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#### Khan Bank Borrows \$6m from MicroVest for SMEs in Mongolia

Please request a sample of the subscriber-only edition of the *Monitor* for more on this *MicroCapital Deal of the Month!*

#### Women's World Banking Raises \$28m for WWB Capital Partners II

The US-based NGO Women's World Banking (WWB) recently raised USD 28 million for the second and final close of WWB Capital Partners II, bringing the fund's volume to USD 103 million. Among its features are: (1) a blended finance structure that stratifies certain risks into separate tiers; and (2) a grant-funded technical assistance facility for performing gender analyses to help portfolio companies recruit and retain more female clients and employees. The anchor investors - and the funders of these two features - are the EU and the German government's Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ). Christina Juhasz, Chief Investment Officer of WWB Asset Management, said, "This new fund allows us to be even more intentional in leading gender-inclusive growth with our portfolio companies, deepening outreach to financially underserved women and female-identifying customers and increasing employment and leadership opportunities for them - all of which is consistent with achieving attractive financial returns for our [limited partners]." WWB provides and invests in financial solutions for low-income women via partnerships with 62 institutions serving 138 million female clients in 35 countries. April 26, 2022

#### Philippines Looking to Satellites to Improve Disaster Response

The government of the Philippines recently reduced regulatory barriers to internet service providers using satellite systems to help companies reach customers and their own staff in rural areas and during natural disasters. Benjamin Diokno, Governor of Bangko Sentral ng Pilipinas, reportedly said, "With enhanced access to satellite broadband services, financial institutions can improve their disaster recovery plans as part of their resilience strategy.... They will also be able to set up more access points, such as branch lite operations, ATMs [automated teller machines], and cash agents in underserved areas." Cantilan Bank, for example, used satellite technology to maintain operations on the island of Mindanao after Typhoon Odette struck in December 2021. April 6, 2022

#### Brazil to Apply Banking Regulations to Large Fintechs

During the course of 2023 and 2024, Banco Central do Brasil will phase in tighter regulatory restrictions on large financial technology (fintech) firms in Brazil. Using the concept of proportionality, the central bank's new rules will "preserve easier entry for new competitors" while boosting capital requirements on larger fintechs, which would cause greater disruption if they were to fail. These firms, such as Nubank, PagSeguro, PicPay...\*

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### WE WISH YOU HEALTH!

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

## NEWS FROM AFRICA

### ADA to Support Microfinance Sector in Niger

Appui au Développement Autonome (ADA), an NGO based in Luxembourg that partners with microfinance institutions (MFIs) in low- and middle-income countries, recently entered into a contract with Luxembourg's Directorate of Development Cooperation and Humanitarian Affairs with the goal of increasing access to financial services in Niger. The project has a four-year budget equivalent to USD 16 million that ADA is to use to partner with LuxDev, an agency of Luxembourg's government, to render technical assistance regarding: (1) restructuring troubled MFIs and strengthening those with higher potential; (2) improving the Nigerien government's financial supervisory capacity; (3) aiding the government in implementing a new funding facility for the sector; (4) helping MFIs design loan products specific to various needs - such as those of women, youth and agricultural firms - as well as loans with specific purposes - such as for housing and potable water; and (5) helping MFIs develop non-credit services, including digital microinsurance and online marketplaces. April 24, 2022

### Global Ventures Raises \$85m for Nclude Fund for Fintech in Egypt

Global Ventures, a UAE-based firm that invests primarily in the Middle East and Africa, recently founded Nclude, a fund specializing in financial technology (fintech), with the aim of boosting financial inclusion, primarily in Egypt. Among the purposes of Nclude is to support entrepreneurs starting new fintechs, which it will do in partnership with Shipyard Technology Ventures, an Ireland-based firm promoting innovation among large firms as well as nurturing new ones. The Governor of the Central Bank of Egypt, Tarek Amer, expressed the aspiration that Nclude will "support innovative youth in fintech" while encouraging the uptake of "more innovative fintech solutions capable of delivering banking and financial services to all segments of society more easily and at less cost...." To launch Nclude, Global Ventures raised the equivalent of USD 85 million in a package led by Egypt's Banque Misr. The other named investors are also based in Egypt: Banque du Caire, eFinance Investment Group, payment processor Egyptian Banks Company and the government-owned National Bank of Egypt. April 22, 2022

