MicroCapital Monitor

ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

MICO CAPITAL BRIEFS  I  TOP STORIES

Marco, Funder of SME Exports from Latin America to US, Raises $82m
Please see page 3 for coverage of this MicroCapital Deal of the Month.

CGAP, GOGLA, IFC Launch PAYGo PERFORM Standards for Pay-as-you-go Solar
Two NGOs, US-based CGAP (Consultative Group to Assist the Poor) and the Netherlands-based Global Off-Grid Lighting Association (GOGLA), along with the Lighting Global program of the World Bank Group’s International Finance Corporation recently launched a framework for measuring the outcomes of pay-as-you-go (PAYGo) off-grid solar products. The PAYGo Performance, Reporting and Measurement (PERFORM) system “offers the PAYGo solar industry a standardized and transparent set of key performance indicators (KPIs)...[so that] companies can track, benchmark and improve performance...”. GOGLA Executive Director Koen Peters argued that a “lack of a standardized reporting framework has made it difficult for mainstream investors to analyze companies’ performance and channel capital to them.” PAYGo PERFORM outlines 36 KPIs across the following categories: Company and Operational, Portfolio Quality, and Unit Economics. July 26, 2021

CDC Updates ESG Toolkit for FSPs, Adding Climate Component
CDC Group, a development finance institution backed by the UK government, recently updated its environmental, social and governance (ESG) toolkit, which assists financial services providers (FSPs) in addressing common ESG challenges such as corruption, money laundering, and gender-based harassment and violence. Among the new features of the toolkit are: (1) a section on mitigating the impacts of climate change, introducing elements relating to climate risk assessments and climate-conscious investing; and (2) methods for integrating environmental, social and business-integrity risk management measures into transaction approvals. July 19, 2021

India Expands COVID-19 Guarantees for Bank Funding of MFIs
India’s Finance Minister, Nirmala Sitharam, recently unveiled a set of measures intended to boost the nation’s economic recovery following its second wave of COVID-19 infections. One of these is to encourage the distribution of 2.5 million retail microloans by microfinance institutions (MFIs), funded by wholesale bank loans guaranteed by the government. These guarantees will back up to 75 percent of losses lenders may incur on retail loans ranging up to the equivalent of USD 1,700. The guarantees had been offered previously, but only for commercial paper and non-convertible debentures, both of which required MFIs to offer collateral upfront. The revised rules allow for term loans from banks, which do not require collateral immediately. They also place an unspecified cap on the interest rates banks charge the MFIs and extend the maximum period of the debt from 18 months to three years. MFIs are eligible to participate whether they are organized as NGOs or non-banking finance companies. There are 170 such institutions in India, serving 48 million customers. July 19, 2021

GCA Foundation Disburses $10m for Microfinance in Indonesia, Myanmar
The Grameen Crédit Agricole (GCA) Foundation, whose head office is in Luxembourg, recently announced it has disbursed loans in local currency to three microfinance institutions (MFIs) active in Indonesia and Myanmar. GCA Foundation loaned the approximate equivalent of: USD 6.0 million to Mitra Bisnis Keluarga Ventura (MBK) of Indonesia, USD 2.6 million to Komida of Indonesia and USD 1.7 million to Proximity Finance for on-lending in Myanmar. Established in 2006, MBK reports USD 208 million in group loans outstanding to 1.1 million women. Established in 2004, Komida provides collateral-free loans and savings services to 720,000 low-income women in rural areas. It reports outstanding loans of USD 124 million and customer deposits of USD 42 million. Proximity Finance is a unit of Proximity Designs, which was founded in 2010 and is incorporated as an NGO in the US. The organizations serve Myanmar exclusively with 900,000 customers receiving technical assistance; research services; savings; and loans for farming, raising livestock, relocation and small business. June 30, 2021

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**MICROCAPITAL BRIEFS**

**Incofin Raises $60m for India Progress Fund to Boost Rural Firms**

Belgium-based Incofin Investment Management recently announced it has raised USD 60 million for the first close of the Incofin India Progress Fund (IPF). The fund will issue private equity investments that support agricultural value chains in rural India via access to financial services and international markets. IPF also has a mentoring component to support its investees. Incofin raised the capital from three development finance institutions (DFIs) and the following private Belgian investors: King Baudouin Foundation, Korys, SDG Frontier Fund and a group of unidentified family offices. The participating DFIs are the Belgian Investment Company for Developing Countries (BIO), the UK’s CDC Group and the French public-private partnership Promotion et Particiaption pour la Coopération Économique (PROPARCO). July 29, 2021

**DFC Boosts 2X Goal to $12b; Adds Climate, TA, WWB Partnership**

The government-backed US International Development Finance Corporation (DFC) recently announced a set of initiatives to boost its promotion of gender equity, including: (1) increasing its goal of investing in women to USD 12 billion over five years through its 2X Women’s Initiative, which supports “investment in projects that are owned by women, led by women, or provide a product or service that empowers women”; (2) launching a 2X Technical Assistance Pilot Program to help the private sector boost the number of women leadership positions and access to financial products designed specifically for women; (3) plans to invest in “solutions that address the disproportionate impact of climate change on women and girls”; and (4) improving DFC’s qualitative methods for measuring the impact of gender-focused investments. Also, DFC and the EU’s European Investment Bank named the Women’s World Banking (WWB) Capital Partners II fund of the US-based non-profit WWB as a 2X Challenge Pioneer Flagship Fund for its “explicit and intentional gender lens strategy.” July 27, 2021

**IVV Loans $18m to Khan Bank of Mongolia**

Germany’s Invest in Visions (IVV), under the advice of Belgium-based Incofin Investment Management, recently lent USD 18 million to Khan Bank of Mongolia from IVV Microfinanzfonds. The proceeds primarily are slated for on-lending to micro-, small and medium-sized enterprises, especially those seeking to adjust to COVID-19, such as by transitioning to virtual business models. The bank also will use a portion of the funds to support its business support programs including new initiatives, such as an online forum connecting consultants with entrepreneurs seeking marketing and financial advice. Khan Bank Deputy CEO Ravlai Erdenelegler said, “With this loan facility, Khan Bank is better positioned to address the long-term financing needs of our clients and to strengthen their resilience.” Established in 1991, Khan Bank provides microfinance and traditional banking services to 2.5 million clients online and at 547 branches. Its product menu includes deposits, international transfers, escrow services, payment cards and various types of loans. The bank reports total assets of USD 4.3 billion, deposits of USD 2.7 billion and USD 1.9 billion in outstanding loans. July 23, 2021

