MicroCapital Monitor
ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

NOVEMBER 2020 | VOLUME.15 ISSUE.11

MICROCAPITAL BRIEFS | TOP STORIES

Fintech BizCapital Raises $15m in Equity for SMEs in Brazil

Please see page 3 for coverage of this MicroCapital *Deal of the Month*.

TCX Raises $200m in Equity from EU, IFC, KfW, PROPARCO to Manage FX Risk

The Currency Exchange Fund (TCX) recently raised a total of USD 200 million in equity that it will use to lower the foreign-exchange risk of third-party investments, such as loans to funders of micro-, small and medium-sized enterprises. TCX CEO Ruurd Brouwer said the investment package will enable the entity "to offer more long-term hedging products," which are important because, "Sudden devaluations, such as seen during the COVID-19 pandemic, put many households and other local entities that have borrowed in foreign currency at risk of default." The investors are the EU's European Commission, the German development bank Kreditanstalt für Wiederaufbau, the World Bank Group's International Finance Corporation and the French government's Promotion et Participation pour la Coopération Économique. TCX, which works in 95 currencies, has participated in investments worth a total of USD 3.6 billion since its launch in 2007. The fund is managed by TCX Investment Management Company, which is owned by Netherlands-based Cardano Development. November 30. 2020

CommBanane Facilitates E-loans to Banana Farmers in Senegal

Dimagi, a US-based provider of technical assistance to development organizations, recently rolled out CommBanane, a digital platform serving small-scale banana farmers via cooperatives in Senegal. CommBanane, which farmers can use to apply for loans via a mobile app, also serves as a "data tracking system" for agricultural production. The platform, which is supported by the UN Capital Development Fund and the Swedish International Development Cooperation Agency, connects users to the financial services of Baobab Sénégal, a member of the France-based Baobab Group. Cheikh Tidiane Gueye of Baobab Sénégal, said, "CommBanane gives us the visibility over the business information of this underserved market. This is needed to mitigate the risk of lending for financial institutions interested in serving the most vulnerable." Baobab Sénégal has used the platform to approve USD 42,000 in loans, providing working capital to 472 smallholders in the Tambacounda region - of whom 29 percent are women - via 10 agri-cooperatives and one regional union of agri-producers. In total, Baobab Sénégal has 390,000 clients as well as 48 agencies and service points. November 18. 2020

Philippines Unveils "Digital Payments Transformation Roadmap"

Bangko Sentral ng Pilipinas, the central bank of the Philippines, recently released its Digital Payments Transformation Roadmap 2020-2023, which outlines steps for reaching: (1) half of retail sales volume being paid via digital channels; and (2) 70 percent of citizens having access to financial services. November 17. 2020

Desjardins Group Launches $38m Aequitas Fund to Push SDGs

The Canadian cooperative Desjardins Group recently invested the equivalent of USD 38 million to create Aequitas, a private investment fund aimed at working toward the UN Sustainable Development Goals by investing patient capital in financial inclusion efforts in Africa, Asia and Latin America. This includes targeting women, youth, farmers, and micro- and small enterprises. Aequitas, which is slated to take on additional investors, will be managed by Fonidi Management, a subsidiary of Desjardins Group member Développement international Desjardins. "By focusing on marginalized populations and helping to channel capital to those who need it most, the fund will simultaneously support sustainable economic recovery and foster diversity and inclusion," argued Desjardins Group CEO Guy Cormier. With total assets of USD 266 billion, Desjardins Group serves 7 million members and clients with services such as retail banking, wealth management, securities brokerage, venture capital and asset management. November 2. 2020

INSIDE Page

Next Month:
The end-of-year issue!

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 not all of our colleagues are able to do so. We wish you and your loved ones good health and resilience during this time.

MICROCAPITAL BRIEFS

Sasfin Wins Guarantee for $35m in Digital Lending in South Africa

The Netherlands Development Finance Company, a public-private partnership also known by its Dutch acronym FMO, recently selected Sasfin Bank of South Africa to be the first beneficiary of an emergency risk-sharing facility intended to counter the impacts of the COVID-19 pandemic. The facility is part of FMO's Nasira fund, which guarantees bank loans to "young, female, and migrant entrepreneurs in Sub-Saharan Africa and countries neighbouring Europe." Specifically, the program reimburses lenders to the extent that they lose more than 10 percent on their loans to members of the target groups. The agreement with Sasfin Bank has a term of seven years and covers up to USD 35 million in loans. "This facility is a major next step in expanding our digital B\\YOND Business Banking offering, becoming more diverse and inclusive as we launch to market in 2021," said Sasfin Bank CEO Michael Sasson. Founded in 1951, Sasfin Bank is a member of Sasfin Holdings Limited, which reports total assets equivalent to USD 941 million. November 30. 2020

AFD Loans $356m to IFAD to Assist Smallholder Farmers

The French government's Agence Française de Développement, recently loaned the equivalent of USD 356 million to the UN's International Fund for Agricultural Development (IFAD) to assist small-scale farmers in developing nations. Motivated by both climate change and the COVID-19 pandemic, the funds are intended for managing natural resources, introducing sustainable agriculture practices and increasing access to financial services. "If we want a world without hunger and poverty, we have to focus our attention on the most vulnerable places where the poorest people live - and this is in rural areas," said IFAD President Gilbert Houngbo. November 26. 2020

