding to 113,000 borrowers and deposits of USD 236 million held for 216,000 depositors. September 30, 2016

BlueOrchard Launching \$120m Japan ASEAN Women's Fund

BlueOrchard Finance, a commercial manager of "impact" investments, recently announced the launch of its Japan ASEAN Women Empowerment Fund, which plans to invest USD 120 million in microfinance institutions focused on lending to women running micro- and small enterprises in member countries of the Association of Southeast Asian Nations (ASEAN). Investors in the fund, which has an eight-year lifetime, include Japan's Sumitomo Life Insurance Company and two entities of the Japanese government: the Japan International Cooperation Agency and the Japan Bank for International Cooperation. While the size of Sumitomo's commitment has not been disclosed, each of the government investors will disburse up to USD 30 million to the fund. ASEAN comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. BlueOrchard, which is based in Switzerland, reports placing investments totaling USD 3 billion since 2001. September 29, 2016

Finalists Named for \$112k Award for Education Finance

Guatemala's Fundación Génesis Empresarial, Pakistan's Kashf Foundation and Opportunity Bank of Uganda recently have been named as the finalists for the European Microfinance Award, which this year is focused on education. The award, which includes a cash prize equivalent to USD 112,000, will be presented on November 17 during European Microfinance Week in Luxembourg. The annual award is organized by the Luxembourg Ministry of Foreign and European Affairs - Directorate for Development Cooperation, the European Microfinance Platform and the Inclusive Finance Network Luxembourg, with the support of the European Investment Bank. MicroCapital has been contracted to provide on-site and other coverage of the event. September 27, 2016

Pakistani MFIs to Register as NBFCs, Comply with SEC Regulation

The Securities and Exchange Commission of Pakistan recently announced plans to bring all non-deposit taking microfinance institutions and related NGOs under the non-banking finance company (NBFC) framework, albeit with a lower minimum paid-up capital requirement than other NBFCs. Existing NBFCs that operate as leasing companies or investment finance companies will be allowed to apply for microfinance business licenses. In addition, the new framework involves establishing a three-tier system for addressing borrower grievances: first the complaint will go to the retail institution, second to an industry-led body and finally to a government body. The State Bank of Pakistan will continue to monitor microbanks that accept deposits. September 22, 2016

MicroSave Launches Phone-based, Online Microfinance School

MicroSave, a for-profit consulting firm based in India, recently launched ePaathshala, a financial education program for both staff and clients of microfinance institutions. It includes an online training portal, a mobile app and an interactive voice response system. September 20, 2016

Coconut Farmers in the Solomons to Access Mobile Money

The Australian government and the publicly traded Australia and New Zealand (ANZ) Bank recently donated a total equivalent to USD 650,000 for the UN's Pacific Financial Inclusion Program (PFIP) to connect coconut oil producers, laborers, buyers and transport operators in the Solomon Islands with digital financial services. ANZ Bank will set up 900 users with accounts to use its goMoney mobile banking service and recruit 60 goMoney agents who are processors affiliated with the local division of Kokonut Pacific, an Australia-based producer of coconut oil. Governor Denton Rarawa of the Central Bank of the Solomon Islands said, "Leveraging the coconut value chain offers much promise for expanding banking to remote rural communities. This initiative by PFIP and ANZ Bank fits very well into the current National Financial Inclusion strategies...." September 19, 2016

Nicaragua's Fabretto Nets \$1.8m for Training Rural Youth

Fabretto, an educational NGO in Nicaragua, recently received donations totaling USD 1.8 million for a project aiming to increase the incomes and employability of 1,800 youth from two facilities managed by the US-based Inter-American Development Bank Group. The project, which combines vocational training with traditional curricula, will operate in the following rural areas of Nicaragua: Madriz, Nueva Segovia and the Southern Caribbean Coast Autonomous Region. In addition to classroom training, students will receive support in initiatives such as business management, organizing health campaigns, and implementing improved agricultural productivity and climate adaptation techniques. September 19, 2016

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Please refer to <http://MicroCapital.org> for the sources of information appearing in all briefs. Among these, MicroCapital recognizes CGAP, the Microfinance Gateway and the Microfinance Information Exchange for their outstanding work disseminating information on microfinance. Thank you!

Philippines Implementing Financial Inclusion Strategy, Taxes

Officials in the Philippines recently finalized the implementation framework for its Microfinance NGOs Act, which requires the creation of a microenterprise development strategy and a microfinance NGO regulatory council. Institutions accredited by the council must abide by a set of client protection principles and will pay a 2-percent tax on gross receipts in lieu of other national taxes. Microfinance NGOs are forbidden from accepting deposits or directly engaging in the insurance business, although they may act as agents. The Philippines also recently launched a steering committee to oversee implementation of the country's National Strategy for Financial Inclusion, whose goals relate to "regulation, financial education, consumer protection, data and measurement, and financial inclusion advocacy." September 6 and September 16, 2016

