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### R5 of Colombia Raises \$7m for Vehicle Fintech, Insurtech

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

### Oikocredit, Aqua for All to Invest \$17m for WASH in Africa, Cambodia


Two Dutch entities, the cooperative investor Oikocredit and the NGO Aqua for All, recently launched a two-year partnership to facilitate access to drinking water, sanitation and hygiene (WASH) in Cambodia as well as unspecified countries in East and West Africa. Oikocredit has agreed to invest up to the equivalent of USD 15.6 million in retail financial services providers to fund WASH projects, and Aqua for All will support these investments with up to USD 1.6 million in “technical assistance, de-risking and and/or performance-based incentives.” Established in 2002, Aqua for All reports a portfolio of USD 54 million, all deployed in Africa and Asia. Founded in 1975, Oikocredit has a portfolio valued at USD 1.3 billion, placed in financial inclusion, agriculture and renewable energy in Africa, Asia and Latin America. June 18, 2022

### Davienda, Visa Commit to Digitize Services in Central America

As part of the US-government led Call to Action for Northern Central America, the Colombia-based bank Daviendia recently reported: (1) reaching 200,000 unbanked individuals in El Salvador, Guatemala and Honduras via its Daviplata digital financial services platform; and (2) issuing USD 100 million in loans “to support low-income housing, small and medium-sized businesses, renewable energy projects, and women entrepreneurs.” Daviendia is a member of Grupo Bolivar that serves 17 million customers in six countries. Meanwhile, US-based financial services company Visa responded to the Call to Action with plans to invest USD 270 million to expand digital financial infrastructure in El Salvador, Guatemala and Honduras. The investment targets “agrobusiness, digital disbursement of government subsidies and remittances” with the goal of enabling 6.5 million individuals as well as 1 million small and medium-sized enterprises to participate in the formal financial system. The plan also includes an expansion of financial education. June 17, 2022

### Tech Firms Boosting Literacy of Garment Workers in Bangladesh

The UN Capital Development Fund recently committed USD 560,000 to support pilot programs for providing financial and digital literacy training to workers in the Bangladeshi garment industry. The funding will pay for technical assistance and potential performance-based grants for three firms seeking to boost the financial and digital inclusion of 135,000 workers in the sector, mostly women. The implementing partners are Quizrr, Ulula and wagely. Wagely is to offer participants its Earned Wage Access service, which allows workers to...\*

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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

### Aman Youm-B-Youm Fund Offers Egyptians Return of 8%

Two Egyptian firms, Aman for Microfinance and Prime Holding, recently launched an investment fund called Youm-B-Youm, whose name can be translated as “Day-by-Day.” Aman for Microfinance anticipates the fund will generate returns of 8 percent and grow to a volume equivalent to USD 5 million during its first year. Designed as a savings fund, Youm-B-Youm will harness conservative investments such as Treasury bills. All funds are to remain available for withdrawal on demand. Aman for Microfinance, which reports USD 59 million in assets, has grown to offer services via 350 branches and 150,000 point-of-sale locations since its launch in 2018. Aman Group is owned by Egypt’s Raya Holding and the government-owned National Bank of Egypt. June 27, 2022

### Tanmeyah Microenterprise of Egypt Buys B2B Platform Fatura

Tanmeyah for Microenterprise Services, a subsidiary of Egypt-based EFG Hermes Holding, recently paid an undisclosed price to acquire Netherlands-domiciled Fatura, which connects 60,000 manufacturers, wholesalers and retailers in Egypt via a “marketplace with live product viewing and price transparency to B2B buy-now-pay-later services and marketing support....” Tanmeyah CEO Hossam AlNaggar said the acquisition of Fatura will provide “the company a faster route to digitally transform and develop.” Tanmeyah offers loans in amounts ranging from the equivalent of USD 50 to USD 5,000 that are designed for: (1) women; (2) micro- and small enterprises; and (3) vehicle purchases. Founded in 2009, the firm has since grown to operate 304 branches serving 391,000 customers with a portfolio of USD 210 million. EFG Hermes is active in financial services in 13 countries. June 27, 2022

