MicroCapital Monitor
ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

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MICROCAPITAL BRIEFS | TOP STORIES

Nubank Raises $750m from Berkshire Hathaway, Others to Expand in LatAm

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

India May Drop Interest Rate Cap in Favor of Debt-income Ratio

The Reserve Bank of India recently proposed: (1) eliminating the cap on the interest rates that microfinance institutions (MFIs) charge their customers; (2) a debt-income ratio cap for MFIs, banks and non-bank financial institutions (NBFIs), where "payment of interest and repayment of principal for all outstanding loans of a household at any point of time should not cross 50 percent of the household income;" (3) clearly communicate the maximum, minimum and average interest rates they charge on microloans; (4) offer microborrowers the choice to pay back their loans in weekly, bi-weekly or monthly installments; and (5) barring microlenders from requiring collateral or charging prepayment penalties. Part of the motivation for the changes is to "create a level playing field," as the existing interest rate cap applies to MFIs, but not to banks or NBFIs. June 24. 2021

IFC Commits $1b to Africa via Risk Sharing, Mezzanine Finance

The International Finance Corporation (IFC), a member of the World Bank Group, recently committed USD 1 billion to finance micro-, small and medium-sized enterprises through risk sharing and mezzanine financing in collaboration with various public and private financial institutions. The loan will target sectors considered more likely to create jobs, especially those experiencing elevated uncertainty due to the COVID-19 pandemic. A portion of the funds also are meant to promote digital finance and agriculture. Referring to the economic downturn caused by the pandemic, IFC Managing Director Makhtar Diop said the funding will "create the conditions for an inclusive and sustainable recovery." June 4. 2021

Symbiotics Issues $5m Sustainability Bond for Georgia's Crystal

Symbiotics, a Switzerland-based investing platform, recently issued a bond whose proceeds are funding a three-year, local-currency, unsecured loan to Crystal, a microfinance institution in Georgia. The funding, which is equivalent to USD 5 million, is to be on-lent to: (1) individuals and companies for *green* loans to increase "energy efficiency, renewable energy, clean transportation and sustainable agriculture;" and (2) smaller firms as *social* loans, which are meant to boost employment. The bond will be listed on the Luxembourg Green Exchange, which meets the Green Bond Principles of the Switzerland-based International Capital Market Association. Founded in 1995 as a humanitarian program, Crystal became licensed as a microfinance institution in 2007. The organization provides remittances; bill-payment services; and loans for enterprise, housing, consumption and environmental efforts. Crystal is 48-percent held by the Georgian NGO Crystal Fund and 38-percent by the agRIF fund of Belgium's Incofin Investment Management. The institution serves 100,000 customers via 48 branches and reported a net annual operating loss of USD 99,000 on total assets of USD 100 million as of December 2019. June 1. 2021

Banverde of Mexico Raises $57m for Rooftop Solar Power

Corporación Interamericana para el Financiamiento de Infraestructura (CIFI), a Panama-based financier of privately owned infrastructure in Latin America and the Caribbean, recently led a round of funding for Banverde, a private equity fund in Mexico that finances rooftop solar panels. The funding round totaled USD 57 million, with unspecified portions invested by CIFI and Banverde's co-sponsors, Banverde Activos and US-based investment firm WRB Serra Partners. The investment package, which is slated to fund 80 megawatts of solar power, brings Banverde's volume to USD 76 million, all of which is to be deployed by 2024. Founded in 2016, Banverde funds the installation of rooftop panels, with clients buying the panels in monthly installments over periods of 10 to15 years. May 27. 2021

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Coming Soon:
Details on the second virtual European Microfinance Week and SAM 2021 coming to Rwanda!

MicroCapital

WE WISH YOU HEALTH!

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

MICROCAPITAL BRIEFS

Incofin Loans $2m to Bina Artha for Rural Women in Indonesia

Belgium-based Incofin Investment Management (IM) recently lent USD 2 million from its Incofin CVSO fund to Bina Artha, a microfinance institution (MFI) in Indonesia. Incofin IM acknowledges that, due to the COVID-19 pandemic, the loan comes "at a time of tight liquidity management and operations stabilization efforts from the MFI." Founded in 2011 as a venture capital firm, Bina Artha serves low-income women in rural areas. It lends to individuals and groups in amounts equivalent to USD 175 to USD 3,500 over periods of four months to three years. Bina Artha has a portfolio of USD 78 million outstanding to 350,000 clients it serves via 345 branches in eight provinces. June 30. 2021

Huruma Lending $3.6m to COOPAC Norandino for Ag Loans in Peru

The Huruma Fund, a Spanish public-private impact investment vehicle with commitments equivalent to USD 145 million, recently issued a three-year loan of USD 3.6 million to Cooperativo de Ahorro y Crédito Norandino of Peru. The institution aims to provide loans "at interest rates that are lower than market average" along with savings services to farmers in the northern part of the country. To complement the wholesale loan, various partners of Huruma will support Norandino "with projects to improve social performance, digitisation and agricultural risk management systems [and] promoting the use of data analytics in cooperatives" served by the institution. Norandino was founded in 2005 and is active in supporting value chains, producer associations and "sustainable agriculture." It reports a portfolio of USD 24 million deployed via 16 branches serving 27,000 customers - of whom 32 percent are women. June 24. 2021

Malaysia, UNCDF to Unveil Islamic Fintech Accelerator

Securities Commission (SC) Malaysia, the regulator of capital markets in the country, in collaboration with the UN Capital Development Fund, which promotes access to finance in countries with the lowest incomes, is launching the Fikra Islamic Fintech Accelerator Programme, which is intended to develop Islamic capital markets in Malaysia by supporting the development of financial technology (fintech) firms. The accelerator will lead young companies "through the entire value chain from ideation, solutions validation, prototype building, creating a fundraising pitch deck, to preparing applicants for an effective pitching to potential investors and more." SC Chair Datuk Syed Zaid Albar argued that, "The accelerator and future initiatives under Fikra will advance the development of Islamic fintech while creating an ecosystem that nurtures talent, funds innovation, commercialises ideas and solutions, and creates jobs and opportunities." June 21. 2021

