MicroCapital Monitor
ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

MAY 2020 | VOLUME.15 ISSUE.5

MICROCAPITAL BRIEFS | TOP STORIES

Dai-ichi Life Invests $19m in Women via Grameen Crédit Agricole
Please see page 2 for coverage of this MicroCapital *Deal of the Month*.

40 Firms Join COVID Response Alliance for Social Entrepreneurs
The World Economic Forum, a Switzerland-based nonprofit, recently convened the COVID Response Alliance for Social Entrepreneurs, through which 40 organizations are aligning their efforts to reduce the economic and other impacts of the COVID-19 pandemic. The participating organizations support 15,000 entrepreneurs who have served a total of 1.5 billion customers in 190 countries by "protecting livelihoods; mitigating millions of tonnes of carbon dioxide; improving access to health, sanitation, education and energy; [and having] driven social inclusion movements for the disabled, homeless or those with refugee status." The alliance members have committed a total of USD 75 million to pandemic relief. In addition, they are working together to assess needs; increase recovery funding; coordinate legal, technological and procurement efforts; and advocate for policies that will assist social entrepreneurs in mitigating the effects of and recovering from COVID-19. For a list of the members of the alliance, please refer to https://www.microcapital.org/. May 14. 2020

SafeBoda Launching E-platform for Market Vendors in Uganda
SafeBoda, the Uganda-based owner of an app for hailing motorcycle rides in three countries, recently partnered with the UN Capital Development Fund (UNCDF) to launch an e-commerce platform. Chris Lukolyo, the digital lead for UNCDF in Uganda, said, "During this COVID-19 pandemic, many small businesses have not had an opportunity to leverage digital solutions to keep their businesses afloat due to lack of access to the relevant digital products, and sometimes inadequate digital literacy." The initial goal of the partnership is to help 800 market vendors in Uganda overcome the government's anti-COVID-19 travel restrictions to reach "a projected average of 50,000 customers…daily with food stuffs and goods delivery" via SafeBoda drivers. Founded in 2015, SafeBoda operates in Kenya, Nigeria and Uganda. In addition to connecting drivers and riders, SafeBoda offers an e-wallet service for paying for rides. The company has 18,000 drivers in Uganda. May 12. 2020

9 MIVs Respond Together to Pandemic's Effects on MFIs, MSMEs
Nine investors in lenders to micro-, small and medium-sized enterprises (MSMEs), which have an aggregate of USD 15 billion invested in 80 low- and middle-income countries, have agreed to work together in support of the long-term viability of retail financial services providers (FSPs) as they respond to the COVID-19 pandemic. As MSMEs are having difficulty repaying the loans they owe to FSPs, these lenders are experiencing liquidity challenges. To reduce the reporting burden on FSPs, the investors have created a common Crisis Assessment Tool to collect data on FSPs' operations, portfolios and liquidity, as often as two times per month. The overall agreement, which other investors are invited to join, sets out a range of intentions, such as minimizing the involvement of legal counsel and communicating as a group rather than bilaterally, to the extent reasonably practicable. The memo also promotes the injection of fresh funds to the extent that these "may be treated with some preference" in the event of default by an FSP. The agreement defines four categories under which FSPs are to be treated: (1) the strongest FSPs, for which minimal restructuring is envisioned; (2) FSPs expected to need repayment moratoriums of three to 12 months, with agreements to be made via email rather than complex legal documents; (3) FSPs that are at high enough risk to warrant legally binding restructuring, although they are expected to outlast the crisis; and (4) FSPs at the highest risk for failing to survive the effects of the pandemic, which will undergo a traditional restructuring process. The investors have agreed to seek to collect interest payments from FSPs in the first three categories, while rescheduling principal payments, forgoing any pre-payments, and waiving penalty fees and accelerated repayments that may be enforceable under pre-existing loan agreements. May 5. 2020

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MicroCapital

WE WISH YOU HEALTH!

We recognize the significant health and business impacts that COVID-19 is having on communities around the world. Thank you for your efforts to minimize the risks that we all are facing. While each of us at MicroCapital is lucky enough to be able to work from home, we understand that many of our colleagues are not able to do so. We wish you and your loved ones good health and resilience during this challenging time.

MICROCAPITAL BRIEFS

Dai-ichi Life Invests $19m in Women via Grameen Crédit Agricole

The Japan-based Dai-ichi Life Insurance Company recently invested the equivalent of USD 18.6 million in a "Microfinance and Gender Loan" scheme arranged by Crédit Agricole Corporate and Investment Bank (CIB), a member of the France-based Crédit Agricole Group. The funding will flow to the Grameen Crédit Agricole (GCA) Foundation, whose head office is in Luxembourg, "to support microfinance institutions focusing [on] women and social enterprises in rural economies of developing countries" over the course of 10 years. GCA Foundation was established in 2008 by Crédit Agricole, a French retail bank, in partnership with Muhammad Yunus, the founder of Grameen Bank. The NGO has commitments of USD 110 million outstanding to 87 partners in 40 countries in Africa and Eurasia. These partners serve 5 million customers, of whom 75 percent are women and 74 percent live in rural areas. May 28. 2020

