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#### Enabling Capital Loans \$10m to AccessBank of Azerbaijan


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#### M-Kopa Raises \$250m to Expand Financing of Phones, Solar Equipment in Africa

M-Kopa, a Kenya-based company serving 3 million customers in four African countries, recently announced that it has raised approximately USD 250 million in fresh funds to expand its facilitation of financial and digital inclusion. In particular, the firm finances devices that it sells, such as mobile phones and solar equipment. M-Kopa also offers cash loans and medical coverage. The new financing includes USD 55 million in equity, mostly from Japan's Sumitomo Corporation. The other equity investors are the World Bank Group's International Finance Corporation; development finance institutions of the British and Dutch governments; and funds associated with Kenya's Mirova Sun Funder, UK-based Lion's Head and US-based Nithio. Of the USD 200 million in debt funding, about half is from South Africa's Standard Bank. Going forward, the firm plans to begin offering electric motorbikes in Kenya. M-Kopa CEO Jesse Moore commented, "We're very excited about electric mobility, and we're sure that... there will be a big switch in ownership where electric motorbikes will scale when there's financing to go with them." The firm is active in Kenya, Ghana, Nigeria and Uganda and is in the process of expanding to South Africa. It has 2,000 employees and 10,000 agents, half of whom are women. The firm reportedly has a default rate of approximately 11 percent and has disbursed USD 1 billion in credit - including to fund 1 million solar home systems - since its inception in 2011. May 25, 2023

#### Luxembourg Launches Green Earth Impact Fund

The Luxembourg Ministry of Finance, the UK-based Schroders Group and its Switzerland-based unit BlueOrchard Finance recently announced the first closing of the Green Impact Earth Fund with a commitment of USD 25 million from the Ministry of Finance. The fund "allows institutional investors to invest in a portfolio of funds, which seek to address environmental protection and climate change and to benefit from de-risking mechanisms such as first-loss protection." The Ministry of Finance is funding the first-loss feature, which is intended to attract private investment. BlueOrchard and Schroders will manage the fund, whose target size is USD 250 million. Luxembourg's Finance Minister, Yuriko Backes, argued that the first "closing of this innovative investment fund is a significant milestone in our efforts to achieve sustainable growth and build carbon-neutral and resilient economies in emerging markets." BlueOrchard was...\*

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## NEWS FROM AFRICA

### Abler Nordic Sells Equity Stake in Baobab Senegal

Abler Nordic, a partnership of public and private investors based in Denmark and Norway, recently sold its stake in Baobab Senegal for an undisclosed price to the latter's parent company, Baobab Group, which operates microfinance institutions (MFI) in Africa and China. Abler, known at the time as the Nordic Microfinance Initiative, bought the stake in 2012. "As we hand the baton on, we are very pleased with how the company has grown, the impressive social results they have achieved, and the solid returns generated for our investors," said Abler Managing Director Arthur Sletteberg. Over the past five years, Baobab Senegal has issued loans totaling the equivalent of USD 1.1 billion to 150,000 micro-, small and medium-sized enterprises (MSMEs). The MFI, which has 59 branches and 439 agents, also offers savings and insurance, including via digital means. Abler continues to hold a stake in Baobab Group, which is active in eight countries, employing 4,000 people who serve 500,000 MSMEs. Its offerings include financial services and pay-as-you-go solar devices. May 25. 2023

### Network International Helping SMEs in Egypt to Take E-payments

UAE-based Network International recently rolled out its "networkpay" brand, bringing its merchant payment systems to Egypt. The brand includes tools allowing retailers to accept point-of-service and online payments as well as offering customers pay-over-time and reward programs. The services are meant to be "user friendly and intuitive" so they are accessible to unbanked and underbanked customers. Network International has attracted 500 merchants to the service, mostly small and medium-sized enterprises. Network International Managing Director Andrew Key reportedly said, "With attractive demographics and a growing addressable market for digital payments, Egypt is a key growth accelerator for the country.... It is our endeavor to tap into the growth opportunity the country presents, whilst supporting the Central Bank of Egypt's strategy towards turning into a cashless economy...." Network International is a unit of Network International Holdings, which enables digital commerce in the Middle East and 40 African countries. The group was founded in 1988 in UAE and is traded on the London Stock Exchange. During 2021, it processed transactions valued at a total of USD 42 billion for 150,000 merchants. May 23. 2023

