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UNI2 Microcrédito of Colombia Borrows \$3m from Triodos Funds


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

Opportunity, UPS Foundation Partner on Services for Women in 4 Countries

Two US-based NGOs, Opportunity International and the UPS Foundation, recently partnered to launch the Unstoppable Women Initiative to support female entrepreneurs in Colombia, India, Indonesia and Nigeria. The program includes training, business support and financial services intended to help participants increase their incomes and to stimulate economic growth in general. The partners plan to engage local financial institutions to serve about 48,000 women - roughly half via digital financial services - over three years. Founded in 1971, Opportunity International provides financial services such as loans for education and farming. During 2022, the NGO was active in 30 countries, reaching approximately 19 million women with services including loans totaling USD 2.7 billion. Established in 1951, the UPS Foundation is the philanthropic arm of the shipping company UPS. Its focus areas are: (1) Health and Humanitarian Relief; (2) Equity and Economic Empowerment; (3) Local Community Engagement; and (4) Planet Protection. During 2022, the foundation expended USD 112 million, including to support recovery from 45 disasters in 76 countries. November 10, 2023

JuST Institute Mentoring Program to Help MFIs Be More "Green"

The France-based NGO Just Sustainability Transitions (JuST) Institute is launching a mentoring and training program for financial services providers (FSPs) looking to orient their work toward "climate adaptation and biodiversity conservation." The program, which is for loan officers and their managers, takes place online over a period of four to six months. Participation can be part of an FSP becoming...*

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NEWS FROM AFRICA

AfDB Seeking \$1b for ACRIFA to Insure More Farms, Livestock

The multilateral African Development Bank (AfDB) recently launched the African Climate Risk Insurance Facility (ACRIFA) with the goal of increasing the continent's resilience to adverse weather events. AfDB seeks to raise USD 1 billion for ACRIFA to deploy as "concessionary, high-risk capital and grants" to: (1) provide incentives for the private sector to invest in climate insurance; (2) support government entities in facilitating the development of climate insurance; (3) provide technical assistance to local insurance providers; (4) "extend credit insurance to investment portfolios related to climate, agri-food system and enterprise development;" (5) develop systems for measuring impact; and (6) "build data that feeds early warning systems in Africa." November 30, 2023

RDG Borrows \$2m for Pay-as-you-go Solar in Zambia

Dutch impact investor Oikocredit recently channeled USD 2 million to RDG Collective, a provider of renewable energy products to households in Zambia. RDG plans to use this funding to supply 12,000 households with "access to clean energy and a path to ownership of off-grid solar products." Established in 2018, RDG Collective works to supply off-grid homes with solar products such as refrigerators, phones and water pumps on a pay-as-you-go financing system. During 2022, the organization raised USD 4 million and supplied 14,000 Zambians with solar products. Founded in 1975, Oikocredit has partners in 33 countries in Africa, Asia and Latin America, working toward "empowering low-income people to improve their livelihoods." The cooperative provides "loans, equity investments and capacity building" in sectors such as agriculture, renewable energy technology and financial inclusion with the goal of expanding employment opportunities and creating financially resilient communities. During 2022, Oikocredit disbursed investments totaling the equivalent of USD 430 million, and its outstanding capital as of June 2023 reached USD 980 million. November 22, 2023

EBRD Loans \$21m to BMCI of Morocco for Women's MSMEs

The multilateral European Bank for Reconstruction and Development (EBRD) recently agreed to loan up to the local-currency equivalent of USD 21.5 million to Banque Marocaine pour le Commerce et l'Industrie (BMCI) in support of the Women in Business (WiB) program, through which EBRD funds women-led micro-, small and medium-sized enterprises (MSMEs) in multiple countries. The objectives include fostering entrepreneurship among women, such as via consulting services and access to finance. BMCI also will support women-led MSMEs in Morocco in building partnerships among one another and will work to create financial products that meet the specific needs of women entrepreneurs. A portion of the new funding targets women impacted by the earthquakes that occurred in western part of the country in September. BMCI is a Morocco-based institution that is majority-owned by the French financial group BNP Paribas. BMCI's assets total approximately USD 7.3 billion as of 2021. The bank's services include business and retail banking, consulting, insurance and asset management. November 20, 2023