'Ave Pa'anga Pau Delivers E-remittances from Australia to Tonga

The International Finance Corporation, a member of the World Bank Group; the Tonga Development Bank (TDB), a retail bank subsidized by the government of New Zealand; and the member-owned Regional Australia Bank recently expanded 'Ave Pa'anga Pau, a product allowing Tongans residing abroad to send remittances to individuals in their home country using mobile phones. The service had been available in New Zealand and now is also active in Australia. Recipients may direct their funds to a TDB bank account or pick up their cash in person at a TDB branch. 'Ave Pa'anga Pau charges a transaction fee of 5 percent. November 16. 2020

Ukraine Developing National Financial Inclusion Strategy

The World Bank Group's International Finance Corporation recently agreed to work with the National Bank of Ukraine (NBU), the country's central bank, to develop a financial inclusion strategy for improving digital services, expanding access to underserved populations and protecting consumer rights. NBU Chairman Kyrylo Shevchenko said, "We have no right to leave anyone behind." November 16. 2020

Charm Raises $360k to Finance Solar Energy in West Africa, India

Charm Impact, a UK-based lender to renewable-energy firms in developing countries, recently raised the equivalent of USD 360,000 in equity through the UK-based crowdfunding platform Crowdcube. Charm plans to use the funds to scale up its operations over three years as well as to become regulated by the UK's Financial Conduct Authority. "For the energy access sector to truly scale over the long term, there is a dire need to support the advancement of early-stage, locally owned companies… that will become an investable pipeline for later-stage investors," said Charm co-founder Gavriel Landau. The firm has lent to a total of five early-stage solar energy companies in India and Nigeria. The loans range up to USD 30,500, with terms up to 36 months, and annual interest rates of 6 percent to 8 percent. November 13. 2020

Paraguay Borrows $15m from IDB to Boost MSMEs' Productivity

The Inter-American Development Bank, whose membership comprises 48 nations, recently issued a 24-year loan of USD 15 million to the government of Paraguay with the goal of increasing the productivity of 8,500 micro-, small and medium-sized enterprises (MSMEs). The funds are earmarked for technology innovation and to create a national network of "productivity centers" providing business development training and technical assistance. In addition, the government will seek to assist MSMEs "through the creation or reformulation of regulatory frameworks; the implementation of an observatory to monitor and analyze the sector; [building a] gender- and environmental-indicators monitoring system; and the training of people in policies and business development." November 12. 2020

Cameroon Launches 10-year National Development Strategy

The government of Cameroon recently released its 2020-2030 National Development Strategy, which includes plans to expand banking, microfinance and Islamic financial services. To boost the number of banks in the country from 16 to as many as 30, the government will engage microfinance institutions seeking to transform into banks. Banks also will be monitored to ensure they are offering the services the state mandates they provide at no charge, such as small-scale savings and checking accounts. Meanwhile, the government will work to increase the availability of Islamic finance by partnering with regional institutions to regulate the practice. November 12. 2020

Stanbic IBTC of Nigeria Borrowing $75m from CDC

The CDC Group, an entity of the UK government formerly known as the Colonial Development Corporation, recently agreed to lend USD 75 million on a "long-term" basis to Nigeria's Stanbic IBTC Bank, a member of South Africa's Standard Bank Group. The funding will allow Stanbic IBTC to boost its lending in sectors such as manufacturing, telecommunications and construction, which "employ large numbers of local staff and support substantial SME [small and medium-sized enterprise] supply chains." Stanbic IBTC was formed from the merging of Stanbic Bank Nigeria, Nigeria's Investment Banking & Trust Company (IBTC) and the Nigerian operations of South Africa-based Standard Bank. Stanbic IBTC, which offers corporate, investment, business and personal banking products, reports total assets equivalent to USD 7.9 billion. Standard Bank Group operates in 31 countries and territories. November 11. 2020

Development Bank of Ghana to Launch with $250m for MSMEs

The World Bank's International Development Association recently agreed to provide USD 250 million for Ghana's Ministry of Finance to create the Development Bank of Ghana. The new institution is tasked with: (1) providing "long-term wholesale financing, credit guarantees, and other services" to micro-, small and medium-sized enterprises (MSMEs) that are active in agribusiness, manufacturing and unspecified "high-value services;" (2) maintaining a rate of 20 percent or more of client firms being women-owned; (3) creating a "digital financing platform… making it more efficient and less risky for private financiers to lend to MSMEs;" and (4) promoting the incorporation of environmental and social standards into local retail lending. November 11. 2020

MicroCapital Monitor - © 2020 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
Editor & Publisher Bob Summers
Writers Kate Finster, Nathan Kiplagat and Romil Pandey
Special thanks to Alíz Crowley, Karen Doyle and Holly Schiavoni
For questions, comments or suggestions, please contact us via
info[at]microcapital.org or +1 617 648 0043, Boston, USA

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!

BlueOrchard Raises $140m for COVID-19 MSME Fund

BlueOrchard Impact Investment Managers, a member of the UK-based Schroders Group, recently partnered with Schroders and three development finance institutions to mobilize USD 140 million to fund lenders in developing countries that serve micro-, small and medium-sized enterprises (MSMEs) that have been disrupted by the COVID-19 pandemic. The third-party institutions are the Japan International Cooperation Agency, the UK-based CDC Group and the US International Development Finance Corporation. The target size of the fund is USD 350 million, and the plan is for it "to finance 20 institutions, serve 3 million microentrepreneurs and maintain 60 million jobs per each USD 100 million" raised. Switzerland's State Secretariat for Economic Affairs is funding an associated technical assistance fund "to fast track the recovery of MSMEs even in the most vulnerable sectors and geographies." Since its founding in 2001, BlueOrchard has invested USD 7 billion in 500 organizations in fields such as microfinance, education and health. November 10. 2020