### SIDI, Alterfin Raise \$23m for FEFISOL II to Invest in Rural Africa

France-based investment firm Solidarité Internationale pour le Développement et l’Investissement (SIDI) and Belgium-based cooperative Alterfin recently announced a new investment vehicle, Fonds Européen de Financement Solidaire (FEFISOL) II, whose first close includes investments totaling the equivalent of USD 23 million. The goal of the new fund is to finance 110 rural institutions in 28 African countries with the aim of increasing economic resilience and food security. The investees are to include microfinance institutions as well as buyers of crops from smallholder farmers. These investees will have access to USD 1.1 million in technical assistance from Proparco, a unit of the French government’s Agence Française de Développement. FEFISOL II succeeds the original FEFISOL fund, which closed in July 2021 having issued USD 91 million in debt, equity and guarantees to 92 organizations in 25 countries. Among the goals of the new fund, which is to issue its first disbursements in July 2022, is “to be even more ambitious in terms of social and environmental performance.” The investors in FEFISOL II include Proparco, which committed USD 5.2 million to the fund; the EU’s European Investment Bank, which is to invest the same amount; SIDI, which committed USD 5.0 million; and Alterfin, which agreed to invest USD 2.1 million. The other participants comprise a range of for-profit, nonprofit and government entities. June 20, 2022

### IFAD Lends Soafiary \$3.6m to Support Farmers in Madagascar

The UN’s International Fund for Agricultural Development (IFAD) recently extended a loan equivalent to USD 3.6 million to Soafiary, an agribusiness in Madagascar, to support the firm’s effort to “grow sustainably and reorient [its] business model, by increasing from 30 to 70 percent its direct sourcing from small-scale farmers,” potentially increasing the incomes of 4,000 growers by 30 percent. Rabenoro Malala, who co-founded the firm with her husband, said that “IFAD’s support allows us to go to scale, while providing great support to small-scale farmers and contributing to building sustainable and resilient food markets....” Soafiary provides farmers with seeds, fertilizer and training via written contracts that one participating farmer described as “beneficial for us because it provides a stable market with fair prices but without middlemen.” The firm was founded in 2006 and specializes in processing cereal products for sale domestically and abroad. The firm has 200 employees, about 160 of whom are women. June 20, 2022

### African Union, DFC, USAID Partner to Expand MSME Finance

The US Agency for International Development (USAID) and the US International Development Finance Corporation (DFC) recently inked an agreement with the African Union Development Agency to provide loan guarantees to support micro-, small and medium-sized enterprises (MSMEs) in Tanzania, Zambia, Malawi and Nigeria. The goals of the partnership are to expand access to finance, food security and economic growth by combining DFC’s guarantees with technical assistance from USAID and the networking and implementation expertise of the African Union Development Agency. The guarantees - which range in exposure up to 50 percent - are to enable: (1) USD 34 million for small and medium-sized educational enterprises as well as informal businesses in Tanzania; (2) USD 20 million for MSMEs in Zambia to minimize climate change and food shortages; (3) USD 10 million to increase financial inclusion in Malawi in the “agriculture, clean cooking, fisheries, and sustainable forestry sectors;” and (4) USD 10 million to expand access to finance for women-led MSMEs in Nigeria. June 19, 2022

### Kuunda Raises \$2m to Expand Short-term Financing in Africa

Kuunda, a Mauritius-domiciled financial technology company, recently completed its seed funding round with USD 2.25 million in new investment led by Accion Venture Lab, a unit of US-based nonprofit Accion. Other investors in the round include FINCA Ventures, Future Africa, Greenhouse Capital, Kepple Africa Ventures, Launch Africa, Magic Fund, Mercy Corps Ventures and Seedstars. The funding is slated to boost Kuunda’s existing operations - which span Tanzania and Pakistan - as well as to allow it to expand into Democratic Republic of Congo, Egypt, Malawi, Mozambique, Nigeria, Uganda and Zambia by 2023. The firm’s offerings are: (1) Hapa Cash, which provides mobile money agents, merchants and consumers with one-day loans to complete transactions such as person-to-person payments as well as purchases of fuel and airtime; and (2) Kazi Cash, which offers retailers and mobile money agents loans with terms up to 14 days. Kuunda, whose name means “create” in Swahili, was established in 2018. June 13, 2022