BlackPeak Raises $18m in Equity for SMEs in Southeast Europe

The World Bank Group's International Finance Corporation recently issued an equity investment equivalent to USD 18 million to BlackPeak Southeast Europe Growth Equity Fund, which is managed by BlackPeak General Partner SARL Capital. The investment is intended to develop small and medium-sized enterprises in countries such as Bulgaria and Serbia through expanded operations and increased productivity, thus supporting job creation and economic recovery. In particular, BlackPeak Capital will target export-oriented companies as well as those in fields such as retail, healthcare, business services, manufacturing and information technology. Founded in 2014, BlackPeak Capital is a private equity firm seeking to "foster economic development by providing a model for innovation, job creation, and growth." Its offices are located in Austria, Bulgaria, Romania and Slovenia. Since the firm's launch, it has deployed capital from its BlackPeak Fund to 12 companies in amounts ranging from USD 4.8 million to USD 12 million. June 21. 2021

Avla Raising $20m in Equity for B2B Insurance in LatAm

US-based Creation Investments Capital Management recently announced it is leading an equity investment of USD 20 million in Avla, a Chilean business-to-business provider of insurance, surety bonds and collections services in Chile, Mexico and Peru. The names of the other participating investors have not been released. Avla CEO Ignacio Álamos stated, "We are pleased to add Creation Investments as a shareholder to support our business and international expansion plans. With these resources, we will expand our commitment to our more than 50,000 small and medium-sized business clients and continue to generate positive social impact in the region." Avla's insurance products include coverage for vendor non-payment as well as borrower non-payment. Among the firm's newer products is a mortgage loan financial technology tool called Creditú, through which Avla "has originated more than USD 200 million of housing loans and issued more than USD 70 million in securitization bonds." June 21. 2021

Nubank Raises $750m in Equity to Expand in LatAm

Brazil-based digital bank Nubank recently raised USD 500 million from US-based holding company Berkshire Hathaway to help Nubank: (1) strengthen its management team with additional hires; (2) diversify its portfolio and product lineup, including through an investment of USD 135 million in its Brazilian operations; and (3) expand its products in other countries including Mexico, where Nubank has received 1.5 million credit card applications since its launch there in 2020, and Colombia, where Nubank has a waitlist of 300,000 potential customers. The firm also just raised a total of USD 250 million in a funding package led by US-based Sands Capital. Founded in 2013, Nubank provides 30 million customers with services such as life insurance, credit cards that can be managed through a mobile app, digital bank accounts that support mobile payments and investments, a rewards program, a personal loan product, and various "solutions for small businesses and entrepreneurs." Nubank reports total assets equivalent to USD 9.8 billion. June 18. 2021

IIV Lends $12m to Bayport for Payroll Lending in Colombia

Invest in Visions (IIV) Mikrofinanzfonds, a fund managed by Germany-based IIV, has disbursed a senior loan equivalent to USD 12.1 million to Bayport Colombia, one of the nine financial services providers (FSPs) of Mauritius-based microfinance network Bayport Management Limited. Bayport Colombia is using the cash to fund loans "for entrepreneurial ventures, housing improvements, healthcare and education." Established in 2011, the FSP offers payroll loans to public sector employees and pensioners in Colombia. Bayport Colombia has offices in 15 cities, serving approximately 65,000 clients with a portfolio valued at USD 260 million. Bayport Management is a holding company that was founded in 2001. The firm's entities offer financial services to previously unbanked and underbanked individuals via subsidiaries in Colombia and Mexico as well as the following African countries: Botswana, Ghana, Mozambique, South Africa, Tanzania, Uganda and Zambia. June 18. 2021

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

Uzpromstroybank of Uzbekistan Secures $45m for SMEs

Via its Green Economy Financing Facility (GEFF), the UK-based European Bank for Reconstruction and Development (EBRD) recently committed up to USD 25 million to Uzpromstroybank, which is controlled by the government of Uzbekistan. Founded in 2019, GEFF funds on-lending to small and medium-sized enterprises in Eastern Europe, West Asia and the Middle East for environmentally sensitive investments such as energy-efficient manufacturing systems. The loan to Uzpromstroybank is paired with consulting services to help retail borrowers transition to these new technologies. Separately, EBRD has committed up to USD 20 million as a risk-sharing facility to bolster Uzpromstroybank's lending capacity and commercialization. This second facility is supported by two government-backed entities, the Austrian Federal Ministry of Finance and the Taiwan International Cooperation and Development Fund. Founded in 1922, Uzpromstroybank has 45 full-service branches as well as 170 outlets in rural areas. The bank reports assets equivalent to USD 4.6 billion, a loan portfolio of USD 3.8 billion and deposits of USD 1.1 billion. June 17. 2021

MFW Expands E-services in Jordan via MoneyPhone Technology

Microfund for Women (MFW), a nonprofit financial services provider (FSP) in Jordan, recently partnered with MoneyPhone, a Netherlands-based financial technology (fintech) company, to enhance MFW's digital offerings in response to the COVID-19 pandemic. Bdour Al-Hyari, the director of strategic planning and business development at MFW, cited the "opportunity for us to introduce new digital services, such as online trainings and telephone health consultations" and a system that "allows us to have more people coming in through online onboarding [which] will enable us to cut our operational costs and to reduce the interest rate and the cost of lending as well." MoneyPhone's other offerings include: (1) a loan management portal for loan officers; (2) a dashboard for evaluating portfolio performance; and (3) consulting regarding online advertising. MFW was founded in 1996 and has grown to serve 140,000 active borrowers. It offers microinsurance; loans for home improvement, maternity expenses, retirees' expenses and women who operate home-based businesses; and non-financial services, such as university scholarships and training on business development, women's health and women's rights. June 14. 2021

