**MicroCapital Briefs | TOP STORIES**

**Proximity Raises $14m in Equity from DFIs for Farmers’ Services in Myanmar**
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month!

**World Bank Approves $750m Loan for 1.5m MSMEs in India**
The World Bank’s Board of Directors recently approved a 19-year loan of USD 750 million, with a 5-year grace period, as an emergency response for 1.5 million micro-, small and medium-sized enterprises (MSMEs) in India that “have been severely impacted by the COVID-19 crisis” and yet are deemed “viable.” The program includes: (1) guaranteeing loans to MSMEs by retail financial institutions; (2) supporting the Indian government’s existing refinance facility for non-banking financial institutions; (3) investing in small finance banks via loans and equity; and (4) incentivizing wider usage of e-payments by financial institutions and MSMEs for loan transactions, purchasing and other purposes. July 22, 2020

**MicroEnsure, STP, TonkaBI Merge to Form “MicroInsurance Company”**
In an effort to expand access to microinsurance for both individuals and businesses, UK-based companies MicroEnsure and TonkaBI along with the US-based STP Group recently merged to form the MicroInsurance Company. The new firm describes itself as “the first global end-to-end digital micro insurance solution,” benefiting from the three firms’ “reinsurance capacity, in-country insurance licenses, world-class distribution and market-leading artificial intelligence functionality.” Founded in 2002, MicroEnsure has sold insurance to 63 million individuals through partnerships with banks, telecommunications companies, microfinance institutions and ridesharing companies. With offices in India, the UK and the US, TonkaBI has provided solutions related to “robotic process automation,” machine learning and artificial intelligence in industries such as insurance, transportation, finance and logistics. STP Group specializes in straight-through processing (STP) technology, which leverages automation to “eliminat[e] the need for human outreach or processing delays [and]… allow for a low-cost and high-volume distribution….”. July 20, 2020

**After 4-month Loss Near 3%, IIV Continues Disbursements in Kenya, Mexico, Tajikistan**
During the first four months of 2020, the two share classes of IVV Mikrofinanzfonds, a microfinance fund managed by Germany-based Invest in Visions (IIV), generated losses of 2.7 percent to 2.9 percent. This follows two years of positive annual returns of 1.0 percent to 1.7 percent. More recently, IIV Mikrofinanzfonds bought packages of non-securitized loan claims for a total equivalent to USD 4.1 million from microfinance institutions in Kenya, Mexico and Tajikistan. Of this total, USD 720,000 went to Kenya’s Premier Credit, which has sibling institutions in Tanzania and Uganda. Premier Credit provides group and individual business loans with terms of 1 month to 2 years; loans to salaried employees with terms up to 5 years; and “partnership products,” through which the lender works with…*

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**Next Month:**
Frankfurt School e-Campus: A decade of online education

**WE WISH YOU HEALTH!**
We recognize the significant health and business impacts that COVID-19 is having on communities around the world. Thank you for your efforts to minimize the risks that we all are facing. While each of us at MicroCapital is lucky enough to be able to work from home, we understand that many of our colleagues are not able to do so. We wish you and your loved ones good health and resilience during this challenging time.
**MICROCAPITAL BRIEFS**

**USAID Gives $2.5m to Set Up Kiva Invest in Women Fund**

The US Agency for International Development (AID) recently gave USD 2.5 million from the Women’s Global Development and Prosperity (W-GDP) Initiative to US-based nonprofit Kiva for it to develop the Kiva Invest in Women Fund. Kiva’s initial steps for building the fund, through which Kiva expects to mobilize USD 100 million, include: (1) executing a “global investor listening tour” on the topic of “investing in women for both the social and financial returns;” and (2) creating “an impact framework and a shared learnings platform.” Kiva’s Director of Impact, Goldie Chow, holds, “We know that investing in women’s economic empowerment can boost country-level GDP and is vital for achieving the [UN] Sustainable Development Goals, but critical funding gaps were thwarting progress even before the COVID-19 crisis.” W-GDP was established by the office of the US President in 2019 to promote the economic empowerment of women with a total allocation of USD 300 million for the fiscal years 2018 through 2020. July 27, 2020