### BFA Global's Catalyst Fund to Incubate 6 Fintechs

Catalyst Fund, an initiative of the US-based firm BFA (Bankable Frontier Associates) Global, recently announced the 10th cohort of financial technology companies that it will support in their efforts to reach more "underserved and climate-vulnerable communities in emerging markets." Four of the companies are based in Africa: AquaRech, a platform for fish farmers in Kenya; ColdHubs, a Nigerian business involved in food preservation; TopUp Mama, a supply-chain platform for entrepreneurs in Kenya and Nigeria; and Tulix, a Kenyan online payment company. The other two participants are Koltin, which provides health insurance and related services to older people in Mexico, and Mujer Financiera, which delivers financial and health education in Argentina and Mexico. Catalyst will provide each firm with an investment up to the equivalent of USD 105,000 and arrange non-financial support from the staff of BFA and various partner firms. The fund was founded in 2015 and has supported 61 startups to date. April 18, 2022

### Bix, FMO Lending \$10m to C-Quest for Clean Cooking in Africa

FMO, a Dutch public-private partnership also known as the Netherlands Development Finance Company, is lending USD 6.4 million to C-Quest Capital, a US-based investor in projects that reduce the environmental impacts of energy production and usage in low- and middle-income countries. Meanwhile, Bix Capital, a Dutch provider of debt financing to small and medium-sized enterprises to boost access to cleaner cookstoves and water purification in Africa, is lending C-Quest USD 3.6 million. The transactions will enable wider usage of cleaner cooking stoves in sub-Saharan Africa. C-Quest's three main lines of work are energy-efficient lighting, less-polluting cooking, and biomass and solar energy. The firm operates in 13 countries in Africa and Asia. April 11, 2022

### Spark+Africa Raises \$40m in Equity for Cookstove Industry

The Spark+Africa Fund, an investor in cookstoves that create less pollution and use less fuel, recently launched with a total of USD 40 million invested by 12 organizations. Spark+ invests across the value chain for such stoves and the fuel they use, including in producers, distributors and retail funders such as microfinance institutions. The investors include the African Development Bank, the bilateral investment funds of the Danish and Belgian governments, four Swiss pension funds, and the following foundations and family offices: Ceniath, Osprey Foundation, Fundacion Netri and Ashden Trust. Spark+ was created by the US-based Clean Cooking Alliance, the Switzerland-based investor Enabling Capital and the Netherlands-based Stichting Modern Cooking to assist companies in sub-Saharan Africa that "offer life-improving biomass, biogas, ethanol, electric, and LPG-based cooking technologies to low-income consumers." April 8, 2022

### KixiCrédito to Boost E-services in Angola with Support from IFC

The International Finance Corporation, a member of the World Bank Group, recently announced a partnership with KixiCrédito, an Angolan microcredit company, to strengthen KixiCrédito's "delivery of digital financial services to individuals and micro-, small and medium-sized enterprises across the country." The plan includes reviewing the micro-lender's current offerings, procedures and capacities as well as examining its operating environment through market research, the identification of potential partners and analyzing the country's regulatory landscape. KixiCrédito's services include loans for salaried workers, farmers and non-farm businessowners, often with terms of one year to 18 months and in amounts starting at the equivalent of USD 450. April 2, 2022

### Public Funders Form Alliance for Entrepreneurship in Africa

A group of organizations involved in international development recently launched the Alliance for Entrepreneurship in Africa with the aim of supporting the growth of small and medium-sized enterprises (SMEs), particularly those owned or operated by youth or female entrepreneurs. The alliance seeks to boost the financing of SMEs, reduce regulatory barriers to growth, and encourage businesses involved in technology and reducing human impact on the environment. The members of the alliance are the African Development Bank; the European Bank for Reconstruction and Development; the European Investment Bank; the International Finance Corporation; two entities of the French government; and European Development Finance Institutions, an NGO representing 14 bilateral entities. April 1, 2022