Banco W Issuing $40m "Social Bond" to Fund Women in Colombia

IDB Invest, a member of the US-based Inter-American Development Bank (IDB) Group, recently subscribed to a local-currency, four-year bond equivalent to USD 40 million to be issued by Banco W, a Colombian microlender. The funds are slated to reach 25,000 female-led microenterprises. IDB Invest describes the bond, which is registered with the Colombian Stock Exchange, as "social" based on its support for the following UN Sustainable Development Goals: Decent Work and Economic Growth; Gender Equality; Industry, Innovation and Infrastructure; and No Poverty. In addition to enterprise loans, Banco W offers consumer loans and microinsurance. Founded in 2011, the microlender has 146 offices and 17,000 collection points serving 218,000 clients. Its outstanding portfolio stands at USD 338 million. November 9. 2020

Fintech BizCapital Raises $15m in Equity for SMEs in Brazil

BizCapital, a Brazilian provider of digital loans to small and medium-sized enterprises (SMEs), recently raised USD 15 million during its Series B fundraising round. The domestic investors include 42K Investimentos, Chromo Invest and Monashees; and the international investors include Germany-based Deutsche Investitions-und Entwicklungsgesellschaft (DEG), Argentina's Mercado Libre Fund, the Netherlands' Oikocredit and US-based Quona Capital. BizCapital CEO Francisco Ferreira said, "In addition to continuing to help SMEs with credit, we look forward to expanding our financial services offering, and developing new products for entrepreneurs." Founded in 2016, BizCapital offers working capital loans as large as the equivalent of USD 36,000. It has supported 9,000 businesses in 1,200 cities since its inception. November 6. 2020

BiH Deposit Insurance Agency Renews Smaller EBRD Credit Line

The UK-based European Bank for Reconstruction and Development recently agreed to provide a "standby credit line" equivalent to USD 35 million to Bosnia and Herzegovina's Deposit Insurance Agency to help it protect the deposits of the customers of its 23 members. These members include financial institutions serving both individual and business customers. The new credit line replaces one established in 2010 in the amount of USD 59 million. November 5. 2020

Hatton Borrows $60m from PROPARCO for SMEs in Sri Lanka

Sri Lanka's Hatton National Bank (HNB) recently agreed to borrow USD 60 million from the French government's Promotion et Participation pour la Coopération Économique on a "long-term" basis to on-lend to small and medium-sized enterprises. HNB is a private commercial bank that offers traditional financial services as well as the Gami Pubudwa (Village Awakening) program, which includes financial literacy training and microfinance. During the 2019 fiscal year, it generated a return of 1.3 percent on total assets equivalent to USD 6.1 billion. November 4. 2020

KfW, BMZ Launch $47m Agri-finance Liquidity Facility

The German Federal Ministry for Economic Cooperation and Development, which is also known by its German acronym BMZ, recently launched the Agri-finance Liquidity Facility (ALF), a debt fund with a volume equivalent to USD 47 million, to support the "sustainable agri-food value chain" in Africa and Latin America as it adjusts to the COVID-19 pandemic. BMZ and Kreditanstalt für Wiederaufbau, a government-owned development bank in Germany, will fund ALF. Belgium-based Incofin Investment Management will manage the fund. November 3. 2020

Edgar Martinez Named CEO of VisionFund

As of January 2021, Edgar Martinez will take the positions of CEO and President at VisionFund International, which is owned by US-based NGO World Vision. Since 2019, Mr Martinez has served as the global head of credit risk in the Wealth and Personal Banking segment of HSBC, a UK-based investment bank. VisionFund provides microfinance services in 28 countries in Africa, Asia, Eastern Europe and Latin America. It has total assets of USD 543 million, client deposits of USD 54 million, a gross loan portfolio of USD 434 million and 1.1 million clients. Most of these clients are women, and about one third are farmers. In addition to loans and savings, VisionFund provides insurance, financial education and business skills training. October 30. 2020

E9pay, Nium Open Money Transfers to, from South Korea

Nium, a Singapore-based financial technology infrastructure platform, recently partnered with E9pay, a digital remittance provider based in South Korea, to allow individuals and businesses in South Korea to send remittances to and receive them from India, Indonesia and other markets. Referring to the payments infrastructure in South Korea, Nium Vice President Michael Minassian said, "The overseas digital payments scene has yet to catch up due to complex legacy systems." E9pay provides remittance services to 126 countries. Founded in 2014 as InstaReM, Nium executes remittances in 63 currencies across 100 countries. October 28. 2020

EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

SPECIAL REPORT

As part of a sponsored series on European Microfinance Week 2020, this feature describes a portion of the proceedings, which took place online from November 18 through November 20. The event is held annually by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and report on the conference each year since 2012.

Ela Bhatt on Savings vs Credit, Biscuits vs Guns

Microfinance Week 2020 launched with Action Group meetings; opening remarks from Christophe Schiltz of Luxembourg's Ministry of Foreign and European Affairs; and a keynote address by Ela Bhatt, the founder of India's Self-Employed Women's Association.

Mr Schiltz spoke in favor of continued emphasis on client protection as the COVID-19 pandemic stresses both financial services providers (FSPs) and households. He also quoted from e-MFP's *COVID-19 Financial Inclusion Compass* that the pandemic has created the opportunity to improve the financial inclusion sector in ways "that the gravitational pull of the status quo would never allow in more normal times."