AECID, COFIDES Launch $71m TIF Program for LatAm

Compañia Española de Financiación del Desarrollo (COFIDES), a Spanish development finance institution, recently unveiled a program called Triple Bottom Line Inclusive Finance in Latin America (TIF) in collaboration with the Agencia Española de Cooperación Internacional para el Desarrollo, a unit of the government of Spain. TIF is intended to support low-income populations in Latin America by increasing access to loans while working to "ensure greater social and environmental sustainability." The program includes the equivalent of USD 64 million in loans to retail financial services providers loans from COFIDES-managed Fondo para la Promoción del Desarrollo (FONPRODE). TIF also has a technical assistance component with a budget of USD 7 million provided by the EU-funded Latin America Investment Facility. June 14. 2021

DFC to Invest $40m in Housing, MSMEs, Agriculture in Guatemala

The government-backed US International Development Finance Corporation recently agreed to participate in three projects in Guatemala: (1) a loan of USD 19.5 million to Guatemala-based real estate company Destino Desarrollos to aid in the construction of 2,000 housing units deemed "affordable;" (2) with support from the US Agency for International Development, a 50-percent loan guarantee for Guatemala-based bank Interbanco on the local-currency equivalent of USD 30 million in lending to micro-, small and medium-sized enterprises in regions with large indegenous populations; and (3) an investment of USD 6 million in Brazil-based agriculture broker Agro Atlantic to expand a banana plantation in southwestern Guatemala. June 14. 2021

FMO Loans $10m to Respublika for Women, Youth in Azerbaijan

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch public-private partnership, recently issued a senior, local-currency loan equivalent to USD 10 million to Bank Respublika, a commercial institution in Azerbaijan. The funds are intended to reduce inequality via on-lending to people that fit into one or more of the following categories: women, youth, microentrepreneurs and farmers. Founded in 1992, Bank Respublika offers services such as loans, deposits, payment cards, transfers, digital banking and safe deposit boxes via 24 branches. It reports total assets of USD 561 million. June 10. 2021

RMF Expanding Branch Network in 9 Provinces in the Philippines

A unit of Ramon Aboitiz Foundation Incorporated (RAFI) that is active in microenterprise development reportedly is planning to expand its branch network as part of an effort to help microentrepreneurs in the Philippines adjust to the COVID-19 pandemic. The entity, RAFI Microfinance Incorporated, is working to open branches by December 2021 in the Agusan del Norte, Albay, Bukidnon, Camarines Sur, Camiguin, Masbate, Palawan, Suriago del Norte and Surigao del Sur provinces. It plans to reach eight more of the country's 81 provinces during 2022 and six more during 2023. RAFI Micro-finance serves women with loans up to the equivalent of USD 6,300 as well as services relating to financial literacy, marketing, technology and developing value chains. The organization also operates Kaagabay Micro-insurance, which offers "social protection coverage to all the members of the family of its clients." As of 2019, RAFI Micro-finance reported total assets of USD 44 million and 2,035 employees. During 2020, it served 428,000 clients and opened 42 branches, reaching a total of 228 branches as of mid-2021. RAFI is active in humanitarian, environmental, educational, cultural, leadership and health initiatives. June 10. 2021

Kushki Raises $86m in Equity for Fintech for Retailers in LatAm

Kushki, a digital payment processor, recently raised USD 86 million in its Series B funding round. The investors - not all of which have been named - include Spain-based Conexo Ventures, Mexico-based Dila Capital, Chile-based Magma Partners, Argentina-based Kaszek Ventures and Japan-based SoftBank Group. While the amounts invested by each have not been released, the new funding values Kushki at USD 600 million. Founded in 2017, Kushki helps businesses in Canada, Chile, Colombia, Ecuador, Mexico and Peru process payments via channels such as the businesses' websites, mobile applications, social media accounts and in-person. In addition to these countries, the firm has an office in the US state of New York. Kushki plans to use its fresh cash to bolster its technology, reach new markets and approximately double its employee count to 500. The company reports processing USD 30 billion in transactions per year. June 9. 2021

WorldBusiness Loans $15m to Asirvad for Rural Women in India

Asirvad Micro Finance Limited, a microlender in India, recently accepted a loan of USD 15 million from WorldBusiness Capital, a US-based finance company. The seven-year loan, which is guaranteed by the government-backed US International Development Finance Corporation, is to be used for on-lending to rural women for business purposes. Founded in 2008, Asirvad is a subsidiary of India's Manappuram Finance that provides gold-backed loans as well as lending individually and in groups to micro-, small and medium-sized enterprises. The microfinance loans typically range from the equivalent of USD 34 to USD 690 with repayment periods of 12 months to two years. The loans for larger firms range up to USD 20,500 with a maximum tenor of seven years. For the year ending March 2020, Asirvad generated one-year return on equity of 26 percent and return on assets of 4.6 percent on total assets of USD 814 million. The organization has 1,000 branches serving 2 million customers in 22 states. In addition to those offered by Asirvad, Manappuram offers financing for housing, vehicles and equipment. Manappuram was founded in 1949 and has since grown its asset size to USD 3.3 billion. June 8. 2021

