

MICROCAPITAL BRIEFS | TOP STORIES

Tugende Raises \$10m for Motorcycle Leasing in Uganda, Kenya

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

ADA's Smallholder Safety Net Program Engages Investors, Focuses on Africa

ADA Microfinance, an NGO founded in Luxembourg as Appui au Développement Autonome, recently announced its Smallholder Safety Net Upscaling Programme, which will assist: (1) smallholder farmers in accessing insurance and implementing agricultural practices that increase productivity in a “climate-smart” manner; (2) actors in agricultural value chains in adopting “more sustainable environmental and social business practices;” and (3) investors in boosting their commitments to such value chains. The Luxembourgish government’s Lux-Development will assist with implementation, and the investors Grameen Credit Agricole Foundation, Incofin, Oikocredit, responsAbility and Symbiotics have agreed to participate by increasing investment in small-scale farms and providing technical assistance to value-chain actors. The goal is to serve 3 million households and catalyze value chains to impact a total of 50 million vulnerable people, mostly in Sub-Saharan Africa but also in Asia and Latin America. The program has a 10-year budget equivalent to USD 65 million. October 22. 2020

DFC Launches \$75b “Roadmap” to Reach 30m People by 2025

The US International Development Finance Corporation (DFC), a government-backed institution, recently announced its first global development strategy, which is called “The Roadmap for Impact.” The strategy envisions harnessing USD 75 billion in partnerships “to reach more than 30 million people in developing countries by 2025...[and] support the response to the COVID pandemic.” DFC plans to build these partnerships with both governmental and private organizations, creating “an inclusive, technology-driven approach” to finding innovative ways of reaching large numbers of clients. The strategy targets: (1) healthcare; (2) financial inclusion and strengthening financial systems; (3) technology and infrastructure; (4) energy; (5) agriculture and food security; and (6) water, sanitation and hygiene (WASH). Of this work, 60 percent is earmarked to take place in countries deemed fragile, lower income or both. October 19. 2020

Easy Microfinance, Ongo Partner on E-repayments in Myanmar

Easy Microfinance, a for-profit microfinance institution (MFI) in Myanmar, recently began offering repayment channels powered by Ongo, a digital payment service provider in the country. This allows the MFI’s borrowers to make loan repayments through the Ongo app and at Ongo agent locations. This development comes amid increased demand for remote service options due to the COVID-19 pandemic. Frank Snieders, the Managing Director of Easy Microfinance, added that the MFI is “offering flexible payment solutions for clients whose businesses are affected by COVID-19.” This includes payment moratoria and re-scheduling of loans “to achieve lower monthly installments” for clients who have lost all or part of their income, respectively. Established in 2016, Easy Microfinance had a loan portfolio equivalent to USD 15.6 million as of 2018. As of 2020, the MFI delivers group and individual loans to 150,000 clients via 24 branches. Founded in 2008, Ongo has 1,900 agents in 73 cities in Myanmar serving 130 corporate clients, 26,000 merchants and 750,000 consumers. Ongo is the brand name of Ronoc Myanmar Limited, a subsidiary of Ireland-based investment and advisory services firm Ronoc. October 14. 2020

Brazil Expands Microloan Eligibility for Small Businesses

In an effort to help more microenterprises survive the COVID-19 epidemic, Brazil’s Conselho Monetário Nacional recently raised the revenue limit for firms receiving microloans from the equivalent of USD 35,500 per year to USD 64,000. The council also removed the in-person component of the online loan application process. Conselho Monetário Nacional is led by the country’s Minister of Finance; the Minister of Planning, Development and Management; and the President of Banco Central do Brasil, the country’s central bank. October 1. 2020

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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

Banco Agromercantil Borrowing \$40m for MSMEs in Guatemala

The International Finance Corporation (IFC), a member of the World Bank Group, recently agreed to lend Banco Agromercantil (BAM) USD 20 million, mobilizing the same amount from the Eco-Business Fund, which invests in businesses deemed sustainable. BAM, a Guatemalan subsidiary of Colombia-based Grupo Bancolombia, plans to use the liquidity to support 1,000 microenterprises and small and medium-sized enterprises (SMEs) in the country as Guatemala continues to adjust to the COVID-19 pandemic. Bolaños Coloma, the CEO of BAM, said, "IFC's timely support will help us strengthen our position in the SME segment and allow us to expand financing to local companies, thus creating jobs... foster[ing] economic recovery in Guatemala." BAM provides banking services online and at 165 agencies, and it reports total assets equivalent to USD 3.5 billion. October 27. 2020

10 Startups in Zambia Join FinTech4U Accelerator

The UN Capital Development Fund and BongoHive, a Zambia-based provider of technology consulting, co-working space and other support to entrepreneurs, recently selected 10 financial technology (fintech) startups for the second iteration of the FinTech4U Accelerator Programme. These participants gain access to a three-month program of training and mentorship, and the top three performers will win up to USD 5,000 to expand their businesses. As part of the program, the Bank of Zambia, the nation's Securities and Exchange Commission and the Zambia Information Technology and Communication Authority will provide technical assistance and regulatory guidance on increasing the financial inclusion of underrepresented groups such as women, youth and rural populations. The participating firms are listed at <https://www.uncdf.org/article/6136/ten-fintechs-join-the-sophomore-class-of-the-fintech4u-accelerator-programme-in-zambia>. October 26. 2020