Ela Bhatt noted that her organization and others were focused on savings in the 1970s before microcredit became more popular. Indeed the provision of a menu of services targeting various phases in the "life cycle of low-income households… [such as] healthcare, skills training, veterinary care, market linkages… has cut down on the forced migration of men from their own land" and families to seek wages in cities. Ms Bhatt views this migration as a great tragedy in the history of India.

Ms Bhatt also spoke more broadly about the financial sector. She argued that people have gotten caught up serving the financial system rather than money serving people as a tool. Players in "the financial sector need to decide whether to invest in biscuits vs guns, trees vs pesticides, bicycles vs cars. How do we make recycling more profitable than new manufacturing?" She also argued for community approaches: "Let us encourage community ownership of assets in addition to private assets. The spirit of cooperation is as likely to lead to profit as is a dose of healthy competition." Along those lines, Ms Bhatt added, "Digital financial services should be owned and managed by local women and organizations such as cooperatives; [these] services should be localized."

"Taking Shelter: Housing Finance for the World's Poor"

In partnership with Practical Action Publishing, e-MFP has published its first book, *Taking Shelter: Housing Finance for the World's Poor*, edited by Patrick McAllister and e-MFP's Daniel Rozas. The volume explores the spectrum of housing-finance practice from the perspective of households, FSPs, investors, and regulators and policymakers. *Taking Shelter* draws on the experience of expert authors explaining the macroeconomic significance of low-income housing finance, the breadth and complexity of the pro-poor housing ecosystem, a case study on the housing-finance ecosystem in India, financial diaries of families constructing their homes, a decade of Habitat for Humanity's work on the housing microfinance programmes of dozens of FSPs around the world, and a full spectrum of housing-finance investment options - public and private, debt and equity, from a local apex fund to capital market securitizations.

Investors Not Incentivizing MFIs Enough on Social Performance

The Investor Action Group of e-MFP met to discuss social performance measurement within microfinance institutions (MFIs). Calum Scott of US-based NGO Opportunity International described his organization's efforts to work with MFIs to measure client outcomes. He specified that Opportunity generally does not seek to measure client impact, as that has proven too resource-intensive for its purposes. However, he argued that the pandemic "makes it more important to know if and how your products are helping clients." Of Opportunity's partners, 95 percent use SPI4 to report quarterly data.

Paul Thomas of India's ESAF Small Finance Bank described his organization's collection of data on client outcomes. For example, "barefoot counselors" gather data door-to-door using tools such as SPI4 and PPI. ESAF has found this work helpful to improve existing products and also to develop new ones that are more customer-centric, giving the bank an advantage over its competitors. These products include different debit cards designed for youth and farmers as well as loans for clean-energy products and disaster recovery, including recovery from the COVID-19 pandemic. Mr Thomas also hopes that outcomes data will help the bank to attract funding from more impact investors, although this has not been the case to date.

Marilou Juanito of the Netherlands' Oikocredit described a 5-day workshop format Oikocredit uses to help MFI staff develop measurement processes that meet their needs. She starts participants' thinking with questions such as, "Are women clients poorer than male clients?" and "Do urban borrowers move out of poverty more or less often than rural borrowers?". The participants leave the workshop with action plans that include steps such as integrating social and financial reporting, cleaning data regularly, and updating a dashboard each month to simplify monitoring. Kawien Ziedses des Plantes of Oikocredit explained that, "We underestimated the amount of time that would be needed" for certain parts of the workshops. This includes to boost participants' practical skills (eg using spreadsheet software) and analytical skills (eg understanding what data in a spreadsheet are most important). Still, "They were just delighted to learn on the spot, working with real data from their own systems.… It really pays off in terms of engagement and empowerment." Each group includes about 10 people from a single MFI, including staff of different levels of the organization. "When you decide as a group what data to report and to whom, then it becomes part of the organization - embedded structurally.…"

Regarding data collection, Cécile Lapenu of CERISE stressed the importance of setting reasonable goals for field staff. She cited instances in which overburdened staff have falsified data to make customers seem more poor or simply fabricated data to save time.

Jurgen Hammer of the US-based nonprofit Social Performance Task Force asked, "Are investors doing enough to incentivize MFIs to do this work?" Although Oikocredit does offer lower interest rates for loans to MFIs showing "exceptional social performance," Ms des Plantes said that MFIs are not getting the message that investors believe this is deeply important.

Muktinath Bikas Wins European Microfinance Award for Savings

In recognition of its savings expertise, Nepal's Muktinath Bikas Bank has won the 2020 European Microfinance Award, including its cash prize of EUR 100,000 (USD 119,000). Muktinath serves low-income households and women in rural areas with a department dedicated entirely to this population. It has a collective and solidarity savings model specifically for these customers, with doorstep collections. The product lineup includes retirement savings plans, insurance plans, and savings schemes specifically for migrant workers and the families they have left behind in Nepal. Muktinath has also developed financial education and household budget training using dramas and a purpose-made film entitled *Paribartan*, which means "transformation" in English.

"Region of Crisis" Stable But "Moratorium Veil" Not Yet Lifted

Mohammed Khaled of the International Finance Corporation argued that the effects of the COVID-19 pandemic on the microfinance sector in the Middle East and North Africa (MENA) so far have not been as bad as was feared earlier in 2020. Most of the large MFIs in the region have maintained 30-day portfolio-at-risk (PAR) ratios below 4 percent. Mr Khaled said, "We thought [PAR might rise to] 10 percent to 20 percent, but many MFIs have kept things under control." Part of the reason for this, he believes, is that "this is a region of crisis." After challenges such as the microfinance downturn in Morocco in 2008 and the Arab Spring, which began in 2011, MFIs came into the pandemic better prepared for crisis than their counterparts in other regions. Regarding pessimistic predictions, Mr Khaled added, "We need to be careful about the message we are sending about the sector. Some [development finance institutions] are seeing the sector as too risky."