MIX Becoming Part of Accion's Center for Financial Inclusion

MIX, the US-based NGO formerly known as the Microfinance Information Exchange, is becoming a unit of Accion's Center for Financial Inclusion (CFI) with the mission of performing "data-driven research that supports the decision-making of key stakeholders, including financial service providers [FSPs], investors, donors, regulators and policymakers" in order "to improve the lives of the 3 billion financially underserved people globally." The transition is funded by two US-based funders, MetLife Foundation and Visa Foundation. Founded in 2002, MIX has worked to set data standards for the microfinance industry and built the MIX Market database, which holds 11 years of information on thousands of FSPs. MIX CEO Camilla Nestor, who will join the CFI advisory board, noted the value of "bringing MIX's data expertise together with CFI's applied research and advocacy capabilities…". Founded in 2008, CFI works with microfinance practitioners, regulators, banks, investors and academics in an effort to increase financial inclusion and promote client protection by connecting the microfinance community to capital markets, technology and advisory services. During 2018, the US-based NGO Accion expended USD 6.3 million on CFI's activities. May 27. 2020

Accion Venture Takes Stake in Ed Lender Pintek of Indonesia

The US-based Accion Venture Lab recently placed an equity investment in Indonesian financial technology (fintech) firm Pintek. While the size and price of the stake remain confidential, the typical amount of an investment by Accion Venture is USD 300,000 to USD 500,000. Pintek lends to students and their families to pay tuition as well as directly to private universities, secondary schools and elementary schools for operating and capital expenses. More than 50 percent of students taking out tuition loans are first-time borrowers with no credit history. Accion Venture's managing director, Vikas Raj, stated, "We've been particularly impressed with [Pintek's] quick response to the pandemic, finding new ways to help customers during this difficult time." Pintek plans to use the new funding to improve its technology and issue fresh loans to schools working with education technology platforms to increase the availability of distance learning. The firm also launched a fundraising campaign to provide financial assistance to teachers who are unemployed due to the pandemic. Pintek charges flat interest rates of up to 1.5 percent per month along with fees of up to the equivalent of USD 7 plus 3 percent of the loan principal. The firm reports gross loans of USD 1.2 million outstanding to 216 active borrowers in 26 of Indonesia's 34 provinces. US-based NGO Accion created Accion Venture in 2011 to serve as its "seed-stage investment arm." The mission of the investment vehicle is to support "technology and [other] new approaches that help underserved people and small businesses benefit from the world's formal economy." Founded in 1961, Accion has 110 partner microfinance institutions and total assets of USD 345 million. May 26. 2020

IDB Lending $94m to Help MSEs in Ecuador Outlast COVID-19

The Inter-American Development Bank, whose membership comprises 48 nations, recently loaned USD 93.8 million to Ecuador to on-lend as working capital to micro- and small enterprises in the country in an effort to sustain employment amidst the COVID-19 pandemic. The funds are intended to reach 29,000 businesses, some via savings and credit cooperatives that will enjoy guarantees from the Corporación Nacional de Finanzas Populares y Solidarias (CONAFIPS), a financial institution of the Ecuadorian government. CONAFIPS, which was founded in 2007 as the Programa del Sistema Nacional de Microfinanzas, provides loans, guarantees and technical assistance to about 115 cooperatives and mutual aid societies. May 25. 2020

Turkey's Garanti Borrows $699m; Part for MSMEs, COVID-19 Relief

Garanti BBVA, a Turkish subsidiary of Spain's Banco Bilbao Vizcaya Argentaria (BBVA), recently entered loan agreements with the UK-based European Bank for Reconstruction and Development, the World Bank Group's International Finance Corporation and a syndicate of unidentified commercial banks. The sizes of the first two loans are, respectively, USD 55 million and USD 50 million. These are to be used mostly to support micro-, small and medium-sized enterprises (MSMEs) affected by COVID-19. The third loan agreement, which is in the amount of USD 594 million, has a "green" component, through which Garanti BBVA has agreed to halt financing new conventional power plants and to convert 80 percent of its electricity usage to renewable energy. As an incentive, "Meeting or outperforming these targets will enable Garanti BBVA to obtain a margin benefit, while falling short of the commitments will lead to a penalty." Garanti BBVA provides financial services to 15.8 million customers via 922 branches in Turkey plus service locations in five other countries. The bank reports consolidated assets equivalent to USD 84 billion, and its parent, BBVA, has USD 756 billion in total assets, with customers in 30 countries. May 22. 2020