FAFN Purchased by Employees as Goldman Sachs Acquires Folio

First Affirmative Financial Network (FAFN), a US-based investment advisory company, recently became an employee-owned firm after having been acquired in 2016 by Folio Financial, a US-based brokerage, custodial services and financial technology company. The move comes as US-based investment company Goldman Sachs is buying Folio. "We're thrilled to reinforce more than three decades of values-based investment innovation with employee ownership," said George Gay, the CEO of FAFN. Founded in 1987, FAFN is network of independent advisors helping its clients incorporate "socially conscious" investments into their portfolios via strategies such as sustainable, responsible and impact (SRI) investing and environmental, social and governance (ESG) investing. The organization's members advise clients on assets totaling USD 1.1 billion. October 25. 2020

EBRD, IFC Lend Alternatif Bank \$50m to Sustain SMEs in Turkey

The UK-based European Bank for Reconstruction and Development (EBRD) and the World Bank Group's International Finance Corporation (IFC) each are lending USD 25 million to Alternatif Bank, a Turkish holding of Qatar-based Commercial Bank. Alternatif Bank CEO Kaan Gür said, "With this transaction, we are proud to be a part of IFC and EBRD's COVID-19 Solidarity Package. We will channel... this package to the SMEs [small and medium-sized enterprises] impacted by the pandemic and make a greater contribution to private sector trade." Alternatif Bank was founded in 1991 and since has established 48 branches in Turkey. The bank reported total assets equivalent to USD 3.8 billion at the close of 2019 fiscal year. During the same year, Commercial Bank reported net profit of USD 555 million on total assets of USD 40 billion. October 23. 2020

Haqdarshak Helps Workers Access Government Services in India

Haqdarshak Empowerment Solutions, a for-profit service that helps people in India access 254 government and private programs, recently expanded its focus on community organizations and larger businesses to include micro-, small and medium-sized enterprises. The firm works with these partner organizations to reach their members and employees, who are contacted by Haqdarshak-trained agents to determine if and how they can connect with health, financial, educational and other services, including to acquire identity documents. Haqdarshak charges community organizations a screening fee to determine individuals' eligibility, and then it charges the individuals for each service in which they want help enrolling. When working with employers, the firm bills both of these fees to the employer. During the year ending March 2020, Haqdarshak served 150,000 applicants, enrolling 126,000 in one or more programs, thus unlocking benefits totaling the equivalent of USD 27 million. October 23. 2020

Britam Boosting Property Insurance for Microenterprises in Africa

Britam, a Kenya-based investment firm active in seven African countries, is "developing new property insurance solutions" to provide security to microentrepreneurs who use their homes for business purposes. The project is supported by the US-based nonprofit Habitat for Humanity and the Impact Insurance Facility of the UN's International Labour Organization. Britam was founded in 1965 and is active in insurance, asset management, banking and property development. October 20. 2020

Financial Literacy Centre of Kosovo Targets Primary Schools

The Financial Literacy Centre, which was established in Kosovo in 2017 by the Central Bank of Kosovo and the European Fund for Southeast Europe, recently helped build financial literacy into the curriculum of Kosovo's Ministry of Education. The programming includes "an inclusive approach featuring characters of various physical abilities and gender presentation" introducing "learners to responsible money use, including savings, tracking spending, and more." The effort includes supplying 900 schools in the country with sets of five different textbooks, targeted for students in first through fifth grades. October 20. 2020

MFC "Borrow Wisely Campaign" Fights Over-indebtedness

During the month of October, the Microfinance Centre (MFC), a 113-member network based in Poland, ran its annual Borrow Wisely Campaign (BWC) "to make [borrowers] aware of the threat of excessive debt and help them learn how to avoid it." BWC and its partners do this through: (1) outreach to borrowers via social media; (2) sponsoring events both online and in-person; (3) training MFC member "staff on how to speak to clients about taking loans wisely;" (4) displaying relevant material at microlender branches; and (5) encouraging MFC members to add "dedicated landing pages both in English and their local languages" on their websites to publicize the campaign. In 2019, the campaign reached 1.9 million people via 25 microfinance institutions in 15 countries in Europe and Central Asia. October 19. 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!