*This selection of news on Africa appears compliments of:*



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## SPECIAL REPORT

*This feature is part of a sponsored series bridging to next year's SAM (Semaine Africaine de la Microfinance) 2023 from SAM 2021, which took place in October in Kigali, Rwanda. SAM 2021 was organized by ADA, the Microfinance African Institutions Network, the African Rural and Agricultural Credit Association, and the Association of Microfinance Institutions in Rwanda, with the support of the Directorate for Development Cooperation and Humanitarian Affairs of Luxembourg and the government of Rwanda. MicroCapital has been engaged to promote and document each SAM since 2015.*



### Digital Innovation: Three Key Lessons to Improve the Resilience of African MFIs and Their Clients

If there is one thing that has become obvious for the financial inclusion sector during the COVID-19 pandemic, it is the need to accelerate the digitalization of financial services distribution channels. Of course, this is easier said than done. The path is replete with challenges, from managing the new cyber-risks involved to establishing partnerships among the diversity of actors with different digitalization strategies. So how can we ensure the success of digitalization while maintaining manageable risk levels?

The most recent African Microfinance Week (SAM), which took place in October 2021 in Rwanda, was a unique opportunity to consider this question, share lessons learned, and discuss the challenges of digitalization and its role in improving the resilience of the financial inclusion sector and its clients.

During the event, I had the pleasure of moderating the session “Digital innovations for the resilience of inclusive finance institutions and clients in Africa: actors, strategies, collaborations and challenges.” With Olivier Mugabonake (CEO of ADFinance and President of the Fintech Association of Rwanda), Jean-Louis Perrier (Head of the Africa Cybersecurity Resource Center for Financial Inclusion and co-founder of Suricate Solutions) and Ivan Ssettimba (Head of the Africa Regional Office of the Alliance for Financial Inclusion) present, we discussed the challenges for their institutions, including the main regulatory and political bottlenecks that limit the adoption of digital solutions by low-income segments of the population, as well as the rise of fraud and cybersecurity issues.

From the rich discussion with the panelists and the audience, I would like to share three key takeaways.

#### 1. Adoption of digital channels by MFIs is a necessity.

A consensus emerged during our panel that digitalization is not a luxury or just an option for MFIs, but rather a vital necessity due to the competition from new players. At the same time, MFIs must preserve their objective of contributing to poverty reduction for low-income people. Moreover, while adopting digital tools and channels to deliver their products and services, MFIs must continue to offer productive credit in all sectors, including agriculture. They must not replace their product lineups with those of fintechs and mobile telephone operators, whose consumer credit products cannot meet all the needs of MFIs' clients.

So how to balance these ongoing objectives with the move towards digital? MFIs' digital transformations require financial resources for investments in technology. They also require leadership to define strategy and establish partnerships with a long-term perspective to ensure the viability of digital offers and their adoption by customers. Donor support will be essential to strengthen MFIs' resources and capacity to carry out this transformation, especially for smaller institutions that do not benefit from the support of an international group.

#### 2. Jurisdictions must adapt regulatory and legal frameworks to facilitate digitalization.

During the COVID-19 pandemic, many countries and regions, including the Economic and Monetary Union of West Africa (UEMOA), have introduced temporary measures to ease customer identification requirements for opening accounts, especially mobile money accounts. These measures enabled remote transactions when branches were closed and social distancing was required. Now, two years later, we should assess the impact of these measures and consider adapting them for the long term to continue enabling greater adoption of digital financial services by low-income people who, in many cases, do not have the documentation otherwise required to open accounts. To make these measures more permanent, MFIs would need to take a risk-based approach, with well-defined balance and transaction limits tailored to the needs of MFI clients who pose low risks of money laundering and terrorist financing. Such provisions would promote the financial inclusion of the most vulnerable populations, who would then benefit from appropriate financial services, strengthening their resilience to shocks such as the pandemic.