C-Quadrat Loans \$17m, Including \$3m for Education

Austria-based C-Quadrat Asset Management recently issued loans worth the equivalent of USD 17 million to unspecified microfinance institutions (MFIs) in India, Kenya, Namibia, Nicaragua, Peru and Romania. USD 3 million of this total was invested in the institution in Namibia, which provides student loans with maturities ranging from one to five years. Founded in 2005, the MFI has 43,000 clients and 54 employees. September 15, 2016

Maj Invest Raising \$25m for South America

Denmark's Maj Invest Group recently announced plans to grow its Financial Inclusion Fund II by USD 25 million. Kasper Svarrer, who manages the firm's emerging-market equities, says that the facility will target the new funds to the "top segment [of] very professionally-run, very mature" microfinance institutions in Bolivia, Colombia, Ecuador and Peru. The Financial Inclusion Fund II already holds two investments valued at a total of USD 75 million. Maj manages assets valued at USD 7.5 billion. September 14, 2016

Indian Entrepreneurs Launch Avanti Finance

Vijay Kelkar, the Chairman of India's National Institute of Public Finance and Policy; Nandan Nilekani, a co-founder of Infosys; Ratan Tata, Chairman Emeritus of Tata Sons; and R Venkataramanan, Managing Trustee of the Sir Dorabji Tata Trust, recently announced the launch of Avanti Finance, "a technology-enabled financial inclusion vehicle." Mr Nilekani and Mr Tata state that the investments - the amount of which have not been disclosed - are philanthropic, meaning that any gains will be reinvested back into the firm. Avanti is slated to start operations during March 2017, pending authorization from the Reserve Bank of India. The founders plan to use technology to minimize costs, allowing for the provision of cheaper loans to underserved people. September 13, 2016

Tanzania's NMB Launches Ag, Youth Products

The National Microfinance Bank (NMB), a microfinance institution majority-owned by the government of Tanzania, recently announced the launch of two new programs: AgriBiashara, to support agricultural value chains, and Wajibu, a set of youth savings accounts formed through a partnership with US-based NGO Women's World Banking. NMB has set aside the equivalent of USD 227 million over five years for AgriBiashara to provide credit to agriculture value-chain actors, including suppliers, traders and exporters. Wajibu, which means "responsibility" in Swahili, includes three youth savings-account options paired with a financial capability program intended to increase participants' awareness of financial options. NMB reports total assets equivalent to USD 2.1 billion, customer deposits totaling USD 1.6 billion and return on assets of 3.9 percent. September 13, 2016

Uganda to Boost Policing of SACCOs, UDB Increasing Ag Lending

Haruna Kyeyune, the Ugandan Minister for Microfinance, recently announced that savings and credit cooperative organizations (SACCOs) caught cheating clients will be closed down as part of the implementation of stricter regulations for "Tier-4" non-banking financial institutions. Meanwhile, the government-owned Uganda Development Bank allocated 50 percent of its loan reserves in an effort to develop agriculture processors and related businesses via "small" loans. Payments on these loans will not be due until the end of the season, at harvest time. Although the bank reported total assets equivalent to USD 61 million as of 2015, the Finance Minister Matia Kasaija recently announced plans to recapitalize the Uganda Development Bank in the amount of USD 148 million. September 12, 2016

New Faces New Voices Raising \$20m to Lend to Rwandan Women

New Faces New Voices (NFNV), a group of advocates from 15 African countries seeking to expand women's financial inclusion, recently announced plans to raise the equivalent of USD 20 million for an investment fund. While the majority of the money is to be sourced from government and private investors, the group is seeking to attract one quarter of its goal by selling shares to its members. The member price of USD 1.25 is negotiable for those unable to pay the full amount. In discussing the need for the fund, NFNV Chairperson Dr Monique Nsanzabaganwa argued that the biggest hurdles that Rwandan women entrepreneurs face include "lack of collateral" to get loans from traditional banks and "lack of information and training to come up with a business plan." September 11, 2016

IFC Loans \$4.5m to Alter Modus of Montenegro

The International Finance Corporation, the private-sector arm of the World Bank Group, recently announced it will loan the euro-equivalent of USD 4.5 million to Alter Modus, a microfinance institution in Montenegro. The loan is intended to support Alter Modus's efforts to increase its microenterprise client base over the next four years. Alter Modus operates 15 branches serving 19,000 clients. September 10, 2016

Netherlands' FMO Appoints Jürgen Rigterink as CEO

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch development bank, recently announced that Jürgen Rigterink will take over as its CEO during October, pending approval by the Dutch central bank. Mr Rigterink served as the Chief Investment Officer for FMO prior to entering his current role as Chief Risk & Finance Officer in 2014. He will succeed Nanno Kleiterp, who has served as the organization's CEO since 2008. FMO reports total assets equivalent to USD 9 billion. September 8, 2016

EFSE Disbursing \$1.7m Senior Loan to KRK for Rural Kosovars

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment fund serving Eurasia, recently issued a euro-denominated senior loan worth USD 1.7 million to Kreditimi Rural I Kosoves (KRK), a Kosovo-based microlender that specializes in serving micro- and small agricultural enterprises. KRK will disburse the money in loans of up to USD 28,000 per end-borrowers. KRK reports total assets of USD 16 million, a gross loan portfolio of USD 15 million, 7,700 borrowers, return on assets of 13 percent and return on equity of 43 percent. September 7, 2016

