MicroCapital Monitor
On Microfinance & Other Forms of Impact Investing

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MICROCAPITAL BRIEFS | TOP STORIES

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EIB Lends Credo $10m for MSMEs in Georgia

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Incofin Closes India Progress Fund with $77m for FSPs, Agricultural Value Chains

The Belgium-based investment firm Incofin recently completed the final close of its India Progress Fund with a total of USD 77 million raised to support financial services providers and actors in food-related value chains in rural India. Investors in the fund include several private Belgian entities as well as development finance institutions affiliated with the governments of Belgium, France, India and the UK. Incofin launched the India Progress Fund in 2021 and has deployed about half of its assets as of early 2023. February 28. 2023

Agricover Nets $9m for Romanian SMEs via Symbiotics

Agricover Credit, a non-banking financial institution that provides agribusinesses in Romania with agricultural inputs, finance and technology, recently partnered with Symbiotics Investments, a Switzerland-based investor focused on smaller businesses in low- and middle-income countries, to raise USD 9 million via a bond issue. Although its terms and the names of its investors remain confidential, Symbiotics structured the transaction to be socially responsible per the guidelines of the Switzerland-based International Capital Market Association. Founded in 2007, Agricover Credit is a subsidiary of Agricover Group, whose other members are Abatorul Peris, a meat processor, and two providers of agricultural technology, Agricover SA and Agricover Technology. During the first six months of 2022, Agricover Credit generated profits equivalent to USD 6.7 million on total assets of USD 590 million. Founded in 2004, Symbiotics provides for-profit investment intermediary and business services to investors in and practitioners of micro-, small and medium-sized enterprise development as well as lenders to lower income households in lower income countries. The firm reports USD 2.9 billion in assets under management. February 22. 2023

Cerise+SPTF Updates Online Social Performance Platform

Cerise+SPTF, the joint venture of the NGOs Comité d'Echange, de Réflexion et sur les Systèmes d'Epargne-Crédit (Cerise) of France and the US-based Social Performance Task Force (SPTF), recently launched an updated version of Social Performance Indicators (SPI) Online, a platform offering tools for microfinance organizations to measure and improve their environmental and social performance. These include detailed standards for compliance, audit tools and training resources. Among the new additions to SPI Online are seven audit tools aligned with the latest edition of…*

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NEWS FROM AFRICA

IMBE Using L-IFT's Finbit to Boost Child Care in South Africa

Low-income Financial Transformation (L-IFT), a Netherlands-based firm, recently entered into an agreement with South Africa's Imbe Enterprise Incubator whereby Imbe will provide L-IFT's Finbit financial tracking software to its partner entrepreneurs. The goal is to reach all of Imbe's clients, who are primarily Black women who operate *creches* - child care facilities - in low-income neighborhoods. Finbit helps users track their expenses and income, and L-IFT has customized the system for Imbe clients to track payments due from children's families. Imbe has provided 2,000 clients with seed funding and invested follow-on funds in half of these enterprises. It also provides training on business management and improving the educational services creches provide to children. L-IFT's services center on assisting financial services providers with product development, impact measurement and data access. In addition to the Netherlands, L-IFT has teams in Ethiopia, Nigeria and Uganda. The firm is woman-owned and was founded in 2015. February 22. 2023

Bidhaa Sasa Borrows $500k for Cookstoves in Kenya, Uganda

Bidhaa Sasa, a Kenya-based, last-mile distributor of lower-emission cooking and lighting products, recently borrowed USD 500,000 from Spark+ Africa Fund, an investor in "modern energy solutions." Bidhaa Sasa plans to use the proceeds of the 30-month loan to acquire cooking implements to resell to 68,000 households using its "woman-to-woman distribution model and a group guarantee-based lending approach." The company partners with US-based Biolite on a co-branded version of the JikoMalkia charcoal stove, which reportedly can save users USD 200 per year on fuel costs, while reducing air pollution and forest degradation. Bidhaa Sasa's other products include LPG cylinders and solar lighting systems. The company was established in 2015, and it focuses on rural and other financially excluded clients in Kenya and Uganda. As of 2023, the company has provided 110,000 products to 86,000 customers, mostly women. Spark+, which has a target volume of USD 70 million, was launched in 2022 to assist companies in sub-Saharan Africa that help poor people access better cooking fuel and stoves. February 17. 2023

