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On Microfinance & Other Forms of Impact Investing

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MICROCAPITAL BRIEFS | TOP STORIES

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Newe Nets $5m in Equity to Expand Insurance in Brazil

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Remitly Acquires Rewire, Expanding Reach of Remittance Service

Remitly, a US-based digital payments provider, recently acquired Israel-based Rewire. Established in 2015, Rewire targets migrant workers seeking to transfer money to individuals in their home countries. The firm serves 650,000 people in Europe and Israel with transfers primarily to Africa and Asia. Since Rewire's founding, it has raised USD 62 million over five rounds of funding. The firm's investors include the Turkey-based investment firm Monte Capital and two Israel-based firms, the venture fund Glilot Capital and Viola FinTech, a member of the venture capital firm Viola Group. Founded in 2001, Remitly is active in 170 countries. The firm is listed on the Nasdaq stock exchange and has satellite offices in five countries in Eurasia plus Nicaragua. As of September 2022, it reported nine-month profit of USD 169 million on transfers totaling USD 7.5 billion for 3.8 million customers. January 27. 2023

Publish What You Fund's DFI Transparency Index Ranks 30 Institutions

Publish What You Fund, a UK-based NGO that promotes transparency among international development efforts, has launched its DFI Transparency Index, which ranks development finance institutions (DFIs) based on their operational transparency. The rankings are based on 47 indicators, including publication of project locations and dates, impact metrics, global and community disclosure policies, and investment structure and concessionality. The authors of the report argue that DFIs are insufficiently transparent in general, with private sector institutions - those whose investments are not government-guaranteed - being of particular concern. The World Bank Group's International Finance Corporation topped the list of the 21 DFIs classified as private sector. Of the nine sovereign institutions assessed, the Asian Development Bank was listed as the most transparent. Founded in 2008, the goal of Publish What You Fund is to improve development outcomes by increasing the availability of data on international development, including by reducing the gap between perceived and actual risks to encourage increased investment in emerging markets. The NGO received the equivalent of USD 1.3 million in donations during 2021. January 25. 2023

Zong Unveils PayMax Payment Service in Pakistan

China Mobile, a China-based telecommunications company, recently launched a digital payments product called PayMax via its subsidiary China Mobile Pakistan (CMPAK), which uses the brand name Zong. Zong is targeting the cashless product at the unbanked sector…*

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NEWS FROM AFRICA

Kwara Raises $3m in Equity for Digitization of SACCOs in Kenya

Kwara, a Kenya-based provider of technology services to savings and credit cooperatives (SACCOs), recently raised a total of USD 3 million in equity from ongoing investors in the firm, such as DOB Equity, Globivest and Willard Ahdritz, as well as new investors to the company, including One Day Yes, Base Capital and Mikko Salovaara. Kwara also has announced a partnership with the Kenya Union of Savings and Credit Cooperatives, whereby it will buy the association's captive software provider for an undisclosed sum and gain access to its 4,000 members as potential customers. Kwara provides 120 SACCOs back-office technology and access to its app, which allows users to track expenses, borrow money instantly and access insurance providers. In addition to Kenya, the firm is active in South Africa and the Philippines. January 31. 2023

Bank of Africa Borrows $27m from Sanad for SMEs in Morocco

The Luxembourg-domiciled Sanad Fund for MSME recently opened a credit line with a euro-equivalent ceiling of USD 27 million for the Morocco-based Bank of Africa to on-lend to small and medium-sized enterprises. Sanad will supplement the loan with an undisclosed amount of technical assistance funding. Established in 1988 in Mali, Bank of Africa Group reports total assets of USD 10 billion, a loan portfolio of USD 4.8 billion and 549 branches staffed by 6,000 employees. Sanad, which means "support" in Arabic, was founded in 2011 by the German development bank KfW (Kreditanstalt für Wiederaufbau). The fund makes equity and debt investments in financial services providers that target micro-, small and medium-sized enterprises (MSMEs) and households. With an outstanding debt portfolio of USD 349 million, Sanad invests in the Middle East and Africa. Its investors include US-based Calvert Impact Capital; the EU; Germany's GLS Bank; and development finance institutions of the Austrian, Dutch, German and Swiss governments. It is advised by Germany's Finance in Motion, which manages assets valued at USD 3 billion. January 31. 2023

