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**Voyager Raises $215m in Equity for Digital Financial Services in Rural Philippines**

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**First Cambodian Bond Issue Is by HKL to Benefit Rural Borrowers**

The microbank Hattha Kaksekar Limited (HKL) recently issued the first corporate bonds ever on the Cambodian Securities Exchange, raising the local-currency equivalent of USD 30 million. HKL is a subsidiary of Thailand's Bank of Ayudhya, which is also known as Krungsri. The International Finance Corporation, a member of the World Bank Group, purchased 800,000 of the 1.2 million bonds issued. The funds are slated for on-lending to rural farmers and entrepreneurs, mostly women. HKL has total assets of USD 804 million, a credit portfolio of USD 660 million serving 135,000 borrowers and deposits of USD 409 million held for 228,000 depositors. Founded in 1945, Bank of Ayudhya is a member of Japan's Mitsubishi UFJ Financial Group and reports total assets of USD 70 billion. December 24, 2018

**Fusion Raises $72m from Warburg Pincus, Creation as Incofin, NMI, SIDBI, BIO Exit**

The US-based firms Warburg Pincus and Creation Investments recently placed the equivalent of USD 72 million in equity in Fusion Microfinance, a provider of group loans and financial literacy training to women in rural areas of northern and central India. As part of the funding round, the following investors sold their stakes in the firm: Incofin Investment Management, a private company in Belgium; the Nordic Microfinance Initiative, a public-private partnership based in Norway; the government-owned Small Industries Development Bank of India; and the government-owned Belgian Investment Company for Developing Countries, which is also known by its Dutch acronym BIO. Although Warburg Pincus has been identified as leading the funding round, the prices and sizes of the stakes changing hands have not been released. Aditya Bhandari, Incofin's co-regional director for India, said Fusion has made "an everlasting and invaluable social impact at the base of the pyramid."

Narendra Ostaval, managing director of Warburg Pincus, reportedly is looking for Fusion to grow through acquisitions. Fusion has a loan portfolio of USD 306 million outstanding to 1.3 million customers in 18 states. December 17, 2018

**Orange, MTN to Offer Interoperability of Mobile-money Across Africa**

Two telecommunications companies, France-based Orange Group and South Africa-based MTN Group, are partnering to create Mowali, a mobile wallet allowing people to send payments to individuals and merchants across Africa. The two companies hold a total of 100 million mobile-money accounts, but Mowali also will work with other mobile-money services, connecting a total of 338 million users on the continent. Established in 1994, MTN Group reports 2017 revenue equivalent to USD 11 billion. Orange Group reports 2017 cash flow of USD 6.4 billion. December 4, 2018

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**MICROCAPITAL BRIEFS**

**FMO Buys $30m in Bonds from Satin for Expansion in Rural India**
Satin Creditcare Network, an Indian microfinance institution (MFI), recently raised USD 30 million through a bond sale to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a development bank controlled by the Dutch government, to expand the MFI's outreach into areas including eastern and northeastern India. Established in 1990, Satin serves 3 million customers, including households as well as micro-, small and medium-sized enterprises. It reports total assets equivalent to USD 831 million and a gross loan portfolio of USD 815.5 million. The institution does not accept deposits. December 31, 2018

**Luxembourg Pledges $1.4m to UNCDF for SDGs**
The government of Luxembourg recently announced its 2019 budget allocation for the UN Capital Development Fund's work toward the UN sustainable development goals in least developed countries such as Bhutan, Liberia and Senegal. The funding comprises a total equivalent to USD 920,000 for "thematic" areas such as food security, women and youth economic empowerment, and investing in public-private infrastructure; USD 230,000 for efforts in suburban and rural areas in sectors such as fiscal decentralization and climate finance; and an additional USD 230,000 for financial inclusion. Luxembourg has been a contributor to UNCDF since 2008. During 2017, UNCDF raised contributions totaling USD 60 million. December 21, 2018

**Nigeria's Access Bank Buying Diamond Bank**
Nigeria-based Access Bank recently agreed to purchase Nigeria’s Diamond Bank for cash totaling the equivalent of USD 200 million plus stock in Access Bank. Diamond Bank shareholders will receive a total of NGN 3.13 (USD 0.01) per share, including NGN 1 (USD 0.003) in cash and the remainder as shares in Access Bank. Diamond Bank is a commercial bank that was established in 1990 and offers retail, corporate and public-sector services. Its financial-inclusion products include: (1) a service that allows small-scale merchants to accept payment cards; and (2) Beta savings accounts, which offer reduced documentation requirements. Diamond Bank reports total assets of USD 4.7 billion. Established in 1989, Access Bank provides institutional, commercial and retail banking services via 310 branches in nine African countries and the UK. Its product lineup includes W Power Loans, which are “designed to close the…financing gap for female owned businesses” and can be used for working capital as well as asset purchases. Access Bank has total assets of USD 11 billion. December 20, 2018