**FNFI Cuts Interest Rates, Boosts Commissions for 9 MFIs in Togo**

To support nine of its 26 partner microfinance institutions (MFIs) in adapting to the COVID-19 pandemic, the Togolese government’s Fonds National de la Finance Inclusive (FNFI) is taking the following measures: (1) cutting interest rates on its loans to the MFIs by 1 percentage point; and (2) boosting the management fee that the MFIs receive for delivering FNFI products by 1 percentage point. FNFI offers 10 microloan and insurance products, including coverage for personal injury, fire and illness. Its microloan products are designed for income-generating activities including trading, crafting, mechanical repairs, animal husbandry, agriculture and fishing for the following target groups: women, youth, farmers and “poor men and women.” The sizes of these loans range from the equivalent of USD 70 to USD 9,000 with terms of 6 months to 3 years. The loans carry fees up to USD 4 and interest rates of 2.5 percent to 10 percent “constant per year.” Since its inception, FNFI has funded 1.7 million loans to 1.6 million people totaling USD 16 million. July 23, 2020

**FinDev Canada, FMO Loan $72m to LAAD for SMEs in Americas**

Development finance institutions FinDev Canada and the Netherlands Development Finance Company (which also is known by its Dutch acronym FMO) recently provided a syndicated loan of USD 72 million to the US-based, for-profit Latin American Agribusiness Development Corporation (LAAD). LAAD will use the funds to finance term loans and revolving lines of credit for small and medium-sized enterprises involved in agriculture in Latin America and the Caribbean. LAAD, which requires that each of its loans is used according to an “environmental and social assessment,” also provides advisory services for efforts such as attaining fair-trade certifications. LAAD loans, which typically range in term from five to seven years, support “all phases of production, processing, storage, services, technology and marketing.” LAAD reports one-year disbursements of USD 307 million via 343 loans in 15 countries, generating average return on assets of...

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**MICROFIN**

**Operational Planning for MFIs**

**WEB COURSES:**
- August 24-28
- October 26-30
- September 28 - October 2
- December 14-18

**IN-PERSON COURSES**
- (SUBJECT TO CONFIRMATION):
  - September 14-18 — Toronto
  - November 16-20 — Bangkok

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**DIPLOMA IN FINANCIAL INCLUSION**

*Take a step beyond the certified expert?*

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

This feature is part of a sponsored series on European Microfinance Week 2020, which will take place online from November 16 through November 20. 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.

Stakeholders Fearful, But with Tentative Hope Too in e-MFP’s Just-published “COVID-19 Financial Inclusion Compass”

The European Microfinance Platform (e-MFP) has published the COVID-19 Financial Inclusion Compass, a special edition of the Compass series specifically focused on the current challenges, medium-term priorities, concerns, opportunities and forecasts for a sector facing probably the greatest crisis in its modern history.

The world - the financial inclusion sector included - is in the midst of twin crises: (1) a novel and highly contagious virus with no vaccine or cure that shows no signs of abating; and (2) a genuinely global recession as a result of the unavoidable containment measures put in place. The situation is uncertain and dynamic. Six months from now, the landscape will surely be unrecognisable from today.

Since 2018, e-MFP has published an annual Financial Inclusion Compass - a cross-sector, mixed-methodology survey looking at current trends, new areas of focus and sector stakeholders’ perceptions of challenges and opportunities. Clearly, though, these are different times. The impact of the pandemic on the sector is profound - even existential. With this in mind, e-MFP decided to re-purpose this year’s survey for this critical moment, to ask: How severe are the various challenges facing different stakeholder groups? What should be the priorities of the sector in the medium-term (both to recover from this crisis and put in place measures to mitigate the next)? And how will this year transform the sector - for better or worse?

About the “COVID” Compass

The COVID-19 Financial Inclusion Compass survey was open for two weeks in June 2020, and was available in English, Spanish and French. The survey had two sections, with the first section having two parts. In Section 1A, respondents were asked to score various challenges facing different stakeholder groups on a severity scale of 1 to 10 (or “I don’t know”). In Section 1B, respondents were asked to rate the importance of various medium-term priorities for different stakeholder groups (again, with options of 1 to 10 plus “I don’t know”) and offer comments. Section 2 was entirely optional and involved three open-ended questions on concerns, opportunities and forecasts.