Greta Bull of the US-based nonprofit CGAP discussed her organization's Global Pulse Survey of Microfinance Institutions, which has been active since April. The monthly results indicate that the liquidity crunch expected from the COVID-19 pandemic "did not materialize." However, solvency may yet become a problem, especially for Tier-2 and Tier-3 institutions. "It is too soon to let down our guard," Ms Bull said.

At the onset of the pandemic, many MFIs reduced lending by as much as half. Since then, however, lending has recovered to about 85 percent of pre-COVID levels. Meanwhile, PAR data remains unclear, as two thirds of MFIs responding to Pulse have given borrowers moritoria on repayments. One third of Pulse MFIs anticipate greater challenges within the next six months, a period during which the "moratorium veil" may be lifted.

Eric Campos of the Luxembourg-headquartered Grameen Credit Agricole Foundation also shared data from approximately 100 MFIs that was collected since the onset of COVID-19. The Grameen Credit Agricole Foundation and its partners shared the survey results with both the participating MFIs and a range of investors, with the aim of avoiding any potential panic regarding the effects of the pandemic on the financial inclusion industry.

This data, like the Pulse data, reveals no liquidity crisis. The reasons seem to be that: (1) increases in withdrawals of savings were minimal; and (2) investors coordinated efforts to work with MFIs on how to manage their wholesale loan repayments. Among the surveyed institutions, the peak increase in client withdrawals from savings was 19 percent, and that level was down to 12 percent as of September. The portion of MFI portfolios in moratorium peaked at 32 percent and decreased to 21 percent as of August. About one third of MFIs report that at least 90 percent of their clients are back to work, and another half of MFIs report that most of their clients are working. In response to the pandemic, 70 percent of MFIs are looking to start new initiatives. Most have become more interested in lending for agriculture, which was less impacted by lockdowns.

Sanjay Sinha of India-based rating agency M-CRIL revealed data from the financial statements of large MFIs along with information gathered informally from stakeholders in five Asian countries. As with MENA, Mr Sinha noted that "Indian microfinance has long experience with crises," such as the downturn in the state of Andhra Pradesh in 2010 and the nationwide demonetization in 2016. Based on data from these disruptions, Mr Sinha expects the COVID-19 spike in PAR 30 to exceed 20 percent and that it will take four or five years to recover from the pandemic. Moreover, he warned that PAR 30 may never go back below 0.5 percent, instead hovering in the 3 percent to 4 percent range.

The moderator of the session, Barbara Magnoni of EA Consultants, asked the group about the underlying weaknesses of MFIs. Mr Khaled argued that institutions that fail in crises were already weak and that the crisis simply exposed those weaknesses. He added that this crisis is easier to manage in some ways because it is hitting sectors differently, while other crises tended to hit all sectors more similarly.

Many MFIs are lending more money post-COVID, but they are doing this by increasing loan sizes to repeat clients while taking on fewer new clients. Hence in MENA, borrower numbers are sometimes down while portfolios are growing modestly. Mr Khaled noted that the industry is quite consolidated in MENA, with many strong institutions. "Some of our MFIs [in the region] are better off than local banks because they have stronger systems," he added.

Ms Bull argued that, globally, there remain many MFIs that must "up their game" in areas such as risk management and legal expertise. This is particularly true among smaller institutions. While better data helps with risk management, it has a wealth of other benefits, including to "help understand clients better." As an extension of this, Ms Magnoni highlighted the notion of client retention as risk management strategy.

As many institutions have turned to digital financial services to counter the risk of spreading COVID-19, Mr Sinha said that the challenge of "going digital" is larger than most people realize. It may be seen by some as "the next panacea, but there are many people for whom smart phones are a black box." Much work remains to be done spreading digital literacy as well as financial literacy.

In closing, Mr Khaled noted the need to balance the priorities of people and institutions. While moratoria are important to protect consumers, there is value in institutions being able to retain their staff. He cited the example of Tunisia, where MFIs may charge partial interest during moratoria; they may not charge the customary rate, but they may charge enough to cover their cost of funds. This is a way to balance needs that can seem to conflict. Mr Khlaed says, "Letting institutions collapse is not in the interest of customer."

Lessons from Giving Away, Selling Insurance with Remittances

As part of the ongoing search for models that can make microinsurance profitable, the Luxembourg-based nonprofit ADA partnered with UAE-based insurtech Democrance to insure migrant workers in Dubai as they send money to family in their home countries. The target population is migrants from India and the Philippines, who are generally tech savvy and aged 25 to 45 years old. Most of these workers earn up to AED 4,000 (USD 1,100) per month and send about a quarter of that amount home. Rise, a UAE-based facilitator of financial services to migrants, enrolled 1,000 customers by offering the insurance at no charge as a way of increasing brand loyalty. HelloPaisa, which is based in South Africa, enrolled 12,000 customers in a mix of free and paid policies. The free product covers accidental death and total disability. The paid option adds coverage for partial disability, medical expenses, tele-health consultations and repatriation. The firm also offers a product covering family members in the worker's home country. All of Rise's customers are women, and 20 percent of the policies sold by HelloPaisa were to women.