Another regulatory aspect highlighted during the panel concerns making the USSD channel, through which SMS messages are transmitted, easier to harness for providing financial services via basic telephones. Increasing access to the USSD channel requires affordable pricing, which often requires regulatory action. For example, in Togo, the telecommunications regulator has set a very low price of USD 0.005 per USSD session.

#### 3. Digitalization must be accompanied by cyber-resilience to control risks.

The pandemic pushed many inclusive finance institutions to adopt digital solutions quickly and without enough preparation, especially when it comes to cybersecurity. While the new financial services and digital channels have indeed contributed to the resilience of populations and institutions, they also bring more risks for institutions and customers as hackers take advantage of increased opportunities. Improving cyber-resilience is therefore an urgent priority.

Human and financial resources dedicated to cybersecurity are often limited. We need to collaborate at the sector level by sharing information and best practices in terms of cybersecurity, especially for small and medium-sized institutions. Moreover, in the face of cybercrime having no borders, the response must be organized at the regional level, as many countries do not have a solid cybersecurity ecosystem. For example, the African Cybersecurity Resource Center for Financial Inclusion is a public-private, nonprofit consortium funded by the African Fund for Digital Financial Inclusion and supported by the African Development Bank with the aim of fostering the collaboration of the entire African financial sector, including central banks, banks, fintechs, MFIs and microinsurance companies.

As we can see, there are many challenges that require both reforms and resources. Collectively, all stakeholders must support inclusive finance institutions on their path towards digitalization, particularly on complex but essential issues such as the fight against cybercrime, to ensure the resilience of these institutions and their customers.

*This text was originally published in slightly different form on the FinDev Gateway blog. The author, Corinne Riquet, is a Senior Financial Sector Specialist at CGAP. At SAM 2021, she moderated the panel “Digital innovations for the resilience of inclusive finance institutions and clients in Africa: actors, strategies, collaborations and challenges.”* 📄



## SPECIAL REPORT



This feature is sponsored by Agents for Impact (AFI), a German impact investing firm whose products include the AFI Sustainability Alignment Rating (AFISAR®) tool. AFISAR® is a trust mark - in microfinance and other forms of social business - signifying a commitment to positive and enduring change for people and the planet, based on the UN Sustainable Development Goal (SDG) framework.

AFISAR® helps MFIs leverage the market's growing focus on sustainability performance to raise capital from international investors and, particularly, impact investors. The rating helps investors and social businesses understand their strengths and

weaknesses and devise effective strategies to minimize negative impact and maximize positive impact to the benefit of the organization - its employees, clients and other stakeholders - as well as the environment.

The conversation below outlines the AFISAR® rating process carried out in the "direct partnership" format by a leading MFI like Svasti Microfinance. Direct partnership offers a continuous and immersive experience to facilitate sustainable transitions.

The active dialogue and engagement embedded in the AFISAR® process enable the MFI as well as asset managers to embark on a journey that leads to long-term sustainable development. AFI highly values long-term partnerships with organizations sharing our mission of achieving the UN SDGs. We take this so seriously that a rating above the sustainability threshold is required for the disbursement funds.

To date, AFI has used AFISAR® to rate 35+ microfinance and SME finance institutions in Asia, East Africa and Eastern Europe, helping the institutions demonstrate their SDG competency and alignment.



**Pratibha Singh, an SDG Rating Analyst with AFI, and Arunkumar Padmanabhan, CEO & Co-Founder of Svasti Microfinance, Discuss the AFISAR® Rating, Microfinance, Impact and Much More!**

*Pratibha Singh (pictured): How did you become interested in microfinance?*

Arunkumar Padmanabhan: I was a lawyer and had worked for some years with ICICI Bank. Based on that experience, I wanted to set up a commercial business in the social impact space. We started in the slums of Mumbai, and now we have expanded to eight states in India with 220,000 borrowers across 120 branches.