**Belize Credit Union League, IDB Partner on Green Microfinance**
The US-based multilateral Inter-American Development Bank (IDB) recently signed a four-year deal with the 11-member Belize Credit Union League to provide 380 farmers and fishermen with access to “climate-smart” technologies intended to increase food productivity and reduce greenhouse-gas emissions. The partners will also “implement a risk modeling framework to evaluate the impacts of climate change on the…loan portfolio” of the following league members: Saint Francis Xavier Credit Union, Saint Martin’s Credit Union and Toledo Teachers Credit Union. The program includes gender analysis, risk modeling, business training for entrepreneurs to prepare for climate change and a total of USD 850,000 in green financing. The agreement is part of IDB Lab's EcoMicro Program, a technical cooperation facility. While the technologies to be financed have not been specified, IDB Lab previously has supported conversions from diesel to electric cars and the development of geothermal energy. December 19, 2018

**UAE Funding $100m in Loans to SMEs in Jordan**
The governments of UAE and Jordan recently agreed that UAE’s Khalifa Fund for Enterprise Development will provide USD 100 million to Jordan’s Crown Prince Foundation for lending to small and medium-sized enterprises in Jordan with the goal of supporting a “stable and balanced economy.” Forty-seven percent of the funding is targeted to women’s enterprises, and 40 percent of the total is earmarked for rural areas. The program is expected to impact 22,000 firms, creating 28,000 jobs over five years. December 14, 2018

**Nigerian State to Subsidize $1.5m in Microloans**
Governor Oluwarotimi Akeredolu of Ondo State, Nigeria, recently announced the launch of the Apalara Micro-Credit Scheme, which is intended to reduce poverty among people with low incomes. The scheme involves lending a total equivalent to USD 1.5 million to individuals, groups and cooperatives at interest rates below 10 percent per year. Of the total amount, 65 percent is to be directed to women. December 13, 2018

**Bangladesh May Mandate More Subsidized Lending to Farmers**
Bangladesh Bank, the central bank of the country, reportedly is drafting a policy to reduce the microloan interest rates that some farmers pay from over 20 percent per year to under 10 percent. As of 2018, banks must direct 2.5 percent of their loan volume to farmers at a rate of 9 percent. They are allowed to meet most of this mandate through microfinance institutions (MFIs), which borrow from the banks at 9 percent and then charge farmers 20 to 25 percent. The new…

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**Andares**

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Grupo Andares - Mujeres para las Microfinanzas
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SPECIAL REPORT

This vignette is part of a sponsored series demonstrating the value of SAM (the French acronym for African Microfinance Week), a major conference dedicated to financial inclusion in Africa. The next SAM will take place in Ouagadougou, Burkina Faso, in late October 2019! The first three SAMs were in Arusha, Tanzania, in 2013; Dakar, Senegal, in 2015; and Addis Ababa, Ethiopia, in 2017.

The goal of SAM is to provide a unified platform for addressing issues facing microfinance in Africa by bringing together investors, microfinance institutions (MFIs), researchers, banks, networks, innovators, governments and other stakeholders.

The 2017 SAM hosted 700 participants from 58 (mostly African) countries, including representatives of 200 MFIs; 25 exhibitors at the Innovation Fair; and 26 investors who made 170 MFI contacts at the Investor’s Fair. The proceedings also included conference sessions presented by 60 speakers plus a menu of 20 training programs.

SAM Enables Partnership Between ID Ghana, Grameen Credit Agricole Foundation

Philippe Guichandut, the Head of Inclusive Finance Development at the Grameen Credit Agricole Foundation, has been at all three SAMs. The majority of the foundation’s 76 partners are in sub-Saharan Africa, and Mr Guichandut has found that “SAM is the best place to meet our existing and potential partners.” He adds, “Around the SAM, we always take the opportunity to gather our partners, [which] is the best way to have exchanges of experience among our partners and give them the opportunity to attend some training sessions either organized by ourselves or the SAM.” Leading and attending workshops at SAM has been key for Mr Guichandut’s team “to share our own experience and promote themes that are relevant for us, especially in the fields of agri-microinsurance and agri-financing.” For example at SAM in Ethiopia in 2017, the foundation organized a field visit for 11 MFIs to learn about the R4 Rural Resilience Initiative, an agri-microinsurance project of the World Food Program and Oxfam America. Attendees visited Africa Insurance, Nyala Insurance, the microbank DECIS, and two local NGOs, ORDA and REST.

Mr Guichandut added that SAM’s “Investor’s Fair is also an excellent venue to meet potential new partners and have a better understanding of the different types of MFIs that would be interested in working with us.” For example, his team met representatives of ID Ghana for the first time at the fair. That relationship has flourished, and the Grameen Credit Agricole Foundation is now funding ID Ghana through the African Facility, a collaboration between the foundation and Agence Francaise de Developpement.