**Muthoot of India Raises $10m in MLDS for Microlending**

Muthoot Microfin Limited, a unit of Indian conglomerate Muthoot Pappachan Group whose focus is microlending to female entrepreneurs, recently raised the rupee-equivalent of USD 10 million via market-linked debentures (MLDs) that mature in 10 months. Muthoot Microfin CFO Praveen Thoropady said the MLDs allowed the firm “to raise funds at very competitive rates. Current MLD is listed at 10.25 percent, and going forward we expect this cost to go down by 50 to 75 basis points.” The firm’s CEO, Sadaf Sayeed, noted, “We also plan to close our USD 50 million equity fundraising very soon.” Muthoot Microfin reports gross annual income of USD 1.2 billion on a loan portfolio of USD 5.6 billion, 8 million loan accounts, 25,000 employees and 4,500 branches in 29 states in India. July 21, 2021

**EIB Lending Intesa Beograd $47m for COVID-19 Relief in Serbia**

The European Investment Bank, an entity of the EU, recently extended a credit line equivalent to USD 47 million to Banca Intesa Beograd (BIB) in an effort to boost the Serbian economy, countering the downturn caused by the COVID-19 pandemic. The funds are for on-lending to small and medium-sized enterprises (SMEs) and mid-caps to support operations, job retention and capital investment. Among the EU guidelines for defining an SME is that it employs more than 10 people and fewer than 250. Founded in 1991, BIB is a member of Intesa Sanpaolo Group, which is based in Italy and offers retail banking, corporate banking and wealth management in Europe, the Middle East and North Africa. It closed its 2020 fiscal year with total assets of USD 1.2 trillion, 19 million customers and 4,900 branches. BIB serves 1.4 million clients via 155 branches in Serbia with total assets of USD 7.2 billion. July 20, 2021

**India’s Sohan Lal App to Gauge Seed Quality**

Incofin Investment Management, which is based in Belgium, recently announced a grant equivalent to USD 147,000 from its agricultural technical assistance fund and the Smallholder Safety Net Upscaling Programme (SSNUP) to fund a mobile application for customers of Indian agricultural logistics firm Sohan Lal Commodity Management (SLCM). The app, which SLCM plans to launch by December, will “enable the trader or farmer to check the quality of crop seeds [by taking a picture of them] on a smartphone or tablet.” SLCM CEO Sandeep Saharwal stated, “This grant is an endorsement of our sustained efforts to digitalise processes for the ease of our stakeholders and customers, and our commitment to modernise India’s post-harvest agricultural value chain with cutting-edge technologies.” SLCM offers purchasing, financing, collateral management and other services to a range of actors in agricultural value chains. The firm manages 7,000 warehouses and 19 cold storage units. ADA, an NGO in Luxembourg, launched SSNUP in 2020 to improve “the safety nets of smallholder farmers in Africa, Latin America and Asia by boosting the development of agricultural value chains.” July 19, 2021

**GCAF Loaning $2.6m to Humo of Tajikistan, ACF of Kazakhstan**

The Grameen Crédit Agricole Foundation, whose head office is in Luxembourg, recently announced it has begun disbursing two loans in local currency to microfinance institutions (MFIs) in Central Asia. In Tajikistan, Humo is borrowing the equivalent of USD 1.4 million, and Asian Credit Fund (ACF) of Kazakhstan is borrowing USD 1.2 million. Both loans are to be used for on-lending to vulnerable populations, primarily in rural areas. Humo provides microloans and advisory services to 73,000 clients, of whom 73 percent live in rural areas. It has a loan portfolio of USD 44 million. Active since 1997, ACF provides financial services and technical assistance to promote the development of rural households and communities, grow small businesses, and facilitate home ownership. The MFI serves 27,000 clients, the majority of whom are women and 93 percent of whom reside in rural areas. It holds a loan portfolio of USD 19 million. July 19, 2021
CredAvenue Raises $45m for Spandana for Women in Rural India
CredAvenue, an India-based financial intermediary, recently issued market-linked debentures (MLDs) valued at the equivalent of USD 45 million for Spandana Sphoorty Financial Limited, a non-banking financial company (NBFC) providing microloans to women in rural India. The buyers of the debentures have not been identified publicly. The yield on the MLDs depends upon the price of G Sec, a benchmark government security, at the time of payout. For example, if the benchmark declines by no more than 25 percent during the 30-month term of the bond, investors will receive an 11-percent yield, but if G Sec declines by 75 percent, investors will receive their principal back with no earnings. Spandana has 1,000 branches in 18 states. The firm reported income of USD 192 million on total assets of USD 791 million for the year ending March 2020. Sarath Bhaskaran, Deputy Vice President at CredAvenue, said, “There is enough liquidity on [our platform] Plutos from mutual funds and NBFCs for investors to sell the MLDs before maturity and realize the gains on them.” CredAvenue is owned by Vivriti Capital, an India-based NBFC. July 19, 2021

Homeowners in BiH to Access Energy Grants, Loans via ProCredit
The UK-based European Bank for Reconstruction and Development (EBRD) recently announced it is lending the equivalent of USD 2.4 million to ProCredit Bank Bosnia and Herzegovina to on-lend for residential “investments in insulation, windows, heat pumps, solar panels and other improvements” that reduce energy usage. ProCredit Bank is a member of Germany’s ProCredit Holding, whose members provide banking services to individuals as well as small and medium-sized enterprises (SMEs). In support of the transaction, the EU has agreed to offer end-borrowers cash incentives for completing their home improvements. These grants will range up to 20 percent of the amount of each retail loan. EBRD announced the loan as part of the EU’s Green Agenda for the Western Balkans and is disbursing the funds from the EBRD Green Economy Financing Facility (GEFF). Founded in 2019, GEFF has delivered funds to 145 financial institutions to on-lend to SMEs and individuals for “green” investments in Eastern Europe, West Asia and the Middle East. ProCredit Bank reports total assets of USD 368 million, a gross loan portfolio of USD 283 million and deposits of USD 200 million. ProCredit Holding, which has banks in Ecuador, Georgia and 10 European countries, reports assets of USD 9.1 billion. June 16, 2021

