MicroCapital Monitor
ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

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MICROCAPITAL BRIEFS | TOP STORIES

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Incofin’s agRIF Buys 10% Equity Stake in Armenia’s Inecobank from IFC, DEG
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month.

ResponsAbility Sells Equity Stake in Mibanco
ResponsAbility Investments, a Switzerland-based asset manager specializing in impact investments in developing countries, recently sold its entire equity position in Mibanco, a microfinance bank in Peru, to Credicorp Limited, which has subsidiaries providing financial services mainly in six countries in Latin America. Although the size and price of the stake remain confidential, Credicorp owned 94 percent of the shares of Mibanco via one of its holdings, Banco de Credito del Peru, before the transaction. Established in Lima in 1998, Mibanco provides credit and deposit services to small businesses and individuals. It had a gross loan portfolio equivalent to USD 2.9 billion as of 2017. As of 2016, Mibanco had total assets of USD 3.4 billion, customer deposits of USD 1.9 billion and 316 branches. Credicorp, which was incorporated in 1995, is domiciled in Bermuda and specializes in banking, insurance, pension funds and investment banking. May 24, 2018

5 Firms Win GSMA Mobile Money Certifications for Security, Consumer Protection
Based on assessments conducted by Italy-based MicroFinanza Rating, five organizations in Africa and Pakistan have earned the first GSMA Mobile Money Certifications, verifying their ability “to deliver secure and reliable services, to protect the rights of consumers and to combat money laundering and the financing of terrorism.” US-based Alliances Management holds a contract to operate the certification scheme for the UK-based Groupe Special Mobile Association (GSMA), whose 1,100 members include 800 telecoms operating under the Global System for Mobile Communications (GSM) standard. MicroFinanza Rating carried out the assessments in the following locations: Cote d’Ivoire for France-based Orange; Kenya for the locally based Safaricom; Pakistan for the local member of Norway’s Telenor Group; Tanzania for Tigo, a unit of Sweden’s Millicom; and also Tanzania for Vodacom, a South African member of the UK-based Vodafone Group. May 19, 2018

South Africa’s Retail Capital Borrows $7.5m for Small Shops
Verdant Capital, a Mauritius-based corporate finance firm operating in Africa, recently raised local currency totaling the equivalent of USD 7.5 million from unspecified international investors for South Africa’s Retail Capital to expand its merchant cash advance business. Retail Capital lends to small and medium-sized enterprises (SMEs), which make repayments on the loans daily, based on a percentage of sales they take in via payment cards. This is the first foreign funding that Retail Capital has accessed. The firm was founded in 2011 and has three offices, all in South Africa. As of March, it has total assets of USD 24 million. May 8, 2018

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**MICROCAPITAL BRIEFS**

**KEP Trust of Kosovo Borrows $2.3m from IFC, GAFSP**
KEP Trust, a nonprofit microfinance institution formerly known as the Kosovo Enterprise Program (KEP), recently agreed to borrow the euro-equivalent of USD 2.3 million from the World Bank Group’s International Finance Corporation (IFC) for on-lending to farmers as well as micro- and small enterprises in Kosovo. Of the total loan package, 30 percent is sourced from the IFC-managed Global Agriculture and Food Security Program (GAFSP), which pools investment from six countries with the goal of “increasing agricultural productivity as a way to reduce poverty and increase food and nutrition security.” KEP Trust was founded in 1999 and offers group and individual loans for enterprise, home improvement, agriculture and consumption. It has a loan portfolio of USD 46 million outstanding to 18,000 customers as of 2018. During 2017, it earned a profit of USD 1.8 million. May 21, 2018

**Jordan’s Bank al Etihad, EBRD Sharing Risk on SME Loans**
Bank al Etihad, whose shares are traded on the Amman Stock Exchange, recently secured an agreement from the UK-based European Bank for Reconstruction and Development (EBRD) to share risk on USD 20 million in lending by Bank al Etihad to small and medium-sized enterprises (SMEs) in Jordan. The borrowers - most of which are expected to be medium-sized firms - will be able to access EBRD’s “Advice for Small Business” program, through which EBRD connects SMEs with consultants and shares the cost of their services. Bank al Etihad, whose products include leasing and brokerage accounts as well as special offerings for women and SMEs, has paid-up capital equivalent to USD 225 million. Established in 1978, it has 45 branches and 91 automated teller machines. The bank also owns a 36-percent stake in Safwa Islamic Bank, which was founded in 2010 and was previously known as the Jordan Dubai Islamic Bank. May 18, 2018