### TLF Borrows \$7.5m from Green Bond Program for SMEs in Tunisia

Symbiotics Investments recently issued a loan of USD 7.5 million to Tunisie Leasing and Factoring (TLF) "to further expand its renewable energy and energy-efficient machinery and equipment offerings" for small and medium-sized enterprises (SMEs) in Tunisia. Symbiotics sourced the funding from its Green Basket Bond, which was launched in 2022 with USD 75 million from the UK government's British International Investment. Founded in 1984, TLF operates 13 branch locations with services including the leasing of vehicles, real estate, and medical and construction equipment as well as factoring for domestic and international trade. TLF reports a balance sheet valued at the equivalent of USD 320 million, with 6-month return on equity of 4.3 percent and return on assets of 0.75 percent. May 18. 2023

### AfDB Disbursing \$1.6m for Green Finance in Benin, Côte d'Ivoire

The African Development Bank (AfDB) recently announced green finance facilities in partnership with the government of Benin's La Caisse des Dépôts et Consignations du Bénin (CDC) and the government of Côte d'Ivoire's Banque Nationale d'Investissement (BNI). The aggregate value of the facilities is USD 1.6 million. Solomon Quaynor, AfDB's Vice President for the Private Sector, Infrastructure and Industrialization, explained that the program includes "technical assistance [that] will enhance local financial institutions' climate governance, green projects' origination and monitoring, which is therefore key to attract private capital by entrenching long-term investor confidence." Other goals of the program include lowering the cost of project finance and creating "a robust pipeline of bankable green projects while de-risking investments." The two facilities are the first under AfDB's African Green Bank Initiative, which was launched in 2022 to help African countries achieve their Nationally Determined Contributions, as outlined in the 2015 Paris Climate Accords. Amundi, an asset manager majority-owned by France's Credit Agricole, has agreed to invest capital in the facilities as well as to support them with training on investment and management practices. AfDB Group was founded in 1964 and has the goals of reducing poverty and promoting sustainable development. AfDB reports having disbursed loans totaling the equivalent of USD 1.2 billion during 2021, ending the year with assets of USD 27 billion. Based in France, Amundi reports USD 2.1 trillion in assets under management. It was founded in 2010 and since has grown to employ 5,400 people who serve 100 million clients. May 19. 2023

### Gates, UNCDF Seek to Boost Mobile Money Program in Ethiopia

The US-based Bill & Melinda Gates Foundation and the UN Capital Development Fund (UNCDF) recently announced a two-year program intended to boost the availability and usage of the cash-in and cash-out services of mobile money agents in Ethiopia. The program is to include: (1) training for 15 service providers in "digital money distribution aspects such as gender-intentional design and technology provider selection;" (2) a Digital Distributor Incubator offering resources including USD 50,000 per organization; and (3) assistance in data collection for the National Bank of Ethiopia (NBE), the country's central bank. Endashaw Tesfaye, UNCDF's digital finance country lead for Ethiopia, said the program is intended to decrease the gender gap in access to finance, including by "highlight[ing] the case for sex-disaggregated data to NBE and regulated entities." May 17. 2023

### Equity for Tanzania, New Holland Expand Tractor Leasing

The Italy-based equipment manufacturer New Holland recently collaborated with leasing company Equity for Tanzania (EFTA) to deliver 200 tractors to Tanzania in an effort to enhance mechanization among small-scale farmers to improve agricultural productivity and strengthen food security. To support the initiative, the partners are offering several months of training for farmers in various districts of the country. Tanzania's CRDB Bank (formerly Cooperative Rural Development Bank) and New Holland's distributor in Tanzania, Hughes Agriculture, facilitated the deal. EFTA, which financed its first lease in 2004, specializes in serving small and medium-sized enterprises, offering leases on equipment valued up to USD 600,000. April 28. 2023

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## SPECIAL FEATURE

### The Changing Legal & Tax Landscape in India and Its Impact on Debt Financing by Global Impact Investors



As we enter the third year of the UN's "Decade of Action," it remains abundantly clear that a steadily rising flow of funds to emerging markets is critical to achieve positive social and environmental impact and to close the financial gap between developed and developing countries. Key among these emerging markets is India, where impact investing has seen significant growth in the last decade.

In fact, as per the "2022 India Impact Investing Trends Report" issued by the Impact Investors Council, 377 Indian impact enterprises attracted an aggregate of USD 5.8 billion in equity investments across 411 transactions in 2022. During the same year, according to data from the Reserve Bank of India, companies in the country raised over USD 30 billion overseas via external commercial borrowing (ECB) as well as bond issuances. It makes perfect sense to invest in India, where more funding is crucial for rural development as well as the nationwide expansion of developing industries such as clean energy, technology, agriculture, financial inclusion and education.

In India, foreign impact investors can invest in Indian companies either through equity investments or debt financing. Predominantly, we find foreign investors opting for debt financing through two routes:

- ECB loans; and
- Rupee-denominated bonds, as foreign portfolio investors.