FMO Loans $14m to COFINA for MSMEs in Senegal, Côte d'Ivoire

The Netherlands Development Finance Company, which is also known by its Dutch acronym FMO, recently disbursed a loan to Guinea-based microfinance group Compagnie Financiere Africaine (COFINA) to be distributed to its subsidiaries in Senegal and Côte d'Ivoire. Of the loan proceeds, the euro-equivalent of USD 8.2 million is flowing to COFINA Senegal, and USD 5.5 million is going to COFINA Côte d'Ivoire, which is transitioning from the name Compagnie Africaine de Crédit. The goal of the loan is to create jobs and stimulate economic growth, including by lending to businesses owned by women and youth. According to Huib-Jan de Ruijter, the Director of Financial Institutions at FMO, "COFINA has shown a strong willingness to grow and understands how real impact can be made through financial inclusion." Founded in 2009, COFINA aims to serve enterprises that are too small to get significant attention from traditional banks, but need larger loans than most microlenders can provide. In addition to the countries mentioned above, COFINA operates in Burkina Faso, Congo-Brazzaville, Gabon and Mali. COFINA reports a total balance sheet of USD 353 million, outstanding credits of USD 243 million and deposits of USD 224 million. It employs 1,340 individuals, who serve 175,000 clients. May 22. 2020

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Please refer to http://MicroCapital.org for the sources of all information appearing in this publication. Among these, MicroCapital recognizes CGAP's FinDev Gateway for its outstanding work disseminating information on financial inclusion. Thank you!

Pakistan Launches Electronic Registry of Movable Assets

The Securities and Exchange Commission of Pakistan recently created an electronic registry to encourage the country's banks, microfinance institutions and leasing companies to accept moveable assets as collateral for loans. The collateral registry will help these institutions "register rights in moveable assets in offering credit to people, as well as micro-, small and medium-sized enterprises" (MSMEs). Moveable assets may include machinery, furniture, inventory, accounts receivable and digital assets. The effort received support from the International Finance Corporation (IFC), a member of the World Bank Group. IFC's Country Manager for Pakistan, Nadeem Siddiqui, cited "the importance of boosting financing to MSMEs, especially as lending to these only stood at 8 percent of [Pakistani] banks' financing last year, which is far less than in other countries of the region. Hence, more needs to be done to improve the credit infrastructure and to de-risk the MSME sector." May 20. 2020

Sindhuja of India Raises $8.7m in Equity Sale to Carpediem, NMI

Sindhuja Microcredit, a lender to women in India, recently sold minority shareholdings to Carpediem Capital, an India-based private equity fund manager, and the Nordic Microfinance Initiative, a public-private partnership based in Norway, for a total of USD 8.7 million. The sizes of the stakes have not been released. Carpediem's investment follows its 2019 placement of USD 4 million in Sindhuja. The promoters of the microlender, Abhisheka Kumar and Malkit Didyala, issued a statement reading, in part, "Our customers, self-employed rural women, are the most vulnerable in the COVID-19 world… with their livelihoods under direct threat, this funding will be used to scale our operations and provide much needed financing to these women micro-entrepreneurs." Since its founding in 2018, Sindhuja has served 84,000 women through 56 branches in rural areas of five states in northern India. It disburses loans ranging in size from the equivalent of USD 200 to USD 530, with terms of 14 to 24 months. The interest rate is 24 percent plus a fee of 1.2 percent and the cost of mandatory loan insurance, which is about 2 percent of the loan principal. Sindhuja holds assets of USD 22 million. As of January 2020, the microlender reported provisional 9-month return on assets of 3.4 and return on equity of 15 percent. May 18. 2020

Aviator EMF Invests $3.1m in Midland for Women in India

Aviator Emerging Market Fund, a Mauritius-based entity, recently invested USD 3.1 million in Midland Microfin Limited, a microfinance institution that provides women in India with insurance and small business loans, mainly in the form of group loans. Midland CFO Amitesh Kumar said the new funding "will help us further our lending capacity and add more branches in other states." Established in 2011, Midland operates 197 branches in seven states in northern India plus the Union Territory of Chandigarh. The microlender offers loans equivalent to USD 40 to USD 660 for terms of up to two years for general business purposes as well as for solar lamps, sewing machines and water purifiers. Midland has total assets of USD 122 million and serves approximately 390,000 borrowers. May 13. 2020

CASE Offers Database of $1t in Pandemic-relief for Small Firms

The US-based Center for the Advancement of Social Entrepreneurship (CASE) recently created a database of funding sources for small businesses needing assistance because of the COVID-19 pandemic. These listings include 550 funding sources in 62 countries offering a total of USD 1 trillion in aid. This funding takes the form of loans and grants and is available to for-profit entities as well as NGOs. CASE is accepting listings to add to the database as well as volunteers to help manage the resource. The database is located at https://www.covidcap.com/. CASE is part of the Fuqua School of Business at Duke University, which is located in the US city of Durham, North Carolina. May 13. 2020

Accion Takes Stake in Colombian Online Lender, Insurer R5

Accion Venture Lab, a unit of US-based NGO Accion, recently purchased an unspecified amount of equity in Colombian financial technology (fintech) firm R5, an online insurance and lending platform. R5 plans to use the new funding to strengthen its existing services as well as to adapt to the COVID-19 pandemic by: (1) offering repayment deferrals to current clients; (2) launching new products for motorcycle delivery drivers; (3) expanding insurance offerings for telemedicine; and (4) developing credit calculators and other resources for clients. Established in 2018, R5 offers loans equivalent to USD 760 to USD 12,700 for terms of six to 36 months with monthly interest rates of 1.5 percent to 2.15 percent. Most of R5's borrowers pledge vehicles as collateral and use the loan proceeds for refinancing debt, business investment or home improvement. In addition to loans, the firm offers SOAT insurance, which the government requires drivers to carry in case of accidents. For other services, such as credit cards, R5 connects its customers to third-party institutions. Founded in 1961, Accion is a nonprofit that seeks to alleviate poverty by offering services such as microenterprise loans and business training. It reports total assets of USD 345 million. Accion Venture typically buys equity stakes priced at USD 300,000 to USD 500,000. May 13. 2020

