Dai-ichi Life Invests $19m in Women via Grameen Crédit Agricole
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month!

SafeBoda Launching E-platform for Market Vendors in Uganda
SafeBoda, the Uganda-based owner of an app for hailing motorcycle rides in three countries, recently partnered with the UN Capital Development Fund (UNCDF) to launch an e-commerce platform. Chris Lukolyo, the digital lead for UNCDF in Uganda, said, “During this COVID-19 pandemic, many small businesses have not had an opportunity to leverage digital solutions to keep their businesses afloat due to lack of access to the relevant digital products, and sometimes inadequate digital literacy.” The initial goal of the partnership is to help 800 market vendors in Uganda overcome the government’s anti-COVID-19 travel restrictions to reach “a projected average of 50,000 customers…daily with food stuffs and goods delivery” via SafeBoda drivers. Founded in 2015, SafeBoda operates in Kenya, Nigeria and Uganda. In addition to connecting drivers and riders, SafeBoda offers an e-wallet service for paying for rides. The company has 18,000 drivers in Uganda. May 12, 2020

9 MIVs Respond Together to Pandemic’s Effects on MFIs, MSMEs
Nine investors in lenders to micro-, small and medium-sized enterprises (MSMEs), which have an aggregate of USD 15 billion invested in 80 low- and middle-income countries, have agreed to work together in support of the long-term viability of retail financial services providers (FSPs) as they respond to the COVID-19 pandemic. As MSMEs are having difficulty repaying the loans they owe to FSPs, these lenders are experiencing liquidity challenges. To reduce the reporting burden on FSPs, the investors have created a common Crisis Assessment Tool to collect data on FSPs’ operations, portfolios and liquidity, as often as two times per month. The overall agreement, which other investors are invited to join, sets out a range of intentions, such as minimizing the involvement of legal counsel and communicating as a group rather than bilaterally, to the extent reasonably practicable. The memo also promotes the injection of fresh funds to the extent that these “may be treated with some preference” in the event of default by an FSP. The agreement defines four categories under which FSPs are to be treated: (1) the strongest FSPs, for which minimal restructuring is envisioned; (2) FSPs expected to need repayment moratoriums of three to 12 months, with agreements to be made via email rather than complex legal documents; (3) FSPs that are at high enough risk to warrant legally binding restructuring, although they are expected to outlast the crisis; and (4) FSPs at the highest risk for failing to survive the effects of the pandemic, which will undergo a traditional restructuring process. The investors have agreed to seek to collect interest payments from FSPs in the first three categories, while rescheduling principal payments, forgiving any pre-payments, and waiving penalty fees and accelerated repayments that may be enforceable under pre-existing…*

*To access more of these top stories, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper!
MIX Becoming Part of Acción’s Center for Financial Inclusion

MIX, the US-based NGO formerly known as the Microfinance Information Exchange, is becoming a unit of Acción’s Center for Financial Inclusion (CFI) with the mission of performing “data-driven research that supports the decision-making of key stakeholders, including financial service providers [FSPs], investors, donors, regulators and policymakers” in order “to improve the lives of the 3 billion financially underserved people globally.” The transition is funded by two US-based funders, MetLife Foundation and Visa Foundation. Founded in 2002, MIX has worked to set data standards for the microfinance industry and built the MIX Market database, which holds 11 years of information on thousands of FSPs. MIX CEO Camilla Nestor, who will join the CFI advisory board, noted the value of “bringing MIX’s data expertise together with CFI’s applied research and advocacy capabilities...”. Founded in 2008, CFI works with microfinance practitioners, regulators, banks, investors and academics in an effort to increase financial inclusion and promote client protection by connecting the microfinance community to capital markets, technology and advisory services. During 2018, the US-based NGO Acción expended USD 6.3 million on CFI’s activities. May 27, 2020

IDB Lending $94m to Help MSEs in Ecuador Outlast COVID-19

The Inter-American Development Bank, whose membership comprises 48 nations, recently loaned USD 93.8 million to Ecuador to on-lend as working capital to micro- and small enterprises in the country in an effort to sustain employment amidst the COVID-19 pandemic. The funds are intended to reach 29,000 businesses, some via savings and credit cooperatives that will enjoy guarantees from the Corporación Nacional de Finanzas Populares y Solidarias (CONAFIPS), a financial institution of the Ecuadorian government. CONAFIPS, which was founded in 2007 as the Programa del Sistema Nacional de Microfinanzas, provides loans, guarantees and technical assistance to about 115 cooperatives and mutual aid societies. May 25, 2020