Marco, Funder of SME Exports from LatAm to US, Raises $82m
US-based Arcadia Funds and Chile-based Kayyak Ventures recently led a funding package totaling USD 82 million in favor of Marco, a US-based company that funds exports to the US from small and medium-sized enterprises in Latin America. Twelve other investors also participated in the package, which consists of a quadrupling of the firm’s borrowing capacity to USD 100 million plus USD 7 million in seed funding. Marco CEO Jacob Shoilhet stated, “Now we can work at a larger scale by building infrastructure and information through the underwriting process and through partnerships from larger players in shipping, trade services and insurance.” Founded in 2019 and launched in 2020, Marco operates in 20 countries, July 16, 2021

IVI Mikrofinanzfonds Loans $2m to FINCA Tajikistan
German investment research firm Agents for Impact recently advised Germany-based Invest in Visions (IVI) on its disbursement of a loan from IVI Mikrofinanzfonds in the amount of USD 2 million to FINCA Tajikistan, a microfinance institution (MI) affiliated with the US-based for-profit FINCA Impact Finance. FINCA Tajikistan was founded in 2003 and seeks to reduce poverty via group and individual loans for purposes such as agriculture and small and medium-sized enterprise. The institution serves 25,000 customers. FINCA Impact’s shareholders include the US-based NGO FINCA International, which was launched in 1984 as the Foundation for International Community Assistance (FINCA). FINCA Impact Finance comprises 20 banks and MIs delivering savings, loans and other services to 2.6 million customers in Africa, Eurasia and Latin America, July 16, 2021

EIB Lending Jordan Kuwait Bank $119m for SMEs
The EU’s European Investment Bank recently extended a credit line equivalent to USD 119 million to Jordan Kuwait Bank in an effort to boost the Jordanian economy, countering the downturn caused by the COVID-19 pandemic. The funds are to be used for on-lending to small and medium-sized enterprises as part of the Economic Resilience Initiative, an EU program addressing “challenges in the Southern Neighbourhood and Western Balkans, such as forced displacement and migration, economic downturns, political crises, droughts and flooding.” Founded in 1976, Jordan Kuwait Bank has 64 branches in Jordan and one in Cyprus. Its assets total USD 4 billion. The bank’s majority shareholder is the Kuwait Projects Company, which has holdings in 24 countries in the Middle East and North Africa in the following sectors: financial services, education, manufacturing, media and real estate, July 14, 2021

Amazon “Digital Kendra” Storefronts to Engage Indian MSMEs
US-based retailer and technology company Amazon recently launched a Digital Kendra customer service location to assist micro-, small and medium-sized enterprises (MSMEs) in India in boosting their digital sales. The firm plans to open more such storefronts, which will offer education regarding e-commerce, digital marketing services, logistics, shipping and taxation. The storefronts will also help MSMEs with registering as “sellers on Amazon.in or engaging with other Amazon programs.” Amazon plans to hire local firms to manage and establish the locations. Amazon’s country manager for India, Amit Agarwal, stated, “Last year, we had announced that Amazon will invest USD 1 billion in India to help digitize 10 million Indian MSMEs by 2025. And today, we take one more important step towards that goal as we open our first Amazon Digital Kendra in Surat, Gujarat.” The word kendra means center in Hindi. As of June 2020, Amazon reported quarterly net income of USD 5.2 billion on net sales of USD 89 billion. July 14, 2021

EU, OACPS, UNCDF Boosting Digital Finance for Women, Youth
The EU’s European Commission; the Organization of African, Caribbean and Pacific States; and the UN Capital Development Fund (UNCDF) have announced a program with a budget equivalent to USD 17.7 million intended to utilize digital finance to improve financial inclusion and access to e-commerce for 600,000 women and youth in 10 countries. One of these is Malawi, where UNCDF’s Digital Finance for Resilience program is working with the government to support private digital finance providers in “managing or growing their agent networks to increase usage of and access to digital financial services and expand financial and digital literacy and innovative products and services that meet the customers’ needs.” Iris Kisiiti, who serves as Digital Finance Coordinator for Malawi at UNCDF, said, “Digital transformation plays a key role in Malawi through its impact on improving governing efficiency, transforming the agriculture and energy sector, improving health and education, and addressing inequality.” July 13, 2021

ANDE, IDB Launching Digital Program for MSMEs in Uruguay
The Inter-American Development Bank (IDB), a multilateral finance institution that promotes economic development in Latin America and the Caribbean, recently approved a loan of USD 15 million to support micro-, small and medium-sized enterprises (MSMEs) in Uruguay via a program intended to increase in MSMEs’ adoption and awareness of “digital solutions, increase the supply of digital goods and services, and strengthen the offer of digital talent creation services.” The loan is being channeled through Agencia Nacional de Desarrollo (ANDE), an agency of the government of Uruguay, and it has a term of 25 years, a grace period of 3.5 years and an interest rate based on the London Inter-bank Offered Rate (LIBOR). ANDE President Carmen Sánchez stated, “International evidence shows that the adoption of digital technologies allows improving business performance in terms of sales, jobs and productivity [such as via] additional sales channels, forecasting and anticipating customer needs, automating management processes, and speeding up and making innovation processes cheaper.” July 12, 2021
Oxus MFIs in Central Asia Borrow $2m from GCA Foundation

The Grameen Crédit Agricole (GCA) Foundation, whose headquarters is in Luxembourg, recently announced it is disbursing loans in local currency to two members of the US-based Oxus Group for on-lending to low-income clients. The wholesale loans, which have three-year terms, are in amounts approximately equivalent to USD 1.2 million for Oxus Tajikistan and USD 945,000 for Oxus Kyrgyzstan. Oxus Tajikistan, which primarily serves microentrepreneurs and farmers, holds a loan portfolio of USD 12 million serving 14,000 customers, including 11,000 people who live in rural areas and 5,000 women. Founded in 2006, Oxus Kyrgyzstan caters to the “working poor and the under-banked,” serving 8,000 clients, of whom almost three quarters reside in rural areas and almost half are women. The microlender holds a loan portfolio of USD 7.4 million and operates 11 branches in five of Kyrgyzstan’s seven regions. Headquartered in the city of Bishkek, Oxus Group serves 43,000 clients in Afghanistan, Kyrgyzstan and Tajikistan. Its members offer group loans and individual business loans. None offer deposits. Oxus Group is majority-held by ACTED, a French NGO formerly known as the Agency for Technical Cooperation and Development. Founded in 1993, ACTED is active in areas such as disaster resilience and “cultural promotion” in 38 countries. July 9, 2021