Akhuwat, UBL Partner on Islamic Housing Loans in Pakistan

Pakistan-based organizations United Bank Limited (UBL) and Akhuwat recently signed an agreement under Mera Pakistan Mera Ghar, a government-backed housing program, whereby Akhuwat will recommend certain of its low-income customers to UBL for access to "low-cost" housing loans. Based on the size of the housing unit, UBL is offering loans ranging from the equivalent of USD 22,600 to USD 64,700 with terms of five years to 20 years. The financing is Shariah-compliant - conforms with Islamic law - as it uses diminishing *mushrakah*, a mechanism through which the borrower shares homeownership with the bank. As each payment is made, the bank's share is drawn down and the borrower's share increases. Established in 2001, Akhuwat is an NGO with 800 branches in 400 cities, providing Islamic microloans, healthcare, clothing and education. As of 2019, Akhuwat reported total assets of USD 97 million, and UBL reported USD 13.9 billion in total assets. UBL is owned by UK-based Bestway Group. June 6. 2021

IDB to Lend $150m for MSMEs in Panama Adjusting to COVID-19

The Inter-American Development Bank (IDB), a multilateral financial institution that promotes economic development in Latin America and the Caribbean, recently approved a loan of USD 150 million to support micro-, small and medium-sized enterprises in Panama in adjusting to the COVID-19 pandemic "by facilitating access to production-oriented finance." The funding will be delivered via Banco Nacional de Panamá (BNP), a retail bank owned by the government of Panama. Among the goals of the investment is to boost employment in "agricultural production and food-processing and trade activities." The loan has a term of 25 years, a grace period of 5.5 years and an interest rate based on the London Inter-bank Offered Rate (LIBOR). Upon the successful deployment of the loan proceeds, IDB anticipates disbursing a second tranche of the same amount to BNP for the same purpose. June 6. 2021

Guarantees Enable $5.5m for Northern Arc for Microloans in India

Northern Arc Capital, an Indian firm that facilitates funding flows between investors and retail lenders, recently borrowed the local-currency equivalent of USD 5.5 million from India's Kotak Mahindra Bank. The transaction is partly guaranteed by two US-based institutions, the Rockefeller Foundation and the Michael and Susan Dell Foundation. The funds are slated for on-lending to microentrepreneurs and households with incomes averaging less than USD 340 per month, particularly those that have been more significantly impacted by the COVID-19 pandemic. Formerly known as IFMR Capital Finance Limited, Northern Arc's mission is "to enable access to finance for the underbanked in an efficient, scalable and reliable manner." It does this by arranging funding for financial institutions active in agriculture, housing and gold loans through mechanisms such as direct loans, structured finance, fund management and capital market instruments. Northern Arc reports total assets of USD 615 million. June 1. 2021

NEWS FROM AFRICA

EIB Lending CIH Bank of Morocco $73m for SMEs, Mid-caps

The EU's European Investment Bank (EIB) recently agreed to loan the equivalent of USD 73 million to Crédit Immobilier et Hôtelier (CIH) Bank, which is controlled by the government of Morocco, to on-lend to small and medium-sized enterprises (SMEs) and mid-caps that have suffered from the COVID-19 pandemic. Among the EU guidelines for defining an SME is that it employs 11 to 250 people. In support of the wholesale loan, EIB will share with CIH Bank its "expertise in promoting green financing and optimising the provision of financial services to SMEs and, in particular, the smallest companies." The goals of the loans include "increasing competitiveness" and "boosting employment, particularly for young people." CIH Bank holds assets totaling USD 10.3 billion and serves 1 million customers - including companies large and small - via 300 branches. June 29. 2021

Fintech Partnership in Ghana Promises Education, Remittances

Zeepay, a financial technology (fintech) company with offices in Ghana and the UK, recently partnered with the embassy of the Netherlands in Ghana, the Dutch NGO Stichting Nederlandse Vrijwilligers (SNV) and the UN Capital Development Fund (UNCDF) as part of the EU-funded Boosting Green Employment and Enterprise Opportunities in Ghana (GrEEn) program. The goal is to serve "youth, women and returning migrants by promoting and supporting sustainable, green businesses." UNCDF is to provide "consumer education on digital financial products, financial literacy training as well as job creation for the indigenous in certain remote areas." Meanwhile, Zeepay will roll out its Mobile for Development initiative, which is intended to reach "underserved" rural populations with financial services that lead to job creation. The firm's target is to reach approximately 20,000 new clients in 10 districts in the Ashanti and Western regions of Ghana. Founded in 2014, Zeepay facilitated 2.4 million domestic and international remittances totaling USD 400 million via digital wallets in 23 African countries during 2020. The firm also provides health "microinsurance coverage as an incentive to build and maintain a healthy saving habit." June 28. 2021

Sky.Garden Raises $4m in Equity to Bring E-marketplace to Egypt

The Luxembourg-domiciled Sanad Fund for MSME recently led a Series A investment in Sky.Garden, a Kenya-based e-commerce platform serving 15,000 micro-, small and medium-sized enterprises (MSMEs). Sky.Garden plans to use the fresh USD 4 million to expand into Egypt and other parts of the Middle East and North Africa. Sanad invested half of the total, with additional participation from angel investors and two venture capital funds, India-based Aavishkaar Capital and Japan-based Uncovered Fund. The sizes of the stakes taken by the investors remains undisclosed. Founded in 2015, Sky.Garden provides MSMEs with customizable web pages and software for managing inventory, receiving payments, coordinating shipping and otherwise serving customers remotely, such as to comply with COVID-19 pandemic restrictions. June 22. 2021

Mwezi Nets $500k Loan for Pay-as-you-go Solar in East Africa

Luxembourg-based Bamboo Capital Partners and the UN Capital Development Fund recently began selecting investments to be made from the Build Fund, whose first disbursement is a loan of USD 500,000 for a working capital facility in favor of Mwezi Limited, a distributor of solar products in Kenya. Mwezi plans to use the investment to expand: (1) its geographic footprint in Kenya as well as to enter nearby markets such as Ethiopia, Rwanda and Uganda; and (2) its product lineup to include more products that are specific to agricultural and other business uses. Founded in 2017, Mwezi sells products such as: (1) solar home energy systems; (2) solar-powered devices, including televisions, radios, and lighting for home and marine use; and (3) energy-efficient stoves and other kitchen appliances. The firm delivers these products to low-income households in rural sub-Saharan Africa in a pay-as-you-go format. This allows users to make small payments to enable their products for a given period of time. Meanwhile, Mwezi can use remote technology to disable and enable the products depending on the timing of users' payments. Those that make consistent payments can own their devices in as little as nine months. Financial data on the firm have not been released. June 22. 2021