Juhudi Kilimo of Kenya Upgrades Technology, Aided by NMI

The Nordic Microfinance Initiative (NMI), a Norway-based public-private partnership that supports microfinance institutions in developing countries, recently worked with Juhudi Kilimo, a for-profit microfinance institution in Kenya, to help it develop a mobile app that gives staff members remote access to company data. The resulting app has reportedly “helped simplify operations, improved client risk analysis, expanded the company’s lending approach and diminished operational costs per client.” Juhudi Kilimo financed 20 percent of the cost, with the remainder borne by NMI. Juhudi Kilimo serves 72,000 active clients - mostly women - through 34 branches. Its loan portfolio, which is equivalent to USD 17.5 million, is deployed as group and individual loans for purchases of livestock, seeds, fertilizer, farming equipment, clean energy products and housing improvements. October 16, 2020

Al Hussein, Sanad Funds Deliver Business Training to MENA Youth

Al Hussein Fund for Excellence, a Jordan-based NGO, and the Sanad Fund for MSME, a Luxembourg-domiciled investor in micro-, small and medium-sized enterprises (MSMEs), recently partnered to give young business owners in the Middle East and North Africa access at no cost to a course called “How to Start and Manage a Successful Business.” The course, which was delivered in Arabic on the Edraak online education platform, “comprises multiple modules covering business basics along with specific phases of development such as starting, growing, financing and managing a business.” During early 2020, 18,500 people took the class. Of this group, the average age was 29, and 45 percent were female. The course remains open for self-paced learning via Edraak, which is operated by the Queen Rania Foundation of Jordan. October 15, 2020

Ethiopia, IFAD Help Farmers Manage Climate Change, COVID-19

The government of Ethiopia and the UN’s International Fund for Agricultural Development recently launched a program with a budget of USD 306 million to support farmers that have been negatively impacted by recurrent droughts and the COVID-19 pandemic. This third phase of the Rural Financial Intermediation Programme (RUFIP), whose first phase was launched in 2003, is intended to “help farmers to access financial services, raise and diversify their incomes, improve nutrition and build their resilience in rural areas threatened by climate change.” Solomon Desta, Vice Governor of the National Bank of Ethiopia, said, “RUFIP I and II made major contributions, not just in including 5 million customers [via] microfinance institutions, but also in improving regulatory capacities in microfinance, banking and lease finance supervision.” RUFIP III is slated to scale up the work of the first two phases by targeting women and young people to receive financial education to help them choose among financial products and services. Among these offerings will be “insurance products [developed in partnership with] rural finance institutions to allow smallholder farmers to mitigate the risks related to climate change.” October 14, 2020

FMO Loans Husk \$5m for Biofuels, Minigrids in India, Tanzania

The Netherlands Development Finance Company, a public-private partnership also known by its Dutch acronym FMO, recently lent USD 5 million to Husk Power Systems, an India-based startup that builds small-scale electricity generation and distribution networks in rural India and Tanzania. These minigrids use biofuels made from the waste products of processing rice and maize. “FMO considers minigrids as the key to unlocking a successful rural distributed energy sector, both off- and under-the-grid, as it brings affordable and reliable clean power to MSMEs [micro-, small and medium-sized enterprises] and residential customers,” said FMO Principal Investment Officer Keesjan de Kruijf. Founded in 2008, Husk Power has provided electricity to 120,000 customers in India and raised a total of USD 25 million over four rounds of funding since 2010. Data on the firm’s operations in Africa are not available. October 14, 2020

Tugende Raises \$10m for Motorcycle Leasing in Uganda, Kenya

Tugende, a company specializing in leases for motorcycle taxis known locally as boda-bodas, recently raised USD 10 million in debt and equity capital from multiple investors, bringing the size of the firm’s balance sheet to USD 30 million. The investor that has been identified is Mobility 54, a fund of Japan-based Toyota Tsusho Corporation that focuses on African markets. The motorcycles financed by Tugende cost USD 700. Drivers’ leases require weekly electronic payments over the course of two years. These payments also cover training, safety equipment, and health and life insurance. As of October 2020, Tugende has 23,000 active clients and 12,000 more who have completed their leases and taken ownership of their vehicles. Going forward, Tugende plans to begin financing agricultural equipment, appliances and other types of vehicles. Tugende, whose name translates as “Let’s Go,” has opened 17 branches in Uganda since its launch in 2012. During 2019, it expanded to Kenya, where it opened its first branch in the city of Kisumu. October 13, 2020

UNCDF, Women’s World Banking Partner on Digital Inclusion

The UN Capital Development Fund (UNCDF) and the US-based nonprofit Women’s World Banking (WWB) recently launched a strategic partnership to increase “access to digital financial services for women and girls, specifically in emerging markets and least developed countries.” The goals include to boost gender equality in the job market as well as encouraging “sustainable development and economic resilience.” In particular, the partners will promote products specifically designed for women including enterprise loans and insurance. During the upcoming 12 months, UNCDF and WWB will work to identify ways in which they can improve “women’s access to financial services in light of the pandemic.” During the following year, the organizations will build collaborative structures “aligned [with] these recommendations... to deliver concrete, impactful solutions.” October 13, 2020

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Trill Impact to Offer Advisory Services in Microfinance

Swedish private equity firm Trill Impact recently announced it is providing advisory services relating to investments furthering the UN Sustainable Development Goals in low- and middle-income countries. The business line, called Trill Impact Microfinance, focuses on private debt in areas such as agriculture, financial access, renewable energy and women-owned businesses. Since its launch in 2019, Trill Impact has advised clients on “impact” private equity investment, specializing in mid-sized companies in Northern Europe. Trill Impact was founded by Jan Stahlberg and has a team of 15. Trill Impact Microfinance will be headed by Viktor Andersson, who is experienced in local-currency strategies for private debt in developing countries. October 10, 2020