*PS: What makes the Svasti model unique?*

AP: The key to success in this field is based on three aspects: people, process and technology. Our vision follows the "people-first" approach. Technology and innovation are driving forces as well, and we have built all of our systems from the ground up. That gives us a significant competitive advantage. Meanwhile, we have focussed on client protection and social impact from a very early stage in our development. With AFISAR®, we have become one of the few companies that is measuring its performance based on the SDGs. Constantly trying to improve in impact-driven areas is of great strategic importance.

*PS: What is at stake for an MFI like Svasti when it comes to the SDGs, and how does the MFI contribute to these goals?*

AP: Our business - even in the absence of the SDG framework - is naturally aligned with its elements, so for us to make the transition was easy. By holding ourselves accountable in this manner, we can get better at what we already do.

*PS: Svasti chose the direct partnership route for the AFISAR® process, scoring 71 percent on the SDG portion and a B+ AFISAR® rating. How did the process unfold?*

AP: The AFISAR® process was good through and through. We needed guidance at various stages from the AFI team, and we received it. Al

though we already were contributing to some of the goals, putting this into a framework and measuring it against various parameters such as client protection, governance, etc is something we never had done before. This exercise gave us some fruitful insights on how to approach our work in an outcome-oriented manner. We also learned a great deal about how to organize and present information that showcases our impact. Now we are in the process of making some changes to our systems that we are sure will make the AFISAR® process easier next time.

*PS: Please share a story of Svasti's impact.*

AP: Right from the beginning, we have designed our processes and strategies in a manner that positively contributes to the customer experience. Some institutions focus on operating efficiencies or portfolio quality. They let the customer experience take a back seat because they feel the socio-economic background of their customers makes them undeserving of being the center of their company's decisions. Customers come to us for a better experience, and it makes them feel better to get access to a range of appropriate financial choices. Things worked differently 20 to 30 years ago in India, when there was no concept of prioritizing customers. Now things are changing. I believe our customer-centric approach ties in very well with many of the SDG elements.

*PS: How have you navigated the challenges of the past two years, and what are your plans to prepare for future uncertainty?*

AP: The COVID-19 pandemic was a once-in-a-lifetime event that impacted us and our customers in ways that we never could have foreseen. We are used to having 99-percent collection efficiency, and we have had some setbacks before, like the demonetization process, when collection efficiency dropped to 80 percent before working its way back up in a matter of months. We always had plans in place to deal with what we thought would be the worst-case scenarios, but that was the worst that we had seen. With the onset of the COVID-19 pandemic, collection efficiency dropped to zero. Nobody had modelled how to deal with a situation like this, and it was a drastic event for us - our company, staff and the customers. For months, our customers did not have a source of income. The plight of the vendors, auto-rickshaw drivers and others was dramatic. But once incomes started improving gradually, so did the repayment rate.

This was an adverse situation for all sides. We had to re-evaluate all our processes from the ground up. As the waves of the pandemic have continued, however, we have found that the customer segment we work with is vulnerable but resilient, with high levels of integrity. As a company, we got to work on a very challenging and complex problem, and we worked on it from the three angles I mentioned before: people, processes and technology. It has made us much better at our work and gave us a lot of confidence.



*PS: What is your advice to other MFIs that have not yet embarked on the sustainability pathway or chosen the AFISAR® tool?*

AP: As I mentioned before, MFIs are doing a lot of work that is naturally aligned with the SDGs - so why not benefit from it? We are working with the low-income population and providing people access to finance, so there is a general inclination towards the SDGs. It's mainly a question of measuring the work in a coherent manner. It's impossible to ignore the SDG framework, as it will play a significant role both for the MFI's reputation as well as its fundraising. I encourage all MFIs to work toward achieving these goals.