Oikocredit Loans $2.5m to Grace and Mercy of Nigeria for MSMEs

Oikocredit, a Netherlands-based cooperative, recently offered a loan of USD 2.5 million to Grace and Mercy Households Improvement Initiative, a nonprofit microfinance institution in Nigeria. The loan is intended to support the expansion of micro-, small and medium-sized enterprises in both rural and urban areas, with an emphasis on women entrepreneurs. Founded in 2012, Grace and Mercy focuses on "providing financial opportunities for the poor and low-income earners in their quest to escape poverty through consistent and appropriate injection of small funds into their business." The institution provides loans ranging from the equivalent of USD 242 to USD 12,000 for terms of up to one year. Grace and Mercy has 180,000 clients in 13 states and a total loan portfolio of USD 21 million. June 17. 2021

IGAD, UNCDF Seek to Harmonize Remittance Rules in East Africa

The Intergovernmental Authority on Development (IGAD), a trade bloc of eight East African nations, and the UN Capital Development Fund recently entered a two-year partnership intended to standardize remittances policies in the IGAD member countries: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda. IGAD Executive Secretary Dr Workneh Gebeyehu said the project will "promote increased remittance flows through formal channels, and contribute to the implementation of IGAD's Migration Action Plan 2015-2020...." Under the partnership, the two organizations plan to: (1) conduct market research about how the shift from cash to digital remittances may impact the financial ecosystem of the region; (2) increase peer-learning among IGAD, central banks, regional banks and remittance providers; and (3) review existing policies in each country, seeking opportunities for harmonization and other ways to facilitate the flow of remittances. The Swedish International Development Cooperation Agency will support the initiative with research on remittances policies in partnership with regional stakeholders. June 16. 2021

Absa, CDC Agree on $50m in Risk-sharing for Lending in Africa

CDC Group, a development finance institution backed by the UK government, recently announced a risk-sharing facility of USD 50 million in partnership with Absa Bank Limited, which is based in South Africa. Under the agreement, CDC will reimburse Absa for an undisclosed percentage of losses the bank may incur on a package of loans to households as well as micro-, small and medium-sized enterprises (MSMEs). Absa will distribute the loans via the microfinance institutions and non-bank financial institutions it operates in 14 African countries. Among the goals of the guarantee are facilitating trade, boosting financial inclusion and helping MSMEs with liquidity challenges stemming from the COVID-19 pandemic. CDC's Managing Director and Head of Financial Services, Stephen Priestley, said, "This is CDC's first risk-sharing facility that provides a local-currency solution to MSMEs and local households. We are confident that CDC's countercyclical funding will provide much needed support to local financial institutions by diversifying their funding base and enhancing their ability to provide smaller loans to local businesses and hard-to-reach communities." June 15. 2021

MoneyGram, InTouch, MFS Africa, Thunes Partner on E-wallets

MoneyGram International, a money transfer company based in the US, recently announced partnerships with three companies that facilitate e-wallet services in Africa: InTouch, which is based in Senegal; MFS Africa, which is based in South Africa; and Thunes of Singapore. The partnerships give MoneyGram customers "access to mobile wallets in 28 markets in Africa." InTouch allows businesses to "accept all means of payment and distribute a large catalog of digital services." The firm operates in seven countries with a daily transaction volume equivalent to USD 1.8 million. MFS Africa works with financial services providers to connect 200 million digital wallets, enabling "accessible, affordable, inclusive alternatives for remittance/money transfers, microlending, microinsurance, micro-savings, and payments." Thunes is a payment network offering mass payments and remittance processing in 100 countries. June 11. 2021

Oikocredit Lends $10m to FCMB for SMEs, Ag in Nigeria

Netherlands-based cooperative Oikocredit recently loaned USD 10 million to First City Monument Bank (FCMB) Limited, which has operations in Nigeria and the UK. The investment will finance loans for small and medium-sized enterprises (SMEs) in Nigeria, with a focus on agriculture. The goals of the investment are to promote economic empowerment and accelerate job creation. Ufuoma Elizabeth Eghwerehe, Oikocredit's Manager for Nigeria, said the loan "will play an important role in providing credit to unbanked small and medium businesses during these challenging COVID-19 times." Founded in Nigeria in 1982, FCMB Limited has operated as a retail and commercial banking unit of FCMB Group Plc since 2012. FCMB Limited has 205 branches across Nigeria and one branch in the UK, serving 4.5 million customers. As of 2019, FCMB Limited reported total assets equivalent to USD 3.6 billion and gross loans of USD 1.94 billion. FCMB Group, which is listed on the Nigerian Stock Exchange, provides 7.1 million customers with services such as retail banking, microfinance, investment banking, asset management and pension management. June 9. 2021

Oikocredit Lending $1.8m to Cavica, Cashew Coop in Côte d'Ivoire

Netherlands-based cooperative Oikocredit recently agreed to loan up to the equivalent of USD 1.83 million to support Coopérative avec Conseil d'Administration de Vivriers et de Cajou (Cavica) of Côte d'Ivoire in the procurement, sale, storage and transport of cashews. Cavica Board Chair El Hadj Konate Arouna stated, "With this loan, we are able to better position ourselves on the international market... and support improvements of the standard of living of farmers...." Founded in 2012, Cavica has grown to serve 6,120 members and employ 4,900 farmers who maintain 53,000 hectares of cashew orchards in the northern part of the country. June 2. 2021