IDA Lending Djibouti $15m for Housing Finance, Policy Reform

The International Development Association (IDA), a unit of the World Bank, recently agreed to lend USD 15 million to Djibouti for a project intended to: (1) scale up an existing partial guarantee fund to boost mortgage lending to women as well as men; and (2) help residents access loans to buy out their rent-to-own housing contracts. The guarantee portion of the project has a budget of USD 7 million that is slated to raise USD 70 million in private capital to fund mortgages for roughly 2,000 low-income households. The project also is meant to assist 450 poorer households - whether they be led by women or men - in building their own homes via: (1) access to innovative financing for home construction; and (2) policy reforms that reduce construction costs. To be eligible for financing, these homes must meet building criteria regarding resistance to floods and fires. January 26. 2023

Nala Expands Remittance Service to EU, Launches Business Line

Nala, a payments company launched in Tanzania in 2018, recently added 19 EU nations to the range of markets from which its users may send money. The app targets members of the African diaspora - specifically those from Ghana, Kenya, Rwanda, Tanzania and Uganda - with the goal of providing "better and cheaper" options to transfer money. The company's Founder and CEO Benjamin Fernandes commented, "The European economy is the third largest in the world, and home to more than a quarter of African migrants. At Nala, our mission is to financially empower Africans across the world. Launching in the EU significantly expands our reach and ability to meaningfully innovate in the African payments space." As part of its EU expansion, Nala also unveiled "Nala for Business," which is intended to help companies reduce spending on multi-currency transactions. Its interface is web-based, and it promises transactions that settle within one day. Nala serve 60,000 users, and its investors include the US-based venture capital firms Accel and Y Combinator. January 20. 2023

Fintech Robos, GAIF Partner on Inclusion via Events in Egypt

The Egypt-based General Arab Insurance Federation (GAIF) recently agreed to support Bahrain-based Fintech Robos in its production of the following annual events: (1) the Arab Savings & Financial Literacy Conference; (2) the Arab Pension & Social Insurance Conference; and (3) the Arab Actuarial Conference. Fintech Robos CEO Ebrahim K Ebrahim noted that one of the goals of the partnership is "to further promote the development of…financial inclusion across Arab societies." Founded in 1964 and headquartered in the city of Cairo, GAIF's membership comprises 337 insurance and reinsurance companies. Its goal is to facilitate interaction among Arab insurance markets and related bodies. Established in 2020, Fintech Robos is a financial technology company with a focus on "savings, investments and pension services." In addition to hosting events, it provides businesses with back-office and customer-facing technology products. January 16. 2023

FMO, Proparco Lend $125m to NMB of Tanzania

The Dutch development bank Financierings-Maatschappij voor Ontwikkelingslanden (FMO) recently led a senior loan package of USD 125 million in favor of National Microfinance Bank (NMB), a Tanzanian commercial bank. FMO provided 60 percent of the funding, and the French development finance institution Promotion et Participation pour la Coopération Économique (Proparco) supplied the remainder. The loan has a 6-year term and is to be used to finance micro-, small and medium-sized enterprises, agricultural enterprises and climate-sensitive projects. FMO is supplementing the loan with technical assistance to "support the bank in establishing a green portfolio." NMB reports total assets equivalent to USD 4 billion, customer deposits of USD 3 billion, active loans of USD 2.3 billion and - for the nine months ending September 2022 - profits of USD 198 million. The Netherlands-based investment company Arise holds 35 percent of NMB's shares, and the government of Tanzania holds 32 percent. January 12. 2023

DEG Loans Husk $750k for Solar Microgrids in Nigeria, India

Please refer to page 2 for this story.

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SPECIAL FEATURE

This feature is sponsored by Microfact. Email us today to learn more about the special offer "Microfact Alliance for Impact" for credit unions, investors, networks and professional associations.

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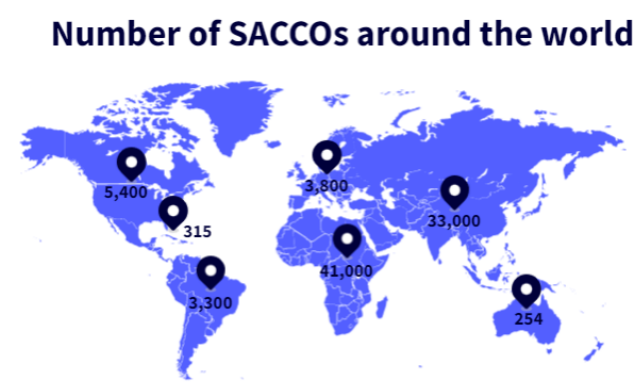
¡Viva el Cooperativismo - A Powerful and Efficient Way of Helping One Another!

