Crédit du Maroc Borrows $20m for SMEs’ Energy Efficiency, Value Chains
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Banca Transilvania Acquiring Microinvest of Moldova
Pending government approval, Romania’s Banca Transilvania (BT) Financial Group is slated to acquire all of the shares of Microinvest, a Moldovan microfinance institution (MFI), for an undisclosed price. The MFI is owned by a group of Europe- and US-based entities, led by the Balkan Financial Sector Equity Fund. Microinvest offers loans with terms of up to 7 years for farming, non-farm enterprises, consumption, cars and housing improvements. The maximum amount for a collateral-free loan is equivalent to USD 56,000. The MFI was founded 16 years ago and has 190 employees serving 25,000 clients at 13 branches as of 2020. On behalf of the largest member of BT Financial Group, BT CEO Omer Tetik said, the team will be “combining the business model we employ in Romania through BT Mic with the one used by Microinvest, as well as through increasing synergies with other companies of Banca Transilvania Financial Group from the Republic of Moldova, namely BT Leasing and Victoria bank.” BT Mic is a member of BT Financial Group that offers microfinance to 10,000 clients in Romania. The group reports total assets of USD 19.5 billion. February 25, 2020

SoftBank Investing in AlphaCredit’s E-lending in Mexico, Colombia
AlphaCredit, a non-banking financial technology (finTech) firm based in Mexico, recently raised USD 125 million from a group of investors led the Japanese conglomerate SoftBank, via its Latin America-focused SoftBank Innovation Fund. AlphaCredit lends to individuals in Mexico and Colombia as well as serving small and medium-sized enterprises in Mexico. Neither the level of SoftBank’s participation in this Series B equity round nor the identities of the other participants have been made public. Founded in 2011, AlphaCredit began its operations by granting payroll loans to employees of the Mexican government. In 2015, it expanded into Colombia. As of 2018, AlphaCredit reported net assets equivalent to USD 950 million. As of 2020, it has 2,000 sales agents and operates 68 branches in Mexico plus 950 agents and 25 branches in Colombia. February 24, 2020

Bangladesh Rate Cap to Make Microlending “Unviable Overnight”?
As of April 1, all lending in Bangladesh is to occur at a price of no more than 9 percent per year. The only exception is for loans via credit card. In advance of the deadline, the average lending rate for cottage, micro- and small enterprises (CMSEs) reportedly stands at 16 percent. Economist Zahid Hussain argued, “The 9-percent interest rate cap will not cover the costs and risks, thus resulting in the sector’s CMSE portfolio becoming commercially unviable overnight. This will…reduce the supply of credit to these customers, forcing them to borrow from unofficial predatory lending sources such as traditional moneylenders.” Despite calls to exempt CMSE loans from the new cap, Finance Minister AHM Mustafa Kamal reportedly called the decision “final.” February 18, 2020

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SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2020, which will take place from November 18 through November 20 in Luxembourg. The event is held each year by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and report on-site from the event each year since 2012.

Christoph Pausch on the European Microfinance Award 2020: Encouraging Effective & Inclusive Savings

MicroCapital: Why was “Encouraging Effective & Inclusive Savings” chosen as the topic of the 2020 Award?

Christoph Pausch: For much of the past 40 years, the microfinance sector has focused overwhelmingly on credit. Credit is easier to offer and more profitable for the provider. More often than not, this results in credit being provided as the default even when other financial products - such as savings - are better suited to the needs of the client. Moreover, these other options come at both lower cost and lower risk to the client. Unfortunately, the provision of savings as a service to the poor and the excluded remains consigned to a relatively small segment of markets and institutions, remaining a rarity in the global financial inclusion ecosystem. But saving can do so much. It enables consumption smoothing for people with volatile incomes. It helps families protect themselves from shocks, such as health crises. It empowers women by increasing their financial autonomy. It helps build equity by enabling asset purchases. It can be used for productive investment in businesses. It helps families prepare for significant expenditures, like tuition fees or housing improvements. And formal saving increases security compared to informal alternatives. In most of these cases, savings might not be the only solution - but part of a suite of financial activities that make up genuine financial inclusion. This is why it’s so important to highlight innovations in this field.

MC: How are you approaching the design of the Award this year? What will the evaluation teams be looking for?

CP: We’ve incorporated three key components into the Award topic - all reflected in the title. Firstly, there’s the “encouraging.” Access to savings can encourage positive and valuable usage of savings - for planning, goal setting, risk mitigation and investment - by drawing on the growing body of knowledge of human behaviour. People can be “nudged” to save by reaching them at the right times, with the right messages, and supporting them with reminders. Second, savings services need to be “effective.” This means they are matched to clients’ specific goals, accessible, affordable, easy to understand, transparent and sustainable for the provider. And finally, savings should be “inclusive” - focusing on and reaching underbanked and excluded segments, with priority given to client protection. We’ll also be looking for initiatives that promote the development of a culture of savings more broadly, in which there is widespread active usage of accounts, high levels of trust, a real focus on financial education and engagement with policymakers.