Indonesian Firms Mull Facebook Tie Up on E-payments

Facebook, a US-based social networking company, is considering the launch of a mobile payment service in Indonesia in partnership with three Indonesian mobile payment services: the government-backed LinkAja; Ovo, which is owned by the conglomerate Lippo Group; and the GoPay service of Gojek, a firm that began with a ride-sharing service and has since added delivery, payment and other products. The new service would allow Indonesians to make payments within Facebook's primary app or its WhatsApp communications app. The two apps have 100 million users in the country. LinkAja has 40 million users, Ovo has 110 million, and GoPay has 20 million. Facebook reports total assets of USD 133 billion and 2.5 billion users worldwide. May 6. 2020

India Boosting Liquidity for MFIs, NBFCs Impacted by COVID-19

In response to the COVID-19 pandemic, the Reserve Bank of India, India's central banking authority, has moved to increase the supply of credit to farmers and micro-, small and medium-sized enterprises via microfinance institutions and non-banking finance companies (NBFCs) by: (1) cutting the reverse repo rate by 25 basis points to 3.75 percent; (2) easing asset classification norms; and (3) encouraging banks to increase funding to NBFCs through a targeted long-term repo operation (TLTRO) window with a budget equivalent to USD 6.6 billion. The TLTRO offers banks access to three-year funding to buy investment-grade papers issued by lenders. Banks that accept TLTRO funds must disburse them within a month, with at least 50 percent going toward small and medium-sized lenders. May 4. 2020

SPECIAL REPORT

One Size Does Not Fit All - Restructuring for Uncertain Times

A combination of factors is challenging the economic sustainability of financial institutions and other businesses large and small across Africa. Globally, the COVID-19 crisis and associated lockdowns have had the effect of "calling the end of a long bull market" that has run since the credit crisis of 2008. In most African markets, however, the bull market had already ended some years before the pandemic. Instead, in Africa, the pandemic has compounded previously existing difficulties, such as weaker commodity prices, sovereign credit challenges, volatile exchange rates and uncertain public policy regimes. Despite some differences, there are many commonalities among the issues facing traditional banks, microfinance institutions and operating companies. From an investment perspective, investors have taken an increasingly "risk-off" approach to Africa in recent years that only has accelerated during the crisis, adding refinancing risk to the multitude of risk factors already at play.

While pervasive in influence, these challenges are impacting companies differently, depending on their strength heading into the crisis, as well as their business models and sectoral exposures. For the strongest performers - "top quartile" companies - the crisis is causing challenges that are primarily short-term in nature, including constrained cash flow and reduced profits. For bottom quartile companies, tough conditions have exacerbated bad debt positions, product deficiencies, operational inefficiencies and/or balance-sheet weakness that now threaten their viability. A common theme across the board is a focus on maximizing efficiency, which in many cases means salary cuts, especially for more senior staff.

For top quartile performers, short-term challenges may necessitate negotiations with creditors to relax covenants and defer principal payments. Many of these companies were growing strongly before the crisis, principally through the reinvestment of retained earnings. However, a few months of impaired revenues can wipe out an entire year's profits, leaving such companies in need of external equity to grow in the post-crisis period. For some of these top companies, the crisis presents opportunities to implement new growth strategies or even pursue opportunistic acquisitions. For equity investors, there may be opportunities to gain exposure to companies that previously had been sufficiently capitalized through internal means.

For companies in the middle quartiles (the second and third quartiles, on either side of the median), discussions with creditors are critically important and typically require more formal forbearance agreements. In some stress cases, the ability even to service interest - let alone principal - is in jeopardy. Perhaps equally important, the crisis is a catalyst to address critical strategic questions, which probably should have been considered more seriously before the crisis. (Similar questions also should be posed regarding the various business lines within companies.) Should multinational groups sell or close down their operations in weaker performing countries to focus on stronger markets? Is the risk model for key credit products still "fit for purpose"? Does the institution have the right skills in senior and middle management? What is the right capital structure and funding mix going forward? Is the company too dependent on one type of lender?

Time for a change in direction?

Many institutions in the bottom quartile were already facing "going concern challenges" pre-crisis. Many of these will therefore need to consider significant asset sales or a full-blown sale of the company, if possible, to salvage value for creditors. In order to buy time for such sales, unpalatable decisions by creditors may be required, such as debt-for-equity swaps or write-downs.

"Is the risk model for key credit products still 'fit for purpose'? Does the institution have the right skills in senior and middle management? What is the right capital structure and funding mix going forward? Is the company too dependent on one type of lender?"