According to the World Council of Credit Unions (WOCCU), a credit union is "a customer/member-owned financial cooperative, democratically controlled by its members, and operated to maximize the economic benefit of its members by providing financial services at competitive and fair rates." In short, savings and credit cooperatives (SACCOs) are member-based institutions that intermediate savings into loans, enabling low-income populations to accumulate savings and create a source of credit at reasonable rates. Cooperatives represent an economically viable avenue for changing people's lives, based on the powerful idea that co-operation allows goals to be achieved and the lives of communities to be transformed. Nowadays, credit unions are operating in most countries around the world, and their number is continuously increasing. The latest *Statistical Report* from WOCCU states that in 2021 there were over 87,000 credit unions in 118 countries improving the lives and communities of 393 million members. The infographic below shows the number of SACCOs in seven regions of the world.



SACCOs address the needs of poor populations

SACCOs play an active role in both rural and urban areas. The growth over the last 10 years, both in the number of cooperatives and the number of their members, indicates that financial cooperatives are successfully supporting people in undertaking activities that contribute to their economic development. The services cooperatives provide to their members help them start new businesses or expand existing ones, improve the productivity of farms and microenterprises, and boost human and social capital. For example, cooperatives foster resource mobilization, processing and marketing in support of agricultural production. The cooperative movement also plays an important role in wealth creation, food security, and the generation of employment to offset vulnerabilities and reduce poverty.

An opportunity to overcome SACCOs' challenges

Despite these successes, SACCOs must address a diversity of challenges to keep generating impact on the populations they serve. One of these is the weak institutional capacity with which many of them struggle - both in terms of management capacity and governance. Another obstacle is reporting and data management - both for internal operations and for keeping stakeholders informed. SACCO managers and leadership need access to reports that are tailored to their needs: high-level, well-summarized and universal reports that make it easy understand a cooperative's financial situation.

Credit Union U-IMCEC, a partner of BRS, provides financial services in rural and suburban Senegal.

Strengthening SACCOs through high-quality training and free tools

Microfact, a flagship project of BRS, is designed to serve SACCOs by providing tools, training, technical assistance and other resources for strengthening their performance. In this way, Microfact expands financial inclusion by offering credit unions and all other types of financial services providers (FSPs) - as well as their stakeholders - the best e-learning courses, technical assistance, and reporting and management tools for building business plans and creating financial projections. By engaging in high-quality training through Microfact, SACCOs can easily upgrade the capacities of their personnel. Microfact's free tools enable SACCOs to use data to their advantage with automated reporting that eases compliance with international standards. Being able to prepare financial and social projections - and quickly update them to anticipate the impact of various events and adjust strategy accordingly - makes SACCOs far more resilient.

Microfact - Let your figures talk!

Comprehensive and universal reporting dashboards available within Microfact's MFI Factsheet and Microvision tools offer a common language for all types of stakeholders who want to have better insight into the financial and social performance of FSPs. Please contact the Microfact team for more guidance and details on building the capacity of SACCOs with a specially designed programme: Microfact Alliance for Impact.


microfact.org

This feature was written by Jarek Chuchla and Yoselin Galo (pictured).

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SPECIAL FEATURE

Looking Back to Plan Ahead - The Year of AFISAR©

AFISAR© (the Agents for Impact Sustainability Alignment Rating) builds trust and credibility in the microfinance sector. With our partners, we engage in an active rating process, inspiring discussion and increasing awareness and understanding of the UN's SDGs and environmental, social and governance (ESG) factors, taking a deep dive into the potential of finance to transform people's lives, especially the lives of members of vulnerable groups. Placing active dialogue at the centre of the AFISAR© rating process, we address sustainability with strategic decision-makers and support our partners to further align their operations to the SDGs.

Having clocked five years of rating experience, culminating with the Year of AFISAR© in 2022, we would like to share some reflections:

Local presence is key Our rating team has grown bigger and stronger: we have a new colleague, Abhinav Soni, who is based in India and brings profound experience and familiarity in the microfinance sector. This helps us to stay close to our partners in Asia and Africa - and India in particular - a region that has always played a prominent role in the sector and comprised a considerable share of our portfolio.

Easing COVID-19 restrictions provided us the long-awaited opportunity to rekindle our ongoing partnerships and establish new ones - thereby gaining insight into the mammoth efforts our partners are expending on the ground. Coming in close contact with the day-to-day realities of our partners - as well as their clients - helps us bring more depth to the AFISAR© rating process.