Yabx Raising Equity for Back-office Fintech in Nigeria

Verdant Capital, a Mauritius-based corporate finance firm, recently announced it is raising equity financing for Yabx Technologies, a Dutch provider of software that enables digital lending, to expand its operations in Nigeria. In particular, Yabx's technology helps financial services providers offer products such as personal loans, buy-now-pay-later payment plans and loans for MSMEs (micro-, small and medium-sized enterprises) with the aim of reaching the "underserved with limited credit history." In addition to Nigeria, Yabx operates in Colombia, Cote d'Ivoire, Indonesia, Malawi, Tanzania and Uganda, reportedly servicing a total of 100 million people. Verdant Capital, operating from offices in Ghana, Mauritius and South Africa, provides capital raising as well as merger and acquisition advisory services to clients across Africa. These clients span the agribusiness, renewable energy, business services, financial services and manufacturing industries. February 16. 2023

MyCredit Borrows $2.6m from Oikocredit for SMEs in Kenya

Oikocredit, a Netherlands-based cooperative, recently lent MyCredit, a Kenya-based non-bank financial institution, USD 2.6 million for on-lending to small and medium-sized enterprises (SMEs). MyCredit CEO George Mbira commented, "The secured funding will support MyCredit's strategic plan to offer affordable and medium-term financing of up to a maximum of three years to its SME customers who are in trading businesses." Established in 2016, MyCredit provides loans, guarantees, leasing services and insurance to 10,000 customers via 110 employees at 13 branches. Over the last six years, MyCredit has issued 15,500 loans totaling the local-currency equivalent of USD 54 million. Founded in 1975, Oikocredit invests debt and equity in financial inclusion, agriculture and renewable energy in Africa, Asia and Latin America, seeking "to improve the quality of life of low-income people or communities in a sustainable way." The coop reports investments valued at the euro-equivalent of USD 1.1 billion, deployed via 500 partners. February 8. 2023

Oikocredit Loans Yellow $5m for Off-grid Solar in Africa

Yellow, a Uganda-based supplier of pay-as-you-go solar electricity products recently borrowed USD 5 million from Oikocredit, a Netherlands-based cooperative, to expand its operations in sub-Saharan Africa. Pay-as-you-go services are those that can be enabled and disabled remotely as customers pay for their use. Yellow Founder Michael Heyink commented, "This loan will enable us to access local-currency funding in multiple jurisdictions, providing our business with greater scope to serve more customers and better." Yellow was established in 2018 and is active in Malawi, Rwanda, Uganda and Zambia. The firm serves 1.5 million people via 1,200 agents. February 2. 2023

AfDB, IFAD Launch M1-200 to Support Agricultural SMEs in Africa

The African Development Bank (AfDB) and the UN's International Fund for Agricultural Development (IFAD) recently announced Mission 1 for 200 (M1-200), which is intended "to reduce Africa's food import dependency and build sustainable, inclusive and climate-adapted food systems." The mechanisms are to include: (1) increasing investment in small and medium-sized enterprises in the agriculture sector; and (2) providing advisory services on building climate resilient infrastructure and harnessing technology to mitigate the sector's environmental impact. Founded in 1964, the AfDB Group provides loans and grants to governments and private companies in Africa via three entities: AfDB, the African Development Fund and the Nigerian Trust Fund. With a mandate to reduce poverty and promote sustainable development, AfDB disbursed loans totaling the equivalent of USD 1.25 billion during 2021. Established in 1977, IFAD is governed by its 176 member nations with the goal of eradicating rural poverty in low- and middle-income countries. With a focus on agriculture and food supplies, the organization provides grants and loans to research organizations, governments, private firms and civil society organizations. IFAD reports an investment portfolio valued at USD 1.8 billion. February 1. 2023

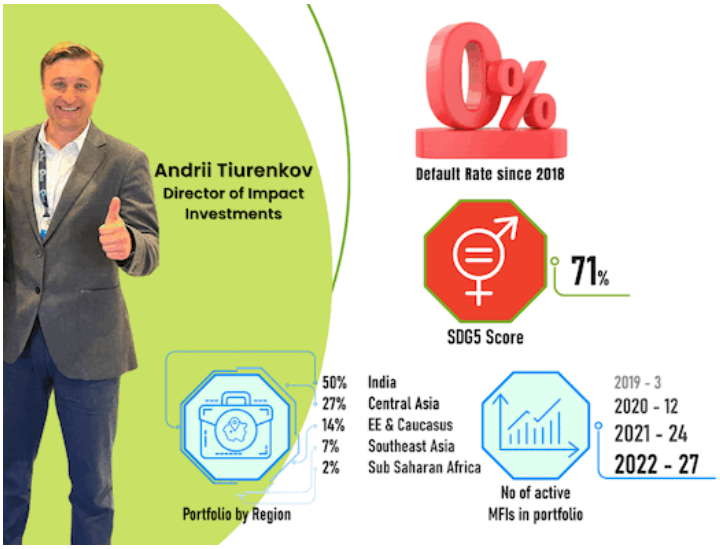
This selection of news on Africa appears compliments of:

SPECIAL FEATURE

We Make Positive Impact Investable!