Fairbanc Nets Equity for Payments, Loans for MSMEs in Indonesia

Fairbanc, a US-based lender and payment facilitator for micro-, small and medium-sized enterprises (MSMEs) in Indonesia, recently raised pre-Series A equity of an undisclosed seven-figure amount. Of the participating investors, those that have been identified are ADB Ventures, an arm of the Asian Development Bank (ADB); Accion Venture Lab, a unit of US-based nonprofit Accion; East Ventures, an Indonesia-based venture capital firm; and the Samporna Group, an NGO backed by Indonesian billionaire Michael Sampoerna. Fairbanc plans to use the funding to increase credit access for small retailers in Indonesia and develop a system that will help these retailers manage their inventory in general as well as ahead of adverse weather events. Fairbanc’s platform allows MSMEs to access digital credit, connect with suppliers, and receive and send payments. Fairbanc also has partnered with fast-moving consumer goods (FMCG) companies, such as Danone, L’Oréal and Unilever, to provide users with a “pay-later option.” In addition, the firm provides phone-based microloans for merchants via a system that uses artificial intelligence to evaluate credit applications and provide decisions instantly. Founded in 2018, Fairbanc serves approximately 60,000 merchants. The firm reports that its partnerships with FMCG firms have enabled its MSME customers to increase their sales by roughly 35 percent. July 7, 2021

IFC to Loan to Agrofertil of Paraguay to Support Farming, Equality

The World Bank Group’s International Finance Corporation (IFC) recently agreed to loan up to USD 20 million as working capital for Agrofertil, a company that provides credit, crop insurance, agricultural inputs and agricultural consultation to farmers and farmer cooperatives in Paraguay. Through the loan, which may be renewed yearly for five years, IFC aims to support Agrofertil’s work with farmers cultivating small and medium-sized plots. One of the ways Agrofertil is to work toward these goals is by becoming certified by the Switzerland-based Economic Dividends for Gender Equality (EDGE) Certified Foundation. EDGE helps “measure, accelerate, and certify gender and intersectional equality in the workplace.” Founded in 1993, Agrofertil is headquartered in Ciudad del Este and has 25 locations providing financial services and storage for agricultural products. Financial information on the firm is not available. July 5, 2021

Incofin Loan to Bina Artha to Support Rural Women in Indonesia

Belgium-based Incofin Investment Management recently lent USD 2 million from its Incofin CVSO fund to Bina Artha, a microfinance institution (MFI) in Indonesia. Incofin Investment Management acknowledges that, due to the COVID-19 pandemic, the loan comes “at a time of tight liquidity management and operational stabilization efforts from the MFI.” Founded in 2011 as a venture capital firm, Bina Artha serves low-income women in rural areas. It extends to individuals and groups in amounts equivalent to USD 173 to USD 3,460 over periods of four months to three years. The vision of the MFI is “that providing access to finance to low-income households engaged in micro- and small enterprises in Indonesia gives them an important tool to achieve economic and social upliftment.” Bina Artha has a portfolio of USD 78 million outstanding to 350,000 clients served via 345 branches in eight provinces in Indonesia. Bina Artha is owned by CreditAccess SE, which also owns the MFI CreditAccess Philippines and has an operating agreement in place with CreditAccess India. July 1, 2021

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Tanzania Mortgage Refinance Company Sells $3.8m in Bonds

The Tanzania Mortgage Refinance Company (TMRC) recently completed a bond issue on the Dar es Salaam Stock Exchange. The listing had a target equivalent to USD 3 million and reached a total volume of USD 3.8 million. This is the third funding round under TMRC’s Medium-term Note program, which has raised a total of USD 54 million as part of the company’s shift from public to private financing. Among the buyers of the bonds was the World Bank Group’s International Finance Corporation (IFC), which bought about a third of the bonds sold in this round. IFC, which has been a shareholder of TMRC since 2019, holds 9.2 percent of the company’s shares. TMRC’s other shareholders include Kenya-based Shelter Afrique and the Tanzanian banks Azania Bank and the Cooperative and Rural Development Bank. TMRC was founded in 2010, and as of 2018 it reported total loans of USD 44 million. For that year, the institution issued dividends totaling USD 154,000, July 22, 2021.

IFAD Program Launches with $5m Loan to Nigeria’s Babban Gona

The UN’s International Fund for Agricultural Development (IFAD) recently launched the Private Sector Financing Programme (PSFP) to support rural businesses; combat hunger and climate change; and empower vulnerable groups in low-income countries. The program will fund loans, equity and guarantees to benefit “small and medium-sized enterprises and farmers’ organizations and financial intermediaries servicing small-scale farmers.” IFAD’s goal is to leverage private investments of USD 1 billion to support 5 million beneficiaries. The first disbursement from PSFP is a loan of USD 5 million to Babban Gona, a social enterprise in Nigeria that helps farmers transition from subsistence agriculture to market-oriented farming. Babban Gona plans to use the loan to provide training, inputs and marketing services to roughly 377,000 rice and maize farmers; help farmers store their surplus harvest; and create “up to 65,000 jobs for women and 66,500 jobs for youth by 2025.” The loan to Babban Gona is IFAD’s first transaction that is not either a grant or sovereign loan, July 22, 2021.