Chipper Cash Raises $100m in Equity to Expand in Africa, UK

Chipper Cash, a US-based financial technology (fintech) firm active in Africa, recently raised USD 100 million in its Series C round of funding. It plans to use the fresh cash to expand its product lineup and grow its team, especially in the UK. Founded in 2018, Chipper Cash is a "cross-border, peer-to-peer payment service" operating in Ghana, Kenya, Rwanda, South Africa, Tanzania and Uganda, with expansion to the UK underway. The firm's services include international money transfers, cryptocurrency transactions and payment cards that operate on the network of US-based payments firm Visa. During 2020, Chipper Cash's user base grew by 33 percent to 4 million. As of November 2020, the firm processed approximately 80,000 transactions per day. The funding package was led by US-based Silicon Valley Bank Capital. Other participants in the round, all of which are also US-based, include Bezos Expeditions, Deciens Capital, One Way Ventures, Ribbit Capital, Tribe Capital and 500 Startups. The investments reportedly make Chipper Cash Africa's sixth private startup valued at over USD 1 billion. June 2. 2021

IDH Farmfit Buys Equity in LendXS, Provider of Fintech for MFIs

The IDH Farmfit Fund, which is facilitated by the Sustainable Trade Initiative, a Netherlands-based NGO known by its Dutch acronym IDH, recently acquired 21 percent of the equity in LendXS, a Netherlands-based financial technology (fintech) platform for rural financial institutions. The pricing of the stake remains confidential. LendXS CEO Eelko Bronkhorst stated, "Transaction costs of smallholder finance accounts on average for around 60 percent of the interest rates charged. Our long-time experience with financial transactions enables us to design fintech solutions and advisory services that bring down these costs significantly." Established in 2019, LendXS operates in Cote d'Ivoire, Ghana, Kenya and Uganda as a unit of Financial Access Consulting Services, a former subsidiary of Netherlands-based ING Bank. Founded in 2008 by the government of the Netherlands, IDH seeks to promote value chains and trade that will "have large-scale positive impact on climate change, deforestation, gender [issues], living wages and living incomes." The organization disbursed the equivalent of USD 35 million during 2019. June 2. 2021

Salaam African Bank of Djibouti Acquires Uwezo of Kenya

Salaam African Bank (SAB) of Djibouti recently acquired Kenya-based Uwezo Microfinance Bank for an undisclosed price. Licensed by the Central Bank of Kenya since 2010, Uwezo operates in the Starehe division of the city of Nairobi. Its services include savings, mobile money, remittances and loans for individuals and smaller businesses. Uwezo held total assets equivalent to USD 1.5 million and total deposits of USD 232,000 as of 2019. Incorporated in 2007, SAB has 11 branches and 18 automated banking machines. Its services are Shariah-compliant, meaning they employ mechanisms such as the sharing of profit and loss in lieu of conventional interest payments, which are not allowed under Islamic law. June 1. 2021

Madagascar Offers $28m in Performance-based Funding for Solar

The Off-Grid Market Development Fund (OMDF), an initiative of the Malagasy government, recently signed contracts with 12 solar companies in Madagascar, whereby the firms are receiving a total of USD 2.5 million upfront. The firms can obtain an additional total of USD 25.5 million if they reach their distribution goals, which entail the delivery of "900,000 quality solar lanterns and market-entry solar home systems by June 2024." OMDF has a volume of USD 40 million, which is to be deployed as a combination of results-based finance and lines of credit. The fund is backed by the Malagasy government, with support from the World Bank, and it is managed by Bamboo Capital Partners, an investing firm based in Luxembourg that focuses on agribusiness, financial inclusion, healthcare and renewable energy. May 27. 2021

SPECIAL FEATURE

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How Do We Build the Right Skills for a Sustainable Future?

There is no doubt that sustainability considerations recently have found their way into many areas of our lives. The global Fridays for Future movement is just one of several calls to action to significantly reduce carbon emissions and make the world more climate-resilient and socially equitable - and thus a better place to live. The adoption of the Paris Agreement and the UN's Sustainable Development Goals (SDGs) are driving demand for low-carbon goods and services around the world. Thus, the sustainability wave has spilled over into the real economy and the financial sector, forcing stakeholders to rethink legacy business models and practices. Environmental, social and governance (ESG) considerations, being the main pillars for sustainability, have become key drivers for investment and other business decisions, as sustainability-related risks (e.g. climate change) have started to gain wide recognition.

The COVID-19 pandemic: A (final) push for sustainability?

The fragility of unsustainable business models and lack of practices for a resilient and robust economy - as well as survivability - became apparent early in the COVID-19 pandemic, leading to the collapse of stock markets and global value chains in early 2020. Now that some countries are starting to move out of the pandemic shock, calls for green recovery packages with environmental, regulatory and fiscal reforms intended to generate prosperity have become prominent. For instance, the EU launched the Next Generation EU fund in July 2020, aiming to tackle the economic and social impacts of COVID-19. Thirty percent of the fund is allocated to investments that comply with the Paris Agreement and the EU's European Green Deal. To direct these investments toward sustainable projects and activities - and to combat the practice of "greenwashing" - the EU has established the EU Taxonomy, a common classification system for sustainable economic activities.

The COVID-19 pandemic also has provided insights into sustainability-linked company performance. Investors have experienced directly how catastrophic events (e.g. climate change) can affect their investment returns. This led them to take sustainability risks more seriously and require their investees to disclose sustainability-related information (ESG data). Many companies with high ESG ratings and valuations are coming through the pandemic better than their peers, and ESG funds and indices have outperformed the broader market (MSCI; December 9, 2020). With total assets in sustainable funds reaching almost USD 1.7 trillion - a 50-percent increase from 2019 - we can confidently call 2020 "The Year of ESG."