Zimbabwe Registers Nurture, Junior Marima, Gryton, Realty MF

The Reserve Bank of Zimbabwe's registrar of microfinanciers recently brought to 164 its total number of registered microfinance institutions by recognizing the following entities: Nurture Finance, Junior Marima, Gryton Capital and Realty Microfinance. September 5, 2016

EFSE Loans \$2.3m to Kosovo's AFK for Rural Lending

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle serving 16 countries, recently announced it will disburse a senior loan equivalent to USD 2.3 million to Agjencioni për Financim në Kosovë (AFK), a non-banking microfinance institution in Kosovo. The loan is to be used to expand on-lending to agricultural clients and other rural businesses. AFK reports total assets of USD 15 million, a gross loan portfolio of USD 14 million and 10,000 active borrowers. As of 2016, EFSE reports outstanding investments of USD 1 billion in 63 lending institutions, including 35 microfinance institutions. September 4, 2016

EBRD Lending to Arvand for MSEs in Tajikistan

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral institution, recently agreed to provide local-currency loan funds up to the equivalent of USD 2 million to Arvand, a microfinance institution in Tajikistan, for on-lending to micro- and small enterprises. Shoira Sadykova, the General Director of Arvand, noted that the transaction comes at "a difficult time for the sector and the country...." Richard Jones, Head of the EBRD's Dushanbe Resident Office, said: "We hope that the EBRD loan to Arvand will encourage other international lenders to provide longer-term funding in local currency to viable financial institutions in Tajikistan to support further growth of the Tajik private sector." Arvand reports total assets of USD 48 million, a gross loan portfolio of USD 31 million outstanding to 37,000 active borrowers and deposits of USD 4.8 million held for 22,000 customers. September 2, 2016

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SPECIAL REPORT

This interview is part of a sponsored series on European Microfinance Week, which will be held from November 16 through November 18 by the European Microfinance Platform (e-MFP), a 124-member network located in Luxembourg. MicroCapital has been engaged to cover the event on-site.

Housing Microfinance

MicroCapital: How does housing finance differ from traditional microfinance?

Rajnish Dhall: In India, traditional microloans usually are: (1) sized less than USD 1,000; (2) targeted for productive assets; (3) priced at around 22 percent per year; (4) repaid within less than a year or two; and (5) carry a group guarantee in lieu of collateral. In contrast, the micro-mortgages that Micro Housing Finance Corporation (MHFC) offers first-time homebuyers: (1) average about USD 8,000 in size; (2) carry interest rates of about 12.5 percent per year; (3) usually have a term of 15 years; (4) are individual rather than group-based; and (5) most importantly, are secured with the home as collateral. While the audience is quite similar, the products are almost at opposite ends of the spectrum.

Mark van Doesburgh: The MicroBuild Fund (MBF) we manage for Habitat for Humanity provides tenors of up to five years. While most traditional microfinance loans are for working capital for businesses, housing is technically “consumption.” The principle upgrades we see are: (1) changing dirt floors to ceramic tile; (2) upgrading from adobe to plaster walls; (3) replacing reed or bamboo roofing with iron sheeting or ceramic tiles; (4) constructing bathrooms; and (5) adding additional rooms or levels.

MC: Are there many poor people that need housing loans...and can pay them back?

RD: Absolutely, there is a massive need! The Indian government estimates there is a shortfall here of 25 million homes, 99 percent of which are required by lower-income families. It's not just the poor; it's the informal sector workers. In India this is estimated at 80 percent of the workforce. These people lack documentation of their income and are thus financially excluded even though they might be able to comfortably afford the payments.

As of last year, MHFC had about 10,000 clients, and only 35 customers were behind on their payments by 90 or more days. We have had no write-offs since our inception eight years ago.

MvD: In our MBF portfolio, we compare the housing portfolio with the non-housing and find that - across the board - repayment rates are higher for housing loans. This shows how much borrowers value the product and that they are indeed capable of repaying.

MC: How do we maximize client protection?

MvD: With housing microfinance, the issue of financial education is not any greater than in traditional microfinance, but proper building

practices are critical. If housing is managed well, the improved living conditions can improve safety and security for the client and his or her family. But if not, the client and family can actually be put in greater danger. A loan officer needs to have the skills to evaluate a home improvement project to determine - to a reasonable extent - that the microfinance institution (MFI) is not financing a home improvement project that could be detrimental.

MC: How does insurance play in?

RD: MHFC, like most housing finance companies, offers third-party property insurance and mortgage redemption policies in case of death of the main earner. The prohibitive expense of medical insurance is an issue, however, as lower-income families often do not have a savings buffer for medical or any other emergencies.

MC: Why do housing loans often remain just a niche offering for MFIs?

MvD: MFIs rarely have the technical knowhow needed to develop housing loan products. Part of the reason we see MFIs so active in incremental home improvement loans is because they more closely resemble a traditional individual microfinance loan than a micro-mortgage, which involves land titles, much longer tenors and larger loan amounts. MFIs are often ill-positioned to secure loan funding at the necessary tenor for micromortgages. And the vast majority of their clients do not possess a formal land title. Many MFIs are reluctant to accept alternatives such as land-purchase agreements, inheritance documents and municipal-use documents.