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### Tugende Borrows \$2.6m to Finance Vehicles in East Africa

With assistance from Verdant Capital, a Mauritius-based corporate finance firm, Tugende, a Uganda-based, lease-to-own vehicle financing firm, recently borrowed the equivalent of USD 2.6 million from an unspecified “European impact investor.” In addition to financing motorcycles, minibuses and boat engines for first-time clients, Tugende offers medical and life insurance. Successful lessees also may finance mobile phones as well as equipment for tailors, food sellers and hair stylists. Tugende, whose name can be translated as “Let’s Go,” has 20 branches in Kenya and Uganda. Since its founding in 2012 through 2022, the company has served 52,000 customers. June 9. 2022

### UsPlus Borrows \$11m for SME Factoring in South Africa

Mauritius-based Verdant Capital recently arranged USD 10 million in debt funding from US-based Lendable Asset Management for UsPlus, a South African funder of small and medium-sized enterprises (SMEs). This comes after UsPlus raised the local-currency equivalent of USD 967,000 in a sale of notes to the alternative asset management arm of Absa Wealth Management, whose parent organization evolved from the former Amalgamated Banks of South Africa (ABSA). These secured notes mature in May 2024 and carry an interest rate of 750 basis points above the 3-month Johannesburg Interbank Average Rate. Founded in 2015, UsPlus is a financial technology firm that buys invoices and contracts from SMEs as well as provides them with technical assistance. UsPlus, which has a particular emphasis on creating jobs and supporting Black-owned SMEs, serves customers operating in sectors such as agribusiness, engineering, logistics and media. The firm holds assets of USD 10 million and receivables of USD 7 million. June 6. 2022

### Canada, AfDB to Lend \$78m to Women’s Agricultural SMEs

Global Affairs Canada, a government agency, recently announced a contribution equivalent to USD 78 million to the multilateral African Development Bank (AfDB) to support small and medium-sized agri-food enterprises (agri-SMEs) that are run by - or otherwise particularly beneficial to - women. The program, which is named the Agri-SME Catalytic Financing Mechanism, is to provide “concessional finance and technical assistance to agribusinesses, financial institutions and impact funds” that are “climate-resilient” and contribute to gender equality. The funding is part of Canada’s International Assistance Innovation Program, which is a five-year pilot established in 2020 with a budget of USD 735 million to create private sector growth in accordance with the UN Sustainable Development Goals. June 3. 2022

### Sanad Sells Stake as 3 Investors Buy GlobalCorp of Egypt

Three entities recently acquired control of GlobalCorp for Financial Services, an Egyptian provider of leasing and factoring services to small and large enterprises. The buyers are France-based fund manager Amethis, the multilateral European Bank for Reconstruction and Development, and a fund of Mauritius-based SPE Capital. The firms bought an undisclosed portion of GlobalCorp’s shares from a fund managed by Egyptian private equity manager Ezdehar and a 30-percent stake from the Sanad Fund for MSME, a public-private partnership that invests in funders of micro-, small and medium-sized enterprises (MSMEs). The pricing of the transactions remains confidential. Sanad Board Chair Dr Daniela Beckmann said the investment would further GlobalCorp’s “overall goal to promote financial inclusion” in Egypt. Founded in 2015, the firm offers direct leases, credit lines, debt swaps, receivables administration and recourse factoring. June 2. 2022