“Transforming Nigeria Youths” Seeks to Create 40k Jobs

The Enterprise Development Centre (EDC) of Nigeria’s Pan-Atlantic University and the Canada-based Mastercard Foundation recently launched the Transforming Nigerian Youths Program to “create a network of entrepreneurial and managerial changemakers particularly... across the micro-, small and medium-sized enterprises sector in Nigeria.” The goal is to provide 40,000 youth with the resources to “start, grow and expand their business.” The program will focus on the states of Kaduna, Kano and Lagos, but will be open to all Nigerians. EDC Deputy Director Peter Bankole said, “We are excited to be part of the Transforming Nigerian Youths program to empower young Nigerians, especially women. It will serve as a catalyst for entrepreneurial reorientation, job creation and sustainable livelihood.” In particular, EDC seeks to leverage this new program to encourage “the agricultural and creative sectors of the economy” as well as serving marginalized communities in northern Nigeria. October 9, 2020

Green for Growth Loans \$5m to TBC Leasing for SMEs in Georgia

The Green for Growth Fund (GGF), a Germany-based investor in renewable energy, recently loaned TBC Leasing, a member of Georgia’s Tbilisi Business Centre (TBC) Bank, the local-currency equivalent of USD 5 million to fund the leasing of equipment that will reduce the energy usage of small and medium-sized enterprises (SMEs). The projected energy savings total 13,380 megawatt hours. “This investment will expand the company’s green portfolio with SME clients and thus contribute to a greener and more sustainable economic recovery in Georgia,” said GGF Chairperson Olaf Zymelka. Founded in 2003, TBC Leasing has five branches in Georgia, serving 4,000 customers with a portfolio of USD 96 million. TBC Bank reports generating 2019 revenue of USD 250 million on assets of USD 5.7 billion. October 8, 2020

MDEC, Mastercard Partner on Technology in Malaysia

The Malaysia Digital Economy Corporation (MDEC), a government-controlled entity, and US-based payments firm Mastercard recently agreed to “facilitate the rollout of Mastercard payments and business technologies” in Malaysia. The goals of the partnership include to: (1) help micro-, small and medium-sized enterprises (MSMEs) capitalize on the growth in e-commerce during the COVID-19 pandemic; (2) leverage “Mastercard’s global mentorship programs and signature Girls4Tech STEM curriculum” to improve the technical and financial literacy of women and girls; and (3) use StartPath, a Mastercard program that supports the growth of early-stage firms, to support financial technology (fintech) companies that follow Islamic law. The products to be targeted at MSMEs include those that facilitate the acceptance of credit and debit cards, microloans for sellers of fast-moving consumer goods, and tools for selling products online. October 6, 2020

Telecom iQSTEL Launches E-payment Product Targeting Migrants

The US-based telecommunications firm iQSTEL recently launched a financial technology (fintech) system allowing customers to pay utility bills electronically as well as to send and receive funds internationally and domestically via SMS (text messaging). CEO Leandro Iglesias sees the firm as “the ‘point man’ between the immigrant end-user population and global telecommunications systems.” Founded in 2008, iQSTEL offers services such as blockchain technology, voice over Internet Protocol (VoIP), 4G and 5G internet infrastructure, and application-to-person and person-to-person text messaging. The firm, which provides these services from offices in 13 countries in the Americas and Eurasia, generated USD 18 million in revenue during 2019. October 6, 2020

Farmers Move Up Oils Value Chain in South Sudan

The UN Industrial Development Organization recently transferred a program for developing agricultural value chains to local managers in South Sudan. Since its launch in 2019, 250 farmers in the country have enrolled, learning entrepreneurship skills and methods for processing groundnuts and sesame seeds into oils. The program, which had financial backing from the government of Japan, served both “internally displaced people and members of host communities.” October 2, 2020

IFC Lending Banco Agricola of El Salvador \$330m

The International Finance Corporation (IFC), a member of the World Bank Group, recently issued a financing package of USD 330 million to Banco Agricola of El Salvador to support micro-, small and medium-sized enterprises (MSMEs), including those owned by women; housing for people with lower incomes; and “climate-smart” investments, including in buildings with lower environmental impacts. About 10 percent of the total package, which is a blend of IFC and third-party funds, is earmarked for lending as short-term working capital to help MSMEs cope with the impact of the COVID-19 pandemic. As part of the agreement, the Women Entrepreneurs Finance Initiative, which is housed in the World Bank Group, will assist Banco Agricola in serving the banking needs of women’s MSMEs. In addition, IFC will give Banco Agricola access to its Excellence in Design for Greater Efficiencies green-building certification tool to help the bank grow its portfolio of green assets, such as “sustainable” real estate development. Banco Agricola is a member of Bancolombia, a banking group headquartered in Colombia, and reports total assets equivalent to USD 559 million. September 30, 2020

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span thousands of fintechs, MFIs and other providers of critical services to people with low incomes, as well as impact investors, software providers, rating agencies, regulators, researchers and more!



SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2020 (EMW2020), which will take 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.

European Microfinance Week

MicroCapital: EMW2020 - like so many events nowadays - is going virtual. How will this change the conference? What will the experience be like for attendees?

Christoph Pausch: EMW2020 remains - like in all years - a member-led conference, with the agenda constructed around what members indicate they find most important each year. So that hasn't changed at all. But there will be clear differences, of course. There still will be a diverse range of sessions over three days (even more than usual in fact, with close to 50 events on the programme). But going online dictates that we be imaginative and innovative in the format and presentation of those sessions. Attendees will experience a huge range of event types - big plenaries and traditional panel discussions, but also fireside chats, keynotes, case study presentations, working sessions, topic lounges and publication launches, including of *Taking Shelter*, the new book on housing microfinance.

By this point in the COVID-19 pandemic, we have all experienced some form of "webinar fatigue." Lengthy online sessions with a series of presentations one after the other can be dull and exhausting. So in choosing our event platform and putting together the agenda, we've strived to design sessions guaranteed to be varied, engaging, dynamic and interactive.

MC: How do you suggest attendees choose from all these formats and topics?

CP: Firstly, the programme is split into thematic streams - for example, the impact of COVID-19, climate change, client protection, digitalisation, and the topic of this year's European Microfinance Award, "Encouraging Effective and Inclusive Savings." And they've been scheduled so that someone with a focus in a particular area can certainly attend all the sessions within that stream live. But one of the great advantages of going online is that all sessions will be recorded, and all attendees will have access to those recordings during and after the conference. One of the other opportunities of going online is bringing in a more diverse, international audience of stakeholders who would not be able to travel to Luxembourg. This allows new people across different time zones to take part, expanding e-MFP's network and also introducing more content focused on particular regions. So, in short, anyone attending the conference will be able to choose to take part live or watch after the fact. Virtual EMW2020 offers great flexibility.

MC: Besides the pioneering topics in over 40 sessions, what else can attendees expect from EMW2020?

CP: Every year after our in-person conference, we conduct a survey of participants, and one of the things that always stands out is how much attendees value the networking opportunities available at our wonderful conference venue in Luxembourg. So we knew from the start that our online conference would have to offer attendees the chance to reach out and connect as much as possible. It so happens that the pandemic has led to enormous advances in the effectiveness of the networking opportunities offered by online conference systems. So after trialing several, we found one that really does this very well. Attendees will be able to join different groups of other attendees based on their role or region or subject focus, allowing them to take part in smaller, focused group discussions. They'll also be able to invite additional people to a group or break off for one-to-one meetings. During an in-person conference, of course, this is exactly how many concepts move from idea to collaboration to stronger partnerships. Being able to connect people and organisations together is one of the things that a network like e-MFP does best.

By this point in the COVID-19 pandemic, we have all experienced some form of "webinar fatigue"... [but EMW2020] is not a list of 40-something webinars. It is a holistic, interactive knowledge experience that will help attendees share their ideas about the future of financial inclusion after this most challenging of years.

Another key element of EMW2020 is the online European Microfinance Award ceremony, which - as always - will be on the Thursday of the conference. As in past years, there will be videos about the three Award finalists - Buusaa Gonofaa, Muktinath Bikas Bank and RENACA-Bénin - and of course the announcement of the winner of the EUR 100,000 prize.

Beyond the networking and Award ceremony, attendees will see a stellar line-up of speakers across all the formats - top experts and opinion leaders in their fields, from all over the world. In almost all sessions, there will be a strong audience-engagement component as well, with opportunities to ask questions, take part in polls and share ideas. And more than ever, the conference will really become more than the sum of its parts. It is not a list of 40-something webinars. It is a holistic, interactive knowledge experience that will help attendees share their ideas about the future of financial inclusion after this most challenging of years.

Christoph Pausch is the Executive Secretary of e-MFP, a role he has held since 2007. 📧

SPECIAL REPORT

Student Lending for Tertiary Education: Lessons Learned

The Higher Education Finance Fund (HEFF) was implemented in seven Latin American countries with the objective of improving access to tertiary education for motivated yet socially disadvantaged young people. It was promoted by **Omtrix, Inc.**, a consulting and fund management company based in Costa Rica. HEFF's equity investors were the German development bank KfW, the Norwegian Investment Fund for Developing Countries (Norfund), the Swiss Investment Fund for Emerging Markets, the Luxembourg Finance and Development Fund, Corporación Andina de Fomento, Omtrix and the Calvert Social Investment Foundation.

HEFF was premised on the idea that student loans are an intrinsically viable product for financial institutions (FIs) with social objectives. The experience of HEFF confirmed the validity of this notion, provided that an adequate credit methodology is in place to facilitate implementation in a self-sustaining manner while at the same time generating a high level of social impact.