RD: The traditional business of MFIs is growing quite well in India as well - possibly 30 percent to 40 percent per year - and hence there is no real requirement for most MFIs to add this product at this stage.

MvD: Many MFIs create a housing microfinance product simply as a way to reward their best clients. In these cases, the product is not designed to attract new clients and will always be limited to a select few.

MC: Where do you see micromortgages heading in the next five years?

MvD: Although we are seeing growth, what we have seen and heard is that the limitations mentioned above continue to hold MFIs back from diving into micromortgages on a large scale. The major exception is companies in India that specialize in housing finance.

RD: In India, a massive housing supply is coming over the next few years as the central government is pushing for “housing for all.” Along with major regulatory support, this has set up the ecosystem for intense growth. From hardly any loans a few years ago, there are now about 10 companies in this space that now have made about 10,000 loans each and are growing at about 100 percent per year.

MC: How will housing finance be addressed at European Microfinance Week?

Daniel Rozas: We see the lack of housing finance as a major component of financial exclusion - and one that has been left off the microfinance agenda. To that end, we're looking to bring in a diverse group of institutions that are active in this area to share their work.

Rajnish Dhall is the Managing Director of the Mumbai-based Micro Housing Finance Corporation. Mark van Doesburgh serves as a Managing Director at Triple Jump, a fund manager based in Amsterdam that focuses on “inclusive finance.” Daniel Rozas is the Senior Microfinance Expert at the European Microfinance Platform. All three will participate in a plenary session titled “Microfinance and Housing, One Brick at a Time” during European Microfinance Week.

EAR TO THE GROUND

Hablando del Cambio Climático en Nueva York y Sintiéndonlo en Perú

La semana pasada fue de gran actividad en la ciudad de Nueva York. El principio del otoño marcó acontecimientos buenos y malos, entre ellas, las reuniones de la Asamblea General de la ONU, las cuales trajeron a tantos líderes clave aquí para discutir los temas en la vanguardia del debate mundial. Un tema fundamental, el cambio climático, se vio ensombrecido por la urgencia de los acontecimientos en Siria y cuestiones más amplias de cooperación global. A pesar de que promesas fueron hechas sobre el cambio climático -incluyendo esfuerzos exitosos para hacer firmar a más países en el acuerdo de París- hay espacio para el escepticismo. En una conferencia en la Universidad de Columbia, discutimos la lenta recuperación de Nueva York después del huracán Sandy. Un estudiante escéptico se preguntó por qué los recursos no fueron asignados antes y no después. Una y otra vez, esperamos para responder a una tormenta, terremoto u otra crisis en lugar de trabajar activamente con antelación para mitigar los riesgos. Parece que hay algo acerca de los desastres naturales que se siente intangible y distante. Es por esto que en el mundo desarrollado estamos tan poco preparados para el cambio climático. Y sin embargo, cuando diseñamos programas para las personas en los países de bajos ingresos, y los agricultores en particular, a menudo asumimos que los agricultores valorarán las prácticas de prevención y mitigación en el acto.

A principios de este mes, yo estaba en el norte de Perú y me reuní con los productores de arroz cuya agua es racionada durante la estación seca: este es el agua de la que dependen para sus cultivos, así como para su propia supervivencia. Y me encontré con productores de mango que han visto climas en calentamiento reduciendo la calidad de sus frutos durante la última década: un mango menos jugoso no será seleccionado para la exportación, que reunirá un precio más alto. Como los márgenes de estos agricultores han ido disminuyendo, han apostado en los fertilizantes químicos y pesticidas para perseguir mejores rendimientos. Pero este gasto también corta las utilidades.

Para los las entidades de microfinanzas (IMF), este es un problema. El prestar a los agricultores siempre ha sido arriesgado, pero los márgenes reducidos y el aumento de los riesgos de las condiciones meteorológicas adversas hacen que estos préstamos sean aún menos atractivos. Al mismo tiempo, existe un gran empuje para las IMF para extender sus servicios a las zonas rurales, donde los mercados de crédito están menos saturados. Esto pone de relieve el papel que las IMF pueden tener en el desarrollo de productos y servicios climáticamente inteligentes, no sólo en el Perú sino en todo el mundo. Sin embargo, se debe tener precaución: a pesar de que los agricultores entienden que las temperaturas son cada vez más calientes, esa no es siempre su

preocupación más inmediata. En nuestra visita, por ejemplo, los agricultores nos dijeron que su riesgo principal son las plagas. Y a pesar de que las plagas se han ido volviendo resistentes a los pesticidas, el daño que causan es raramente cubierto por el seguro.