Impact is not a one-way street With continuous engagement, dialogue, interviews and management workshops, we ensure that our partners are able to elicit learnings from the AFISAR© rating and prioritize areas for improvement. Including interactive elements in our rating process helps us achieve a collaborative atmosphere and carve out a space for shared learning and exchange. As such, we can track our partners' impact journey over a longer period. That is part of what differentiates us from other rating companies: leveraging the potential of the entire rating process by making it more dynamic, engaging and unique to truly respond to our partners' needs. The AFISAR© tool itself, as well as the rating committee, brings a unique interdisciplinary lens and set of competencies to assess and identify products, services, practices and policies that may be having positive or negative effects on development challenges such as poverty, climate change and gender equality.

Knowledge creation and management have been a priority area for Agents for Impact since its inception. Our agents regularly upgrade their skills via external education programmes, in-house trainings and team retreats covering AFISAR©-related issues. In these sessions, the SDGs stand at the forefront so our agents are well-equipped to interact with our partners on the ground. We also participate in knowledge creation through panel discussions, presentations and facilitated webinars under the EU's EaSI TA and EIB's SIFTA Webinar Series, organized by the Microfinance Centre (MFC). We engage in academic circles by publishing articles and book chapters, and we produce podcasts and interviews that we disseminate through popular channels such as MicroCapital. It is important for us to give a voice to our partners, and these interviews are a great platform for articulating how AFISAR© has inspired their institutions, changed mindsets and transformed practises.

Chamroeun Microfinance Plc considers itself - first and foremost - a development institution. Its products and services are all geared towards positive social, economic and environmental outcomes. In this regard, Chamroeun has been exploring its alignment to global efforts aiming to frame the path towards these outcomes, and the SDGs provide an effective framework for this. Chamroeun accordingly reached out to Agents for Impact for their AFISAR© tool as a way to explore if it would provide an effective and reliable way to ascertain our compliance and alignment to the global SDG efforts. The Agents for Impact team was very supportive and professional and guided us throughout the process. We were very happy to see Chamroeun perform so well in its contribution to the SDGs, and we will look to continue improving our efforts accordingly, in partnership with the AFI team.

-Yannick Milev, CEO, Chamroeun Microfinance

Tool development Our AFISAR© tool is constantly evolving, with the aim of providing our partners with the best user experience to help them visualize and relate to their impact journey. In 2022, we completed our long-standing plans to set up a digital version of the AFISAR© questionnaire. We have incorporated interactive features that make the entire experience more engaging - and even fun! To realize this mission, we partnered with HEDERA, another Germany-based impact start-up.

Flexibility - the more the merrier Our partnership and service models are constantly evolving. We were quick to realize the dynamism of our client base and changing regulatory landscapes require that we offer flexible services. Our partners' needs differ widely, so we curate each package accordingly.

Special offers - we promote impactful organizations In our mission to reach MFIs with the highest impact potential, we have designed a range of special offers, sometimes providing AFISAR© for free. We will continue to engage in creative ways to identify how we can use such measures to benefit more MFIs that operate in difficult contexts or are struggling with short-term challenges.

Reflections Our experience so far shows that topics such as environmental degradation and climate change are not yet adequately prioritized in the microfinance sector. We are dedicated to using our tool in an engaging manner not only to signal the importance of such issues but also to mainstream them into the sector.

Microfinance and financial inclusion, having been explicitly mentioned in the SDGs as tools for alleviating poverty, must pay heed to it. This change - however slow - is coming. Through our dialogues and partnerships, we continue to bridge this gap and tap into the huge potential of microfinance to contribute to sustainable development.

We invite you to reach out to our team at ratings@agentsforimpact.com and to watch this space for more AFISAR©-related information throughout 2023!

This article has been co-authored by Pratibha Singh, SDG Rating Analyst, and Manuela Fritzsch, Director ESG Risks & Impact, (both pictured), and it is sponsored by Agents for Impact.

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EAR TO THE GROUND

Are We Putting Ourselves Out of Business? A Peek at Future Terminology

As I enter my fourth decade working in the microfinance space, it seems to be about time to come up with a new name for this "space" that we work in. When I started in the 1990s, we called it "microcredit." This is largely because in Latin America and Southeast Asia - where the bulk of this work was happening - it was a mono-product effort to lend money to poor women whose husbands and fathers had become unemployed and disenfranchised following neoliberal, market-based reforms. These reforms slashed jobs, crushed labor unions and left many working-class men to fend for themselves. Women responded by entering the informal economy, and donors responded by slapping bandaids - such as microcredit - on the problems their governments had created.