Pakistan Launches Electronic Registry of Moveable Assets

The Securities and Exchange Commission of Pakistan recently created an electronic registry to encourage the country’s banks, microfinance institutions and leasing companies to accept moveable assets as collateral for loans. The collateral registry will help these institutions “register rights in moveable assets in offering credit to people, as well as micro-, small and medium-sized enterprises” (MSMEs). Moveable assets may include machinery, furniture, inventory, accounts receivable and digital assets. The effort received support from the International Finance Corporation (IFC), a member of the World Bank Group. IFC’s Country Manager for Pakistan, Nadeem Siddiqui, cited “the importance of boosting financing to MSMEs, especially as lending to these only stood at 8 percent of [Pakistani] banks’ financing last year, which is far less than in other countries of the region. Hence, more needs to be done to improve the credit infrastructure and to de-risk the MSME sector.” May 20, 2020

Aviator EMF Invests $3.1m in Midland for Women in India

Aviator Emerging Market Fund, a Mauritius-based entity, recently invested USD 3.1 million in Midland Microfin Limited, a microfinance institution that provides women in India with insurance and small business loans, mainly in the form of group loans. Midland CFO Amitesh Kumar said the new funding “will help us further our lending capacity and add more branches in other states.” Established in 2011, Midland operates 197 branches in seven states in northern India plus the Union Territory of Chandigarh. The microlender offers loans equivalent to USD 40 to USD 660 for terms of up to two years for general business purposes as well as for solar lamps, sewing machines and water purifiers. Midland has total assets of USD 122 million and serves approximately 390,000 borrowers. May 13, 2020

CASE Offers Database of $1t in Pandemic-relief for Small Firms

The US-based Center for the Advancement of Social Entrepreneurship (CASE) recently created a database of funding sources for small businesses needing assistance because of the COVID-19 pandemic. These listings include 550 funding sources in 62 countries offering a total of USD 1 trillion in aid. This funding takes the form of loans and grants and is available to for-profit entities as well as NGOs. CASE is accepting listings to add to the database as well as volunteers to help manage the resource. The database is located at https://www.covidcap.com/. CASE is part of the Fuqua School of Business at Duke University, which is located in the US city of Durham, North Carolina. May 13, 2020

Indonesian Firms Mull Facebook Tie Up on E-payments

Facebook, a US-based social networking company, is considering the launch of a mobile payment service in Indonesia in partnership with three Indonesian mobile payment services: the government-backed LinkAja; Ovo, which is owned by the conglomerate Lippo Group; and the GoPay service of Gojek, a firm that began with a ride-sharing service and has since added delivery, payment and other products. The new service would allow Indonesians to make payments within Facebook’s primary app or its WhatsApp communications app. The two apps have 100 million users in the country. LinkAja has 40 million users, Ovo has 110 million, and GoPay has 20 million. Facebook reports total assets of USD 133 billion and 2.5 billion users worldwide. May 6, 2020

India Boosting Liquidity for MFIs, NBFCs Impacted by COVID-19

In response to the COVID-19 pandemic, the Reserve Bank of India, India’s central banking authority, has moved to increase the supply of credit to farmers and micro-, small and medium-sized enterprises via microfinance institutions and non-banking finance companies (NBFCs) by: (1) cutting the reverse repo rate by 25 basis points to 3.75 percent; (2) easing asset classification norms; and (3) encouraging banks to increase funding to NBFCs through a targeted long-term repo operation (TLTRO) window with a budget equivalent to...*

*To access more briefs, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper!
One Size Does Not Fit All - Restructuring for Uncertain Times

A combination of factors is challenging the economic sustainability of financial institutions and other businesses large and small across Africa. Globally, the COVID-19 crisis and associated lockdowns have had the effect of “calling the end of a long bull market” that has run since the credit crisis of 2008. In most African markets, however, the bull market had already ended some years before the pandemic. Instead, in Africa, the pandemic has compounded previously existing difficulties, such as weaker commodity price policies, sovereign credit challenges, volatile exchange rates and uncertain public policy regimes. Despite some differences, there are many commonalities among the issues facing traditional banks, microfinance institutions and operating companies. From an investment perspective, investors have taken an increasingly “risk-off” approach to Africa in recent years that has only accelerated during the crisis, adding refinancing risk to the multitude of risk factors already at play.