Regresé de Perú extremadamente consciente del agua, durante unos días hasta mis duchas fueron más cortas. Pero mi rutina ha regresado a la normalidad desde entonces. En Nueva York, rara vez carecemos de agua, por lo que la urgencia del cambio climático no es tangible. Si la mayoría de nosotros en el mundo desarrollado estamos posponiendo cualquier sentido de urgencia sobre el cambio climático, es comprensible que la gente en los países con menores recursos, que tienen muchas otras preocupaciones inmediatas, también puedan hacerlo. El convencer a agricultores a dejar de lado el dinero a través del ahorro o el seguro en caso de un evento intangible va a ser un trabajo difícil, que requiere la educación y el cambio de comportamiento. También vamos a tener que hacer frente a otros problemas de los agricultores, incluyendo la adaptación de tecnologías agrícolas apropiadas, reducir la dependencia de sustancias químicas y hacer frente a la disminución de su competitividad a través del trabajo colectivo. Las instituciones financieras no tienen todo este conocimiento, pero hay una oportunidad para que ellos sean un canal de confianza para compartirlo con los clientes rurales.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni[at]eac-global.com, or you may follow her on Twitter at BarbaraatEA.



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EAR TO THE GROUND

Talking Climate Change in New York...Feeling It in Peru

Last week was a busy one in New York City. The beginning of fall marked events good and bad, not least the UN General Assembly meetings, which brought so many key leaders here to discuss the issues at the forefront of world debate. One critical theme, climate change, was overshadowed by the urgency of events in Syria and broader questions of global cooperation. Although promises were made on climate change - amidst successful efforts to enlist more countries to sign on to the Paris agreement - there is room for skepticism.

At a lecture at Columbia University, we discussed New York City's slow recovery after Hurricane Sandy. One wide-eyed student questioned why resources weren't allocated *ex-ante* rather than *ex post*. Time and again, we wait to respond to a storm, earthquake or other calamity rather than act advance to mitigate our risks. There seems to be something about natural disasters that feels intangible, distant. This is why we in the developed world are so grossly unprepared for climate change. And yet when we design programs for people in low-income countries, and farmers in particular, we often assume they will value preventative and mitigating practices on the spot.

Earlier this month, I was in northern Peru and met with rice farmers whose water is rationed during the dry season: this is the water they depend on for their crops' as well as their own survival. And I met mango farmers who have watched warming climates reduce the quality of their fruits over the past decade: a less juicy mango won't be selected for export, thus failing to earn a higher price. As these farmers' margins have been declining, they have placed their bets on chemical fertilizers and pesticides to chase better yields. But this expense also cuts into profits.

For lenders, this is a problem. Lending to farmers has always been risky, but declining margins and increased risks from adverse weather make these loans even less attractive. At the same time, there is a great "push" for MFIs to extend their services to rural areas, where lending markets are less saturated. This highlights the role that MFIs can have in developing climate-smart products and services, not only in Peru but worldwide. Yet caution is due: although farmers understand that temperatures are getting hotter, that is not always their most immediate concern. On our visit, for example, farmers told us that their top risk is pests. And although pests have been becoming resistant to pesticides, the damage they cause is seldom covered by insurance.

I returned from Peru extremely "water aware." For a few days, my showers were shorter, but my routine has snapped back to normal since. In New York, we rarely lack water, so the urgency just is not tangible. If most of us in the developed world are postponing any sense of urgency on climate change, it is understandable that folks in poor countries, who have many other immediate concerns, might do the same. Convincing farmers to set aside money for savings or insurance in case of an intangible event is going to be hard work, requiring education and behavior change. We will also have to tackle farmers' other problems, including adapting appropriate farming technologies, reducing dependence on chemicals and addressing their declining competitiveness through collective work. Financial institutions don't have all this know-how, but they just might be the right channel to share it with rural clients.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni@eac-global.com, or you may follow her on Twitter at [BarbaraatEA](https://twitter.com/BarbaraatEA).

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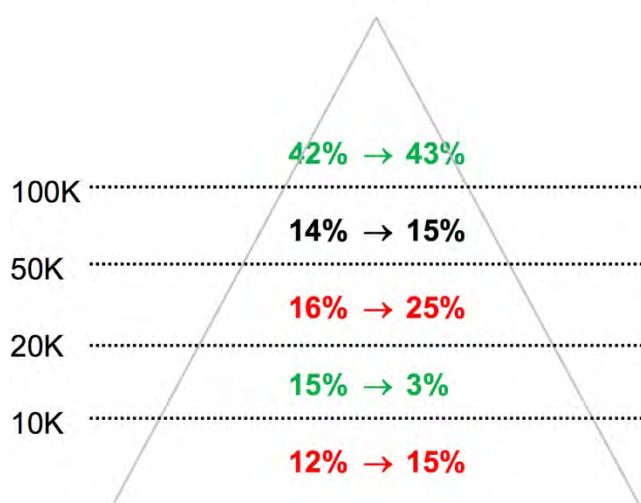
27 MICROFINANCE INSTITUTIONS (MFIs) REPORTING¹

MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2013	2015
Satin	159,194,193	68	175,833,409	494,221,795
Grameen Koota	123,583,102	68	136,450,581	383,616,785
Equitas	122,883,106	41	250,250,287	496,016,499
Utkarsh	78,618,404	91	59,215,758	216,452,566
SV Creditline	59,062,166	108	35,474,484	153,598,816
Annapurna	55,719,706	122	28,370,361	139,809,772
Suryoday	52,070,803	71	54,403,975	158,545,581
Sonata	48,555,992	64	57,693,445	154,805,428
Arohan	34,596,051	78	31,678,007	100,870,108
Fusion	33,195,172	97	22,941,386	89,331,729