Divercity Raises $36m to Build 2,500 Homes in South Africa

The CDC Group, a development finance institution backed by the UK government, has announced a set of local-currency commitments equivalent to USD 36 million to the Divercity Urban Property Fund, a for-profit entity in South Africa that invests in high-density urban areas. The fund is budgeted to construct 2,500 residential units over five years, mostly in the city of Johannesburg. The unit pricing is intended to be affordable to households with low and moderate incomes, and the construction methods are designed to minimize emissions of greenhouse gases. The sources of the funds are CDC; previous Divercity shareholders; and Futuregrowth Asset Management, a firm in South Africa. Divercity has a set of local-currency commitments of USD 1 billion as part of the company’s shift from public to private financing. Among the buyers of the bonds was the World Bank Group’s International Finance Corporation (IFC), which bought about a third of the bonds sold in this round. IFC, which has been a shareholder of Divercity since 2019, holds 9.2 percent of the company’s shares. Divercity’s other shareholders include Kenya-based Shelter Afrique and the Tanzanian banks Azania Bank and the Cooperative and Rural Development Bank. CDC was established in 2005, and as of 2018 it reported total loans of USD 44 million. For that year, the institution issued dividends totaling USD 154,000, July 22, 2021.
Unlock New Value from Lending Operations: 6 Reasons Why Digital Loan Origination Holds the Key to Lasting Success

If your organization still relies on paper-driven lending processes, you’re missing out on opportunities to cut costs, boost efficiency and tap into new markets. Read on to discover the top reasons you can’t afford to delay making the move to digital loan origination.

Loan origination has long been a complex, highly manual process. It typically involves piles of paperwork, in-person visits and rigorous checks that cost financial providers serious time, money and effort. But this lending landscape is changing fast: Borrowers increasingly expect fast, friction-free digital experiences, and disruptive players are entering the market, ready to deliver on those demands.

Organizations must adapt if they want to stay relevant - making lending faster, easier and more accessible. And that transformation starts with digital loan origination. Digitization brings a huge opportunity to boost throughput, transparency and efficiency, all while offering customers a more streamlined and satisfying experience. If your organization is still on the fence about digitizing lending operations, here are six reasons why it’s worth making the leap.

1. Reach new target groups
Embracing digital channels allows lenders to deliver a differentiated lending experience - wherever their customers are. With the ability to apply for loans digitally, borrowers no longer need to visit branches in person, and financial institutions no longer need a large physical presence in the regions they serve. This makes expansion into new markets much more cost-effective. What’s more, digitization helps lenders appeal to new target groups that are used to the speed and convenience of digital channels - creating valuable opportunities to grow the customer base and lift revenues.

2. Cut operating costs
Digital loan origination can drive significant value for lenders through increased efficiencies and lower operating costs. Reducing reliance on paper-based processes (or eliminating them entirely) drives down onboarding costs. Automated operations allow more loans to be processed with far fewer resources, for further savings. Platforms like MoneyPhone’s Digital Loan Origination Solution that include a loan management portal and management dashboards, can drive more intelligent decision-making that helps reduce underwriting costs.

3. Reduce interest rates
An added benefit of improved operational efficiency is the ability to offer credit at more competitive rates. By driving down the cost of processing and servicing loans through digitization, organizations can pass these savings on to their customers in the form of lower interest rates. In turn, this helps lenders stand out from competitors and win more customers, driving business growth.

4. Scale faster
Digitization also makes it possible for financial institutions to scale up lending operations quickly and cost-effectively. Freed from complex and time-consuming manual processes, loan officers can manage a higher volume of work with greater speed and accuracy. As a result, organizations can grow their loan book without added resources - supporting efficient expansion.

5. Redefine the customer experience
When financial institutions digitize loan origination, they are able to provide a far superior experience to borrowers. By digitally integrating and connecting the process, lenders can serve customers in a faster, more transparent and more convenient way. This will set them apart from their competitors, helping them to build more durable and trusted customer relationships, increase their market share, and grow their business over the long term.

“By driving down the cost of processing and servicing loans through digitization, organizations can pass these savings on to their customers in the form of lower interest rates. In turn, this helps lenders stand out from competitors and win more customers, driving business growth.”

6. Improve turnarounds times
With digitized loan origination, it’s possible for organizations to service loans much faster than with a manual, paper-based approach. Instead of going to a branch, filling out paperwork and then waiting for days, borrowers can apply for a loan in minutes via a self-service portal on the lender’s website - or by working with a field officer to complete an online application. Loan officers can then use an online workflow to review and process the application, and manage disbursements and repayments digitally. It makes for a much smoother, faster process from start to finish.

Demo MoneyPhone’s Digital Loan Origination Solution now at: https://www.money-phone.com.

MoneyPhone’s mission is to empower the 2 billion unbanked and poorly banked inhabitants of our planet. It deploys cutting-edge technology that gives people access to the cheapest credit possible, anywhere and anytime.
SPECIAL REPORT

This feature is part of a sponsored series on the SAM 2021, which is organized by the Luxembourgish NGO ADA, the Microfinance African Institutions Network (MAIN), the African Rural and Agricultural Credit Association (AFRACA) and the Association of Microfinance Institutions in Rwanda (AMIR), with the support of the Directorate for Development Cooperation and Humanitarian Affairs of Luxembourg and the Government of Rwanda. The event is scheduled to take place from October 18 to October 22 in Kigali, Rwanda. MicroCapital has been engaged to promote and document each of the SAMs since 2015.

The SAM 2021

MicroCapital: How will the theme resilience be addressed during the SAM 2021?

Yombo Odanou: The EU has defined resilience as “the capacity of an individual, household, community, country or region to resist, adapt and recover quickly from crises and shocks.” The dual climate and COVID-19 crises and their effects on the global economy are forcing institutions to find new ways to take advantage of this austere environment.

Christophe Hebting: We believe the discussions at the SAM can build the resilience capacity of all actors in the inclusive finance sector. This includes addressing questions such as: How can resilience be increased through structural change? In the face of climate change? Through technological innovations?

MC: How are you addressing concerns attendees may have regarding the potential transmission of COVID-19 during the event?

YO: Since the beginning of this pandemic, MAIN has initiated actions to enable its members to minimise the risk of infection, allowing them to continue their activities. The SAM is yet one more place where these actions can be put into practice. The fight against COVID-19 is a matter of collective discipline. The respect of preventative measures decreed by the health authorities is required. Entry to the conference centre will be conditional on the presentation of a PCR test that is less than 72 hours old or proof of vaccination against COVID-19. Finally, we are also counting on the know-how of the Rwandan people, who have consistently respected the pandemic restrictions.

CH: I was in Kigali recently. The measures taken by Rwanda to avoid the spread of the virus are much stricter than in Europe at the moment. For example, those without proof of vaccination must submit to a COVID-19 test on arrival at the airport and quarantine in an approved hotel until the result is known; those entering restaurants must have their temperature taken; and a 19:00 curfew is in effect. All of these measures are carried out with no significant public resistance.