HEFF was launched in December 2011 as a closed-end vehicle with a life of 10 years. In addition to the funding provided by its equity investors, the program also attracted senior and subordinated debt from organizations including DFC/OPIC. As of June 2020, the program had benefited 12,000 low-income students, four times the initial objective. Of those students, 53 percent were female, and 49 percent had family incomes below USD 730 per month.



Beyond providing lines of credit to the participating FIs, the program had an associated technical assistance facility, which also was managed by Omtrix. This facility was funded with a total of USD 1.6 million from KfW, the Mastercard Foundation and the US Agency for International Development. Omtrix used this funding to work with each FI to implement the student-lending methodology at every level of the organization: training the staff, supporting the rollout of the new product, and promoting its marketing and commercialization.

Omtrix commissioned an evaluation of HEFF as it entered its final phase. Following is a summary of the conclusions of the independent consultant who was hired for this purpose.

- Overall, the fund was managed as per the guidelines stipulated in its organizing document. Omtrix kept administrative expenses below budget, and, in turn, income from treasury operations was higher than projected. Likewise, all participating FIs complied with the payment terms and conditions of the loans granted. Nevertheless, mostly because of FX losses, the fund came close to reaching breakeven and thus did not achieve its projected financial return to investors.

As of June 2020, the program had benefited 12,000 low-income students, four times the initial objective of the program. Of those students, 53 percent were female, and 49 percent had family incomes below USD 730 per month.

- One of the main objectives of HEFF was to expand the FIs' product portfolios by establishing education lending as a sustainable product. Of the 10 participating institutions, this objective was fully achieved in four and partially in two, while one institution already had educational loans as an integral part of its portfolio. In three institutions, the objective was not achieved. Taking into account the nature of HEFF as a pilot program, this result is considered satisfactory.
- While student loans tend to be less profitable than microcredit due to their nominally lower rates, it appears they can generate attractive levels of profit if they achieve critical mass. In addition, student loans have value as an alternative product for cross-selling and contributing to customer loyalty.
- Data on the social and economic impact of student loans funded by HEFF reveal marked differences among the participating FIs and their respective enabling environments as well as how these differences can have a material impact on the placement of student loans. For example, FIs with strong social mandates were more successful in implementing the product than those that were more commercially oriented. Moreover, the culture of each country should be recognized as a key factor when designing the product. For instance in some countries, parents don't want students to borrow to pay for their own education. Instead, the parents feel that paying for their children's education obligates the children to care for them during their retirement.

This feature is sponsored by Omtrix. Founded in 1995, the firm since has grown to manage several funds. Omtrix, which also provides consulting services in the impact investment space, is active in Africa and the Americas. 🇳🇮





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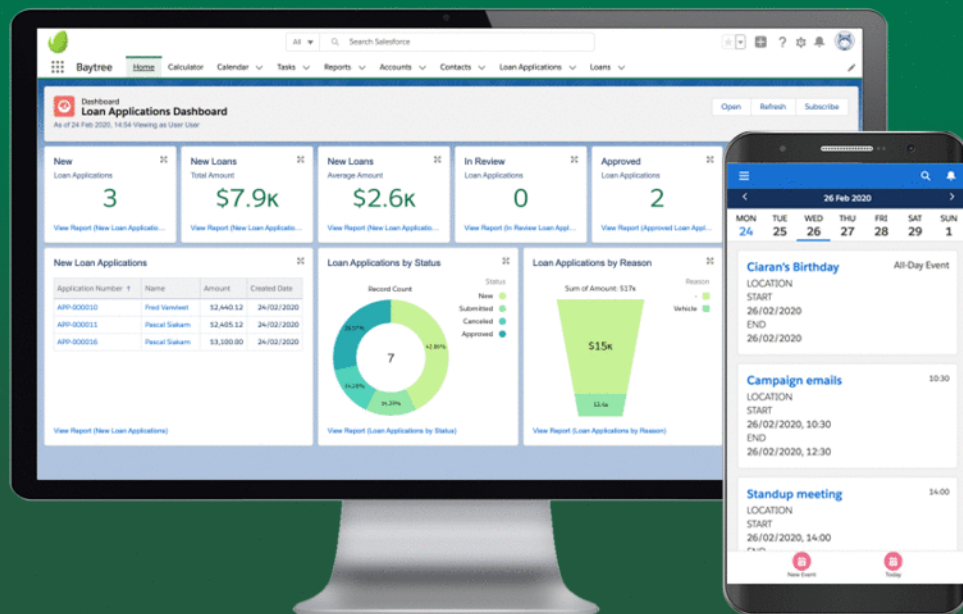
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EAR TO THE GROUND


Yes, Farmers Can “Get” Parametric Insurance

In 2017, I was in the department of Santander, Colombia, interviewing farmers for a study with Crezcamos and CGAP on the effectiveness of marketing and education for selling agricultural insurance. This included developing remote tools such as videos to explain the product in a standardized way. The first step was understanding how clients interact with their phones. We walked into home after home and learned that many farmers were using feature phones, not smart phones. And when we asked them to read an SMS (text) message, their literacy and poor eyesight often got in the way. “My son reads them to me when he visits,” explained one farmer. We also found that the farmers didn’t carry their phones around with them. When asked about their phones, farmers would sometimes lead us into the house and fish around in a drawer to find them. This was a problem for our study, which involved calling farmers two weeks after they purchased insurance to follow up; we only reached 10 percent of them. Although remote tools like videos can help quality - and potentially productivity - they would have no real impact on cutting the biggest cost of distributing insurance to farmers: the mobilization of loan officers to far-off places.