Liberation Community Finance Expands in Uganda

Liberation Community Finance, a microfinance institution (MFI) in Uganda, recently launched: (1) a partnership with Uganda's Agricultural Business Initiative to develop environmentally sensitive financial products for Liberation's clients who farm crops such as maize and pumpkins; (2) a "Women Commander" model through which women who borrow in groups can earn commissions for monitoring their peers' loan repayments and recruiting additional borrowers; and (3) a partnership with Uganda's Ecostoves through which Liberation is financing cookstoves for families to improve their indoor air quality and reduce the felling of trees. The MFI, which recently opened its fifth branch location in the city of Mityana, operates its head office in Natete and other branches in Kakira, Kiwoko and Nakifuma. Liberation lends for purposes such as agriculture, trading, tuition and vehicles to 4,200 members, about three quarters of whom are farmers, 70 percent are female and half are youth. Liberation lends to both groups and individuals, while requiring the maintenance of minimum savings levels. The MFI also offers training, crop storage, agency banking, bill payments, money transfers, mobile banking and access to automated teller machines. It was founded in 2017 and reports profits equivalent to USD 10,000 for the first six months of 2023 on total assets of USD 340,000. November 15, 2023

Baobab+, TradeLenda Partner on Solar Energy for Nigerian SMEs

Baobab+, a French energy and technology company serving six African countries, recently partnered with TradeLenda, a Nigerian provider of financial services to small and medium-sized enterprises (SMEs), to expand lending to SMEs to buy solar generators, freezers and refrigerators. SMEs will be able to purchase these items from Baobab+ by borrowing from TradeLenda with "flexible repayment options." The down payment on the loans will range from 15 percent to 30 percent to access systems that generate from 600 watts to 5 kilowatts of solar energy. The cost of the systems ranges from the equivalent of USD 610 to USD 6,100. Baobab+, which serves Congo, Cote d'Ivoire, Madagascar, Mali, Nigeria and Senegal, is a subsidiary of the Baobab Group, a France-based corporation whose other subsidiaries are microfinance institutions (MFIs) in China and eight African countries. Baobab Group has 4,300 employees serving 457,000 customers with USD 366 million in deposits held. During 2022, the group's MFIs disbursed loans totaling USD 1.1 billion, with an average loan amount of USD 5,000. Founded in 2021, TradeLenda serves 1,000 customers in Africa with services such as digital banking, investing, asset finance and insurance. November 2, 2023

Opportunity, UPS Foundation Partner on Services for Women in 4 Countries

Please see page 1 for this Top Story, whose subjects are active in Africa as well as other regions.

Aflatoun, Fintech Robos Partner on Financial Literacy in MENA

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SPECIAL FEATURE

Partner with Agents for Impact, and We'll Drive Impact Together!



Andrii Fetsun, Founder & CEO at Agents for Impact (AFI):

AFI celebrated five years in business in October this year, and my team has attained several impactful goals during this challenging time. This would not have been possible without the immense support of our clients: the German impact-driven microfinance fund Invest in Visions, which has accumulated a volume of around EUR 1 billion with a major focus on microfinance;

HANSAINVEST, which is based in Hamburg; and the crowdfunding platform Lendahand. Among the services we provide these clients is to perform plausibility checks of their funds' ESG reports.

As the founder of AFI, I would like to highlight the culture we have built with our dedicated team that has come together during these five years from different parts of the world. I believe that corporate culture is crucial for every company, especially for startups. Initially, we had trouble attracting Agents since we were not a well-established name in the industry or able to pay high salaries from the outset. Therefore, I focused on what truly makes for a great workplace - values and culture. Personal growth and company growth need to go hand-in-hand. I have endeavored to let all my team members take ownership of their personal growth as they propel the company forward. I am proud to state that AFI unites nine nationalities, where each Agent's life has been positively changed by being associated with AFI, and we, in turn, have been enriched by their presence.

We at AFI aim to be highly accessible to our clients (35 MFIs in 17 countries so far), virtually as well as on-site, and to continue being trustworthy and capable advisors to them. As a result, our portfolio has generated EUR 29 million in interest for our investors with 0 percent default since 2018. This - in addition to the social impact - we are very proud of!