## WEBINAR

# Crisis in Sri Lanka

## The Untold Reality from the Field

### DATE

7th July 2022

### TIME

European Central Time 11:30 – 12:30

Sri Lanka Standard Time 15:00 – 16:00

Japan Standard Time 18:30 – 19:30

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## SPECIAL REPORT

### What Role Does Germany Play in the Impact Investment World?

*In this article, Dr Andrij Fetsun (pictured), CEO of Agents for Impact GmbH & Co. KG (AFI), a burgeoning impact investment company in Germany, addresses the topic of Germany's role in impact investing. Andrij has lived in Germany since 2008. Prior to co-founding AFI, Andrij was a Senior Portfolio Manager at Invest in Visions GmbH, where he built the portfolio management division of the company from scratch. Within four years, Andrij managed to grow the IIV Microfinance Fund portfolio from EUR 98 million to over EUR 661 million without any defaults. His 10 years of professional experience in impact finance include engagements with KfW and the Frankfurt School of Finance & Management, where he promoted SME finance as well as microfinance. Andrij started his career in portfolio management in the private banking department of BHF-Bank, Frankfurt. Andrij also published several articles on quantitative approaches in portfolio management and on environmental, social and governance (ESG) integration in portfolio management when he was at Veritas.*

#### Impact investing and sustainable finance as a personal choice

My interest in impact investing has its roots in my personal belief in living and working in a manner that is environmentally and socially sustainable and responsible. For instance, on a day-to-day basis, I come to the office by city scooter regardless of the weather. I don't own a car as a matter of principle. Throughout my professional experience with Frankfurt School and IIV, I built my knowledge and capacity in the sector and finally decided to venture out and start a business that combined sustainability with finance. And that's how AFI was born in 2018. I co-founded the firm and have been its managing director since then. I find it very satisfying to be associated with an impact investing company that seeks to help impact investors in Germany find stellar opportunities for sustainable investing around the world.

#### Impact investing and sustainable finance as a growing sector in Europe

Impact investing in Germany is on its way to becoming mainstream in all segments of the economy. When I talk about impact investing, I do not mean ESG or sustainable funds in general, but investments with an intentional, measurable social and environmental impact alongside a financial return, for example as defined by GIIN. According to the FNG market report, the share of sustainable funds and mandates, including impact investments, in the German fund market is only 9.4 percent as of December 2021.

It is always interesting to compare the figures, especially for me as a mathematician: In contrast to Germany, the FNG market report states that in Austria during 2021, sustainable funds and mandates grew to account for 28 percent of the total fund market for the first time. The volume of sustainable funds in Switzerland accounted for 53 percent of the total Swiss market in 2021 (compared to 38 percent in 2019). Thus, funds using sustainable approaches are outcompeting conventional investment funds in Switzerland. This all serves as proof that Germany still has some catching up to do in the field of impact investing.

#### Current trends in impact investing

Green bonds and other sustainability-linked bonds are currently a very popular and widely used product across the globe, with local governments getting in on the trend as well. It all began with the European Investment Bank's issuance of the first green bond in 2007. The popularity of sustainability-linked bonds also has driven the growth of other fixed-income ESG and impact investments such as microfinance, supply-chain loans and blended finance products (to name a few).



AFI has been serving as investment manager to IIV for its microfinance funds for three years. During this time, AFI-IIV generated more than EUR 200 million in microfinance loan transactions. Moreover, AFI has been analyzing ESG plausibility for capital management companies, including HANSAINVEST, which has been an AFI client for three years.

But aside from impact investing advisory and transactional support, AFI has also developed a tool - AFISAR - that helps to rate and rank companies on their contributions to the UN Sustainable Development Goals (SDGs). The microfinance sector, for example, is very relevant to the following SDGs: SDG 1, No poverty; SDG 5, Gender equality; SDG 8, Decent work and economic growth; and SDG 10, Reduced inequalities. With governments imposing strict ESG requirements, investment companies will only need more help with SDG and ESG ratings and sustainability advisory services going forward.

#### The importance of impact investing for regulated investors

Interest in and demand for products with measurable, positive social and/or environmental impact are growing in the German financial market. Many investors will therefore become much more involved in the sub-sector, and the market for impact investments will continue to grow.

The compliance and regulatory requirements in Europe have become more complex, for example with the introduction of the EU Sustainable Finance Disclosure Regulation. While these regulations contribute to transparency, they also pose a great challenge for the market to ensure compliance. This is where AFI's ESG and SDG rating teams can be of great help for investors! When our rating team analyses a company's SDG alignment, for example, this helps us guide the company to become more sustainable.