Savvy organizations like ProMujer, led by Carmen Velasco and Lynne Patterson, saw an opportunity to use microcredit as a "carrot" to promote women's education, empowerment and health. Women borrowed money, invested it, earned a bit more and gained greater agency within their families. This gave them self-esteem, which, in turn, empowered them to care about improving their own health outcomes. But alas, the industry sought to scale this magic formula and evolved to be more bank-like, chasing large-scale capital by focusing on greater profitability.

Sometime around 2009, after the global financial crisis bruised the public image of credit, our industry changed its terminology from the predatory-sounding "microcredit" to "microfinance" to encompass relatively virtuous savings services and - later - insurance. The problem was that, unlike credit, which customers tend to use consistently, savings and insurance are often used only on an occasional basis. And when these services aren't used, we can't pretend they're contributing to positive client outcomes.

In February 2013, Accion's CFI hosted a lively blog series featuring a conversation between Susy Cheston and Larry Reed called *Microfinance vs. Financial Inclusion: What's the Difference?*. They argued that "financial inclusion" was the better term, as it encompassed the *usage* of financial services, not just adoption. However, with the onset of digital financial services, the term "financial inclusion" has become stale as well. Do we count people as "included financially" if they have and use a mobile phone and a digital payment service?

In 2021, FSD Kenya's FinAccess project found that the "financial health" of Kenya's adult population has been falling since 2016 - when the concept was first measured - despite a boom in access to digital financial services. Various scandals, including the discovery of the link between online gambling and fast digital loans, are reminiscent of our fears of microcredit and overindebtedness, laying bare the risks of certain financial services, especially when they are available 24/7, at the tip of a finger.

My 30 years in this sector have led me to wonder if "financial health" may be the next term we adopt since it seeks to measure the ability of a person to manage her day-to-day financial life, handle shocks and invest for the future. This term leads us away from counting who is adopting which products and urges us to look at each customer's financial life and outcomes. From this perspective, a financially healthy person might not use any financial services at all. This brings us to the idea that public and donor initiatives should not support the efforts of financial services providers unless they are seeking to solve the types of hard problems that Lynne and Carmen tried to address three decades ago.

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

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Assessing the State of Youth Financial Inclusion in Developing Contexts

By Niclas Benni, published by the UN Food and Agriculture Organization, December 2022, 48 pages, available at https://www.fao.org/3/cc3272en/cc3272en.pdf

Among the factors to consider when formulating a plan to increase youth financial inclusion are the supply of financial services in general, the supply of digital services, youth demand for financial services and environmental factors.

Practitioners should attempt to assess the extent of bias among financial services providers' (FSPs') staff and policies that may affect youth. FSPs may justify underserving young people because youth often have lower levels of savings, financial education and access to collateral. Other barriers to youth financial inclusion include government or FSP policies that: (1) require "a parent or tutor to co-sign to open a savings account or avail credit when the youth is underage;" or (2) result in "lack of access to conventional forms of ID."

Enabling factors that can be leveraged to promote youth financial inclusion include…*

Private Asset Impact Fund Report 2022

By Anne Estoppey and Ramkumar Narayanan, published by Tameo Impact Fund Solutions, December 2022, 170 pages, available at https://tameo.solutions/download/private-asset-impact-fund-report-2022

This report is derived from a survey of 94 managers of 198 private asset impact funds (PAIFs). The funds collectively held USD 29 billion in assets, covering one third of the global PAIF market, including 88 percent of the microfinance market. Half of the total assets were allocated to microfinance, and 24 percent were in small and medium-sized enterprise development. The participating managers reported PAIF asset growth of 17 percent during 2021 and estimated slower…

Financial Inclusion that Works for Women

By Sam Mendelson, published by the European Microfinance Platform (e-MFP), November 2022, 44 pages, available at https://www.e-mfp.eu/resources/financial-inclusion-works-women-lessons-and-best-practices-european-microfinance-award

This paper explores recent developments and best practices in financial inclusion for women using examples from the winner and the nine semi-finalists for the European Microfinance Award 2022. Mr Mendelson sorts the lessons learned into three approaches: offering financial products and services to accommodate women's needs, promoting gender equity and women's leadership within financial services providers, and leveraging…*

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