Andrii Tiurenkov, Director of Debt Investments:

Andrii Tiurenkov's position is central to AFI's strategy of advancing sustainable finance in emerging and frontier markets. This work strongly aligns with several UN Sustainable Development Goals (SDGs), such as financial inclusion and entrepreneurship.

When we launched our firm five years ago, AFI's challenge was clear: to build an investment process from the ground

up. To meet this objective, Andrii set the investment agenda, designed tools to achieve KPIs, developed risk-assessment protocols and built relationships with potential investees. The management of investment operations at AFI involves overseeing a wide range of tasks, including origination, due diligence and fund disbursement. Andrii's strategic guidance and operational management have resulted in a portfolio that is both financially solid and strongly aligned with sustainability goals.

Under his leadership, the team has channelled EUR 300 million to 35 MFIs in 17 countries. However, Andrii's role at AFI goes beyond the job title; it's about leading the way in responsible investments that produce both financial and sustainable outcomes.

Shreya Shankar, Head of Legal & Compliance:

AFI's legal team is proudly helmed by Shreya Shankar, a lawyer who was recently honored as one of India's top women chief legal officers by Women Entrepreneur India. Our legal team is razor-sharp in its focus on delivering quality AML-KYC compliance and transactional legal support to its impact investor clients seeking debt opportunities in emerging markets across the world. Both of AFI's lawyers are from India and bring expertise in Indian debt and equity transactions that is a great asset to the company as well as the clients we represent. Aside from providing end-to-end support on transactions, we also provide technical assistance tailor-made to each client's requirements.

Shreya notes, "Our team's expertise in Indian laws can be of great help to impact investors looking to India for investment opportunities. And I am excited to see how we can expand our support beyond debt financing in this country."



Yannick Rust, Director of Sustainability Rating & Risk:

Yannick Rust heads AFI's Rating and Risk division with a deep-rooted passion for sustainability and impact measurement, drawn from nearly a decade of experience in impact investing and international development frameworks, such as the SDGs and the MDGs before them. He joined AFI shortly after its founding in March 2019 and codeveloped our in-house sustainability tool AFISAR® in collaboration

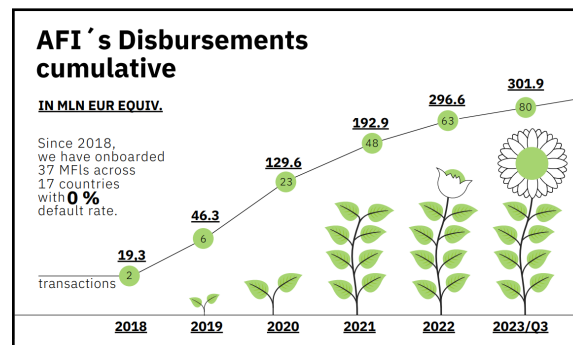
with an expert from Moody's. During the past several years, he has honed his expertise in 17 countries across Southeast Asia and South America.

As of today, the rating team has evaluated over 100 MFIs in eight countries through its flagship product AFISAR®. For 2024, we are adding new features to AFISAR® that align with the latest SFDR requirements, including enhanced PAI reporting and AI-driven improvements in data collection and user experience.

Also during 2024, AFI's rating team is gearing up to extend its consultancy services to financial institutions in developing markets, following two successful projects with top German asset managers.

Yannick reports, "As the Rating and Risk team, we are looking to 2024 with enthusiasm for the new capabilities of AFISAR® and our expanding consulting services, all aimed at bolstering long-term sustainability for our partners."

This article is sponsored by AFI. We invite you to learn more about the firm via LinkedIn.



SPECIAL FEATURE

This feature is the first in a sponsored series following October's African Microfinance Week (SAM 2023). SAM is organized by ADA and the Microfinance African Institutions Network with the support of the Directorate for Development Cooperation and Humanitarian Affairs of Luxembourg and the government of the event's host country, which rotates each time the event takes place. The next SAM is scheduled for 2025. MicroCapital has been engaged to promote SAM since 2015.



Leveraging Carbon Credits to Insure MSMEs in Climate-vulnerable Nations

What a pleasure it was to interview Diana Chepng'eno (pictured below) at SAM 2023 in Togo last month! She is such a warm and energetic person - and deeply engaged in the critical work of climate adaptation and mitigation across Africa and the Middle East.