New generations take over the lead

However, the pandemic crisis is not the only factor that led to this dynamic. In recent years, the demand for sustainable investments has been driven partly by the entry of a newly prominent investor group to the market: millennials. Among this group - those born between 1981 and 1996 - 95 percent are interested in sustainable investments. Millennials will inherit around USD 30 trillion from their parents - baby boomers - within the next few decades. These young investors tailor their portfolios according to their personal values, often considering companies' ESG track records an important factor. Similarly, they exclude investments with certain exposures (e.g. fossil fuels, child labour) and look for investments that result in desirable effects (e.g. green technologies, education and health).

This transition toward a green economy (see above regarding the European Green Deal) also has the potential to create sustainable jobs. These jobs will require technical skills as well as soft skills, including environmental awareness, teamwork, analytical skills, leadership, and management and entrepreneurial skills. ILO estimates that in the sustainable energy and circular economy sectors, only 2 percent of global jobs are at risk of disruption, and there is the potential to create over 100 million new jobs - if workers receive sufficient training to fill them. Many of these jobs will be taken by millennials and members of Generation Z, those born between 1997 and 2012, also sometimes called Generation Greta in reference to Greta Thunberg, one of the faces of Fridays for Future. In order to help businesses prepare for this transformational change - in an even more competitive environment that goes beyond classical KPIs and takes ESG criteria seriously - future leaders and executives need to be equipped with new skills.

Building capacity for sustainable development

This is why institutions such as the Frankfurt School of Finance & Management (FS) have a crucial responsibility to educate the next generation to be sustainability-conscious global citizens who understand the immediacy of environmental and social responsibility. FS has taken up this challenge by implementing sustainability-related aspects in all areas, namely in its academic programmes, executive education, research, and numerous concrete consulting and training projects around the world. Since the early 1990s, the International Advisory Services arm of FS has supported its clients and partners with tailored, sustainable solutions, empowering people across the globe with education they can use to advance their businesses toward the SDGs.

Among financial institutions, there is high demand for Green & Sustainable Finance Training Programmes as these institutions start to embrace the concept of sustainability. This offers both risks and opportunities for successful day-to-day management as well as readiness for the future. Among others, two six-month online programmes, Certified Expert in Sustainable Finance and Certified Expert in ESG & Impact Investing, develop the necessary skills for finance professionals to identify ESG-related risks and opportunities; develop suitable financial products; and design sound, sustainable investment and management processes and strategies for their businesses.

These programmes benefit from the huge level of knowhow within FS, namely in the form of experts from the FS-UNEP Collaborating Centre for Climate & Sustainable Energy Finance and FS's strong global consultancy network. With the Green & Sustainable Finance Cluster Germany, which is hosted at the FS-UNEP Centre, FS and its partners are uniquely qualified to support the transition to a climate-friendly and sustainable economy by advancing the critical work of stakeholders in green and other sustainable finance areas.

By Jonas Hernán Fleer, senior programme manager, Sustainable World Academy

Jonas Hernán Fleer is a senior programme manager, trainer and experienced e-learning developer for Green & Sustainable Finance programmes at FS's Sustainable World Academy. He has extensive experience in developing and implementing online and classroom training on sustainable finance, climate mitigation and adaptation finance. As an Environmental and Social (E&S) Safeguard Expert, Mr Fleer developed and delivered trainings on E&S Sustainability Management for financial institutions and SMEs, transforming his extensive E&S knowledge into practical learning units. He holds a Master of Arts in International Development Studies from Philipps-University Marburg and is certified by FS in Renewable Energy and Climate Adaptation as well as Sustainable Finance.

EAR TO THE GROUND

As the US Gets Back into Microfinance, Will Small Business Get Out?

Last week, I did a little thinking about Guatemala. After a couple of months studying the barriers faced by women's MSMEs in seven countries in Central America and the Caribbean, I came across the comments we got from Flor, one of our 1,750 survey respondents. Flor's company produces leather purses and wallets that it sells to Walmart. She started the business with money from her family, because her local bank rejected her loan application, citing lack of a credit history. Her response has been to avoid banks since then, relying instead on her savings and more family loans to grow her business.

Meanwhile, I also was reflecting on the visit of US Vice President Kamala Harris to Guatemala this month, during which she renewed the commitment of the US to help the region - in exchange for keeping migrants away. Prior to her visit, Ms Harris met with representatives of several large microfinance institution networks to talk about how financial inclusion can help spur economic growth. As a result, microcredit is back on the policy agenda for the US and many of the countries it is trying to reconnect with. This has huge implications: some good, some risky.

The underlying premise behind the US re-engaging with Central America is to address what have become widely known as the "root causes" of migrants choosing to leave the region - i.e. violence, poverty and weak institutions (some of which problems the US has exacerbated). In exchange for Central America curbing migration, the US is offering support both directly and via multilateral institutions. One question is how much this would offset the losses in remittances that a migratory freeze likely would cause. There seems to be no question, however, that the US is about to make a big impact in the financial inclusion space by pumping much larger amounts of cash into financial services for small and microbusinesses.

But let's not get too excited just yet. Microfinance institutions, which have worked with the informal sector in the region for decades, may get support; but in exchange, they are likely going to have to start pushing their clients toward formality. This is because fiscal deficits in the region have gotten extreme, and governments are promising to close the gap, in part by increasing tax collection. However, formality is a complicated concept. It includes building credit records (which Flor may have benefitted from when she was applying for a bank loan). But it also includes paying taxes, something few small businesses do, not least because of complicated and opaque requirements. As governments push digital financial services, businesses' footprints become much more transparent to tax authorities. Asking people to start paying taxes shortly after a pandemic, when their incomes have likely declined, seems counterproductive. To buy into formality, entrepreneurs will need to see concrete financial benefits from digitalization. This means products need to be inexpensive and include robust support for new users. If not, people like Flor, who have access to informal loans, will continue to shy away from the formal financial sector and look toward informal sources. Since not everyone has family like Flor's that can help, the real winners may be informal moneylenders, who are expensive, but have few requirements and allow businesses to remain in the cash economy - further from the reach of the tax authorities.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has more than 25 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni[at]eac-global.com, and you may follow her on Twitter at BarbaraatEA.