Founded in 2018, Agents for Impact (AFI) celebrates its fifth anniversary this year. This represents five years of continuous commitment to our mission, which is to build bridges between impact investors and financial services providers in developing markets across the world. Sustainability is central to our vision. We aim to create more investment opportunities by measuring risks (Risk), rendering impact measurable and comparable (Rating), and making sustainability and financial inclusion understandable for investors (Research).

To acknowledge our jubilee, we kick off 2023 by looking back at our achievements and bringing some of our milestones to your attention. Since its inception, AFI has provided investment advice and recommendations on around USD 285 million in impact investing transactions. So far, we have done business in 16 countries across the globe, facilitating debt financing to 32 financial institutions (including one more since the December 2022 figures shown in the graph below!) - each of which was analyzed and selected according to strict standards of sustainability, alignment with a number of the UN's Sustainable Development Goals (SDGs), and other measures of social and financial performance. Our team, which is located in nine countries, remains very close to our investees, as it is crucial to know the proceeds of the investment are allocated with positive impact.



As an investment adviser to Invest in Visions, a portfolio manager of the biggest public Germany-based microfinance fund, we are proud that since our first steps, we have maintained a **0 percent default** rate, having had no loan restructured in our investment portfolio. Very recently, we started a partnership with a renowned impact-driven crowdfunding platform based in the Netherlands - Lendahand. This illustrates our belief that there are more good deeds to deliver in the impact investing landscape. It also is worth mentioning that AFI is a member of the Federal (German) Impact Investing Initiative and is co-leading its Impact Measurement & Management program.

Teamwork and collaboration are crucial to our investment process. Accomplishing these positive results would not be possible without our meticulous due diligence, risk analyses and AML-KYC checks - and for sure, our Agents for Impact Sustainability Alignment Rating (AFISAR©) tool, which we use to assess the alignment of our investments with the SDGs. A number of financial institutions across the globe were extremely interested to find out what our findings were for them regarding their SDG alignment and sustainability profiles, and this led them to enter direct partnerships with us. When delivering the results of our analyses, we always hold executive workshops to explain findings and potential strategies for improvement.

At AFI, we understand how essential it is to improve impact measurement practice through stable and coherent frameworks. To deliver on this promise, we designed AFISAR© as a specialized investment approach, to support and measure microfinance institutions' sustainability performance as well as their commitment to and track record of progress toward the SDGs.

For instance, the average MFI's alignment with SDG 5 - Achieve Gender Equality and Empower All Women and Girls, based on our AFISAR©, was 71 percent (from April 2021 to June 2022).

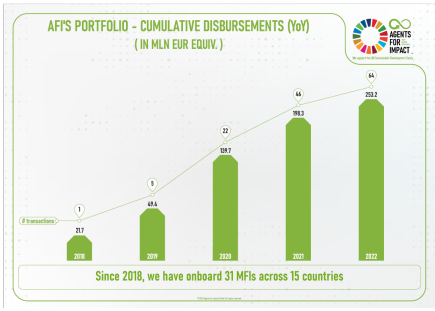
On top of that, each of our investment recommendations is subject to social performance analysis. Our Cerise-qualified auditor conducts a social performance assessment of each microfinance institution as an integral part of our due diligence. The results of the average AFI assessment showed a score of 77 percent (as of July 2022), which is higher than the Cerise benchmark of 64 percent (as of June 2021), which may be associated with the sustainability screening we do to identify potential investments.

Andrii Tiurenkov, Director of Impact Investments, says, "Being Agents for Impact means more than just a job to us!

"As experienced experts who act with conviction and passion, we see impact investing as an optimal solution to the challenges of our time. We offer premium impact investment solutions, sustainability consulting and impact measurement services tailor-made for clients in the sustainable finance industry.

"Our goal is to create impact that is fair, sustainable and responsible. Together with our partners, we pursue positive impact and contribute to the achievement of SDGs. And the financial figures in the chart below are a clear illustration that we are on the right path!"

We are optimistic about the future of impact investments and are excited to contribute to this market reaching the UN's 2030 Agenda for Sustainable Development together! Drop us an email to learn more about AFISAR©, and stay tuned to get the latest updates!