Under both of these routes, the income tax authorities require that income earned by a non-resident investor from interest paid by an Indian borrower is taxable in India. This tax, prescribed by the Indian Income Tax Act, can go up to 20 percent. However, since 2013, the Indian government has been providing a concessional withholding tax rate of 5 percent for foreign investors to attract funding into the Indian market and support the growth of Indian companies, including smaller financial institutions. Indeed, over the past decade, this concessional tax rate has been successful in breathing life into the debt market.

However, the Indian government announced as part of the 2023 Indian Financial Budget that it would not be extending the concessional withholding tax rate beyond June 2023, thus rescinding the olive branch extended by the Indian government to foreign investors and Indian borrowers alike.

Key stakeholders in India are disappointed with the end of the concessional tax rate because it will increase the cost of foreign loans they obtain, especially since it is common practice that this tax obligation of the foreign investor is passed on to the Indian borrower. While stakeholders are working together on appealing to the Indian government to extend the tenure of the concessional tax, it seems highly unlikely that any changes will be made before the June 30 deadline. This, coupled with rising EURIBOR/SOFR rates, means that Indian borrowers and foreign impact investors alike need to prepare themselves to tackle the significant impact that these changes will have on the legal and commercial terms of future ECB loans and rupee-denominated bonds.

Post July 1, one respite for Indian borrowers and foreign investors is that the latter may qualify for lower withholding tax rates under

the applicable Double Tax Avoidance Agreement (DTAA) between India and the country where the non-resident investor/lender is resident. Generally, these DTAA rates are far less than 20 percent. However, a far stronger and more permanent solution is the need of the hour.

We at Agents for Impact are at the forefront of researching and finding optimal solutions for this withholding tax issue as well as other legal complexities in cross-border debt financing transactions in India and the world over. For investment advisory, transaction support and tailor-made legal solutions to facilitate smooth investments in India and elsewhere, you can reach out to Agents for Impact GmbH at [info@agentsforimpact.com](mailto:info@agentsforimpact.com).

*The views expressed in this article are personal in nature and are for general informational purposes only. Nothing in this article should be construed to constitute professional or legal advice.*

#### About the author:

Shreya Shankar is the Head - Legal & Compliance at Agents for Impact and has been working with the company since May 2020. She also has over seven years of previous work experience in the banking and finance industry and was nominated in May 2023 by the magazine *Women Entrepreneur India* as one of the top 10 female Chief Legal Officers in India.



#### About Agents for Impact:

Agents for Impact GmbH is an impact investment company headquartered in Frankfurt Am Main, committed to the mission of building bridges between impact investors and financial services providers from emerging markets across the globe. Sustainability is also central to Agents for Impact's vision. The company aims 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). Agents for Impact is a truly international company, with a diverse team of passionate and dedicated agents working remotely from nine different countries.

Since its inception, Agents for Impact has provided investment advice and recommendations on over 40 impact investing transactions spanning 17 countries with a total volume of USD 285 million for its valued client Invest in Visions GmbH, portfolio manager to Germany's biggest public microfinance fund, IIV Mikrofinanzfonds. Each of the 34 financial institutions in our portfolio was analyzed and selected based on strict criteria regarding their sustainability and alignment to the UN SDGs, using our proprietary rating tool AFISAR®. Agents for Impact also recently began its cooperation with the impact-driven, Netherlands-based crowdfunding platform Lendahand BV.

This year, Agents for Impact celebrates its fifth anniversary in the impact investing industry. During this time, the firm has proudly maintained a zero-percent default rate by its borrowers and a zero-percent restructuring rate, both strong indicators of the solidity of our portfolio under advisement.

*This feature is sponsored by [Agents for Impact](https://agentsforimpact.com). 🌱*

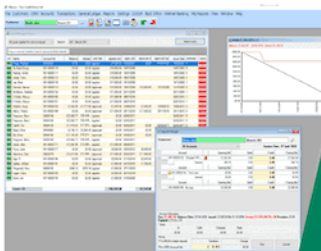
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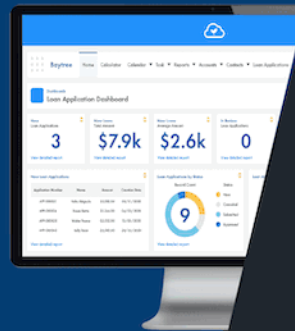
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## EAR TO THE GROUND

### Restoring Farmers' Access to Loans in Central America

This month at my firm, we have been researching the exposure that microfinance institutions (MFIs) in Central America have to climate events. Unfortunately, in the aftermath of the COVID-19 pandemic, many MFIs switched away from agricultural loans, instead disbursing more urban commercial loans, which tend to be more profitable. While this is good for reducing MFIs' climate exposure, it is bad for farmers.