There were 108 complete responses to the COVID-19 Financial Inclusion Compass from 44 different countries. The pie charts on the right show the distribution of respondents by stakeholder category (first chart) and primary geographical region of focus (second chart).

Quantitative Responses

The first table on the next page shows the top three current challenges facing different stakeholder groups, as rated by all respondents.

The second table on the next page shows what the top three priorities should be for different stakeholder groups in the next 6 to 12 months, as rated by all respondents.

All the scores in Section 1 on Challenges and Priorities were disaggregated by respondent type too, revealing interesting variations in perspectives. Respondents provided hundreds of comments as well and expanded upon them in the open-ended questions of Section 2.

What do stakeholders think?

The COVID-19 Financial Inclusion Compass reveals a sector that is highly anxious about the consequences of the pandemic - and especially the economic downturn - on liquidity-starved providers; investors; and, most of all, clients. There is palpable concern that this crisis may be the death-knell for the sector, undoing decades of progress.
Most Significant Current Challenges Facing Different Stakeholder Groups

Facing Clients
- Financial Pressures
- Immobility
- Reduced Remittance Flows

Facing FSPs
- Informational and Operational Challenges
- Financial Losses

Facing Funders
- Inability to Meet Investees’ Needs

Facing Others
- Client Repayment
- Macroeconomic Context
- Liquidity Constraints

Most Significant Medium-term Priorities for Different Stakeholder Groups

For FSPs
- Expanding Digital Finance
- Protecting Staff and Maintaining Morale
- Maintaining Collections Where Possible

For Funders
- Rescheduling Existing Loans Where Relevant
- Ensuring Special Support for FSPs Serving Most Vulnerable Groups
- Coordinating Collective Action with Other Investors (including Data Sharing)

For Regulators/policy-makers
- Promoting Use or Expansion of Digital Finance Services or Branchless Banking Models
- Developing an Exit Strategy from Covid-19-Specific Measures
- Encouraging Financial Institutions to Allow Borrowers with Temporary Cash-flow Problems to Delay Interest and Principle Repayments

For Consultants & support service providers, researchers & infrastructure organisations
- Researching Impact on Clients
- Facilitating Support for the Most Vulnerable Providers Who are Serving the Most Vulnerable Clients
- Facilitating Data Information and Sharing

There are concerns about maintaining client protection among the FSPs that survive; concerns about the continued uncertainty from macroeconomic trends and their effects on trade, tourism, transport and prices; concerns about the future responses needed from investors, regulators and providers; and indeed about the uncertainty surrounding the lethality and endurance of the coronavirus itself.

But there are glimmers of hope, too. There is a genuine sense among survey respondents that once the acute crisis brought about by economic shutdowns passes, there are opportunities to make changes that the gravitational pull of the status quo would never allow in more normal times. There has been unprecedented collaboration and cooperation among sector stakeholders these past months - perhaps heralding a permanent new approach. Innovations may be catalysed, especially in the use of technology that genuinely improves clients’ access to valuable products and services. New resilience can be built in to better face future challenges. And, more nebulous but no less important, there is the opportunity for a re-think about the sector’s purpose. Can we, once this is all over, “build back better”?

Overall, if there is agreement on one point at all throughout the Compass survey, it is that COVID-19 will profoundly change the entire business of financial inclusion. The sector remains in the relatively early days of the crisis. There will undoubtedly be insolvency among providers. Possibly millions of small businesses likewise will not recover. Donor largesse from advanced economies may retreat, as those governments feel they have to take care of their own first. And aside from the consequences of the global economic shutdown, the coronavirus itself continues. It may be years until we are rid of it. It may recur, leading to cycles of economic standstill and misery.

The COVID-19 Financial Inclusion Compass and previous editions of the Compass are available on e-MFP’s website, including a webinar held on July 13 to present pre-publication findings. We hope that this resource serves as a valuable compass for all stakeholders in the financial inclusion sector as they seek to navigate beyond this crisis to better times ahead.