*The Rating Team at AFI has extensive experience in impact measurement, regulation and microfinance - both exhaustive practical (on-site) experience as well as the necessary academic / theoretical background - and is, therefore, highly equipped to analyse a rated company's strengths and weaknesses. For further details on the AFISAR® tool, please contact [pratibha.singh@agentsforimpact.com](mailto:pratibha.singh@agentsforimpact.com). 📧*



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## PAPER WRAP-UPS

### Platforms, Livelihoods and Inclusive Finance

By Mayada El-Zoghbi and Loretta Michaels, published by the Center for Financial Inclusion at Accion, April 2022, 16 pages, available at <https://www.finder.gateway.org/paper/2022/04/platforms-livelihoods-and-inclusive-finance>

Ms El-Zoghbi and Ms Michaels explore the role of digital platforms in supporting financial inclusion and livelihoods. Their background research indicates that such platforms have transformed some economies significantly by: (1) helping businesses recover from the early stages of the COVID-19 pandemic; and (2) providing employment opportunities for disadvantaged populations such as youth, women and rural residents. In particular, e-commerce, gig working, social media and agricultural platforms have been found to improve the livelihoods of low-income consumers as well as increase the strength of micro-, small and medium-sized enterprises. The Egyptian “social commerce” startup Brimore, for example, gives micro- and small enterprises “access to nationwide distribution through its network of freelancers, enabling social sellers in Egypt to start and grow their businesses with zero initial capital.”

Once people have used digital platforms for non-financial services, it is a smaller leap for them to adopt digital finance. However, while platforms have supported financial inclusion - including via increased usage of digital payments - the transition for many low-income users to formal financial services has remained challenging. For example, many microentrepreneurs who have begun using social media for marketing still revert to cash to collect payment. This, the authors argue, shows the need for more education and support as well as better designed services for disadvantaged populations. In particular, providers could focus more on providing “onboarding support, multiple payment options, building...”

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### Outcomes Management for Financial Service Providers: A Proposed Standard Framework Aligned With the Sustainable Development Goals

Published by the European Microfinance Platform, Cerise and the Social Performance Task Force, March 2022, 28 pages, available at <https://www.e-mfp.eu/news-and-events/new-report-outcomes-management-financial-service-providers-proposed-standard>

This paper builds on the publishers' past work to create an updated “methodology for outcomes management and a set of standard outcomes indicators” that are mapped to targets that make up several of the UN's Sustainable Development Goals (SDGs). For context, the authors note several recent trends, including changing expectations of what financial inclusion can actually achieve, growing interest among investors in outcomes and financial services providers (FSPs) not prioritizing outcomes measurement. The SDGs most commonly associated with FSPs are SDG 8, Decent Work and Economic Growth; SDG 1, No Poverty; and SDG 5, Gender Equality. An example of the outcome indicators that the authors have mapped to SDG targets is the number of jobs created - disaggregated by the ages of the workers taking the new jobs - being mapped to target 8.6 of SDG 8: “substantially reduce the proportion of youth not in employment, education...”

### Central Bank Digital Currencies: A New Tool in the Financial Inclusion Toolkit?

By Raphael Auer et al, published by the Bank for International Settlements and the World Bank Group, April 2022, 39 pages, available at <https://www.bis.org/fsi/publ/insights41.htm>

According to interviews of representatives of nine central banks, central bank digital currencies (CBDCs) have the potential to help increase financial inclusion in various ways, including by lowering the cost of money transfers, reducing the need for people in rural areas to travel long distances to execute transactions and providing access to populations that for-profit firms have deemed unprofitable to serve.

Central bankers envision setting the fees for digital payments, devising off-line service options for areas lacking consistent connectivity and providing “open application programming interfaces to share data with appropriate safeguards, such as separating transaction and personal data.” Other priorities would include digital and financial literacy campaigns as well as interoperability with existing domestic financial systems and new CBDC systems in other countries.

Among the likely challenges is securing buy-in from key stakeholders, including those who remain unreachable by formal financial services. Legal frameworks will need updating, as well, so that CBDCs are recognized as...”

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