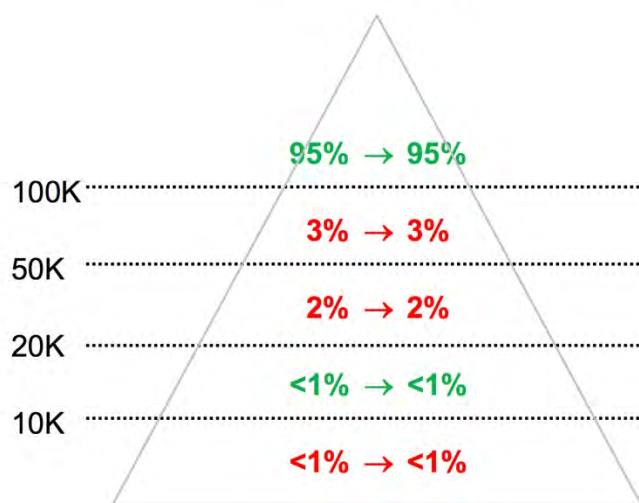
PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)

2013 → 2015



MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)

2013 → 2015



¹Denotes only MFIs that reported data for 2013 and 2015 to the Microfinance Information Exchange (MIX) Market



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UPCOMING EVENTS

A Billion to Gain

October 11 - October 12, 2016; Amsterdam, the Netherlands
Themed on “the role of financial technology in including micro-enterprises in low and middle income countries,” this conference will address financial inclusion, virtual currencies, mobile financing, crowdfunding and digital credit scoring. More information is available at <https://www.ing-events.nl/abt2016/what-is-a-billion-to-gain/> or via Ms Blankenstein at brenda.blankenstein@jing.nl or +31 20 22 888 00. There is no fee to attend.

MSMEs' Access to Finance in a Digital Finance Era

October 19 - October 20, 2016; Tokyo, Japan
The goal of this event is to address two challenges faced by micro-, small and medium-sized enterprises: information asymmetry and lack of collateral. There is no fee to attend. For additional information, you may contact Chantapacdepong Pornpinun via +81 3 3593 5500 or the contact form on the conference web page, which is located at <https://www.adb.org/news/events/micro-small-and-medium-sized-enterprises-msmes-access-finance-digital-finance-era>.

The MasterCard Foundation Symposium on Financial Inclusion

October 19 - October 21, 2016; Kigali, Rwanda
This symposium will focus on educating service providers about the financial lives of poor people in an effort to enable them to deliver products that are more appropriate to client needs. The event will include workshops, plenary sessions and the presentation of the 2016 “Clients at the Centre” prize, which includes a cash award of USD 150,000. Attendance to this event is by invitation only, but you may visit <http://mastercardfdnsymposium.org/>, call +1 416 214 2857 or email info@mastercardfdn.org for more information.

XIX Foromic

October 24 - October 26, 2016; Montego Bay, Jamaica
The topics to be covered at this conference include start-up accelerators, financing alternative agriculture sectors and climate finance. The fee to attend is USD 600 per person. For more information, you may visit <http://www.fomin-events.com/foromic/2016/web/en-index.php> or contact Clarisa Pelayo Salcido at clarisa.pelayo@mgoevents.com or +1 202 623 1000.

Microfinance and Microentrepreneurship: A Glocal Perspective

October 26 - October 27, 2016; Sonapat, India
This conference will address issues related to microentrepreneurship and financial inclusion within India and abroad, such as poverty reduction, generating employment and skill development. The standard registration fee is USD 150, with various discounts available. For more information, you may call +91 1263 283036, download <http://www.bpswomenuniversity.ac.in/pdfnews/b313077f-9cac-4e42-b799-390dcf189e9c.pdf>, or email surendermor71@gmail.com or anjurani.bps@gmail.com.

6th Annual Central Asian & Caucasus Microfinance Forum

October 27 - October 28, 2016; Bishkek, Kyrgyzstan
This forum will address strategies for taking advantage of fast-changing environments, focusing on facilitating credit flow from micro-lenders to their clients to promote sustained economic development. The fee to attend is EUR 990. For more information, you may email registration@uni-global.eu, visit <http://uni-global.eu/en/event/2016-208> or call +420 226 538 101.

Sanabel's 2016 Conference

November 1 - November 2, 2016; Casablanca, Morocco
The event will examine regulation, partnerships and various case studies. Registration costs USD 750, and you may access more details by visiting <http://sanabelconf.org>, calling +20 2 25 37 30 23 or emailing conference2016@sanabelnetwork.org.