During SAM 2023, Ms Chepng'eno spoke at the opening plenary session "Making Africa's Future Sustainable - Climate, Socio-economic Development and Inclusive Finance" as well as a breakout session titled "Helping Financial Institutions Deal with Climate Change - Assessing Risks and Strengthening Institutional Resilience."

Bob Summers: What are you working on with the V20 group of climate-vulnerable nations (which now comprises 68 low- and middle-income countries)?

Diana Chepng'eno: Sitting within the UN Environment Programme Finance Initiative, under the Principles for Sustainable Insurance, we are ramping up a Sustainable Insurance Facility. We launched the facility in 2022 to advocate for the importance of insurance for micro-, small and medium-sized enterprises (MSMEs) in V20 countries as a significant driver for mitigating climate change risks. MSMEs, for example, comprise about 75 percent of the total GDP of the V20. Therefore, if we can support these MSMEs by facilitating access to much-needed insurance, so that they may become more climate resilient, then these entire countries can be climate-resilient.

BS: What mechanisms does the facility use?

DC: The work is all based on partnerships. Insurers are critical, of course. We also need firms that specialize in creating the data models on which index insurance is based. MFIs also have a critical role to play, by aggregating MSMEs to make it cost-effective to insure them.



When MFIs' customers are insured against climate risks, that helps the customers, but it also makes the MFI more resilient. If drought strikes a region and agricultural production is greatly reduced, that doesn't affect only farmers; all of the MSMEs along the value chain can lose a lot of money. And if they can't repay their loans to MFIs, the MFIs can fail. SAM is a great way for us to deliver this message to MFIs - how and why to become resilient. This is important regardless of whether the MFI specializes in agricultural lending.

BS: What about carbon credits?

DC: Carbon credits can be a key piece of the puzzle. Tea farmers in Kenya, for example, are exposed to risks such as drought and hail. Meanwhile, tea trees have a long life and thus are a great tool for carbon sequestration. We can help tea farmers get the certification they need to qualify for carbon credits, and then those credits can be used to fund the insurance that protects the farmers in difficult years.

"When MFIs' customers are insured against climate risks, that helps the customers, but it also makes the MFI more resilient.... SAM is a great way for us to deliver this message to MFIs - how and why to become resilient."

BS: How about other types of trees?

DC: It depends! Eucalyptus trees, for example, often are grown for use as utility poles, among other purposes, but they are a source of many environmental problems. People cut them down after just a few years of growth, and they are so water-intensive that they dry out nearby vegetation. Instead of eucalyptus, we encourage people to plant fruit trees. People almost never cut down fruit trees! This makes them good candidates for carbon credits, which can add to the income people make from selling the fruit. This can fund families' day-to-day expenses as well as insurance and even pensions.

BS: What would you like to say in closing?

DC: Africans share a culture of helping their neighbors. This is something we can do at the household level, but it is also possible nation-to-nation. We can - and have the responsibility to - develop products that work in one country and then replicate them across the continent.

Diana Chepng'eno coordinates the work of the V20 Sustainable Insurance Facility in Africa and the Middle East. Her background includes serving as the Underwriting and Business Development Manager for Kenya's Fidelity Shield Insurance Company and rolling out Kilimo Salama, an index-insurance product for farmers who tend as little as one acre.

Bob Summers has been writing and publishing news on impact investing since 2006. 📧

SPECIAL FEATURE

This is the first of two sponsored features following up on European Microfinance Week 2023, which was held in Luxembourg from November 15 to 17. MicroCapital has been engaged to promote and report on the event each year since 2012. We invite you to learn more about European Microfinance Week at <https://www.emw2023.eu>.



European Microfinance Week 2023 Opens With Action Group Meetings, Investors Share Strategies for Measuring Social Performance

On the first day of European Microfinance Week 2023 in Luxembourg, several of the European Microfinance Platform's (e-MFP's) Action Groups held meetings. At the Investors Action Group session, Cécile Lapenu of CERISE discussed the recent increase in demand for accountability regarding claims of positive client impact.