Among the roles of Democrance is to allow data to move freely among the partners. These include France-based AXA, which writes the policies. As for the retail partners, ADA and Democrance spent the first year of the project engaging a larger UAE-based firm, only to have that partnership fail. Despite losing the larger outreach of that firm, Rise and HelloPaisa hold deep customer knowledge that led to better results. The smaller firms were more willing to experiment and more able to help with appropriate product design because of this closeness to their customers.

The lessons learned include that overcoming regulatory hurdles is quite time consuming. Building customer awareness also requires significant resources as well as a long-term focus. The project was launched in 2017, and Democrance is continuing the work indefinitely. ADA exhausted its funding for the project, which had been provided by the UN's International Fund for Agricultural Development, in 2020.

EAR TO THE GROUND

It's 2020. The World Is Messy. Why Can't Financial Inclusion Be Political?

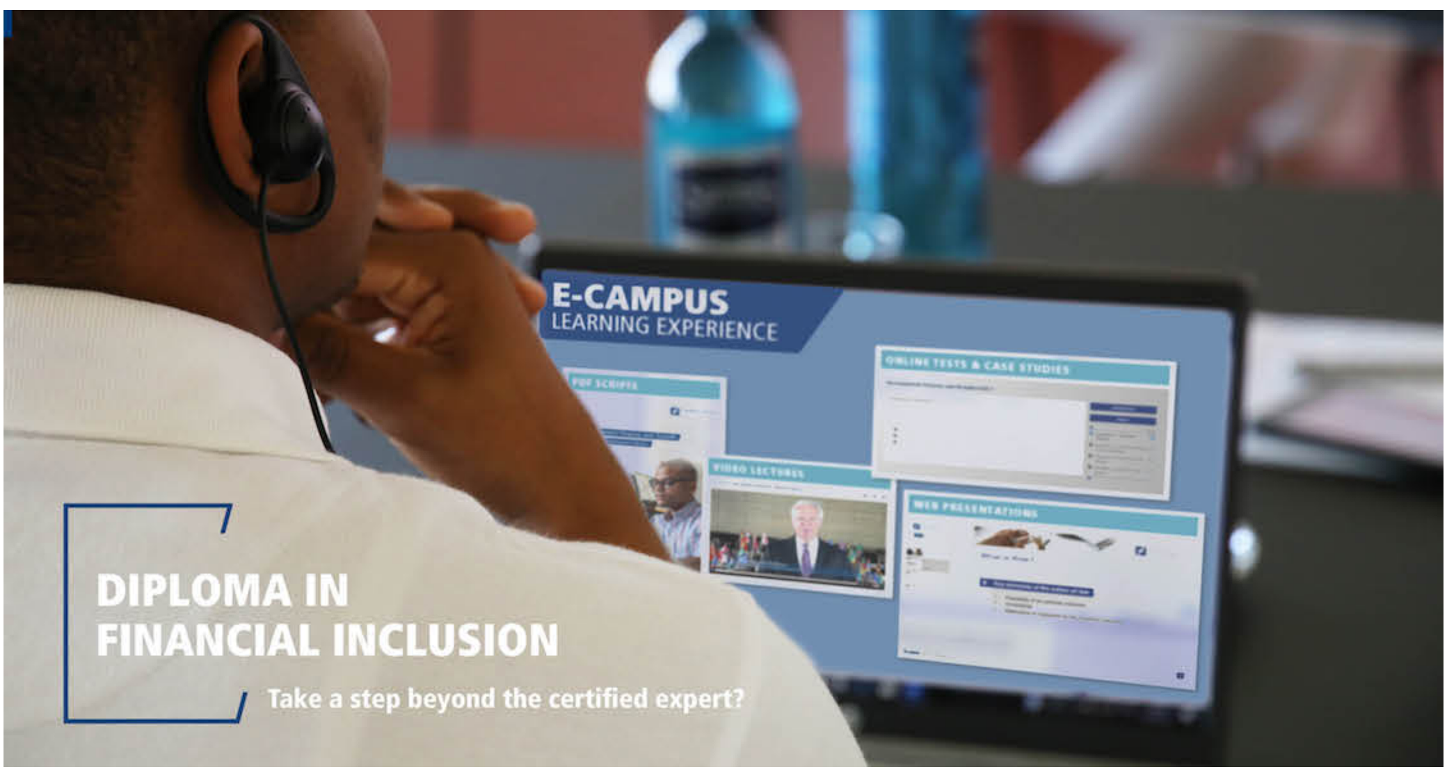
When I was in college, I studied "popular economic movements" in Chile. These movements were primarily women's groups struggling to make ends meet by collaborating in community kitchens (*ollas communes*), laundromats and crafting circles. They were looking to save some money since so little was coming in after the dismantling of labor unions and the spike in unemployment to over 24 percent in the 1980s. Inevitably, putting unhappy citizens in a room together - regardless of the initial purpose - can lead to political dissent, and the Pinochet regime prophylactically kept a tight lid on these activities. I see these initiatives as early contributors to microfinance models. When you already have strong social groups, it is much easier to build a layer of trusted financial services on top.

Last week, I "traveled" to South Africa - yes on Zoom - only to learn that something similar had been happening there in the 1980s. Savings groups, mostly comprising women, were also viewed with suspicion by the apartheid government. Nkisa Masondo and Mizi Mtshali, CFO and CEO, respectively, of the National Stokvel Association of South Africa (NASASA) kindly told me the history of *stokvels*. People in South Africa have used these savings groups for decades to help pay for funerals, bulk grocery purchases, holidays and investments. Since 1990, the Banks Act has required that every stokvel register with a regulatory body such as NASASA, which provides the groups with a voluntary set of rules for managing savings safely. Mizi explained that the stokvels were regulated prophylactically as a result of government worries that these mostly Black-organized groups would use these channels to fund anti-government or illicit activities. This is ironic since during apartheid, formal alternatives were not accessible to Black households. What other choice did people have? Today, banks in the country remain hard to access for reasons such as high fees, limited points of contact and administrative requirements. Stokvels, in turn, remain a very important alternative, with 800,000 groups covering 11.5 million people, or about half of the adult population of the country. Nearly a quarter of the groups deposit funds in formal banks, and NASASA is now partnering with a Dutch investment fund to develop a digital version of stokvels.