ADA, an NGO based in Luxembourg, co-organizes SAM every two years with the support of Luxembourg’s Ministry for Development Cooperation and Humanitarian Affairs. The SAM steering committee members are: ADA, Luxembourg’s Ministry of Foreign and European Affairs, the Microfinance African Institutions Network, the African Rural and Agricultural Credit Association and the Fédération des Association Professionnelle des Systèmes Financiers Décentralisés de l’Union Economique et Monétaire Ouest Africaine. We invite you to learn more about SAM at http://www.microfinance-africa.org/.
EAR TO THE GROUND

Hold on to Your Hats (and Star Wars action figures):
Key Issues for 2019

2018 was quite a year. While most of us were adapting to a rather dysfunctional “new normal” in global affairs, it’s time to envision how this new reality might affect our day-to-day work. Firstly, we cannot consider financial inclusion any longer without considering the inclusion of migrants. According to the UN’s International Organization for Migration, migrants are moving in record numbers. Global displacement is at a new high, with the number of refugees over 22 million plus over 40 million people internally displaced. Meanwhile, total migration has increased to 244 million - 3.3 percent of the world’s population. At EA Consultants this year, we surveyed 2,000 migrants in the United States. While their current needs are similar to those of people in their home communities in some ways, there are significant differences that will challenge us as we try to offer effective solutions. For example, migrants tend to plan much more for the long-term than other vulnerable groups, which suggests they may be looking for long-term investment and savings opportunities.

Another potential shift relates to declining liquidity in global markets. This will add to existing stresses on the microfinance business model. It will be even more imperative to build effective savings-led institutions that rely on community capital - not just global capital. As part of this process, perhaps we can rethink cooperatives.

Looking toward 2019, it would be exciting to see a shift in discourse away from the adoption of financial services - and perhaps even the usage of these services - toward leveraging them to increase productivity in measurable ways. Financial service providers are poised to do this by developing products and services to help small businesses and households earn more and protect these earnings. At the Financial Sector Deepening (FSD) Africa meeting in Maputo earlier this month, we discussed the need to focus more on the real economies of the region. Credit to SMEs is back on the table as a way to create growth, for example. Hopefully, this will catch on because income inequality is not getting any better and that can lead to even more migration and political instability.

Another area of concern is the proliferation of fintech targeting vulnerable populations. In Kenya, over 500,000 borrowers have been blacklisted for failing to pay loans as small as USD 5 that they received from algorithm-based platforms. Other research has shown that human biases are baked into lending algorithms - sometimes excluding women or minorities from access to loans.

In India earlier this year, I saw many MFIs jumping on the algorithm bandwagon, including experimenting with psychometric scoring to predict client repayment. These methods overlook the fact that repayment is not only about willingness to pay, but also capacity to pay. Even eager customers will default when their loans are too big for their incomes to cover. If we really are thinking of microcredit as supporting business success, we need to analyze productivity, not just personality.

Finally, the proliferation of hackers and their ability to get inside even complex AI systems is a key risk. Huge technology-driven failures - ranging from electoral fraud in the US to data breaches at Facebook, Marriott and Panera - have helped us realize that we need to be cautious. If we can’t protect the financial systems that serve poor people, we risk losing the very trust that is needed to financially include more households. We need to work with our Star Wars-loving technology geeks to keep clients safe. I am sure some things will surprise us in 2019, but for those outlined above, the writing is on the wall, so hold on to your hats (or Star Wars action figures) and take on the challenge!

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has 25 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni(at)eac-global.com, or you may follow her on Twitter at BarbaraatEA.
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PAPER WRAP-UPS

A New Kind of Conglomerate: Bigtech in China

Published by the Institute of International Finance, November 2018, 33 pages, available at: https://www.iif.com/portals/0/Files/private/chinese_digital_nov_1.pdf

This paper focuses on the five largest technology firms in China - Alibaba, Tencent, Baidu, Ping An and JD.com - and their reach into both the daily life and broader economy of China. During 2017, mobile payments in the country exceeded USD 15 trillion “dwarfing the US amount of USD 377 billion and even besting the combined total global transactions processed by Visa and Mastercard by USD 2.9 trillion.” Although many Chinese citizens lack traditional credit histories, lending apps such as Alipay and WeChat Pay give approved borrowers access to funds within minutes.

Although bigtechs have expanded in regions such as Southeast Asia, the involvement of the Chinese government is a “considerable barrier” to breaking into markets such as…

The Bali Fintech Agenda: A Blueprint for Successfully Harnessing Fintech’s Opportunities


The authors of this paper list 12 factors to consider when seeking to manage the advance of financial technology (fintech). For example, the Enabling New Technologies to Enhance Financial Service Provision, includes: (1) investing in telecommunications, financial…

Reserve Bank of Fiji’s Experience With Financial Inclusion and Climate Change


In 2017, Fiji reportedly became the first low- or middle-income country to offer green bonds, through which it raised the equivalent of USD 50 million for projects such as reforestation, building schools to withstand more dangerous weather and installing solar panels in rural…

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