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Kinara Raises \$50m from Nuveen, ASN for MSMEs in India

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SIA Launches Spanish-language Digital Financial Literacy Tools

Strategic Impact Advisors (SIA), a US-based firm, recently released a set of free resources to support the financial education of women in Latin America, including 22 audio lessons spanning 1 to 4 minutes in length. The lessons mainly cover topics relating to digital financial services, including using mobile wallets, insurance, budgeting, loans, savings, privacy and how to set up a business to accept digital payments. The audio is in Spanish, and both English and Spanish transcripts are available. SIA is also recruiting volunteers to serve as financial education trainers. The firm offers similar resources tailored for use in six African countries in English, French and 14 other languages. May 26, 2022

Palestinian Monetary Authority, EIB Directing \$63m to MSMEs in Gaza

The EU's European Investment Bank recently announced it will disburse the equivalent of USD 63 million to the Palestinian Monetary Authority (PMA), with USD 50 million of the total to be on-lent by retail lenders to micro-, small and medium-sized enterprises in Gaza. The remainder of the funding will take the form of guarantees and grants for related technical assistance. The goals include to: (1) help businesses create new jobs in Gaza as they adjust to the COVID-19 pandemic and rising energy costs; and (2) reach underserved groups such as female and youth entrepreneurs. PMA is a public institution intended to foster economic growth and stability, as well as institute banking and monetary policy in Palestine. May 23, 2022

MicroVest Lends \$5m to Banco Solidario, Fundacion Espoir of Ecuador

Ecuador's Banco Solidario recently agreed to borrow USD 3 million from MicroVest, a debt-focused asset manager owned by US-based DAI Global, to support the microbank's financial education of women as well as lending to small and medium-sized enterprises (SMEs). Established in 1995, Banco Solidario offers loans, savings, insurance and fund transfer services. Its microenterprise loans range in size up to USD 20,000 with terms of up to 4 years. The institution has assets of USD 780 million and 255,000 borrowers, mostly women. MicroVest is also lending USD 2 million to Fundacion Espoir, an NGO providing microcredit, insurance and financial education in Ecuador. The goal is to support the institution in assisting women-led microenterprises and SMEs in recovering from the economic fallout of the COVID-19 pandemic as well as boosting female employment in general. Fundacion Espoir was...*

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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

ACEP Burkina Founding Investor Incofin Sells 20% Stake to SIDI

From its Incofin CVSO fund, Belgium's Incofin Investment Management (IM) recently sold its 20-percent equity stake in Agence de Crédit pour l'Entreprise Privée (ACEP) Burkina, a microfinance institution (MFI) in Burkina Faso, to Solidarité Internationale pour le Développement et l'Investissement (SIDI), a French social business, for an undisclosed sum. Through the acquisition, SIDI is looking to "strengthen its commitment to the development of inclusive finance in Africa and more particularly in the Sahel region." SIDI, which was launched in 1983, "strives to contribute to the building of a more inclusive economy, which would give poor populations from Southern and Eastern countries a chance" to make their lives easier. The firm is active in 36 countries. ACEP Burkina, which was established in 2009 with investments from Incofin IM and others, began operations in 2012. The microlender since has built a portfolio equivalent to USD 46 million and a customer base of 31,000. In addition to Burkina Faso, ACEP Group owns stakes in MFIs in Cameroon, Madagascar and Niger. May 30. 2022

Wave Receives E-money License from BCEAO

The Central Bank of West African States, also known by its French acronym BCEAO, recently granted an e-money license to Wave Digital Finance, a Senegal-based firm providing mobile money services in Cote d'Ivoire and Senegal. Whereas previously Wave could offer its financial products through banks, the new license allows the firm to provide savings, credit and remittance services directly to customers. Upon the announcement, Wave CEO Drew Durbin noted the firm's vision of creating "radically inclusive and affordable financial services" that can "make Africa the first cashless continent." Wave is a subsidiary of the Senegal-based Wave Mobile Money Group, whose other holding is Sendwave, a Tanzania-based provider of digital remittance services. Data on the sizes of the firms have not been released. May 19. 2022

Equity Nets \$165m+ for Climate, Financial Inclusion in Africa

Partially through the Financial Institutions Growth Fund that it manages, the International Finance Corporation (IFC), a member of the World Bank Group, is paying an undisclosed sum to acquire a 6.7-percent stake in Equity Group, which has banking operations in Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania and Uganda. IFC and the UK government's British International Investment also are each lending the group's Kenyan member USD 50 million. In addition, the Dutch development bank Financierings-Maatschappij voor Ontwikkelingslanden (FMO) and two Switzerland-based investors, ResponsAbility Investments and Symbiotics, are lending Equity Bank Kenya a total of USD 65 million in undisclosed portions. The goals of the investments include "increasing access to financial services for small businesses and funding for green projects." Equity Group's climate-aware commitments include not to invest in coal and to direct USD 80 million via its subsidiaries to projects deemed green. Founded in 1984, Equity Group is based in Kenya and serves 15 million customers with assets valued at USD 11 billion as of 2022. May 17. 2022