The role that organic, grassroots organizations play in empowering marginalized people is significant for many reasons, including that this empowerment is extremely political. Yet we have resisted thinking about the political risks and opportunities of financial inclusion. We promote financial inclusion for health, housing, education and so on - but rarely for political engagement. If anything, politicizing financial services has been seen as partisan, distracting and polemical. I wonder if this is a missed opportunity. Economic inequality is, after all, linked to lack of political agency. Aggregating small-scale savers to show financial muscle could be a powerful approach to get poor people's voices heard. South Africa's stokvels have total assets of over USD 3.2 billion, certainly a sufficient amount to draw political attention.

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.


Stay ahead of the curve with Fern Software's Flexible Lending Solutions
Fern SOFTWARE
Please register your interest at info@fernsoftware.com


E-CAMPUS
LEARNING EXPERIENCE
DIPLOMA IN
FINANCIAL INCLUSION
Take a step beyond the certified expert?

UPCOMING EVENTS

APAC Microfinance Forum

February 9 - February 10, 2021; Kuala Lumpur, Malaysia

Topics at this forum include the impact of COVID-19, gender disparities in financing, overindebtedness, transforming into a digital institution, alternative methods for assessing risk and alternative funding sources such as peer-to-peer lending. The full fee to attend in person is EUR 1,300 or EUR 650 to participate virtually. For more information, you may call +420 226 220 400, visit https://www.uni-global.eu/portfolio-page/3rd-annual-apac-microfinance-forum/ or email office[at]uniglobal.eu.

17th Annual Global Microfinance Forum

April 22 - April 23, 2021; Prague, Czech Republic

This event is centered on helping actors in the microfinance industry to prosper in the context of future economic and regulatory environments. Session topics include repayment suspensions due to the COVID-19 pandemic, digitizing microfinance, currency risks, green finance and microfinance for migrants. The fees, excluding tax, are EUR 1,300 to attend in person or EUR 650 for virtual access. You may request more information online at https://www.uni-global.eu/portfolio-page/17th-annual-global-microfinance-forum/, via email at mail[at]uni-global.eu or by telephone at +420 226 220 400.

AFSIC (Africa Financial Services Investment Conference)

May 5 - May 7, 2021; London, UK

AFSIC: "Investing in Africa" will focus on "strengthening trade and investment in Africa" with sessions on "sustainable" finance, financial technology, banking in Africa and "informed" investing. Attendees may also access investor-project matchmaking sessions, country-specific presentations and an app allowing attendees to arrange meetings in advance of the conference opening. The full registration fee is GBP 1,295, but there are discounts available for various stages of early registration, the soonest of which is December 31. Other discounts are available for students, groups and those representing charities. For additional information, you may visit https://www.afsic.net/ or email event[at]afsic.net. No telephone number is offered.

Africa Trade and Investment Convention - NEW DATES

June 11 - June 12, 2021; Amsterdam, the Netherlands

Participants in this event may attend a B2B Matchmaking Forum, country-specific meetings, and sessions on topics such as: "The Role of the Diaspora," financing agriculture, value chains, magnifying the potential of youth and women, public-private partnerships, regulation, financial technology, and small and medium-sized enterprise. The cost to attend is EUR 500 plus value-added tax. You may seek more details via http://www.investinginafrica.eu, info[at]investinginafrica.eu or +31 616 950 384.

World Finance Conference

August 3 - August 6, 2021; Kristiansand, Norway

This program will cover Sustainable Finance, Investments, Corporate Governance and Accounting. While the detailed agenda has not yet been released, the 2020 iteration of the event included papers titled "Bank Lending and Small and Medium-sized Enterprises? Access to Finance? Effects of Macroprudential Policies" and "Goal Congruence Contract Between the Manager and the Loan Officer in Microfinance." Researchers may submit papers for possible presentation at the conference until March 1, 2021. The full registration fee is EUR 430, with a rate of EUR 375 available until May 20, 2021. Doctoral students may enjoy a discount of EUR 80 off either pricing level. For more details, you may visit https://www.world-finance-conference.com, call +351 961317366 or email worldfinanceconference[at]gmail.com.

MORE DETAILS COMING SOON ON:

Global Forum on Remittances, Investment & Development - Africa
June 16 - June 18, 2021
Nairobi, Kenya

Super HappYYness Festival
June 26 - June 29, 2021
Munich, Germany

International Conference on Sustainable Development
September 8 - September 9, 2021
Rome, Italy

FinovateFall: The Future of Finance is Digital
September 13 - September 15, 2021
New York, New York, USA

FinnoSummit Mexico 2021
September 21 - September 23, 2021
Mexico City, Mexico

16th International Conference on Inclusive Insurance
October 26 - October 29, 2021
Kingston, Jamaica

MEDA Convention
November 4 - November 7, 2021
Atlanta, Georgia US

AfricaTech
November 8 - November 12, 2021
Cape Town, South Africa

PAPER WRAP-UPS

Consumer Protection and COVID-19: Borrower Risks as Economies Reopen

This is a summary of a paper by Elisabeth Rhyne, published by CGAP (Consultative Group to Assist the Poor), October 2020, 16 pages, available at https://www.cgap.org/sites/default/files/publications/2020_10_COVID_Briefing_Consumer_Protection.pdf

Dr Rhyne analyzed data collected by CGAP, microfinance investors and financial services providers (FSPs) to consider how FSPs can collect outstanding microloans - including after repayment moratoria - and issue new lines of credit effectively as economies continue to adjust to the COVID-19 pandemic.

