Equator’s ShoreCap III Raises $62m from AfDB, CDC, EIB, KfW, OeEB to Place in Africa
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China Tightens Regulations on Online Lending, Ant Financial Pauses ABS Sales
Amid criticism of China’s online lending industry as having “sometimes high interest rates and underhand lending practices,” the nation’s government has urged local regulators to cease granting approvals to new microloan firms, citing the risk of over-indebtedness. It reportedly has also stopped approving the sales of asset-backed securities by Zhejiang Ant Small & Micro Financial Services Group (Ant Financial), which is controlled by Alibaba co-founder Jack Ma. Anonymous sources indicate that such sales could continue for loans for purchases through websites such as Alibaba, an online retailer, but not for cash loans. During 2017, Ant Financial sold asset-backed securities equivalent to USD 37 billion. Given the new regulatory environment, multiple firms have cancelled plans to start offering loans, such as Shenzhen Xinguodu Technology Company (Nexgo), a manufacturer of point-of-sale terminals, and Zhejiang Busen Garments Company, a menswear firm. January 26, 2018

Global Parametrics, VisionFund Arrange Climate-disaster Insurance in Africa, Asia
Global Parametrics, a for-profit risk manager funded by UK-based and Germany-based development institutions, and UK-based NGO VisionFund International, recently established the African and Asian Resilience in Disaster Insurance Scheme to protect six VisionFund microfinance institutions (MFIs) in case of drought or extreme storm. The arrangement includes access to as much as USD 10 million to manage delays in client repayments and additional funding to issue new loans to the 700,000 people they serve in Kenya, Malawi, Mali, Zambia, Cambodia and Myanmar. The annual cost of the coverage is 0.5 percent of each MFI’s loan portfolio. The USD 10 million in “contingent liquidity” is offered by the InsuResilience Investment Fund, which is financed by the German government and managed by Switzerland’s BlueOrchard Finance. An unspecified amount of funding to issue new loans is offered by the Natural Disaster Fund, which is financed by the UK Department for International Development and managed by Global Parametrics, which has offices in the US and the UK. VisionFund manages microfinance activities in 32 countries for World Vision, a US-based Christian relief and development organization. January 17, 2018

Dual Return Funds Invest in MFIs in 14 Countries, Including Ecuador
During December, C-Quadrat Asset Management, a unit of Austrian fund manager C-Quadrat, disbursed the equivalent of USD 40 million to 15 microfinance institutions (MFIs) from its Dual Return Vision Microfinance funds. The MFIs, whose identities remain confidential, span 14 countries. One is a cooperative in Ecuador that was founded in 1988 and offers savings and credit products, mainly for microentrepreneurs in the Andes mountains. C-Quadrat describes the MFI as having “good client protection principles, high transparency and…attractive labor” policies. The MFI also provides free services such as sports programs and training on financial literacy and agriculture. January 9, 2018

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MICROCAPITAL BRIEFS

India’s Odisha State Wants 656 More Rural Banking Outlets
By March 2019, the eastern Indian state of Odisha is encouraging financial institutions to open “banking outlets” in 656 gram panchayats (villages) that are at least 5 kilometers from the nearest bank branch or banking correspondent. In contrast to a banking correspondent, which is an individual authorized to perform transactions on behalf of a financial institution, a banking outlet must have a fixed location offering services at least 20 hours per week. Banking outlets do not require telecom connections. The government-owned State Bank of India has set up most of the 800 banking outlets that have opened recently in Odisha. Suryoday and Ujjivan Small Finance Banks have announced plans to open 16 and 3 new branches, respectively, in the state. January 26, 2018

Grameen Credit Agricole Lends $3.7m in Georgia, Montenegro
The Luxembourg-based Grameen Credit Agricole (GCA) Foundation recently disbursed three-year, euro-denominated loans to Georgia’s Crystal Microfinance Organization and Monte Credit, a non-banking financial institution in Montenegro that is controlled by US-based NGO World Vision. Crystal, which reports total assets equivalent to USD 69 million, borrowed USD 3.1 million. The microlender is 40-percent held by Georgian NGO Crystal Fund, 38-percent by the agRIF fund of Belgium’s Incofin, 13-percent by a fund of US-based Developing World Markets and 2-percent by managers of Crystal. Monte Credit, which is a unit of Serbia’s AgroInvest Holding, borrowed the equivalent of USD 620,000 from the GCA Foundation. AgroInvest, which serves a total of 50,000 families in Serbia and Montenegro, is owned by UK-based NGO VisionFund, which manages microfinance services in 32 countries for World Vision. January 25, 2018

Untu of Zimbabwe Selling $1m in Bonds via Mobile Money
Untu Capital, a provider of business training and loans in Zimbabwe, has begun an effort to raise USD 1 million to finance its lending to micro-, small and medium-sized enterprises. It has released U-Gain bonds that individuals may purchase in increments of USD 50 on Zimbabwe’s Financial Securities Exchange (FINSEC) via EcoCash, the mobile money service of South Africa’s Econet Group. Although the bonds have a term of one year, bondholders may re-sell the securities sooner via FINSEC. Untu offers enterprise loans of USD 500 to USD 100,000 with terms of up to two years. It does not require collateral for loans up to USD 5,000. January 22, 2018