Sam Mendelson is a Financial Inclusion Specialist at e-MFP and the lead author of the Compass series.
LEARNING CURVE

EAT TO THE GROUND

Insurers Can Help… But Perhaps Not Alone

In the early 2000s, I was asked to pull together some case studies of innovation in SME lending. I turned to Banco Santander, which at the time was very active in Chile, including in the hiring of women loan officers, who were able to convince more female SME owners to become customers. Back then, I had high hopes for the role of large banks in financial inclusion in Latin America. However, a series of factors have since quelled those hopes. These factors include many unsuccessful attempts at providing loans to microentrepreneurs, rushed and poorly underwritten consumer lending at the bottom of the pyramid, and the global financial crisis. What I have learned is that for a behemoth to change its approach to serving low- and middle-income customers, it needs a combination of capacity, capital and long-term commitment. Luckily, most of the world has cooperatives, microfinance institutions, fintechs and MNOs that can take care of the unbanked. Not so with insurance. While most insurers are analogous to large banks, there are almost no equivalents to MFIs and cooperatives in the insurance space. Intermediaries (brokers, insurtech, etc) that are innovating in the space rely on the backing of big, highly capitalized insurers.

This week, I had the pleasure of running some online workshops on inclusive insurance in Colombia. In that country, large insurers operating in the “micro” space have innovated very little, at the expense of client value. Most life and accident policies offered to low-income clients, for example, have stringent conditions, including maximum age limits of 65 years and long waiting periods for people with pre-existing conditions. Some 30 percent of homes in Colombia are excluded from property coverage because of the materials they are built with. Between 50 percent and 75 percent of microbusinesses are run from the home, yet their machinery, tools and inventory are excluded from homeowners coverage. Among the topics of our workshops was how companies might offer products that are more appropriate for these client segments.

Our conclusion was that there is a vicious negative-feedback cycle. The less relevant products seem to clients, the more likely the products will have to be force-fed to clients, bundled with loans at low premiums, like the kale in a fruit smoothie. Thus, insurers can’t charge sufficient premiums. After all, we are happy to have the healthy kale in our smoothie, but we might not be willing to pay more for the bitter aftertaste. If farmers were only selling kale to smoothie drinkers, the market for kale would be quite small, and perhaps farmers would decide to grow more palatable greens. Similarly, insurers seem unconvinced that the market for inclusive insurance is interesting enough to develop new products that clients will understand, value and buy more often.

During the workshops, we agreed that disruption is in order, which is encouraging. I worry, however, that the COVID-19 pandemic will slow progress. The pandemic has hit insurance companies on both sides of their balance sheets: investments are down, while claims are mostly up. Insurers don’t seem to have the capital and patience to take on more risk and “disrupt” the market at this time. Yet these companies are needed now more than ever as climate, health and labor risks are on the rise worldwide. The participants in our workshop included representatives of government, insurers, financial intermediaries, NGOs and brokers. The disruption we need will require multiple stakeholders and coordinated initiatives that include rather than isolate insurers in the process.

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

COVID-19 Crisis Through a Migration Lens


The findings of this paper include: (1) migrant workers are more susceptible than others to illness, wage losses and unemployment because of the COVID-19 pandemic; (2) although some migrant workers who lose their jobs will return home, the rate of voluntary return migration is “likely to fall” because of travel restrictions; (3) as a result of migrants’ declining income, remittances to low- to middle-income countries are expected to fall 20 percent in 2020 from USD 554 billion the previous year, with the greatest drop in flows to Latin America and the Caribbean.

In conclusion, the authors argue it is “important for RSPs [remittance service providers] and authorities to…“

The Impact of the COVID-19 Pandemic on Education Financing


According to this research, government, donor and household spending on education is expected to decline due to the pandemic. Meanwhile, provisions such as stipends…“

Lessons on Enhancing Women’s Financial Inclusion Using Digital Financial Services


From 2011 to 2017, the number of countries with a gender gap greater than the average of 7 percent grew from 46 to 65, mostly due to a rise in Africa. The authors suggest policymakers use strategies such as: (1) evidence-based approaches with gender-disaggregated data; (2) policies…“

*To access the rest of these paper wrap-ups, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper! 😊