Early this year, we reactivated our work with Crezcamos as the micro-bank was launching a parametric insurance product to protect farmers from drought and excess rain. We had no idea COVID-19 was about to change the way everyone does business, but we knew that selling policies one-by-one through loan officers would be costly. Instead, we developed a multichannel strategy using loan officers as a complementary rather than the primary channel. Taking a lesson from 2017, we made the main channel the feature phone. We tested calls to farmers at various hours of the day and identified 4pm to 7pm as the most likely window for them to answer the phone. We then tested various explanations of the product with both clients and loan officers to get the wording right. We moved away from video, which relied on the loan officer traveling to each

farm with a smartphone to show the movie. Instead, we developed text messages and prerecorded audio messages to inform clients about the product. We expanded the hours of the call center to accommodate farmer availability, phoning farmers with a sales pitch after they received initial prerecorded messages. “Farmers felt proud that we were reaching out to them,” explained one project manager. With Crezcamos’ IT partners, we developed an end-to-end digital onboarding process that allows staff to enroll farmers either during a phone call or a visit to the farmer’s doorstep. After a successful pilot test in March, Crezcamos launched the product in two departments in July. By then, COVID restrictions were in place, making our remote strategy seem like a godsend. Crezcamos sold 19,815 policies in July and August. Crezcamos CEO Mauricio Osorio refers to these as the 19,815 reasons to continue to grow his business.

Selling parametric insurance is not easy. Although some people believe this is because the product is complex, I believe that most of those people are not farmers. In my experience, if the product is explained simply, most farmers grasp its concepts quickly. What farmers object to more often is the basis risk, as well as the potential for badly pegged triggers that could lead to insufficient payouts. While the way to get over this is to build a large enough pool of clients to show that significant payouts happen, reaching scale can be costly. Crezcamos’ multichannel strategy offers some insights into how to do this at lower cost while conforming to the needs of a post-COVID world.

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@eac-global.com, or you may follow her on Twitter at [BarbaraatEA](https://twitter.com/BarbaraatEA). 






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UPCOMING EVENTS

Inclusive Finance India Summit

January 19 - January 20, 2021; New Delhi, India

This event centers around advancing financial inclusion in India, including themes such as: (1) Regulation for Client Protection; (2) Resilient Institutions for a Strong Inclusive Financial System; and (3) Financial Literacy and Education. The summit concludes with the annual Inclusive Finance India Awards. While pricing has not been released, more details may be sought via [info\[at\]inclusivefinanceindia.org](mailto:info[at]inclusivefinanceindia.org), +91 11 49050255 or <http://inclusivefinanceindia.org/summit.html>.

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, but discounts are available to those registering by October 30 and those attending 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](mailto:office[at]uniglobal.eu).

Africa Trade and Investment Convention

March 26 - March 27, 2021; Amsterdam, the Netherlands

Attendees at 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](mailto:info[at]investinginafrica.eu) or +31 616 950 384.

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](mailto: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 November 30. 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](mailto:event[at]afsic.net). No telephone number is offered.

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

World Finance Conference

August 3 - August 6, 2021; Kristiansand, Norway

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 🇯🇲

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PAPER WRAP-UPS

Digital Survey: Digitalisation in Financial Inclusion

By Jessica Schicks, published by the Belgian Investment Company for Developing Countries (BIO), September 2020, 8 pages, available at <https://www.findevgateway.org/paper/2020/09/digital-survey-digitalisation-financial-inclusion>

Among a sample of 27 financial institutions in Africa, Asia and Latin America, Ms Schicks finds that the commercial banks drive more innovation in the digitalisation of financial services than the microfinance institutions (MFIs) with banking licenses and non-bank financial institutions (NBFIs) that lease to small and medium-sized enterprises. The products under evaluation were mobile wallets, micro-merchant payments, insurance, loans, savings, domestic transfers and international remittances. Although none of the banks offer mobile insurance, most of the banks offer all of the other six products in digital formats. The portion of MFIs/NBFIs offering each of the services varies from zero to 28 percent. Sixty-three percent of the commercial banks have agent networks, while 12 percent of MFIs/NBFIs do. Meanwhile, 27 percent of commercial banks offer mobile financial literacy modules, while only 13 percent of MFIs/NBFIs do so. In terms of barriers to digitalizing, all of the MFIs/NBFIs report human resource limitations, 59 percent report inadequate information technology systems; and 47 percent cite regulatory challenges.