MC: What organizations do you hope will apply for the Award this year?

CP: There is a broad range of providers that are eligible as long as the initiative is more than a year old and it’s playing an integral role in the provision of financial services in one or more countries designated by the OECD as eligible to receive official development assistance. Beyond these requirements, we hope to receive applications from a broad range of providers, from cooperatives and savings groups through NGOs, traditional MFIs, fintechs and regulated banks. The scale of an initiative is relevant to show impact, but it’s only one criterion. Overall, the evaluation teams will be looking for innovation that should be spotlighted and has the potential to be replicated elsewhere.

MC: What are the benefits to potential applicants of taking part in the Award?

CP: The headline attraction is that there is a financial prize (100,000 euros to the winner and 10,000 euros to each of two other finalists). And while this prize - generously provided by the Luxembourg Ministry of Foreign and European Affairs - is significant, without doubt the real benefit of the Award comes in the exposure that the 10 semi-finalists (and three finalists) all get. The e-MFP plays a unique role as a network of stakeholders working all over the world; and donors, investors and other potential partners pay attention to the outcome of this Award. There is international and industry press coverage, plus e-MFP’s annual publication, which profiles the semi-finalists and extracts the key factors for success from their initiatives. There are also all kinds of partnerships developed, and this work is presented at various panels and workshops. The late Ulanbek Termenchkos, former CEO of Kompanion Financial Group (a previous Award winner), once described the Award as the “Nobel Prize of Microfinance.” To live up to this lofty comparison, we take the process of running it very seriously, making sure that it always serves its goal of highlighting excellence and potential!

Christoph Pausch is Executive Secretary of e-MFP. The €100k European Microfinance Award is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network Luxembourg. The first (short) round of applications for the Award will open on March 9 and close April 15. For more information on how to apply, please visit http://www.european-microfinance-award.com.
ENCOURAGING EFFECTIVE & INCLUSIVE SAVINGS

EUROPEAN MICROFINANCE AWARD 2020

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Artwork by Joe Cunningham

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This is a free, abbreviated preview of a monthly report available by paid subscription at MicroCapital.org

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**SPECIAL REPORT**

*This feature is sponsored by the Frankfurt School of Finance and Management.*

**Education for a More Sustainable World**

SVGs? SDTs? What on earth do you mean? Back in January 2019, when the idea was born to launch the Frankfurt School's Sustainable World Academy, I was asked many times to explain the abbreviation for Sustainable Development Goals (SDGs) - even by highly educated and well-read colleagues and friends.

Well, a lot has certainly changed since. 2019 will go down in history for Greta Thunberg and her Fridays for Future movement, unprecedented climate events - heatwaves, storms, unbreathable air, dying coral, bushfires and locust swarms - and, finally, a growing sense of urgency. (Literally) every schoolchild understands that climate action is urgently needed if the world is to be comfortably inhabitable beyond 2050. However, it is far less clear how change will be brought about without hampering economic growth or undercutting the growing prosperity in emerging and developing economies.

In other words, the timing for the launch of our Sustainable World Academy (SWA) was brilliant! At SWA we strongly believe that, in fact, it is possible to advance the UN’s SDGs in a pro-business way - or as they say in English: it is possible to have your cake and eat it too.

SWA offers professional and executive courses that do not waste time with lofty phrases, but teach hands-on knowledge and skills on how to finance and manage a better future for all. Our value proposition is to educate bankers, microfinance professionals and leaders of other businesses dedicated to sustainability, as well as policymakers and students about concrete techniques that can deliver equitable and environmentally conscientious growth.

Over the past 10 years, we have expanded our portfolio from a mere three to a range of 16 programmes. SWA offers courses either online or on campus, and all are directly linked to the advancement of SDGs. For example, our e-campus programme “Certified Expert in Agricultural Finance” provides participants with tools to promote No Poverty (SDG 1), Zero Hunger (SDG 2), Responsible Consumption and Production (SDG 12) and Life on Land (SDG 15) by providing small to medium-sized agri-businesses with access to finance. Each of these tools has been field-tested by our course developers.

In general, our courses are clustered in six rubrics, the two most important of which are MSME Finance and Green Finance. The SDGs addressed in these courses are No Poverty (SDG 1), Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10) as well as Affordable and Clean Energy (SDG 7), Climate Action (SDG 13) and Life on Land (SDG 15). The other rubrics are Risk & Treasury, Agricultural Finance, Leadership & Management, and Digital Transformation. Beginning in September 2020, we will offer a Master of Leadership in Sustainable Finance - online, which will build leadership skills that enable individuals to create sustainable change on national and global levels.

Frankfurt School’s International Advisory Services has been a market leader in consulting projects related to financial inclusion since 1990. Through these courses, we are bringing our field expertise into academics, thus bridging the gap between education and sustainability. In fact, we are committed to expanding SWA to deliver material on all 17 SDGs by 2022.