#### The role of AFI in the impact investing sector

As an impact investing company, AFI can serve a range of different institutional investors: such as family offices and asset managers that invest in non-liquid assets. Our investment approach is top-down. We start by analysing macroeconomic and country risks. Then we look at the regulatory environment and only afterwards at credit risk, of which ESG is one part. But before we even start, we use our SDG rating to measure whether the investees sufficiently align with the UN SDGs. Our team - including investment officers, the SDG rating team, the ESG team and the legal team - participate in each due diligence process. Of course, we need to understand the varying legal aspects in different regions, and we already have demonstrated this expertise in 11 countries.

In total, we have generated more than USD 217 million worth of transactions since receiving regulatory authorization in October 2019. It is also extremely noteworthy that our loan default rate has been zero. We have agents on the ground in various regions like Central and South Asia, Africa, and Eastern Europe. This is how we were able to work smoothly - including conducting due diligence on potential investees - even during the worst days of the COVID-19 pandemic. Meanwhile, it is always my goal to get to know our clients personally. As examples, I spent a month in Cambodia and two and a half months in India to better assess the situations on the ground.

#### Expectations for the field of impact investing in 3 to 5 years

More funds in Germany need to get into the impact investing space in Germany, and the government can help by ramping up incentives for the sector. Increasing the volume of sustainable funds in Germany would not only help us keep up with neighbouring countries, but would also help emerging markets to achieve the SDGs.

*This feature is sponsored by Agents for Impact.* 

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## EAR TO THE GROUND

### Social Enterprises: Earning Money the Hard Way?

2021 was a record year for venture capital, with USD 620 billion in new funding - nearly twice the level recorded in 2020. During 2022, there has been a slowdown, or “venture reset,” driven by monetary tightening worldwide, but perhaps also by some healthy reflection. Over the past five years, money has flowed explosively to loss-making companies, often with the premise that the well-funded will gain market share and push others out of the way, regardless of whether they have the most robust products or business models. But now, liquidity is tightening, folks, and the implications will undoubtedly trickle down to impact investors, as they continue to look for both social and financial returns.

I had a conversation earlier this month with Katherine Lucey, Founder and CEO of Solar Sister. Her organization caught my eye because, much like my company in Mexico, Noahui Soluciones, hers leverages women's trust networks. Solar Sister's model is to sell solar products to agents, who then mark them up and resell them in their communities. Families love this product, and Solar Sister has partnered with over 7,000 female agents, reaching over 3 million households in its 12 years of operation. At first blush, the model looks a bit like the well known pay-as-you-go (PAYGo) solar model that has caught the eye of many impact investors, with its high margins and fast growth. According to Katherine, “We have reached about the same scale.” But there is a huge difference. Unlike many PAYGo models, which involve high interest rates and correspondingly bad delinquency rates, Solar Sister does not extract value through high financing costs and then funnel profits back to investors (often in the Global North). Instead, the organization offers end-customers lower prices and - when needed - less

costly financing. The model isn't designed around investors' needs, but rather those of agents and end-clients.

Solar Sister is set up as a nonprofit with two main verticals. The solar product business makes money, with excess revenues reinvested into company growth. Scale comes from having a good product, strong agent retention and reasonable pricing. The second vertical is education, which relies on philanthropic funds. This side of the organization helps onboard agents and train them in entrepreneurship, sales and maintenance, ensuring that the company has capable, educated, loyal agents that can support the products they sell.

Katherine is no rookie. She is on Forbes' 50 Over 50: Impact list for good reason. With 20 years of experience as an investment banker, she understands the risks of depending on fickle investors who are far from the daily struggles of Solar Sister's target market. Her nonprofit model - including its contrast with for-profit, PAYGo models - offers some insight about impact investing in tighter markets. As investors “reset” and have less money to spare, I anticipate they will be driven more by the fundamentals of investees' business models and less by their own FOMO (fear of missing out) as they ponder the next Uber. This might lead investors to scrutinize social enterprises more closely, demanding deeper measures of impact instead of just scale. If I'm right, social enterprises might finally have to figure out ways to earn money the hard way, as Solar Sister has done, by offering value to the poor.