How can we measure impact in a way that is convincing and also efficient? What really makes an investor an impact investor? The recently published [60 Decibels 2023 Microfinance Index](#) addresses some of these questions. The study, which is based on a new survey of 32,000 microfinance clients in 32 countries, indicates that access to financial and non-financial services *other than credit* leads to deeper impact. Regarding credit services, group lending is associated with greater impact than individual lending. The length of the client's relationship with her financial services provider (FSP) also is correlated with better outcomes.

The US-based NGO Opportunity International is among the partners of the 60 Decibels report. Opportunity has been working to measure impact for about 10 years - originally under the assumption that FSPs would have more confidence in data they collected in-house. However, it turned out that FSPs often found that their own data had quality issues that undermined their confidence, keeping them from acting on the results to adjust their practices. Since getting access to the 60 Decibels data, conversations between FSP CEOs and Opportunity staff are much improved. It has been particularly helpful to compare FSPs' data to benchmarks - either to one of the six country-specific benchmarks in the 60 Decibels report or to the top 20 percent of the report's global dataset.

Green Action Group Celebrates 10th Anniversary

Today's opening plenary of European Microfinance Week included a celebration of the accomplishments of e-MFP's Green Inclusive & Climate Smart Finance Action Group. The group has grown to 150 people and still is accepting new members.

One of the main outputs of the group is the Green Index, which helps FSPs evaluate their performance in terms of green inclusive finance. The Action Group introduced the index in 2014 and most recently updated it in 2022. One of the group's most recent outputs is the Green Map, which offers a range of examples of financial services that further environmental goals.

Davide Castellani of the University of Bergamo argued that people with low incomes bear the brunt of climate change, but that FSPs can use green finance to reduce inequality and create new economic opportunities for this group. Also, when an FSP is active in green finance, it can help the FSP boost social performance and attract impact investors. However, Dr Castellani warned, regulations around green finance can be problematic. Sometimes they demand evaluations that are too costly to perform given the small loan sizes involved. In other cases, inflexible regulation can cause unnecessary obstacles by requiring FSPs to adopt policies that are not relevant to their markets.

Michael Steidl of the European Investment Bank (EIB) noted his institution's increasing focus on green lending: "When we give a credit line to an FSP, we ask for a larger and larger portion of the funds to be used for green projects - often 30 percent." And EIB plans to increase this portion over time, which Mr Steidl conceded, may make it more difficult for smaller firms to acquire "vanilla" finance.

MiCredito of Nicaragua has had success in providing green finance, for example by partnering with local sellers of solar panels, plumbing fixtures, pumps and small water towers to finance 18,000 installations of such equipment.


Digitizing Microfinance to Meet Customer Needs via an Incremental Approach

At a panel on transforming traditional microfinance institutions (MFIs) into digital FSPs, the focus was not on simply implementing digital products, but on meeting customer needs to attain measurable success for clients and MFIs. Given that 80 percent of many microfinance portfolios comprises renewals, the renewal of microloans is a great process to digitize. This can free up staff to focus on recruiting new clients.

The consensus of the panelists was that going digital cannot be addressed primarily as a technology problem; rather it must be looked at as a business problem. The Vitas Group of Middle Eastern MFIs made the conscious choice to build a parallel system of digital products rather than disrupt its existing manual product offerings. The goal of the new system was to start small and go after a market segment that the group did not reach in great numbers: youth. Young people often look for products online first. They may want a hyper-customized product that they can access instantly, without the need to visit a branch or even talk to a staff person by phone. Ease of use is also key, with an interface designed to minimize the number of taps required to complete each task.

Digitizing does not have to mean moving existing products to a digital platform. Some products only make sense in a digital context. For example, Vitas found that restaurants were having trouble with slow cash flow from sales they made via the app Uber Eats. Vitas responded with a short-term loan product based on future income documented through the app.

Once the leadership of an MFI has decided to go digital, the institution still needs buy-in from its staff and clients. Sometimes it isn't the line staff that is hesitant, but rather it can be the middle managers. Among their fears is often that their jobs will be made unnecessary, although this is unlikely.

The US-based NGO CGAP has done a great deal of research on how MFIs can digitize most efficiently and successfully. Among the materials it offers are "Building Value in Microfinance Through Digitization: A Role for Funders" and "Building Value in Microfinance Through Digitization: Lessons from Loan Automation Pilots," both of which were just published at <https://www.cgap.org/topics/collections/microfinance-digitization>. 

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