11 Cambodian MFIs Lose Licenses
The National Bank of Cambodia (NBC), the central bank of the country, recently revoked the licenses of 11 microfinance institutions (MFIs) for failing to maintain compliance with a “diverse” range of rules. An NBC statement argued that the suspensions “will set an example for other MFIs to…compete fairly.” The MFIs, which are classified as rural credit operators, reportedly comprise a “negligible” portion of the country’s lending industry. The General Secretary of the 45-member Cambodia Microfinance Association (CMA), Yun Sovanna, reportedly said, “In my opinion, it is positive for the market that those who were seriously non-compliant were sanctioned.” None of MFIs that lost their licenses are CMA members. January 8, 2018

South Africa’s Wala Raises Cash via Newtown, Initial Coin Offering
Wala, a South African financial services provider seeking to reduce barriers to financial access in Africa and elsewhere, recently sold…

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- afb
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  - Joint Advisor and Arranger

Namibia 2016

- Trustco
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  - Sole Advisor and Arranger

Ghana 2016

- First Allied
  - GHS 60 M (USD 15 M)
  - Sole Advisor and Arranger

Lux | Zambia 2014 - 2015

- MFInance
  - USD 13 M
  - Joint Advisor and Arranger

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EAR TO THE GROUND

A Day in the Life…A Tribute to the Men and Women on the Ground

For those of you who know the juxtaposition of extraordinary banality and intense cruelty in The Beatles’ masterpiece “A Day in the Life,” the following examples of the poetry that can be found in day-to-day microfinance and its value chain may resonate even more than for the average reader.

Yesterday, one of our team members was with a loan officer visiting a farmer in rural Nicaragua. They had ridden for an hour on a motorbike and walked up a hill in the mid-afternoon sun for another hour to reach the coffee plantation. As soon as they arrived, the 25-year-old loan officer received a call; his father had died suddenly. He excused himself to make a few calls and then politely finished the visit. The loan officer headed back to the branch office, where he had a stack of loan files that needed approval. He also sat through credit committee meetings for the rest of the afternoon. Only then did he start the two-hour trip to see his family. He was back at work the next morning.

Some of us in this field may be sacrificing private-sector salaries and business-class air travel in exchange for the gratification of “doing good.” But the banality of our daily life remains. Wake up, get out of bed, eat a high-fiber breakfast and jump onto an efficient public transport system. Take the elevator - or perhaps the stairs to stay fit - and then arrive at our desks and start our days.

One day, I asked a group of loan officers in Panama about their mornings. A woman answered, “Before I even get out of bed, I am thinking about my loan targets. How can I meet them? How can I fit in visits to clients that may not pay me? I need to think about my day to make sure I meet my volume targets, my repayment targets.” Only then does she wake up, feed her kids and take two buses to serve a neighborhood with some of the highest rates of crime, HIV and violence in the city.

In rural Honduras one sunny afternoon, I traveled down a road in a pickup truck with an MFI’s private driver. He skirted the potholes like he was dancing on the treacherous, curvy road. When he took me to a truck stop for a bite, he noted that it was owned by a friend, so we wouldn’t have to worry about the men with guns coming in and out. A loan officer I spoke to later that day told me that he has seen bodies of people he knew along the road. “You have to forget them,” he said. “To be safe, you cannot say anything about them.”

For many of us, it can be a thrill to take a quick, curated trip to a rough area, where we are pampered as foreigners. But the men and women in the field - working for the MFIs we partner with - make great sacrifices to serve their clients. Sadly, some of us fall into the trap of seeing them as tools that can be managed with targets and incentives rather than as dedicated people worthy of our respect and empathy. If the microfinance industry becomes obsolete, it may be because it did not take care of its most precious asset - its field staff.

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

Learning the Impact of Financial Education When Take-up Is Low


In order to explore the effects of financial education on the behaviour of credit card users, Dr Ibarra, Dr McKenzie and Dr Ortega studied cardholders in Mexico. They reviewed data from two groups that volunteered for financial education. One group took financial literacy courses, and the other participated in personalized sessions. The authors compared these groups to a control group chosen from 100,000 credit card users in Mexico. The authors assembled the control group by looking for users that had 16-month card-usage histories that were similar to those of the members of the volunteer groups.

After participating in financial education...

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Vision Microfinance allows private and institutional investors to participate in the “fast-growing” microfinance industry. Investors benefit from the extensive asset management expertise of C-QUADRAT Asset Management, which works in close partnership with microfinance specialist Symbiotics, a market research expert in sustainable investments. This unique cooperation of fund manager and research team yields innovative microfinance solutions: Vision Microfinance.

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