Coordination among creditors - as well as a responsible approach to negotiations - can be incredibly helpful in achieving the best possible outcomes. One example of this is the memorandum of understanding (*described on page one of this newspaper*) agreed to last month by many of the largest microfinance investment vehicles (MIVs). This memo provides a framework for investors to work together to resolve issues arising from the crisis, creating win-win outcomes for creditors and borrowers. Without communication among creditors, a distressed situation can quickly evolve into a classic "prisoner's dilemma." One complication is that many microfinance institutions now have a broader range of creditors than just MIVs - including development banks, local banks and bondholders - each of which has very different frames of reference. Multiple levels of seniority (or worse, ambiguous or disputed levels of seniority) can exacerbate challenges significantly.

One key for all companies is to act early: completing a renegotiation with creditors takes time, especially if the arrangement is tied to one or more of the other corporate moves discussed above. "Running down the clock" reduces room for maneuvering and hence negotiating power. Furthermore, a realistic and analytical approach to the problems is crucial. Are the challenges actually a solvency problem as much as a liquidity problem? What is the most realistic pathway to return to a normal course of activity, and what (and how realistic) are the assumptions on which this pathway depends? An external advisor can accelerate the identification of the key issues as well as the overall decision-making process.

Furthermore, negotiations that straddle different sponsors, shareholders, creditors of different types or seniority - and perhaps new investors - can be complex to manage. A clear strategy that is analytically "watertight" vis-à-vis the company's fundamental financial position as well as clear tactics for the paths of the negotiations - group by group - are equally important. Verdant Capital is currently advising financial institutions and companies in Africa - top quartile, middle quartiles and bottom quartile - to address all of these challenges and opportunities.

This sponsored content was written by Edmund Higenbottam and Patrick Ball, who serve, respectively, as the Managing Director and a Director of Verdant Capital. Verdant Capital is a leading specialist financial advisory firm that operates across Africa.

SPECIAL REPORT

This feature is sponsored by the Frankfurt School of Finance and Management.

Digital Education: Up-skill Yourself for Life After COVID-19

As the world continues its fight against COVID-19, we are all beginning to wonder just what "normal" life may look like in a post-pandemic world. For education, the disease has acted as a catalyst for online learning, with even grade-school teachers and students grappling with lessons delivered virtually.

The ability to study at one's own pace, whenever, wherever and however one desires, makes online learning hugely accessible for most, especially in a time where direct interaction is not an option. That said, it must be noted that the benefits of classroom training have not been completely superseded - it is hard to imagine a world where the value of learning through direct human interaction becomes obsolete.

The progressive way: Blended learning

With this in mind, the FS Sustainable World Academy is delighted to unveil brand-new diplomas in Financial Inclusion and Green Finance. These 12-month blended learning programmes combine the benefits of online learning with classroom training, allowing participants to develop their skills beyond what they can learn in our standalone Certified Expert courses.

The new programmes allow participants to create their own curricula, giving them the freedom to sculpt their studies to mesh with their career goals. The first two periods of each diploma are online, affording participants the chance to study how and when they desire. The third period is one week of classroom training and hands-on learning in Frankfurt, Germany, at the Sustainable World Academy's distinguished Summer Academy. This is a great opportunity to network with fellow participants, industry experts and FS International Advisory Services staff.