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

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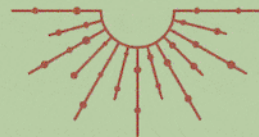


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## PAPER WRAP-UPS

### Savings and Retail Banking in Africa: Unpacking the Customer Through Demand Side Data

*Published by World Retail and Savings Banking Institute and the Mastercard Foundation, May 2022, 24 pages, available at <https://www.findergateway.org/paper/2022/05/state-savings-and-retail-banking-africa>*

This report offers case studies on how financial services providers (FSPs) can expand and improve their usage of data to devise client-centric services and minimise account dormancy. The first case study describes the three-stage product design process of the Zambia National Commercial Bank (Zanaco). To optimise its use of internal information, qualitative research and third-party data for the first stage - client needs assessment - Zanaco maintains a dedicated market analysis department. This allows the FSP to identify trends in customer needs and alternatives from competitors as well as to decide when to retire obsolete products. Through this process, Zanaco recently began offering Women's Banking, which includes personalised general and life insurance along with non-financial services like business linkages and opportunities for networking.

BRAC Uganda, an affiliate of the network that evolved from the Bangladesh Rehabilitation Assistance Committee (BRAC), has a data team that analyses credit performance, product uptake and user experience. Among the team's data sources is the FinScope survey, which it uses to identify characteristics of potential clients, devise strategies for reaching out to them and design products based on their needs.

In Ethiopia, Awash Bank staff gathered input from members of the Ethiopian diaspora to tailor a line of financial products targeting their concerns. Until recently, Ethiopians temporarily residing abroad were unable to...\*

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### The Value of Pay-as-you-go Solar for Mobile Operators: Insights from Customer Journeys in Benin and Côte d'Ivoire

*By Tyler Tappendorf, Francesca Pheasant and Zach White; published by GSMA; March 2022; 29 pages; available at <https://www.findergateway.org/paper/2022/03/value-pay-you-go-solar-mobile-operators-insights-customer-journeys-benin-and-cote>*

This analysis of data from Benin and Côte d'Ivoire addresses "the impact of mobile consumers adopting pay-as-you-go (PAYG) solar on their mobile usage." Based on 120 interviews with end-users, the authors found access to energy via solar home systems resulted in: (1) about a quarter of users opening new mobile money accounts or reopening old ones; (2) users increasing mobile money usage - beyond transactions to pay bills - by 27 percent to 113 percent, depending on their region; and (3) mobile operators collecting 9 percent more revenue from new customers relative to the control group. Meanwhile, users of solar home systems more frequently: had their phones charged and on, used their phones later in the evening, earned more money, kept balances as e-money rather than cashing out, purchased cash-ins to their mobile money accounts, paid for subscriptions via mobile money, used additional services, switched...\*

### The Growth and Performance of Affordable Housing Finance Lenders in India

*By Nadeem Karmali and Guillermo Rodriguez Ruiz, published by the World Bank, May 2022, 59 pages, available at <https://openknowledge.worldbank.org/handle/10986/37416>*

In studying the growth of affordable housing finance corporations (AHFCs) in India, the authors review the history of the Indian housing market and related government policies. To define AHFCs, the authors review credit bureau data and existing literature. They distinguish the offerings of AHFCs from "housing micro-finance" loans offered by traditional micro-finance institutions for "incremental housing construction." In contrast, the authors define AHFCs as non-depository housing finance companies (HFC-Ns) that provide loans averaging the equivalent of USD 6,000 to USD 13,000, targeting households that "do not have reliable income documentation, are located in peri-urban areas [and] use the loan for the construction of a dwelling on an owned parcel of land." Using this definition, the authors classify 40 of the 66 registered HFC-N corporations in India as AHFCs. These AHFCs grew their portfolios by an average annual compound rate of 27 percent from 2016 to 2020, ending that period with...\*

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## MICROFIN

Operational Planning for MFIs

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