Sixth Global Islamic Microfinance Forum

November 8 - November 9, 2016; Nairobi, Kenya
The objectives of this event are to increase awareness of Islamic micro-finance; work toward a set of global standards for Islamic microfinance; and discuss topics such as crowdfunding, insurance, rural finance and the qard-al-hassan (benevolent loans) model. The fee to attend is KES 80,000 for Kenyan participants, PKR 55,000 for those from Pakistan and USD 1,495 for participants from other countries. There is an additional fee for the post-event workshop on November 10 and 11. For more information, you may visit <http://alhudacibe.com/gimf2016/> or contact Imran Gul Khan at imran.gul@alhudacibe.com, +971 56 928 6664 or +92 42 3544 5654.

Islamic Finance and Financial Inclusion

November 11 - November 16, 2016; Kuala Lumpur, Malaysia
This event will address supervision, financial inclusion, insurance, technology, consumer protection and other topics in Islamic finance. The standard fee to attend is USD 1,500, with various discounts available, including for those registering by November 2. For more details, you may visit <http://ifsb.org/microsites/2016/EF10/> or contact Ida Shafinaz Ab. Malek at ida.shafinaz@ifsb.org or +6 03 9195 1427.

MORE DETAILS COMING SOON ON...

12th International Microinsurance Conference

November 15 - November 17, 2016; Colombo, Sri Lanka

European Microfinance Week

November 16 - November 18, 2016; Luxembourg

9th Biennial Microfinance Conference

November 23 - November 26, 2016; Jijiga, Ethiopia

Global Inclusion Awards

November 28, 2016; Stockholm, Sweden

Inclusive Finance India Summit

December 5 - December 6, 2016; New Delhi, India

Investor Forum 2016: The Global Gathering for Impact Investors

December 7 - December 8, 2016; Amsterdam, the Netherlands

Twelfth Biennial Conference on Entrepreneurship

February 22 - February 24, 2017; Ahmedabad, India

Asia Pacific Financial Inclusion Summit

March 21 - March 22, 2017; Hanoi, Vietnam

Cracking the Nut 2017:

Reinforcing Food Systems to Meet Urban Demand

March 27 - March 28, 2017; Bangkok, Thailand 🇹🇭

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PAPER WRAP-UPS

2016 Brookings Financial and Digital Inclusion Project Report

By John Villasenor, Darrell West and Robin Lewis; published by the Center for Technology Innovation at the Brookings Institution; August 2016; 146 pages; available at: https://www.brookings.edu/wp-content/uploads/2016/08/fdip_20160816_project_report.pdf

This report examines access to and utilization of basic formal financial services in 26 lower- and middle-income nations. The authors find that many of the countries surveyed have made gains in access to nontraditional financial service channels in two ways they deem crucial to creating a more equitable financial landscape: (1) bolstering mobile phone capacity and infrastructure to facilitate more widespread adoption of mobile money platforms; and (2) increasing platform interoperability, which allows transfers to occur among systems operated by different companies.

The report gives each country a composite score based on 30 indicators of performance that fall into the following dimensions: country commitment, mobile capacity, regulatory environment and user adoption. The highest performing countries were Kenya (84 percent), which maintained its position as the highest scorer since the 2015 report, and Colombia (79 percent), whose increase of 5 percentage points the authors attribute to the introduction of quantitative financial inclusion goals and widespread mobile phone capacity. Brazil, South Africa and Uganda tied for the third position with scores of 78 percent.

This report expands upon the findings of the previous year's edition, which was the first in this series, by surveying five additional countries - the Dominican Republic, Egypt, El Salvador, Haiti and Vietnam - and introducing the following indicators for all 26 countries: (1) the "existence of a specific consumer protection framework;" (2) "availability of merchant payments via mobile money services;" (3) "smartphone adoption;" and (4) "frequency of account usage with a formal financial institution."

The authors conclude that, "[W]hile there is no single path to facilitating financial inclusion, engagement in multinational knowledge-sharing networks and investing in digital financial services can help countries develop successful and sustainable approaches to making progress toward inclusive finance." They also suggest that the financial inclusion

industry increase the collection, analysis and sharing of financial inclusion data. Examples of country-specific "next steps" include that the Philippines, whose overall score improved by 8 percentage points from the 2015 survey, implement a formal interoperability agreement between Globe Telecom's GCash mobile money service and PayMaya, a mobile payment app offered by PLDT (formerly the Philippines Long Distance Telephone Company) and Smart Communications. For Rwanda, the authors encourage lawmakers to establish a financial consumer protection framework utilizing the World Bank's "Diagnostic Review of Consumer Protection and Financial Literacy."

Evolving Landscape of Microfinance Institutions in India

Published by the Associated Chambers of Commerce and Industry of India and Ernst & Young, July 2016, 36 pages, available at: [http://www.ey.com/Publication/vwLUAssets/ey-evolving-landscape-of-microfinance-institutions-in-india/\\$FILE/ey-evolving-landscape-of-microfinance-institutions-in-india.pdf](http://www.ey.com/Publication/vwLUAssets/ey-evolving-landscape-of-microfinance-institutions-in-india/$FILE/ey-evolving-landscape-of-microfinance-institutions-in-india.pdf)

This report covers the growth of the microfinance industry in India, recent trends in domestic microlending and best practices emerging in the industry globally. From 2012 to 2016, the reported microfinance client base in India increased from 15 million to 33 million. The aggregate gross loan portfolio increased from the equivalent of USD 2 billion to USD 8 billion. This includes growth of 84 percent in the last year, which the authors attribute to the doubling - to USD 1,500 - of the exposure the Reserve Bank of India allows to a single borrower. The authors attribute the corresponding increase in the loan balance outstanding per client from USD 110 to USD 235 to rising income levels in addition to the easing of lending rules. However, they note that this higher loan burden per client has led to increased risk.