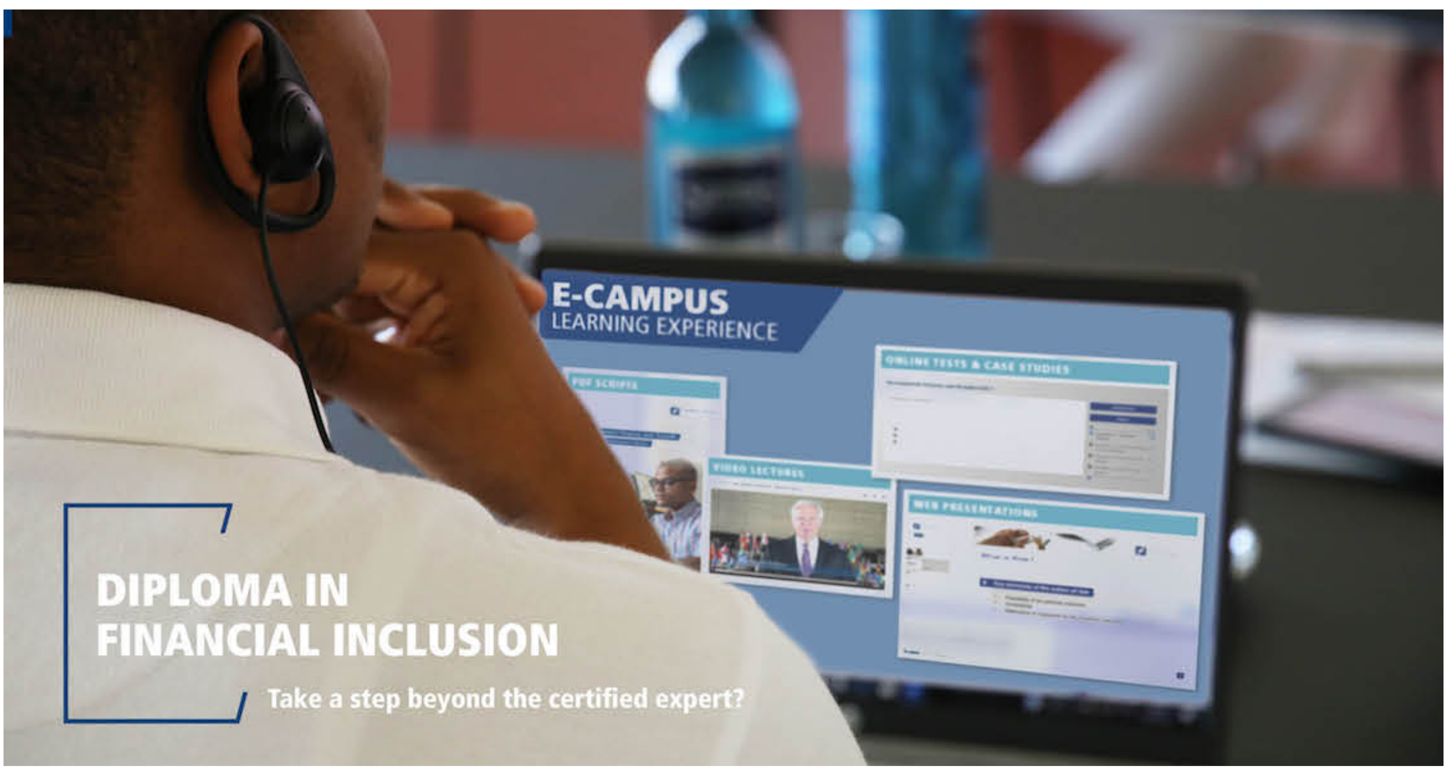
The diplomas cover an otherwise missing middle in the Sustainable World Academy's portfolio. Many participants in the e-campus courses want to extend their study beyond one Certified Expert course, but face limitations when considering a Masters application - whether in terms of the cost of tuition or their ability to juggle the time commitment alongside full-time work. The diplomas address these concerns by offering accessible classes, a customisable program and affordable tuition.

> "In its long-term recovery from the COVID-19 outbreak, the world will turn to its next generation of financial experts, who will find opportunities to rebuild toward a brighter economic and environmental future."

The new diplomas also advance the Sustainable World Academy's commitment to the UN Sustainable Development Goals, targeting those who are ready to make a change in the economies of developing countries and expand the fight against climate change.

In its long-term recovery from the COVID-19 outbreak, the world will turn to its next generation of financial experts, who will find opportunities to rebuild toward a brighter economic and environmental future. The new diplomas will help equip this future generation with the hands-on skills and technical expertise they need to make a real difference!

By Dr Barbara Drexler, the Head of the Sustainable World Academy at the Frankfurt School of Finance and Management. Dr Drexler is also the programme director for the Master of Leadership in Sustainable Finance - online. She is passionate about bringing forth sustainable change and firmly believes that education can play an important role in this change.



EAR TO THE GROUND

(Accidental) Loans to Farmers Keep Food on the Table

While a lot of the buzz around the impact of COVID-19 on our industry tends to focus on accelerating digitalization and other processes that push our sector into the future, I have been thinking a lot this month about a sector that is among the most traditional - farmers.

My recent talks with MFI staff about the impact of the crisis on their business reveals that their biggest concern is their portfolio of short-term consumer and urban micro-business loans. People have lost jobs, and many businesses have had to stop operating in light of quarantines. All but the most essential businesses - supermarkets, groceries, pharmacies etc - have had to either adapt, pause or close down. Not so the farmer.

For decades, lending to farmers has been seen as a risky - and only sometimes profitable - activity. The rewards are cyclical and often not worth the risks. Even MFIs with a deep understanding of the agricultural sector, such as FDL in Nicaragua, actually have been reducing their portfolios of agricultural loans over time, in reaction to volatility in the price of coffee, increased input costs and climate risks. Perhaps this is why so many governments continue to subsidize or guarantee loans to this sector. For the most part, the private sector has still not figured out how to loan to the farmer in a profitable way.

But with COVID-19, things may be starting to look different. Farmers' risks are not diminishing by any means, but the PAR 30 rates of the agricultural loans of some MFIs remain healthy. This has to do with the fact that principal on these loans often is not paid until maturity, and the timing of quarantine did not correspond to harvest time for all products in all regions in the way it has impacted commerce nearly uniformly. It also has to do with the fact that farmers provide essential goods. All of a sudden, lending to farmers doesn't look as bad as it did a few months ago! What's more, some MFIs are discovering that they have lent unknowingly to farmers and that these loans are performing well. One MFI leader I spoke with was surprised to find that 3 percent to 5 percent of her organization's portfolio had been loaned to farmers in the form of commercial loans. Under COVID-19, even more urban MFIs would probably benefit from increasing lending to agriculture, although cautiously. The risks of lending to farmers remain high, and it is important to mitigate this risk. Luckily, there are off-the-shelf products that can help accelerate the learning curve in agricultural lending.