MC: Why else is Rwanda the right location for the SAM this year?

YO: The history of the 1994 Rwandan genocide is well known. Given the tremendous capacity the country has demonstrated to recover from this deep shock, we believe it is the ideal place to talk about resilience.

MC: Is there a portion of the agenda about which you are particularly excited?

CH: Any selection is subjective, but what I am looking forward to are the concrete solutions for improving the conditions of the most vulnerable.

YO: The SAM 2021 agenda is very rich in diversity. The challenges of making structural changes, technological innovations, risk management and innovative methodologies in green finance are all themes that I find interesting.

CH: What excites me most of all is the possibility of a face-to-face event, after we have been deprived of direct contact for all this time.

MC: What other reasons are there to attend the SAM?

CH: The main reason is to be able to meet people, exchange ideas and discuss the shared desire to find solutions for the sector to grow even more.

YO: The SAM has always been a space that brings together financial inclusion practitioners, investors, donors, researchers and others. It is a major African event, allowing different groups of people to share their visions on a unifying theme to which they all contribute in different ways: building a more inclusive and resilient sector.

“The history of the 1994 Rwandan genocide is well known. Given the tremendous capacity the country has demonstrated to recover from this deep shock, we believe it is the ideal place to talk about resilience.”

MC: What else would you like to share about the SAM 2021?

CH: The richness of such an event is the variety of people who participate, all driven by the desire to contribute to building an even more agile and impactful inclusive finance sector.

YO: There is great potential and need for African financial institutions to integrate the paradigms of green finance, social performance and transparency into their daily operations. The SAM 2021 is a prime place to learn how to make this happen.

Yombo Odanou is the Chairman of MAIN. Christophe Hebting serves as Head of Communications and Public Relations at ADA. ℹ️
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SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2021. MicroCapital has been engaged to promote and report on the conference each year since 2012.

“Financial Inclusion Compass 2021” Reveals a Sector Grappling with the Consequences of COVID-19 – and Trying to Look Beyond It

In 2018, e-MFP launched the first Financial Inclusion Compass, a new annual publication series to collate sector opinions on emerging short-, medium- and long-term trends in the financial inclusion sector. e-MFP is delighted to now publish the English language version of the Financial Inclusion Compass 2021 – the fourth in the series.

The survey on which this paper is based was open in May 2021, with financial services providers (FSPs), investors, donors, researchers and support services providers evaluating and describing the importance of various current Trends, rating future New Areas of Focus, and providing open-comment qualitative input on the expected (and hoped-for) direction of financial inclusion progress.

The survey had two main sections: in Section 1, respondents rated from 1-10 the current importance of a list of 20 Trends and evaluated a list of 16 future New Areas of Focus to rank their highest five in terms of future significance. Optional comments on each were possible. Section 2 had three optional and open-ended questions, with a focus on the impact of the pandemic.

The Compass received 125 responses from 39 countries. A plurality of respondents were FSPs, followed by consultants/support services providers, infrastructure organisations, funders and researchers. On the main geographic focus of respondents’ work, a plurality selected Global, followed by Sub-Saharan Africa, Asia and Latin America.

Trends

Two new trends, introduced in response to the uniquely challenging context of the pandemic, took the top two spots in the rankings.

1. Strengthening of client resilience
2. Increase in women’s empowerment and gender equality
3. Expansion of digital innovations (client-side)
4. Maintaining or deepening outreach to the very poor
5. Expansion of digital transformation (institutional-side)

As always, there are significant differences among respondent groups. FSPs rate Strengthening of client resilience as much less important than do other groups, but they put Increase in new investors or funding channels much higher. Consultants believe Promotion of good governance is much more important than others do, while both funders and infrastructure organisations rate Increase in women’s empowerment and gender equality considerably lower than respondents overall. Researchers rate Increase in new categories of financial service provider (fintechs, consumer lenders, banks downsizing) of high importance.

New Areas of Focus

The top three areas of focus are the same as in previous surveys, but the order continues to switch. There are also increases in the rankings for Green finance and decreases for Housing and Energy. Financial literacy (incl. digital literacy), a new entrant, is in a high position at fourth.

1. Small and medium enterprise (SME) finance
2. Climate change adaptation/ mitigation
3. Agri-finance
4. Financial literacy (incl. digital literacy)
5. Green finance

FSPs are extremely positive on the future significance of SME finance, but consultants and infrastructure organisations are much less so. By contrast, FSPs rate Climate change adaptation/mitigation much less important in the future than other respondent groups, especially consultants and funders.

In the optional qualitative section of the survey, which generated submissions totaling over 40,000 words, respondents were asked three questions.

First, they were asked what the most significant challenges facing the sector are – and what must be done to meet them. Respondents are clear on the importance of financial inclusion in tackling the health, financial and economic impacts of COVID-19. They are very concerned about the exacerbation of poverty because of the pandemic, with continued uncertainty on its full impact and with bleak overall forecasts. They believe that client resilience (especially that of women) is growing in importance, and they recognise the close interconnection between client, institutional and sector-level resilience – and the feedback loops that exist between them – including how efforts to strengthen resilience at one level can risk undermining it at another. Respondents argue for better coordination and partnerships, especially between providers and governments/regulators, who will have to continue to play a larger role than before. They also see the need to manage the inevitable growth in digital products and channels, catalysed by the pandemic, and the likelihood of many low-touch, branchless delivery models becoming permanent. This march of digitisation continues to divide respondents, many of whom stil see digital as a threat to social missions and – particularly after the closure of the Smart Campaign – to client protection.

Respondents were also asked how their roles have changed, individually or as an institution, and what lessons they have learned. There has been, for many, a considerable challenge in retaining value and productivity through a year of remote working and travel restrictions, which have made certain technical assistance and research activities challenging or even impossible. However there have been gains too – from virtual events bringing in new participants, to support providers training local experts, to a less tangible sense of “shared focus.” This has been visible in many areas, including the welcome collaboration among funders to meet shared challenges. There is hope that this can persist in a post-COVID-19 sector. It’s important as well to remember the human cost of the pandemic and those who have suffered the most. For FSPs in particular, it has been a year of stress, anxiety and in some cases, grief. An enduring lesson to take from this crisis has been the value of flexibility and institutional agility; think and move fast – but ensure that what is being done has value; be cautious of conflating “activity” with “impact.”