The authors also find that the number of urban customers surpassed the rural customer base in 2015. This is attributed to factors such as higher operational efficiency among microfinance institutions (MFIs) in urban areas.

The government's Micro Units Development and Refinance Agency is credited with reducing the lending gap in the micro- and small enterprise segment by providing loans to MFIs to on-lend to these enterprises.

The authors conclude by discussing best practices in risk management, lending models and technology applications from microfinance companies outside of India.

A Change in Behavior: Innovations in Financial Capability

Published by the Center for Financial Inclusion at Accion, April 2016, 47 pages, available at <http://www.centerforfinancialinclusion.org/fi2020/roadmap-to-inclusion/innovations-in-financial-capability>

This document describes research aimed at identifying effective interventions for building the financial capability of microfinance customers, which is defined as the "knowledge, skills, attitudes and behaviors a person needs to make sound financial decisions that support well-being." The authors advocate seven interventions that can be delivered along with formal financial education: (1) "Teachable Moments," reaching a consumer when he or she is about to make an important financial decision; (2) "Learning by Doing," helping consumers practice sound decision-making through simulations or group activities; (3) "Nudges, Reminders and Default Options," sending regular reminders via mobile or in-person services; (4) "Rules of Thumb," making traditional finance seem simpler with heuristics or mental shortcuts; (5) "Make it Fun," teaching through games, drama and storytelling; (6) "Customize It," tailoring interventions with technology, goals visualization and personal interviews; and (7) "Make It Social," leveraging groups, social media and peer-to-peer support.

Achieving the Sustainable Development Goals: The Role of Impact Investing

Published by the Global Impact Investing Network; September 12, 2016; 9 pages; available at <https://thegiin.org/knowledge/publication/sdgs-impinv>

This report shows how impact investors have leveraged the UN Sustainable Development Goals (SDGs) in the development of investment and marketing strategies. Encourage Capital explains that its investment in India's Ujjivan Microfinance aligned with SDG #1: no poverty; SDG #5: gender equality; and SDG #16: peace, justice and strong institutions. Pension fund PGGM mapped its investment strategies and impact measurement metrics to six SDGs as part of its investment selection and tracking process. Triodos Investment Management is planning to use the SDGs to select investments, recruit investors and report performance for its new organic agriculture and trade fund. Taking a cautious approach, RobecoSAM argues that - although aligning impact goals to SDGs may lead to growth in investment capital - investors should not lose other financially viable options.

2016 Symbiotics MIV Survey: A study of Global Microfinance Investment Funds

Published by Symbiotics Group; September 12, 2016; 54 pages; available at <http://symbioticsgroup.com/news/new-symbiotics-2016-miv-survey/>

This document offers information on funding in emerging markets from 93 participants with a combined asset size of USD 11 billion, representing an estimated 95 percent of the microfinance investment vehicle (MIV) market. Forty-one percent of these assets are concentrated in five funds.

During 2015, the amount of assets held by the participating MIVs increased by 6.4 percent, compared with a growth rate of 4.9 percent during 2014. The projected growth rate for MIVs remaining active in 2016 is 8.2 percent.

The proportion of investments in Eastern Europe and Central Asia decreased from 38 percent to 30 percent during 2015, which the authors attribute to the economic downturn in Russia and nearby countries. Exposure to South Asia increased by 6 percent, with India receiving the largest share, partially due to an "improved regulatory environment." Cambodia and Ecuador received the next largest shares of MIV funding. Of all the funding, 47 percent was placed by institutional investors, while public entities committed another 26 percent.

Among social goals, the most cited were "increased access to financial services," "employment generation" and "improving livelihood of clients." Sixty-eight percent of the clients financed by the MIVs' investees were women, and more than 50 percent of all clients were located in rural areas.

Person-to-Government Payments: Lessons from Tanzania's Digitization Efforts

By Rashmi Pillai; published by the Better Than Cash Alliance; September 20, 2016; 72 pages; available at <https://www.betterthancash.org/tools-research/case-studies/person-to-government-payments-lessons-from-tanzania-digitalization-efforts>

Ms Pillai discusses the benefits and limitations of digitizing person-to-government and

business-to-government payments in Tanzania. The analysis of the electronic collection of motor vehicle license fees, customs clearance costs and tourism-related fees indicates gains were made in revenue and tax collection while processing times, fraud and losses were reduced. Although the introduction of payment systems like prepaid cards have increased the customer trust, most of the owners of micro- and small businesses who were surveyed were unaware of the services available to them. Ms Pillai's recommendations include improved backend technology, accepting electronic receipts during audits and enabling remote sales tax estimation services. The author concludes by stating that the successful implementation of digital payment systems would lead to an increase in tax revenues of USD 477 million per annum. 🇰🇪

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