The percentage of FSP portfolios that entered moratorium ranged widely, chiefly due to variation in regulation among countries. Relative to other regions, South Asian providers were implementing repayment holidays at the highest rate, with a median of 35 percent, according to data from the 300 FSPs participating in the CGAP Global Pulse Survey. Moratoria typically lasted from one month to three months, during which time loans continued to accrue interest.

Microborrowers reported significant drops in income, with women in India and Pakistan, for example, experiencing greater decreases than men. Accordingly, the 30-day portfolio-at-risk ratio among Pulse respondents averaged an elevated rate of 7.2 percent. To offset liquidity stress, some FSPs suspended lending altogether. Half cut lending by at least 50 percent, and another quarter cut lending to a lesser extent. Of the entire group, 75 percent were providing borrowers some form of relief.

With lower cash flows due to repayment moratoria and delinquency, FSPs that did continue to lend tightened their credit standards. While some offered emergency loan programs, observers have questioned whether these funds are going to the people who are most in need.

The author notes that "when moratoria and other rescheduling protocols are established, regulators and FSPs must address the practicalities of administering these changes in terms of staff capability, borrower communications, and IT [information technology] systems." Regarding borrower communications, regulators and FSPs must be sure borrowers have sufficient information to make decisions regarding moratoria, such as the level of any interest and fees that would be charged during the delay in repayment.

Going forward, the author predicts that borrowers under moratoria will not have their credit reports downgraded, but she warns of a possible rise in aggressively marketed loans that endanger customers with unsustainable loan sizes and terms.

Private Asset Impact Fund Report 2020

By Basile Quartier, Brendan Mackinnon and Ramkumar Narayanan; published by Symbiotics; October 2020; 126 pages; available at https://symbioticsgroup.com/wp-content/uploads/2020/11/Symbiotics_PAIF-Report-2020-1.pdf

This survey reports on private asset impact funds (PAIFs), which are defined as those that have most "of their non-cash asset [base] allocated both to private debt and/or private equity instruments and to emerging and frontier markets, with a development impact bias." Regarding impact, Symbiotics focuses on the "intention of generating measurable social and environmental" improvement. The report succeeds the series of surveys that Symbiotics has published yearly on microfinance investment vehicles since 2007 and private debt impact funds since 2018.

The dataset covers 157 PAIFs, which hold a total of USD 22 billion in assets - two thirds of the global market. The participating funds are managed by 78 firms, which are headquartered in 26 countries.

The PAIFs report growth in total assets of 9.5 percent during 2019 and forecast contracting 1.5 percent during 2020. Of these assets, 58 percent are deployed in microfinance, 21 percent in small and medium-sized enterprise (SME) development, and 7 percent in food and agriculture. From 2018 to 2019, the average loan size for this micro- and SME lending rose from USD 1,600 to USD 1,800.

The authors report on three categories of impact metrics: (1) environmental, social and corporate governance factors - based on which 133 funds screen investments and 118 report to investors; (2) the UN Sustainable Development Goals; and (3) outreach to people at the "base of the pyramid."

The survey concludes with the status of PAIFs amid the COVID-19 pandemic. Monthly returns dipped from 0.30 percent in February to -0.70 percent in March. They recovered to 0.10 percent in May and continued to increase at least through October. The expected change in returns for 2020 is negative for 70 funds, stable for 26 and positive for 25.

The Landscape for Social Investments in Southern Africa

By Dr Frank Aswani, Nancy Kairo, Oluwatoyin Adegbite-Moore and Rachel Keeler; published by the African Venture Philanthropy Alliance; November 2020; 133 pages; available at https://avpa.africa/landscape-report-southern-africa/

This report presents research on "social" investors in Angola, Botswana, Mozambique, South Africa, Zambia and Zimbabwe. The authors define social investment as "financial and non-financial capital deployed according to rigorous investment principles to generate positive social and environmental impact, with varying financial return expectations." The dataset draws on approximately 250 investors, 71 percent of which are based in South Africa.

The authors cite data from the Sustainable Development Goals Center for Africa indicating an annual gap of USD 500 billion to USD 1.2 trillion between actual investment flows and the amount needed to attain the UN Sustainable Development Goals. Meanwhile, from 2013 to 2018, official development assistance and foreign direct investment declined 20 percent and 45 percent, respectively.

The authors are in favor of governments becoming more engaged in supporting social investment. One example is Zambia creating its Zambia National Advisory Board for Impact Investment in 2019. However, most corporate social investment and venture capital is concentrated in South Africa, due to the sophistication of individual philanthropy and the institutionalization of corporate investing in that country.

The challenges faced by social enterprises and startups in the region include insufficient access to funding, lack of knowledge about financial systems, a limited supply of highly skilled employees, poor macroeconomic conditions, lack of information access for rural entrepreneurs and high costs of telecommunications.

Going forward, the authors recommend that industry stakeholders work to: (1) "develop enabling environment[s] and infrastructure;" (2) "empower organisations delivering social change"; and (3) "catalyse diverse and innovative pool[s] of social capital."