Solaris Adds NuovoPay to PaygOps to Boost Smartphone Access

Two providers of business-to-business services, UK-registered Solaris Offgrid and India's NuovoPay, recently agreed to make NuovoPay's smartphone-leasing service available to distributors via Solaris's PaygOps platform. PaygOps is a system for companies that lease solar panels and other consumer products. The system helps track new sales, payments on ongoing leases and customer service requests. NuovoPay's technology allows for phones to be locked and unlocked remotely based on the timing of customer payments. Nitesh Bhalothia, NuovoPay's head of sales, stated that the partnership will aid "in curbing the digital divide while making smartphone financing seamless and risk-free." Founded in 2014, Solaris has developed pay-as-you-go solutions that have been deployed in 20 countries, largely in Africa. May 10. 2022

Max to Finance Okada Drivers in Nigeria with \$3m VBank Line

Nigeria's VFD Microfinance Bank, whose primary offering is the VBank online banking service, recently agreed to open a credit line for Max, a Nigeria-based provider of services to taxi drivers, including leases of electric and conventional motorbikes. In addition to lending Max up to USD 3 million, the bank will offer Max's *okada* drivers access to VBank's services, such as loans, debit cards, and banking via text message and the WhatsApp service of US-based Meta. Established in 2015, Max has 13,000 drivers, whom the firm reports earn an average of USD 5,000 per year. Among Max's services are for: (1) drivers: lease-to-own financing, training to help drivers get licensed, and access to vehicle and health insurance; (2) businesses: incoming, internal and customer-bound deliveries; and (3) promoting electric transport: retrofitting motorcycles to run on batteries and operating battery-swap and -charging stations. VFD Microfinance Bank is a member of VFD Group, a Nigeria-based entity with 41 holdings spanning the finance, media, energy, technology and real estate sectors. May 5. 2022

Khazna Among Fintechs in Egypt Raising Fresh Funds

The Nclude Fund, which was launched in 2022 primarily to focus on financial technology (fintech) in Egypt, has invested unspecified amounts of cash in four startups: (1) Khazna, a financial services app targeting the underbanked; (2) Lucky, an app offering consumer loans and loyalty rewards; (3) Mozare3, which helps small-scale farmers and food processors find funding; and (4) Paymob, an online payment platform serving the Middle East and Africa. Khazna also raised funding from Egypt-based Algebra Ventures, Saudi Arabia-based Khwarizmi Ventures and others in a Series A funding round led by Accion Quona Capital Inclusion Fund, which focuses on fintech in emerging markets. The funding round, which totaled USD 38 million, included an unspecified amount of debt from Lendable, a provider of funding, technology and investment services to fintechs and investors. Founded in 2020, Khazna has 150,000 active users, and its buy-now-pay-later service is available in 1,000 stores in Egypt. The firm also provides a service through which wage earners may access cash advances. April 27. 2022

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EAR TO THE GROUND

To De-risk Global Food Supplies, De-risk Farming

When the COVID-19 pandemic began, many of us were surprised to see how microfinance customers active in agriculture were thriving in comparison to the rest of the client base. It seemed counterintuitive. After all, farmers always are risky to lend to, and they could have made an even more risky bet amid lockdowns and supply chain disruptions. Instead, for the most part, they thrived. People didn't need socks, nail polish or boots when they were stuck at home, but they had to eat. In addition to benefitting from consistent demand, the fact that farmers' work is mainly done outdoors and in areas of low population density reduced farmers' risk of infection, allowing farming to continue more or less as usual. As a result, in 2020 and 2021, many MFIs increased their lending to farmers.

Fast forward to today, when we have headlines about food shortages and rising food prices. The ability of farmers to charge more for their produce may seem encouraging for agricultural portfolios, once again. However, conditions have changed. According to *The Economist*, farmers are finding "profit margins are shrinking because of the surging prices of fertilizer and energy. These are farmers' main costs, and both markets are disrupted by sanctions [on Russia] and the scramble for natural gas" to which these sanctions have contributed.

Looking at this new phase of the pandemic, with its complications from the war in Ukraine, I turn to Nicaragua (yes, again!). Nicaragua has lessons to share because its microfinance sector already was in a sort of recovery mode during the peak of the pandemic, as it was coming out of a previous political and economic crisis. As such, it offers some insights as to what we might expect to see in a post-pandemic recovery. I recently spoke with the manager of an MFI in Nicaragua about her institution's

lending today. Although her MFI traditionally has lent to the agricultural sector, she said, "The problem is that our overall loan portfolio has shrunk and that coming out of the crisis, we needed to grow. A smaller portfolio could not handle higher risk and lower margin agricultural loans as well." Instead, the manager cited the MFI's pivot toward loans for retail trade, "Our most profitable loans are the smallest ones, which yield the highest interest rates; that's where we grew our portfolio."