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EAR TO THE GROUND

Tech Is Good, But It's Not Always Client-centered

Fintechs have sold us the idea that technology will both increase poor people's access to financial services and improve their customer experience. This month, in collaboration with the Financial Access Initiative, the Mastercard Center for Inclusive Growth and REDCAMIF, my firm released the results of a study conducted last year called MFI Digitization in Central America's Northern Triangle: The Impact of the COVID-19 Pandemic. The paper highlights that - against the odds - MFIs in El Salvador, Honduras, Guatemala and Nicaragua responded to the onset of the COVID-19 pandemic with agility, including by digitizing processes effectively. The study surveyed 41 MFI managers, representing about 82 percent of the USD 1.8 billion combined portfolio of REDCAMIF members in the region. Over 80 percent of the respondents claimed their MFIs made significant progress in technologies such as front-office software and apps, tools to boost back-office efficiency, and upgrades to core systems and hardware that enable digitization.

Although MFIs were able to do this cost-effectively - often by sourcing in-house staff and local consultants - about half of the MFI representatives confessed that they were not happy with the results. One reason was that MFIs' core systems did not have the capacity to handle the client-facing technology that MFIs rushed to deploy to replace the in-person communication made impossible by pandemic lockdowns.

I recently shared this result with a colleague, Silvia Vargas, who runs Hexa Solutions, a software firm in Colombia that designs software for MFIs. She laughed and told me, "We saw this a lot too. MFIs were enthusiastic in building front-end solutions, but their back end was not prepared. For example, one online credit application would shut down in the evenings when the core banking system shut down. But this is when people are most likely to ask for a loan, after their workday is done."

It seems that the digitization efforts in response to the pandemic were less focused on the client experience than tech enthusiasts would like us to think. Arguably, these investments contributed more to efficiencies that drove profitability and loan portfolio growth to keep investors happy. REDCAMIF reported that many MFIs cut costs in the early days of COVID-19 by closing branches and streamlining back-office processes. This led to increased operational efficiency in Nicaragua and Honduras. In El Salvador and Honduras, the changes also contributed to increases in loan portfolios. In Guatemala, El Salvador and Nicaragua, profitability went up.

Despite this good news for investors, our study indicated that many MFI managers do not think their clients are ready to use apps and online software on their own, particularly clients in more rural areas and women in general. They believe that clients are either not aware of these solutions, or simply choose not to use them, in part because of low tech literacy. Instead, these managers argue that lower tech - and higher touch - non-bank correspondents are more effective in reaching these clients. This begs the question: Are new technology solutions actually client-centered, or are they just a way to keep improving efficiencies to boost investor results? If we don't use technology intentionally to address client needs, it might lead to greater exclusion rather than inclusion, as clients choose not to adopt the new delivery channels. I will be at REDCAMIF's biannual conference in Guatemala at the end of March where I look forward to probing deeper into these questions!

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has more than 30 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.

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PAPER WRAP-UPS

Sustainable Finance in the MENA Region

By Natalia Realpe Carrillo and Alexander Reviakin, published by the Sanad Fund for MSME Technical Assistance Facility and HEDERA Sustainable Solutions, November 2022, 66 pages, available at https://hedera.online/en/events/mena-2022-09/report.html

This report examines the sustainable finance ecosystem in the Middle East and North Africa (MENA) region, including the capability of microfinance institutions (MFIs) to contribute to climate change adaptation and mitigation. The objectives were to: (1) understand MFIs' awareness of sustainable finance; (2) assess the extent of implementation of sustainable products and strategies; (3) determine what supports MFIs may need to create or build on their sustainability strategies; and (4) identify stakeholders supporting sustainable finance in the region. The results are derived from a survey of MFIs, supplemented by desk research, interviews and a stakeholder workshop.

The authors found that MFIs in MENA are aware of the topic of sustainable finance, and all the representatives of the institutions who attended the workshop as well as all of those who participated in the…*

Microfinance, Over-indebtedness and Climate Adaptation: New Evidence from Rural Cambodia

By Vincent Guermond et al; published by Royal Holloway, University of London; September 2022; 78 pages; available at https://static1.squarespace.com/static/62f2cf0e5c1d785dc4090f66/t/6327baac4be25f1d0d3ec013/1663548086338/Microfinance-over-indebtedness-and-climate-adaptation_English.pdf

The authors of this report argue that microfinance loans in Cambodia are leading to over-indebtedness among farmers, thus inhibiting their ability to adapt to climate change. The aggregate gross loan portfolio of microfinance institutions worldwide grew from USD 5.5 billion in 2003 to USD 124 billion in 2019. Using Cambodia as an example, the authors posit that this increase in growth has not led to enhanced capability to adapt to climate shocks.

Sixty-one percent of the participants in the study reported an increase in credit use, compared to 10 years earlier. In response to unpredictable weather patterns, higher temperatures and pest infestations - all related to climate change - farmers are making larger investments in machinery, chemical inputs and irrigation. For example, 64 percent of participants reported an increase in chemical and fertilizer use, compared to 10 years ago. These capital outlays are largely…*

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