It has been my true pleasure to head SWA this past year. Our colorful and ambitious team has shaped the knowledge and skills of more than 3,000 participants from more than 120 countries during 2019. It is quite a privilege to spend each working day promoting two of my great passions in life: education and sustainability.

I look forward to the adventures of the new decade!

Dr. Barbara Drexler (pictured) is the Head of the Sustainable World Academy at the Frankfurt School of Finance and Management. She is also the programme director for the Master of Leadership in Sustainable Finance - online. She is passionate about bringing about sustainable change and firmly believes that education can play an important role in this change.
EAR TO THE GROUND

An 11-year-old Reminds Me to Innovate Responsibly

Over the past month, I have spent many days bouncing around towns in northern Peru and northeastern Colombia searching for insights into how to make insurance work for farmers who are increasingly vulnerable to climate change. One of my takeaways has implications not only for insurance, but for all of the work going on in the financial inclusion space. As the business models of financial services providers evolve, there is a growing need to bring customers up to speed by explaining new concepts, products and services.

In Colombia, we were testing out ways to explain parametric insurance to smallholder farmers. We discovered that farmer awareness of satellites is low. This isn’t terribly surprising - I don’t know the inner workings of a satellite myself. But to me, at least, it’s a familiar concept. Explaining to farmers that a satellite will help measure rainfall in their municipality, which will then trigger an insurance payout in case of excess rain or drought, is a challenge. Then convincing them that this insurance is a good thing to buy is even trickier, especially when they realize the same satellites are behind the weather predictions they are accustomed to hearing. Referring to weather forecasters on the radio, one farmer replies, “They always get it wrong.”

I tested out some visual explanations that I hoped would be simple and not intimidating. I mocked up drawings and tried personifying satellites. “Imagine Tony the Satellite,” I said pointing to a rough cartoon I had scribbled in my notebook. My audience, a woman who had just inherited a farm from her in-laws, listened politely with her 11-year-old stepson, Kevin. Kevin suddenly chimed in with some advice for us: “Don’t make your explanation childish, and always be truthful.” Point taken. There is no need to infantilize a young mother who is supporting her family by growing and selling coffee - or a man who has braved the forces of nature to draw from the earth enough to feed his extended family for over 40 years.

Instead of risking over-simplification with trite cartoons and cute nicknames, we need to do much harder work. First, we need to get better at explaining new concepts by identifying information asymmetries and responding with clear and realistic explanations, using only appropriate media. We should reconsider cartoons altogether, while we’re at it. Second, we need to improve our products. If we are tempted to gloss over product flaws in our sales conversations, it means we have a lot more work to do. We must innovate responsibly.

In the case of selling parametric insurance, “responsibility” might include owning up to the fact that satellites are not as good as humans at assessing damage. As such, there might be disadvantages when it comes to filing a claim on a satellite-based insurance product. Your farm may suffer from heavy rains, but if the rest of the region does not, you may not get a payout. It is essential to explain this “basis risk” as part of a responsible sales effort. While many researchers suggest basis risk is too complicated to explain to poor farmers, our experience is that it is merely inconvenient. Any effective explanation will reveal product flaws as well as advantages.

As Kevin wisely told me, “People want to hear the truth.” So those of us looking to deploy new ideas, products and services need to remember to be responsible by both being transparent and continuously striving to improve our products. That way, over time, there won’t be anything we are tempted to hide.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has more than 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.
**PAPER WRAP-UPS**

**The Digital Lives of Refugees: How Displaced Populations Use Mobile Phones and What Gets in the Way**


The authors conducted 3,000 face-to-face and telephone interviews as well as 55 focus group discussions with refugees from Jordan, Rwanda and Uganda. Over two thirds of the refugees interviewed are active mobile phone users. Some own their own handsets while others borrow handsets, and some use multiple SIM cards. Despite the differences in how refugees access mobile phones, the main reason for this usage is to access mobile money. While usage is high, barriers to access persist, such as affordability, low literacy levels and lack of digital skills.

GSMA suggests humanitarian organizations employ a “multi-pronged” approach, not only focusing on affordability, but also on increasing digital literacy, enhancing charging options and upgrading mobile coverage. Because mobile money is a large portion of...*

**Results of the Fintech Benchmarks Proof-of-Concept: Toward Data Standards for Inclusive Fintech**


To test its Data Standards for Inclusive Fintech, MIX asked, “What can we learn about fintechs [financial technology firms] as businesses and how they address challenges of inclusion?” Based on information from 45 fintechs, the majority of which are based in sub-Saharan Africa, this exercise produced insights concerning “customers and...*

**Experiences in Gender-sensitive Solutions to Collateral Constraints**


Many financial institutions and regulatory systems in low-income countries impose strict collateral requirements on smallholder farmers as well as other micro-, small and medium-sized enterprises in the agricultural sector. These requirements are especially limiting to women, as women are often...*

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