At the beginning of the pandemic, agriculture loans performed quite well (as I noted in this space in May 2020). This was partly because the sector was less affected than others by lockdowns - a farmer can work at arm's length from other farmers without much risk of COVID-19 exposure. Also, farmers provide food, as opposed to goods that people can easily cut back on during lean times. Their borrowing is different, too. Farmers often hold longer-term loans with a bullet payment due at harvest, in contrast to the shorter-term loans of their urban counterparts. This allowed many farmers to pay back their loans after the pandemic peaked. Back in 2020, farming seemed like a fantastic investment.

But in 2021 and 2022, the after-effects of the pandemic began reducing farmers' access to loans. First, input prices soared, reducing farmers' profitability. Meanwhile, MFIs wanted to recover their pandemic losses. They slashed costs, partly by adopting technology (as I noted in this column in April 2020 and April 2021). MFIs also moved away from agriculture loans toward urban lending. In addition to their quick turn-over, urban commercial loans often have higher interest rates and hence, higher margins. They also carry less risk: specifically, covariate risk.


Farmers are particularly vulnerable to covariate risks. This type of risk is particularly bad for MFIs' bottom lines. When pandemics or extreme climate events strike, everyone in an area is affected, making it harder to turn to friends and neighbors for help. Similarly, external risks that affect input costs or food prices can challenge an entire sector. All of this led

MFIs to reduce their exposure to farmers. One MFI representative in Honduras told us that their MFI cut its lending to coffee farmers from about 20 percent of its portfolio to almost zero. (Coffee prices peaked in 2020 and have since come down and remain quite volatile.) Also in 2020, the brutal hurricanes Eta and Iota hit the region, reminding MFIs that pandemics are not the only covariate risks to worry about.

Today, most MFIs in the region can look back with pride and say they have survived the pandemic and two major climate events, with profitability largely having recovered. While some MFIs are dipping their toes back into agricultural lending, they are doing so cautiously - spreading risk across multiple crops as well as livestock and sometimes insisting that farmers generate non-farm income to provide a cushion.

If we don't address climate vulnerability, I am worried that lending to farmers will never bounce back completely. MFIs will spread out risk by sector and geography, leaving farmers with less diversification and those in riskier areas to borrow from more expensive, informal lenders. These are proliferating in Central America, by the way, with Colombian loan shark networks lending at extremely high interest rates and employing unethical means of loan recovery.

It's time to start thinking about how to mitigate farmers' risks at a structural level and in a coordinated way. One solution alone won't be enough; nor will the actions of one organization. To tackle this Goliath, we need to put all hands on deck to combine climate adaptation and mitigation measures, climate insurance, emergency savings, loans, productivity initiatives, and household diversification efforts.

*About the Author: Ms Barbara Magnoni is President of [EAConsultants](http://EAConsultants.com), 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](mailto:bmagnoni[at]eac-global.com). *

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## PAPER WRAP-UPS

### Green Energy Finance and Gender Disparity: The Case of Mountain Areas in Bangladesh

By Sakib Bin Amin et al, published by Copenhagen Business School, January 2023, 30 pages, available at <https://research.cbs.dk/en/publications/green-energy-finance-and-gender-disparity-the-case-of-mountain-ar>

The authors of this study examined the relationships among electricity access, green finance and gender disparity in the Chittagong Hill Tracts of Bangladesh. Of the households sampled, 44 percent did not have access to the electric grid. Of those households, 96 percent had access to renewable electricity, primarily through the public-private Solar Home System (SHS) program.

The authors found that this increased access to electricity had a positive impact on indicators of women's empowerment, such as financial and household decision-making. There was even greater improvement than average in cases where the head of the household was female. Family income also had a strong influence on the adoption of SHS, due to the high price of equipment and...\*

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### Impact of Microcredit on Household Consumption and Assets in Nepal

By Shalik Ram Pokhrel, published in International Journal of Applied Research in Management and Economics, March 2023, 18 pages, available at <https://dpublication.com/journal/IJARME/article/view/978>

Dr Pokhrel analyzed data from 7,020 Nepali households and found that microcredit participants experienced higher levels of household consumption of both food and non-food items than did non-borrowers. Likewise, ownership of assets was positively associated with household access to microcredit. This was true across all three categories of...\*

### Microfinance in India: Issues, Challenges and Opportunities

By Mohammad Abu Saleh and Zubair Ahmad, published in International Journal of Scientific Research in Engineering and Management, February 2023, 11 pages, available at <https://www.researchgate.net/publication/369825669>  
*Microfinance in India Issues Challenges and Opportunities*

Among the challenges facing the Indian microfinance sector are poor rural infrastructure and microfinance institutions (MFIs) reportedly receiving 70 percent of repayments late. Meanwhile, since the Reserve Bank of India relaxed its regulations in 2022, many MFIs are...\*

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