Since the beginning of the conflict in Ukraine, lending to farmers only seems to offer higher risks and lower margins. Input costs are soaring, and labor costs are rising too. This has a particular impact on women-owned farms. A study by Mercy Corps in Tanzania found that women farmers often hire laborers more than men do because their household duties are more time consuming. Women also struggle more to join organizations that buy inputs collectively or to obtain loans. Women farmers, thus, may be harder hit.

However, the cost of inputs may be the most worrisome factor. *The Economist* warns, "If farmers cut back on fertilizer, global yields will be lower at just the wrong time." Looking ahead, it seems that we need to work harder as a global community to de-risk farming and increase farmers' profit margins. This will ensure their lenders can keep on lending, and farmers can keep on farming. The global food supply depends on it!

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



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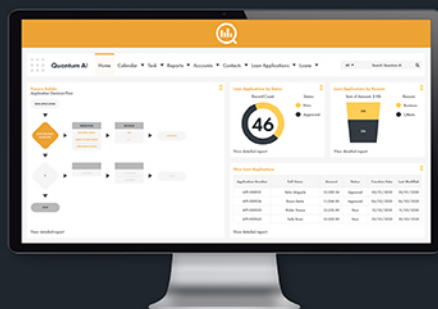


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PAPER WRAP-UPS

Translating Digital Credit Transaction Data Into Consumer Protection Supervision

By Daniel Putman, published by Innovations for Poverty Action, March 2022, 77 pages, available at <https://www.poverty-action.org/publication/translating-digital-credit-transaction-data-consumer-protection-supervision>

The adoption of digital financial services has increased significantly in lower- and middle-income countries in recent years, specifically the use of digital credit via mobile phone messaging, web browsers and apps. Among the benefits of digital loans is the “nearly instant” speed of loan disbursement and repayments as well as the automation of tasks and enabling of services far from branches and agents. These factors can result in lower travel and other transaction costs, expanded access to formal credit, increased financial health and resilience, and decreased levels of borrower stress.

Despite these potential benefits, the supervision of digital credit is critical due to risks such as low levels of financial literacy, customers’ present bias, fee complexity, market concentration, bias in credit scoring and the difficulty of deploying the needed data management systems.

To protect consumers, supervisory authorities will need to collect and analyze digital credit data, such as credit application data, loan sizes, loan periods, interest rates, fees, repayment behavior, frequency of borrowers switching to different lenders, levels of competition among lenders, multiple borrowing and overindebtedness. The author also notes the importance of consumer segmentation, such as by gender, to understand more about “which consumer groups have a higher concentration of risks.”

When collecting, using and storing data, security of the data is critical. One tool for boosting security is the Five Safes, a framework developed by...*

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Fintech: Financial Inclusion or Exclusion?

By Yoke Wang Tok and Dyna Heng, published by the International Monetary Fund, May 2022, 25 pages, available at <https://www.imf.org/en/Publications/WP/Issues/2022/05/06/Fintech-Financial-Inclusion-or-Exclusion-517619>

The authors cite existing literature estimating that the global gender gap in digital financial inclusion is 11 percentage points and the rich-poor gap is 15 percentage points. They then perform a regression analysis drawing from a wide range of datasets on digital financial inclusion; traditional financial inclusion; proxies for financial technology (fintech) such as fund-raising; and measures of the digital divide by gender, income, and urban versus rural. The three main results are: (1) fintech positively correlates with financial inclusion, particularly digital financial inclusion; (2) fintech is significantly and negatively correlated with rural and class divides, meaning that it has the potential to reduce these inequalities; and (3) fintech has no significant correlation with the gender gap, and therefore seems not to impact it.

The authors also note that fintech is beneficial to small and medium-sized enterprises. For example, “in many countries, digital financial services have facilitated the quick and efficient deployment of...*

Merchant Expansion Through Digital Acceptance and Liquidity (MEDAL) Facility Report

By Jordan Payments and Clearing Company and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), March 2022, 23 pages, available at <https://www.findevgateway.org/paper/2022/03/merchant-expansion-through-digital-acceptance-and-liquidity-medal-facility-report>

The Merchant Expansion Through Digital Acceptance and Liquidity (MEDAL) Facility was created in Jordan to help “mobile payment service providers (mPSPs) [attempting] to meet certain merchant acquisition and QR-code transaction targets by experimenting with and developing business, operational and awareness strategies.” The targets included increasing the number of customer transactions performed via preexisting merchant accounts as well as bringing on 1,000 new merchants. During the program, both participating mPSPs met all the targets, thus receiving funding equivalent to USD 67,000 per company, in three tranches. The authors observed an increase in the number of transactions, but no significant difference in “the cash-out value and volume of customers interacting with MEDAL Facility merchants.” To improve the program, the authors suggest: (1) refining the targets, perhaps to...*

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