I recently spoke with a co-founder of YAPU Solutions, which promotes digital solutions for microfinance with a specific focus on agricultural and climate finance. While traditional approaches to the segment rely on developing new business lines and hiring and training new staff (eg agronomists), YAPU offers a turnkey product for MFIs to: (1) systemize and digitize their data capture; (2) automate data processing into reports for credit committees; and (3) combine these digitized processes with internal and external databases, such as sources of credit histories and crop pricing. This is all part of a move toward AI models that can use farmer data to constantly improve lender capacity to measure and manage risks, such as those relating to production and markets as well as climate and ecosystems. YAPU is now working in eight countries with over 20 institutions for the UNEP's Microfinance for Ecosystem-based Adaptation programme, IDB's EcoMicro programme and others.

Solutions like YAPU make a lot of sense these days, when consultants can fly in easily and business models need to pivot quickly. Most importantly, they can help ramp up loans that can contribute to improving access to food during these uncertain times.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has more than 25 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.

UPCOMING EVENTS

Please note: For 15 years, we have used this page to share listings of in-person events with you. We appreciate that there are more high-quality virtual events now than ever. Hence, we are re-evaluating what we will include on this page going forward!

CIS Islamic Banking and Finance Forum

August 13 - August 15, 2020; Tashkent, Uzbekistan

The first day of this event is a conference on Islamic banking, financial inclusion, investment opportunities in the Commonwealth of Independent States, takaful and sukuk. Takaful and sukuk, are forms of, respectively, insurance and bond investing that comply with Islamic law. The final two days of the event are a workshop on Islamic banking, Islamic microfinance and takaful. A pass to the opening-day conference costs USD 395, and a pass to the two-day workshop costs USD 495. Those registering for both may enjoy a discount of USD 100. For additional information, you may visit http://alhudacibe.com/cis2020/, call at +92 331 9360000 or email info[at]alhudacibe.com.

Future Banking 2020

September 9 - September 10, 2020; Bucharest, Romania

(Originally planned to occur in-person in May, a virtual edition of this event will take place June 3 - June 4.) The agenda covers artificial intelligence and customer centricity as they relate to financial services, as well as e-commerce, biometric payment cards and online mortgage lending. The full fee to attend is EUR 129, but various discounts are available. More details are available via https://www.futurebanking.ro/, which includes an email contact form, or +40 212 015 000.

Finovate Fall

September 14 - September 16, 2020; New York, New York, USA

As part of a global series on financial technology (fintech), this event includes two days of product demos; a presentation titled "Rebuilding Customer Trust in Financial Services;" and sessions on financial inclusion, the "future of innovation," regulatory technology (regtech) and client segmentation. The fees to attend range from USD 495 to USD 3,290 per person. You may access more details via info.events[at]informaconnect.com, +44 (0) 20 7017 7200 or https://informaconnect.com/finovatefall.

Asia - Africa Financial Inclusion Summit

September 15 - September 16, 2020; Dubai, UAE

This event will address topics including regulation, how to manage change, digital financial services, attracting funding, blockchain technology and "Building Trust and Overcoming Barriers in Digital Financial Services." The fee to attend is USD 500. More details may be requested from Ademola Tosoye via ade[at]microfinanceassociation.org or +44 (0) 1322 312078.

FinnoSummit Mexico 2020

September 22 - September 24, 2020; Mexico City, Mexico

The detailed agenda for this conference on financial technology (fintech) and insurance technology (insurtech) has not yet been released. Last year's topics included: (1) Empowering Communities + Expecting Returns: Lessons Learned from Impact Investing; (2) Fundraising 101 for Fintech Entrepreneurs; and (3) Venture Debt: Insights on Liquidity & Long Term Growth for Fintechs. The standard fee to attend is MXN 8,590, but a rate of MXN 6,200 is available to representatives of startups. For more information, you may reach the event organizers by calling +52 (55) 41691361. The event website is under construction.

Mondato Summit Africa

September 23 - September 24, 2020; Maputo, Mozambique

This summit, originally scheduled to begin on March 31, is themed Beyond Access: Generating Value Through Digital Inclusion Across Sub-Saharan Africa. It will address the development of the digital financial services ecosystem in sub-Saharan Africa, as well as the evolution of policy and regulation regarding financial inclusion. The cost to attend is USD 1750. For more details, you may email Arielle Jaffe at ajaffe[at]mondato.com, visit http://www.mondatosummit.com/africa or call +33 6 95 93 43 95.