Finally, respondents were asked what changes they would like to see in the sector in the next several years – how can we “build back better”? Respondents hope for reforms in markets and data sharing to increase responsiveness to future crises, including via regulation. They want to see a renewed focus on client-centricity, acknowledging that the impact of the pandemic on poor households and businesses is not fully known, but is enormous. And while the growth of digital may well be both threat and opportunity, it is best met with strengthening of strategic alliances with fintechs, which must be seen as partners and not as adversaries. Finally, there are opportunities for a wholesale “re-think” of the entire financial inclusion system: more demand-oriented, flexible and responsive, getting back to the roots of financial intermediation to develop a sector that works for more people.

Thanks must go to the respondents and everyone else who made this paper possible, and on behalf of e-MFP we hope these high-level summary points encourage you to delve into the details of the paper to see where the sector sees itself now – and where it thinks it will be going.

About the Author: Sam Mendelson is Financial Inclusion Specialist at e-MFP and the lead author of the Compass series. © 2021 MicroCapital
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Non-performing Loan Management and Investment

This year, Europe is emerging from the deepest recession in a generation. But this has not been a normal recession. The number of insolvencies has come down over the last year, and non-performing loans (NPLs) are close to a historic low. Numerous government support measures, such as tax rebates, furlough schemes, moratoria and the suspension of insolvency proceedings were highly effective in temporarily bridging enterprises’ liquidity shortfalls.

However, most of these support measures have come to an end, and many firms’ liquidity buffers are depleted. Meanwhile, a range of sectors will need to confront a fundamental reshaping of their business models. The European Systemic Risk Board, tasked with the big financial stability issues in Europe, speaks of a coming tsunami of insolvencies.

In developing countries, the COVID-19 crisis will be more protracted, and a full recovery is less certain. Many mid-sized companies entered the crisis with significant leverage levels, and the more numerous micro-enterprises are poorly prepared for widespread debt defaults among customers and suppliers. Some countries have kept in place asset management companies and other institutions that helped resolve past crises, but few national frameworks are well prepared for defaults on the scale that is now expected to unfold.

One key lesson from past crises is that unsustainable debt should be tackled early to underpin a recovery. NPLs, insolvencies and business restructuring are regular features of renewal in market economies. A bank with high NPL stocks not only will waste energy on too many workouts, it will also restrict credit to other growing enterprises.

The process of resolving high NPL stocks always involves difficult choices among competing claims by lenders, owners and other stakeholders. However, the inevitable debt reduction also presents plenty of opportunities, as sound businesses and innovative entrepreneurs are offered a fresh start with redeployed capital.

Many bank regulators and supervisory authorities have revamped the frameworks that govern NPL workouts. There is now much greater scrutiny by supervisors of how banks recognize NPLs and how they manage each workout. Governments, for their part, have recognised the need to reform the rules for insolvency and business restructuring.

Increasingly, banks seek to divest NPLs in capital markets. Investors, which often operate globally, seek common standards in loan documentation and processes for conducting due diligence leading up to claims transfers. Innovative solutions, such as portfolio sales and securitisations, play a much more prominent role than in the past. “Dry powder” in private equity and credit funds are near all-time highs and could play a much more significant role in the coming phase of NPL workouts.

A new offering in the Frankfurt School Executive Education suite

NPL management and investment requires skills that rarely are available to the extent required when insolvencies emerge in large numbers. Such skills will be in high demand during the upcoming recovery. A diverse set of participants have become part of the NPL resolution process: investors, their loan servicers and advisers. Each market participant will need to understand the approaches and business models of the others. Both European and emerging markets have used some innovative mechanisms that could be relevant in other regions. Developing countries have expanded their local capital markets and reformed their insolvency and restructuring frameworks, opening up multiple new opportunities for workouts.

The Frankfurt School’s Executive Education and its Development Finance (FSDF) e-campus teams are therefore delighted to introduce the new Certified Expert in NPL Management and Investment course, which is now open for registration.

FSDF was established over 10 years ago with the following vision: education is central to development - both in the sense of personal advancement and in the wider context of developing national economies. Its online programmes help participants to systematically and successfully develop their qualifications and build their careers.

More specifically, the mission of the course on NPL management is to equip a new cohort of restructuring professionals with the necessary skills for the upcoming recovery: adept in judging distressed portfolios and designing the right restructuring solutions, while being mindful of the borrower’s perspective, the economic ramifications of debt distress, and the context of these processes within insolvency law and as well as banking regulation and supervision. All of this while combining financial acumen with responsible business practices.

The new Certified Expert in NPL Management and Investment course is now open for registration.

The 10 units in this course cover the core areas of risk and arrears management relevant to NPLs, as well as key accounting and supervisory concepts. There is extensive evidence on which to draw from past episodes of high debt and NPLs in Europe and in emerging markets, and we expect there is much to learn from both regions that can be relevant elsewhere. The course includes extensive discussion of restructuring and insolvency procedures, making participants fluent in all relevant legal and regulatory concepts. A number of in-depth case studies will build skills in judging alternative workout options. Finally, participants will be introduced to loan sales and securitisations, which present new opportunities for lenders, investors and their servicers.

The FSDF course also builds networks through the sharing of experience among professionals in the field. An optional series of eight live sessions will bring some leading practitioners to the Frankfurt School. Restructuring advisors, lawyers, regulators and development practitioners will present their experiences - and, in turn, learn from course participants themselves.

As are our other online certification programmes, this course is a six-month part-time training, designed to be conducted alongside full-time work or other obligations. Apart from a few deadlines, the course follows a very flexible approach, allowing participants to create their own study schedule.

At the end of the course, participants will be fully prepared to engage with supervisors, other insolvency professionals and investors in complex situations involving distressed debt - and help chart the way towards the recovery to which we are all looking forward.