**Ctos to Apply Phone Behavior to Credit Scoring in Malaysia**
Malaysian credit scoring firm Ctos recently partnered with LenddoEFL, an alternative credit scoring firm, to increase the number of small businesses and individuals in Malaysia for whom it can supply credit evaluations. In addition, the use of alternative data can provide more accurate scores for applicants who could have had scores calculated from conventional sources alone. LenddoEFL, which was created in 2017 by the merger of Singapore-based Lenddo and US-based Entrepreneurial Finance Lab (EFL), bases its evaluations on “social media activities, browsing behaviour, geolocation and other smartphone data.” Prior to their union, Lenddo and EFL had completed a total of 5 million credit evaluations facilitating USD 2 billion in lending by 50 banks, microfinance institutions, insurers, retailers and telephone companies in 20 emerging markets. Data indicating the volume of Ctos’s business, which was established in 1990, are not available. May 4, 2018

**IDB to Test Methods to Boost Retirement Savings in LAC**
The Inter-American Development Bank (IDB), a member of the US-based IDB Group, recently announced the launch of its Retirement Savings Laboratory to test approximately 15 methods for encouraging “low-income and independent workers” to save for retirement. The goal is to get 400,000 people to begin saving “through interventions based on behavioral economics and the use of new technologies.” Carmen Pagés, the chief of the Labor Market Division of IDB, adds, “IDB wants to generate reliable evidence, through rigorous impact evaluations, to improve public policies…” The effort is funded by MetLife Foundation, an affiliate of US-based insurer MetLife; the IDB Group’s Multilateral Investment Fund; and the IDB Network for Pensions in Latin America and the Caribbean (LAC), whose members include 15 countries and four international associations. May 1, 2018

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Why?

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Why?

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She feels uncomfortable speaking in public

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She has challenges closing deals

This is not a valid reason

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SPECIAL REPORT

This feature is sponsored by Frankfurt School of Finance & Management, which offers a wide range of educational programs in Germany and online.

Building the Capacity of Development Finance Professionals

MicroCapital: How does Frankfurt School of Finance & Management help build capacity in the development finance sector?

Dr Barbara Drexler: As a leading private business school, we offer high-class degree programs and executive education focused on finance and management. Unlike other top-ranked business schools, we also have a long track record of providing inclusive-finance advisory services and education.

A key building block of our educational activities is our Development Finance Academies here in Frankfurt, which we started 18 years ago. Today we offer Academies on Micro-, SME, Housing and Sustainable Energy Finance as well as on Leadership to around 200 participants from up to 50 different countries every year.

Junes Arfaoui: Eight years ago, we started an e-learning platform to reach those who are not able to attend face-to-face trainings in Germany. Today, our Frankfurt School Development Finance (FSDF) e-Campus is probably the most comprehensive platform of professional online training in the development finance sector. With (so far) nine different certification courses offered in four languages, we are contributing to building the capacity of professionals from all over the world. This year we expect 2,000 participants from 150 countries.

And two years ago, we went one step further, launching a full-fledged master's programme for mid-career and senior professionals. Our Master of Leadership in Development Finance is Frankfurt School’s only degree programme that is conducted completely online.

MC: What types of organizations benefit most when their staff take your courses?

BD: Our courses attract professionals from a broad range of financial institutions, typically from emerging and developing countries. We have participants from small NGO-MFIs and big commercial banks, but also from insurance companies, government authorities, international organisations and many more.

JA: For example, there is a CEO of an MFI located in Sub-Saharan Africa with just two branches and a handful of employees. He started with our Microfinance course, followed with the SME Finance course; and he is now enrolled in our online master’s program. His institution benefits tremendously from his participation, as he implements international best practices and passes on knowledge to his staff.

MC: How else do organizations benefit when their employees enroll in your courses?

BD: Organizations sending employees to our courses benefit from our Microfinance course, followed with the SME Finance course; and he is now enrolled in our online master’s program. His institution benefits tremendously from his participation, as he implements international best practices and passes on knowledge to his staff.

MC: What distinguishes your organization from other training providers?

BD: The combination of being a top-ranked business school with our strong and long track record in worldwide financial inclusion advisory makes us very unique. While the former ensures the highest quality in all our programmes, the latter brings us very close to our clients and helps us understand their needs to provide efficient and realistic solutions to their everyday tasks and challenges.

MC: What surprises people the most when they take your classes?

BD: Our participants often don’t expect the level of practical relevance that they find in our courses. Although we highlight this in our programme descriptions, it seems people can’t imagine how close training can come to the day-to-day reality of development finance professionals.

JA: Participants also often point out the level of personalized and efficient support they receive from our team. We are proud to deliver a level of service and support that is well beyond what most of our customers anticipate.

Further, in our e-learning programmes, participants appreciate the balance between the self-paced training schedule and the email reminders to keep them motivated.

MC: What are you working on that's new?

BD: We actually are working on three very exciting new programmes, following current trends in development finance: women’s empowerment, digital finance and agricultural finance.

JA: Although we have a long history of consulting in agricultural finance projects, the topic only recently has reached a level of awareness in the industry that warrants us offering the online Certified Expert in Agricultural Finance course.