MORE DETAILS COMING SOON ON:

LendIt Fintech USA 2020 - Lending and Banking: Connected
September 30 - October 1, 2020; New York, New York, USA

Global Forum on Remittances, Investment & Development - Africa
October 5 - October 7, 2020; Nairobi, Kenya

UNEP Finance Initiative, Global Roundtable
October 13 - October 14, 2020; Mexico City, Mexico

Africa Fintech Summit
October 16 - October 17, 2020; Washington, DC, USA

Women in Global Development Leadership Forum
October 26, 2020; Washington, DC, USA

Global SME Finance Forum 2020
October 26 - October 28, 2020; Bangkok, Thailand

Inclusive Finance India Summit
November 5 - November 6, 2020; New Delhi, India

AltFi London Summit 2020
November 9, 2020; London, UK

European Microfinance Week
November 18 - November 20, 2020; Luxembourg

Finovate West (formerly Finovate Spring)
November 23 - November 24, 2020; San Francisco, California, USA

Finovate Europe
February 9 - February 11, 2021; Berlin, Germany

Africa Trade and Investment Convention
March 25 - March 26, 2021; Amsterdam, the Netherlands

AFSIC (Africa Financial Services Investment Conference)
May 5 - May 7, 2021; London, UK

POSTPONED EVENTS, WITHOUT NEW DATES SET:

MFC-EMN Annual Conference
Postponed until October 2020; Sofia, Bulgaria

Sanabel's 2020 Conference: Client Centricity
Postponed, new dates to be announced; Hurghada, Egypt

SG2020: The Future of Savings Groups
Postponed, new dates to be announced; Durban, South Africa

9th Africa Banking & Finance Conference
Postponed, new dates to be announced; Nairobi, Kenya

FinTeX Middle East
Postponed, new dates to be announced; Bahrain

PAPER WRAP-UPS

A Market Systems Approach to Savings Groups

By Joanna Ledgerwood, published by SEEP, March 2020, 16 pages, available at https://seepnetwork.org/files/galleries/SEEP_A-Market-Systems-Approach-to-SGs_20200422_FINAL.pdf

Ms Ledgerwood advocates for a "market systems approach" to help savings groups (SGs) succeed and replicate, addressing common limitations such as members' inability to withdraw savings on demand, the relatively short time horizon of loans, and the lack of insurance or payment services. The goal of a market systems approach is to achieve sustainable, long-term development by working with the private sector, government institutions and civil society to facilitate change to the underlying dynamics of a market system, thus addressing constraints that prevent the market from reaching its full potential.

The author's recommendations include: (1) encouraging governments, civil society institutions and companies - such as financial technology firms - to contribute funds and training to support the operations of SGs, including to improve the effectiveness of trainers who work with SGs; (2) providing office supplies and software to help SGs run, digitize and replicate; and (3) collecting and sharing local and market-wide information among SGs to improve their access to data about the market in general and their members in particular.

Ms Ledgerwood also argues that lack of regulation results in sub-optimal levels of SG longevity, member satisfaction and consumer protection. She recommends implementing processes for trainer certification, executed by the private sector and civil associations. These certifying entities, in turn, would be accredited by government entities. As part of this framework, relevant actors should invest in industry standards and codes of conduct, including policies regarding data ownership and privacy.

Humanitarian Cash Transfers and Financial Inclusion, Lessons from Jordan and Lebanon

By Nadine Chehade, Peter McConaghy and Chrissy Martin Meier; published by CGAP (Consultative Group to Assist the Poor); April 2020; 54 pages; available at https://www.cgap.org/sites/default/files/publications/2020_03_Working_Paper_Cash_Transfers.pdf

While cash and voucher assistance (CVA) has become much more prevalent as an avenue for delivering humanitarian aid since 2014, financial inclusion often is left unimproved as a result. In Jordan and Lebanon, where much of the humanitarian need stems from the Syrian civil war, this is because CVA resources are routed via the financial accounts of NGOs, rather than those of aid recipients.

When CVA is distributed to aid recipients via their own financial accounts, financial services providers can tap into a new customer base, and beneficiaries can build account histories that enable access to a wider range of services such as savings, insurance and credit, thus boosting recipients' economic resilience.

To make this possible, the authors propose: (1) donors and governments prioritize financial inclusion; (2) relevant actors participate in developing enabling regulatory environments and infrastructure for digital financial inclusion; and (3) financial services providers are supported in visualizing the business case for participating.

Impact of COVID-19 to MFIs in Indonesia: A Rapid Assessment

By Caroline K Mangowal, Erlyn Shukmadewi and Tridadi Santoso; published by RISE; May 2020; 11 pages; available at https://www.findevgateway.org/sites/default/files/users/user331/200518%20COVID-19%20Indonesia%20MFI%20Rapid%20Assessment_RISE.pdf

Based on a "rapid assessment" of 24 microfinance institutions (MFIs) in Indonesia regarding the key challenges they face due to the COVID-19 pandemic, the authors identified: (1) poor morale among managers; (2) borrower delinquency; (3) general operational impacts; (4) staff fear of remuneration cuts; and (5) staff fear of contracting the virus.

To mitigate these issues, the institutions surveyed have sought to: (1) maintain open communication; (2) follow new regulatory measures; (3) review their financial exposure; (4) reschedule loan repayments; and (5) develop cashflow projections for multiple scenarios. MFIs also are implementing various forms of social distancing, remote working arrangements and digital solutions for client interactions.

In terms of additional government assistance, the respondents expressed greatest interest in liquidity support, regulatory flexibility and timely information on the development of the pandemic.