About the author: Dr Alexander Lehmann is the Course Lecturer for the Certified Expert in NPL Management and Investment program.
UPCOMING EVENTS

Convergences 3Zero World Forum
September 2 - September 3, 2021; Paris, France
This forum will address the “3Zero” objectives of zero exclusion, zero carbon and zero poverty, including topics such as: (1) Transforming Economic Models and Organisations Towards a 3Zero World; and (2) Social Innovation and the Fight Against Inequalities. Two-day, in-person passes cost EUR 250, and online access is available for EUR 25. To learn about discount offers and further details, you may call +33 (0)1 42 65 78 83, email contact[at]convergences.org or visit https://events.convergences.org/.

FinovateFall: Cutting Edge Fintech in the World’s Financial Capital
September 13 - September 15, 2021; New York, New York, USA
This event includes demos of financial technology (fintech) products; pitch sessions; and presentations on topics such as the effects of COVID-19, women in fintech, artificial intelligence and the entry of “big tech” into finance. Although the full fee to attend in-person or virtually is USD 3,098, a range of discounts are available, including for those registering by August 13. For more information, you may visit https://informaconnect.com/finovatefall/ or contact the organizers at +44 20 7017 7149 or register[at]informaconnect.com.

Africa Financial Services Investment Conference
October 11 - October 12, 2021; London, UK
AFSIC will cover topics such as “sustainable” finance, financial technology, affordable housing, banking, and small and medium-sized enterprises in Africa. Attendees may also access investor-project matchmaking sessions, country-specific presentations and an app for networking in advance. The full registration fee is GBP 1,295, although various discounts are available. For more details, you may visit https://www.afsic.net/ or email event[at]afsic.net. No telephone number is offered.

SAM 2021 (Semaine Africaine de la Microfinance)
October 18 - October 22, 2021; Kigali, Rwanda
This set of conference sessions, training opportunities and associated events is themed resilience. Attendees also will explore financial inclusion in Africa, how the African financial sector is working toward the UN Sustainable Development Goals, and topics such as digital innovation and client protection. Registration is not yet open, however tickets will include access to the conference, training sessions, gala dinner, the Innovators’ Village, and - for investors and microfinance institutions - to the Investors’ Fair. For more information, you may call +352 45 68 68 1, email info[at]ada-microfinance.lu or visit https://sam.africa.

MEDA Convention
November 4 - November 7, 2021; Atlanta, Georgia, USA
This event will explore methods for mitigating the effects of COVID-19 on populations facing extreme poverty as well as how to rebuild communities to be stronger and more sustainable. A pitch competition on November 5 offers prizes totaling USD 15,000 to entrepreneurs under the age of 40 who are tackling challenges in agri-food systems. Although conference registration is not yet available, applications for the pitch competition are open at https://www.meda.org/meda-convention/pitch-competition/. For more details, you may contact Liz Miller at +1 717 473 0912 or lmiller[at]meda.org or, you may visit https://www.meda.org/meda-convention.

MORE DETAILS COMING SOON ON:

Impact Investing World Forum
September 23 - September 24, 2021; London, UK

Wealth/Stack, Investing + Tech
September 27 - September 29, 2021; Hollywood, Florida, USA

Asia-Africa Financial Inclusion Summit
September 28 - September 29, 2021; Dubai, UAE

AfricaTech: Prepare for the 4th Industrial Revolution
November 8 - November 12, 2021; Cape Town, South Africa

Finance Magnates London Summit
November 18, 2021; London, UK

World Finance Banking Symposium
December 17 - December 18, 2021; Budapest, Hungary

Finovate Europe 2022: Tech to Succeed Today. Vision to Thrive Tomorrow
March 21 - March 23, 2022; London, UK

Finovate Spring 2022: Discover Tomorrow’s Solutions to Today’s Challenges
May 18 - May 20, 2022; San Francisco, California, USA

Opportunity Collaboration
September 25 - September 29, 2022; Miches, Dominican Republic

Mondato Summit Africa
Dates to be determined; Maputo, Mozambique 🇲🇺
Programs that are meant to benefit women in areas such as health and economic empowerment sometimes engage men via “individual counseling, group work with women, gender assessments, research, policy or political engagement, campaigns, networking, media work, publications, or capacity building activities.” The authors found that men often did not participate in these activities because they did not feel welcome to do so, sometimes because they had not been explicitly invited by their partners or program organizers. However, male engagement can result in significant increases in the success of programs that seek to improve women’s lives. These increases tend to be greater when male engagement: (1) begins when men are younger; (2) involves discussions of gender imbalance; (3) debunks harmful gender norms; (4) shows how all genders stand to gain from female empowerment; (5) acknowledges institutionalized gender biases; (6) promotes women becoming policymakers; and (7) uses grassroots techniques for engaging community members. The authors emphasize the importance of women’s bargaining power in matters of household spending. In low- and middle-income countries, women rarely are consulted about how household income is allocated. However, when men consult with women on these decisions, the entire family tends to experience improved educational and health outcomes, especially female children. Among the authors’ recommendations are that: (1) men be invited to participate in women’s empowerment initiatives only to the extent that each woman agrees to include her partner; and (2) men and women explore social norms both together and in same-sex spaces, where they may feel they can express themselves more freely.

COVID-19: Crisis as an Opportunity for Urban Cash Transfers?

By Kortie Roelen, Edvard Archibald and Christina Luce; published by the Overseas Development Institute; June 2021; 43 pages; available at https://www.devpolicy.org/media/documents/ODI_Urban_cash_transfer_final_BnD1aaz.pdf

Urban areas in developing countries were especially hard-hit by the COVID-19 pandemic due to issues including “overcrowding, poor hygiene and sanitation, and widespread informal employment.” When governments across the world implemented cash-transfer programs in response, just 16 percent of the poorest quintile of urban citizens in low-income countries received social assistance. The scope of coverage varied, as some governments provided income support for all, while others targeted particular groups. Near the beginning of the pandemic, many governments attempted precise calculations of citizens’ lost income to reimburse, but these calculations became more difficult to perform as the pandemic progressed. Although innovative uses of technology enabled governments to reach beneficiaries who may not have otherwise been served, certain demographics were still excluded. To improve the ability of social protection programs to handle future shocks, the authors suggest: (1) creating a “strategy, institutional framework and partnerships” to support urban areas in times of need; (2) considering data on the vulnerability of various urban populations to target aid more specifically; and (3) expanding coverage of urban social assistance by enhancing outreach, especially for higher-risk populations.