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. The following prices reflect a 25-percent discount in effect until July 5: two-day, in-person passes for EUR 188 or online access for EUR 19. To learn about other discounts and details, you may call +33 (0)1 42 65 78 85, 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 July 16. For more information, you may contact the organizers at +44 0 20 7017 7149 or register[at]informaconnect.com, or you may visit https://informaconnect.com/finovatefall/.

Africa Financial Services Investment Conference
October 11 - October 12, 2021; London, UK
AFSIC will cover topics such as "sustainable" finance, financial technology and banking 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, with various discounts offered, including for those who register by July 31. For more details, you may visit https://www.afsic.net/ or email event[at]afsic.net. No telephone number is available.

MORE DETAILS COMING SOON ON:

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

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

FinnoSummit Mexico 2021
September 28 - September 30, 2021; Mexico City, Mexico

SAM 2021 (Semaine Africaine de la Microfinance)
October 18 - October 22, 2021; Kigali, Rwanda

MEDA Convention
November 4 - November 7, 2021; Atlanta, Georgia, USA

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

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

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

PAPER WRAP-UPS

Enabling Women's Financial Inclusion Through Digital Financial Literacy

By Catherine Highet, published by FinEquity, May 2021, 24 pages, available at https://www.findevgateway.org/sites/default/files/publications/2021/FinEquity_Synthesis_Final_linked_0.pdf

Based on data from various countries including Bangladesh, Cambodia and Ghana, Ms Highet identifies literacy, numeracy, access, consumer awareness and design as enablers of digital financial literacy (DFL). Also important when seeking to boost DFL is closing the gender gap in phone ownership. However, when activating phone service, customers often are misinformed by salespeople, resulting in customers not understanding the full potential of the products available to them. To address this, Ms Highet recommends increasing training for salespeople and customizing sales tactics to fit individual needs. For example, a salesperson might show a woman farmer how to access crop insurance. Publishing easy-to-use guides to digital financial services (DFS) also can help. Such resources often are not adapted to local markets when they are rolled out to a new area. This forces customers to attempt to use unfamiliar technology and learning methods. To address this, Ms Highet suggests: (1) designing DFS interfaces to be "logical," rather than focusing on visual appeal; (2) consulting with stakeholders when making design changes; and (3) continually reevaluating and improving design. Ms Highet identified the primary constraint to DFL as "gendered social norms," which have resulted in low levels of phone ownership among women and the deprioritization of education for women and girls. To address the resulting challenges - including lack of user confidence - Ms Highet recommends: (1) using nudges to motivate users and demonstrate how DFS are applicable to women's daily lives; (2) creating safe spaces where women can speak about their experiences; (3) using statistical evidence to show discrepancies between personal beliefs and actual results; and (4) positioning DFL as socially acceptable, such as via government-mandated programs.

Weathering the Storm II: Tales of Survival from Microfinance Crises Past

By Daniel Rozas, published by the Center for Financial Inclusion and the European Microfinance Platform (e-MFP), June 2021, 35 pages, available at https://www.centerforfinancialinclusion.org/weathering-the-storm-ii-tales-of-survival-from-microfinance-crises-past

Mr Rozas evaluated 16 case studies of microfinance institutions' (MFIs') reactions to various crises that arose between 2004 and 2018 as a follow-up to the paper "Weathering the Storm," which was published in 2010 as a response to the global financial downturn that began in 2007. In reviewing the experience of MFIs after the global financial crisis, Mr Rozas found that women-led MFIs were more likely to survive than those led by men.

Mr Rozas also outlined a "hierarchy of needs during crisis," with four levels of importance modeled as a pyramid. The most important is liquidity - at the base - followed by confidence, portfolio management and - at the top - capital. Among the recommended liquidity strategies is replacing an investor or restructuring debt - by refinancing or via inter-creditor agreements - if needed to lower or delay loan repayments. To maintain stakeholder confidence, MFIs should be transparent with investors, depositors and others. For example, withdrawal requests may be reduced by preemptively communicating with larger depositors regarding an institution's crisis plans. Regarding portfolio management, MFIs can continue collections by segmenting portfolios and markets to collect from and lend to groups less impacted by the crisis.

Resilience: COVID-19 Crisis Through a Migration Lens

Published by KNOMAD as Migration and Development Brief 34, May 2021, 56 pages, available at https://www.knomad.org/sites/default/files/2021-05/Migration%20and%20Development%20Brief%2034_1.pdf

Remittances to low- and middle-income countries (LMICs) remained relatively stable through the onset of the COVID-19 pandemic, decreasing from USD 548 billion in 2019 to USD 540 billion in 2020. Many countries used "counter-cyclical fiscal policy" to stimulate their economies, which moderated the extent of recessions and kept incomes high enough so that remittances did not fall precipitously. However, countries with oil-based economies experienced larger dropoffs in remittances due to the decrease in oil prices. In Russia, the dual effects of lower oil prices and depreciation of the ruble led to a 10-percent drop in remittance flows to Central Asia and Europe. At the same time, a "shift in flows" from unrecorded, informal channels to formal channels, including financial technology (fintech) providers, may have moderated the decrease in measured remittance flows. Remittances to LMICs are projected to increase 2.6 percent to USD 553 billion during 2021 and similarly to USD 565 billion in 2022. Meanwhile, the authors advocate for efforts to reduce the cost of remittances, which averaged 6.5 percent during the last quarter of 2020. While these costs may be reduced via new technologies, innovation sometimes is thwarted by regulation and banks' de-risking practices.