BD: The situation is similar when it comes to gender equality. Frankfurt School has gained much expertise in this area, implementing projects all over the world, but only now there is enough of a market to justify an open training on the topic. Our first Women’s Leadership Academy will be held in Frankfurt.

JA: Last but not least, we are working on a new e-learning course on digital finance. Although we already cover this area within several of our existing courses, the topic now has reached a stage at which a full-fledged Certified Expert in Digital Finance course can draw a broad audience.

BD: All three of these programmes will be launched in September - it will be a hot and exciting autumn!

Dr Barbara Drexler is the Associate Dean for International Affairs and Programme Director of the Master of Leadership in Development Finance at Frankfurt School of Finance & Management.

Junes Arfaoui serves as Programme Director for FSDF e-Campus and Deputy Programme Director for the online Master of Leadership in Development Finance.

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Financing the “World We Want”

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**EAR TO THE GROUND**

**Using Private Capital…Without Giving Up the 2nd Bottom Line**

This fall, I will teach a graduate course that I’m designing for the School of International and Public Affairs at Columbia University called “Working for the Private Sector for Development Outcomes.” It will draw from my work over the past three decades in financial inclusion as well as some areas that public monies have yet to address sufficiently, such as education, health and sustainable energy. While many donors and thought leaders have moved away from microfinance and toward these other fields over the past 10 years, investors continue to pump money into microfinance, in droves.

Last week, I listened to a webinar sponsored by CGAP called “Microfinance: Revolution or Footnote? Microfinance Over the Next Ten Years,” in which Paul DiLeo (the founder of Grassroots Capital Management) and Ira Lieberman (a consultant) remind us that microfinance is the biggest tested case of a double bottom line “impact” investment to date. The sector has reached over 300 million clients and mobilized over USD 30 billion in the last decade alone. The big challenge, they posit, is maintaining a social focus while drawing so much private money. One risk is investors that aren’t socially focused invoking pressure for supercharged financial returns, upsetting MFIs’ delicate balance between social and financial returns.

There is a case to be made for donors to stay in microfinance, so they can tip this balance back, hopefully inspiring stakeholders in other “impact” sectors who seek to reach scale and leverage investor funds. Donors, however, have been skittish - even fatigued - claiming that the microfinance sector was never meant to remain dependent on their support. Yet can we expect the private sector to drive innovation that helps the poor? Sometimes.

M-Pesa, Kenya’s scaleable, convenient digital financial service, is a favorite example of innovation that helps the poor, while making tons of money. It also received lots of donor funding up front. Kenya’s Sportpesa has also been an innovative hit with low-income customers. The service makes it easy to bet on sports - with often-borrowed digital money. This less noble goal was driven by a purely commercial investor wager.

Over the last decade - despite declining donor interest - much has been achieved in microfinance through the hard work of regulators and other non-commercial advocates in microfinance. In a complete turnaround from 10 years ago, lenders in many parts of Latin America use credit bureaus to vet all of their loans, no matter how small. This, plus the careful attention of regulators, has allowed microfinance to withstand heavy external pressure, such as from the financial crisis that began in 2008 and political challenges in various countries. And let’s not forget that the Smart Campaign managed to turn consumer protection into a household term.

I agree with Paul that microfinance continues to offer an amazing opportunity to test the concept of using mixed capital to pursue a double bottom line. This is why it deserves to be nurtured long-term. Two decades ago, we used donor funds to foster MFIs’ financial goals. Today, it is even more important that we keep social goals from being left behind. As part of this process, I have been advocating for including women in leadership roles at MFIs. Many have just the collaborative qualities that can be critical to driving social outcomes, and I look forward to working with a good number of future women leaders in my class this autumn!

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 Barbara@EA.
PAPER WRAP-UPS

Remittances and Financial Inclusion: A Demand-side Analysis of Low-income Jordanians and Syrian Refugees in Jordan

By Nadine Chehade, Antoine Navarro and Danielle Sobol; published by CGAP (the Consultative Group to Assist the Poor); December 2017; 17 pages; available at http://www.cgap.org/sites/default/files/Working-Paper-Remittances-and-Financial-Inclusion-Dec-2017.pdf

The authors present the results of a survey of low-income Jordanians and Syrian refugees residing in Jordan regarding their usage of remittances and other financial services. The investigation included quantitative analysis of 2,132 surveys and eight qualitative focus groups.

Among those surveyed, 11 percent of Jordanians and 14 percent of Syrians sent or received remittances. Of the Syrians sending remittances, 90 percent transferred funds to their home country. Half of remittance recipients from both countries received money from countries in the Persian Gulf. Domestic remittances tended to be informal - often via third-party individuals - while international remittances were mostly formal - usually via banks. The average incoming international remittance was USD 259, received one to three times per year, while outgoing remittances tended to be smaller in value, but sent more often - around five times per year. The cost to send remittances was approximately 20 percent of the amount sent, while the cost of receiving money ranged from 4 to 12 percent. Regarding access to formal financial...


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