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Incofin Sells Equity in India's Annapurna as ADB, Bamboo, Oikocredit Buy In
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SunFunder Raises $42m for SET Fund from OPIC, Calvert, Ceniarth, IKEA
SunFunder, a Kenya-based financier of solar energy firms, recently raised USD 37.5 million in debt for its new Solar Energy Transformation (SET) Fund as well as securing USD 5 million in first-loss grant funding from the IKEA Foundation, an affiliate of the Sweden-founded IKEA group of furniture companies. The goal of SET is to raise USD 85 million to fund the delivery of energy to 3 million people in Africa and Asia, precluding the use of 480,000 tons of carbon dioxide per year for nine years. The loans to SET comprise USD 25 million from the Overseas Private Investment Corporation, the development finance institution of the US government; USD 7.5 million from Calvert Impact Capital, a US-based nonprofit lender to “mission-driven organizations worldwide;” and USD 5 million from Ceniarth, a family office operating from sites in the UK and the US. Since its founding in 2012, SunFunder has lent a total of USD 65 million to 46 solar energy firms. February 27, 2019

Oikocredit Places $3.3m in Mexican Education Lender Laudex
The Netherlands’ cooperative Oikocredit recently paid USD 3.3 million to purchase an equity stake of unspecified size in Laudex, a lender to low- and moderate-income Mexican students pursuing undergraduate and graduate degrees around the world. The institution has an “online approval platform” and a “risk-based pricing model” with annual interest rates up to 29.5 percent. Since its founding in 2009, Laudex has served 12,000 students. February 25, 2019

Kenya’s M-Pesa Adds Overdraft Option
Safaricom, a Kenya-based telecommunications company, recently debuted Fuliza, an overdraft feature that allows customers of the firm’s M-Pesa mobile banking service to withdraw money from their accounts even when they have a zero balance. The overdrawn amount must be repaid within 30 days. Safaricom has not divulged the maximum amount customers may overdraw. Fuliza loans are underwritten by the Kenya Commercial Bank Group and the Commercial Bank of Africa Group, both of which are headquartered in Kenya. Safaricom credits Fuliza with bringing in 1 million new M-Pesa customers during the first eight days of its availability. Safaricom was established in 1997 and is 40-percent held by Vodafone Kenya, which is controlled by the UK-based Vodafone Group. Another 35 percent of Safaricom’s shares are owned by the government of Kenya. Vodafone Group owns and operates networks in 25 countries in Africa, Asia, Europe, the Middle East and the Pacific. The group reports 12-month revenue equivalent to USD 53 billion. February 1, 2019

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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, on October 21-25, 2019! The first three SAMs were in Tanzania in 2013, Senegal in 2015 and 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 20 training programs.

FIDRA of Côte d’Ivoire Re-thinks Client Needs at SAM

Nadège Djatty, the assistant director of FIDRA, an MFI in Côte d’Ivoire, attended the most recent SAM in Addis Ababa, Ethiopia. While there, she was one of about 100 people at the full-day training on the Universal Standards for Social Performance Management, which was delivered by Amelia Greenberg and Katie Hoffmann of the Social Performance Task Force (SPTF). After the training, Ms Djatty told Ms Greenberg that the “training had caused her to think more deeply about who they were excluding as clients because the products are not quite right for their needs and how they might adapt their products to be more inclusive.”

Ms Greenberg also met several leaders of institutions that subsequently applied for co-funding from the SPTF-run Responsible Microfinance Facility to help them “put clients at the center of every decision.” Among these were Arsène Koffi, the programs manager at the 48-member Association Professionelle des Systèmes Financiers Décentralisés (APSFD) de Côte d’Ivoire, and Charlemagne Yankoty, the director of IAMD-Microfinance of Benin.

Ms Greenberg adds, “SAM helps SPTF stay focused and connected. Attending SAM also allows us to share what SPTF has been working on and receive feedback on areas of greatest need going forward. It is an extremely well organized event and offers an unparalleled opportunity for us to meet in person with so many of our partners in Africa, as well as to speak to organizations we’d like to work with in the future.”

“Our training had caused her to think more deeply about who they were excluding as clients…”

-Amelia Greenberg, SPTF

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 APSFD de l’Union Economique et Monétaire Ouest Africaine.
EAR TO THE GROUND

What Would a Microbusiness Investment Bank Look Like?

Last week in Mexico City, I unexpectedly met an old friend (and Endeavor fellow) Victor Calderon Cuevas, who is working on a jewel of an initiative. It could make a big difference in the way that we link financial inclusion to long-term productivity. A recent meta-review of financial inclusion papers by Maren Duvendack and Philip Mader finds that the impacts of financial inclusion “are more likely to be positive than negative, but…appear not to be transformative in scope or scale, as they largely occur in the early stages of the causal chain of effects.” Similarly, in a study we conducted for Triple Jump called “Measuring Social Impact in Microfinance,” microbusiness growth stalled out among borrowers in Bolivia after the second credit cycle.