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A COVID Perspective on Nepal Microfinance

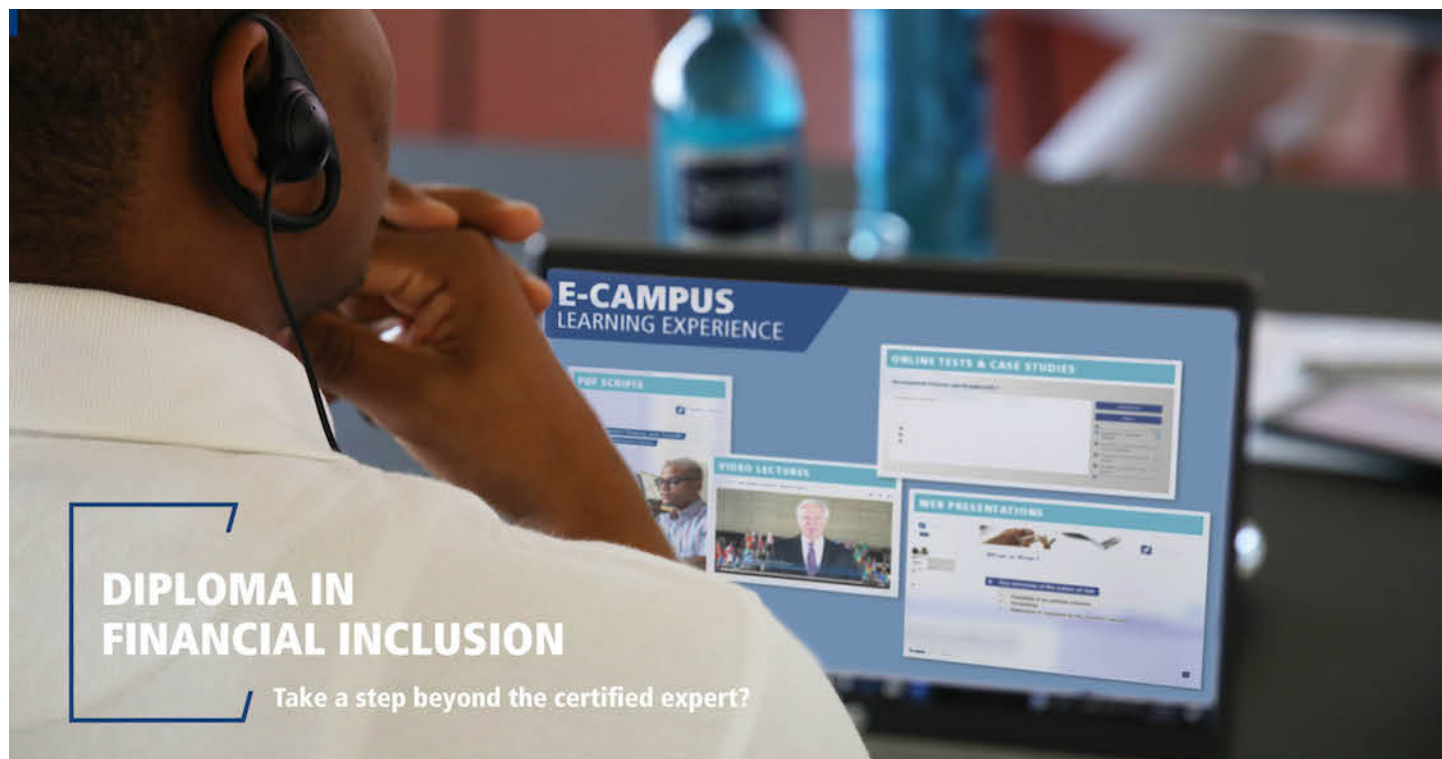
By Sanjay Sinha and Nara Hari Dhakal, published by M-CRIL, August 2020, 7 pages, available at <https://www.findevgateway.org/paper/2020/08/covid-perspective-nepal-microfinance>

The authors find that the COVID-19 pandemic has had less severe effects on the microfinance sector in Nepal than it has in other countries. This is partially because customers in Nepal didn't make significant withdrawals from their savings during the lockdown. However, an increase in the usage of digital services caused increases in operational costs of 10 percent to 15 percent. The authors estimate that 10 of the 16 institutions studied will need liquidity infusions totaling the equivalent of at least USD 137 million, which is greater than 5 percent of their total funds. Meanwhile, this shortfall may grow as returning migrants apply for loans, putting upward pressure on disbursements.

Impact of COVID-19 Pandemic on the Microfinance Sector in Europe: Field Analysis and Policy Recommendations

By Kinga Dabrowska, Pitor Korynski and Justyna Pytkowska; published by the Microfinance Centre; September 2020; 20 pages; available at <http://mfc.org.pl/wp-content/uploads/2020/10/Impact-of-COVID19-on-MF-sector.pdf>

Based on data from 22 European microfinance providers, the authors find that microenterprises are suffering a range of challenges due to the COVID-19 pandemic. Those in the service sector have generally been hit the hardest, while farmers have been impacted to a lesser degree. Among microlenders, most "are emerging from the pandemic in good shape," especially those that are larger, are more established in their market and had more liquidity before the pandemic, digital tools in place, exposure to agricultural lending and government support for small businesses. 📌



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