Why does business growth stall? My thinking is that microcredit is useful early on, but becomes less so as businesses mature. Interviewing small business owners some years ago in Comayagua, Honduras, I spoke with a man who had received a USD 1,000 loan from FINCA. When I asked why he didn’t invest this loan in his business, he patiently asked me - even with a vegetable stand in the market - what he could do with USD 1,000 worth of produce. He wouldn’t be able to sell it before much of it would spoil. Instead, he was investing the money in apartments that he was fixing up and renting. This was my “aha” moment, when I realized that microcredit was not structured to meet the long-term needs of entrepreneurs who are often constrained by their markets. Nearly all microbusinesses are close to hitting a wall in terms of growth. Once owners hit that wall, it makes sense that they start using their loans to invest in other things, such as asset purchases, consumption, cash flow management or other family members’ businesses. I believe that small loans are useful in many ways, but they are not transforming businesses sufficiently.

So when I spoke with Victor, I was pleasantly surprised to find that his work has evolved along similar lines. His team at ArCcanto has built an investment bank of sorts for Mexican SMEs. ArCcanto first diagnoses a company to determine what type of capital it can leverage and for what purposes. Then it sources the appropriate capital through banks, private investors or the public markets. ArCcanto also sets up factoring structures, working through SMEs’ value chains. Many of these provide advertising, marketing and other services to large companies. These large companies often take 90 days or more to pay their bills, leaving the SMEs cash-strapped. If the SMEs use bank credit lines to manage these cash flow challenges, it sops up their credit, reducing their ability to raise money for growth.

Investment banking for SMEs isn’t easy. Victor has hired almost all of Mexico’s certified valuation specialists. Handholding and coaching the SMEs is part of the deal - and that costs money - but he is on to something big. By identifying businesses with good prospects and finding right-fit financing, his team has found a way to drive long-term business growth among Mexico’s SMEs. If he were to work with that vegetable seller in Honduras, he might find a way to offer longer-term financing to invest in those apartments. The income from the apartments could finance the vegetable stand, rather than over-leveraging the market stand to support the rentals. Perhaps it’s time to set up an investment bank for microenterprises, too.

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@eac-global.com, or you may follow her on Twitter at BarbaraEA.
Leveraging on Alternative Delivery Channels (ADC) is key to achieving cost-effectiveness and greater outreach.

Fern’s ADC integration capabilities enable inclusive financial institutions to connect to established mobile money services. ATM networks and mobile devices to increase outreach and improve efficiency.

Oikocredit is a worldwide cooperative and a pioneer in investing in microfinance. As a social investor, we provide loans, equity investments and capacity building support to organizations that are active in financial inclusion, agriculture and renewable energy.

If you are interested in our financial services, please contact a local Oikocredit representative who will draw up a customized offer aimed at establishing a long-term business relationship.

Contact us at: oikocredit.coop/banking
PAPER WRAP-UPS

Protecting Growing Prosperity: Agricultural Insurance in the Developing World


The authors of this paper discuss how agricultural insurance can help smallholder farmers recover from damage to crops and livestock caused by shocks such as extreme weather conditions. According to previous research by ISF, “globally less than 20 percent of smallholder farmers currently have agricultural insurance coverage.” The authors argue that this is due to lack of trust and knowledge of insurance on the part of smallholder farmers in Latin America, sub-Saharan Africa, and South and Southeast Asia. This lack of knowledge can include not knowing how insurance products work or simply not knowing they exist.

Based on case studies of insurance providers working in Africa, the authors suggest four ideas to speed the growth of agricultural insurance. The first is to get…*

High-saving Youth in Smallholder Households: An Untapped Market

By Jamie Anderson, Ramesh Karuppusamy, Paul Enrico Neumann and Vijendran Thangavel; published by CGAP (Consultative Group to Assist the Poor); November 2018; 4 pages; available at https://www.cgap.org/sites/default/files/publications/Brief-High-Saving-Youth-Nov-2018_1.pdf

Mobile financial services are becoming increasingly popular in rural parts of developing countries. However, the authors of this paper argue that efforts to promote mobile banking have failed to adequately reach younger individuals in smallholder families, who often have more savings than their more mature counterparts do. Instead, smallholder…*

Ten Key Principles of Digital Finance

Published by Développement international Desjardins’ Proxfin, October 2018, 2 pages, available at https://www.did.qc.ca/media/documents/en/autres-publications/10_key_principles.pdf

This document addresses best practices for microfinance institutions transforming their services from analog to digital format. The authors describe digital transformation as being more about business than technology. Rather than being tempted by “passing trends,” planners should focus on consumers’ ease of use. The authors argue customers should be able to expect a customized “end-to-end” experience consisting of “a straightforward, engaging, value-added…*