While pervasive in influence, these challenges are impacting companies differently, depending on their strength heading into the crisis, as well as their business models and sectoral exposures. For the strongest performers - “top quartile” companies - the crisis is causing challenges that are primarily short-term in nature, including constrained cash flow and reduced profits. For bottom quartile companies, tough conditions have exacerbated bad debt positions, product deficiencies, operational inefficiencies and/or balance-sheet weakness that now threaten their viability. A common theme across the board is a focus on maximizing efficiency, which in many cases means salary cuts, especially for more senior staff.

For top quartile performers, short-term challenges may necessitate negotiations with creditors to relax covenants and defer principal payments. Many of these companies were growing strongly before the crisis, principally through the reinvestment of retained earnings. However, a few months of impaired revenue streams can wipe out an entire year’s profits, leaving such companies in need of external equity to grow in the post-crisis period. For some of these top companies, the crisis presents opportunities to implement new growth strategies or even pursue opportunistic acquisitions. For equity investors, there may be opportunities to gain exposure to companies that previously had been sufficiently capitalized through internal means.

For companies in the middle quartiles (the second and third quartiles, on either side of the median), discussions with creditors are critically important and typically require more formal forbearance agreements. In some stress cases, the ability even to service interest - let alone principal - is in jeopardy. Perhaps equally important, the crisis is a catalyst to address critical strategic questions, which probably should have been considered more seriously before the crisis. (Similar questions also should be posed regarding the various business lines within companies.) Should multinational groups sell or close down their operations in weaker performing countries to focus on stronger markets? Is the risk model for key credit products still “fit for purpose”? Does the institution have the right skills in senior and middle management? What is the right capital structure and funding mix going forward? Is the company too dependent on one type of lender?

Many institutions in the bottom quartile were already facing “going concern challenges” pre-crisis. Many of these will therefore need to consider significant asset sales or a full-blown sale of the company, if possible, to salvage value for creditors. In order to buy time for such sales, unpalatable decisions by creditors may be required, such as debt-for-equity swaps or write-downs.

“Is the risk model for key credit products still ‘fit for purpose’? Does the institution have the right skills in senior and middle management? What is the right capital structure and funding mix going forward? Is the company too dependent on one type of lender?”

Coordination among creditors - as well as a responsible approach to negotiations - can be incredibly helpful in achieving the best possible outcomes. One example of this is the memorandum of understanding (described on page one of this newspaper) agreed to last month by many of the largest microfinance investment vehicles (MIVs). This memo provides a framework for investors to work together to resolve issues arising from the crisis, creating win-win outcomes for creditors and borrowers. Without communication among creditors, a distressed situation can quickly evolve into a classic “prisoner’s dilemma.” One complication is that many microfinance institutions now have a broader range of creditors than just MIVs - including development banks, local banks and bondholders - each of which has very different frames of reference. Multiple levels of seniority (or worse, ambiguous or disputed levels of seniority) can exacerbate challenges significantly.

One key for all companies is to act early: completing a renegotiation with creditors takes time, especially if the arrangement is tied to one or more of the other corporate moves discussed above. “Running down the clock” reduces room for maneuvering and hence negotiating power. Furthermore, a realistic and analytical approach to the problems is crucial. Are the challenges actually a solvency problem as much as a liquidity problem? What is the most realistic pathway to return to a normal course of activity, and what (and how realistic) are the assumptions on which this pathway depends? An external advisor can accelerate the identification of the key issues as well as the overall decision-making process.

Furthermore, negotiations that straddle different sponsors, shareholders, creditors of different types or seniority - and perhaps new investors - can be complex to manage. A clear strategy that is analytically “watertight” vis-a-vis the company’s fundamental financial position as well as clear tactics for the paths of the negotiations - group by group - are equally important. Verdant Capital is currently advising financial institutions and companies in Africa - top quartile, middle quartiles and bottom quartile - to address all of these challenges and opportunities.

This sponsored content was written by Edmund Higenbottam and Patrick Ball, who serve, respectively, as the Managing Director and a Director of Verdant Capital. Verdant Capital is a leading specialist financial advisory firm that operates across Africa.

Time for a change in direction?
SPECIAL REPORT

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

Digital Education: Up-skill Yourself for Life After COVID-19

As the world continues its fight against COVID-19, we are all beginning to wonder just what “normal” life may look like in a post-pandemic world. For education, the disease has acted as a catalyst for online learning, with even grade-school teachers and students grappling with lessons delivered virtually.

The ability to study at one’s own pace, whenever, wherever and however one desires, makes online learning hugely accessible for most, especially in a time where direct interaction is not an option. That said, it must be noted that the benefits of classroom training have not been completely superseded - it is hard to imagine a world where the value of learning through direct human interaction becomes obsolete.

The progressive way: Blended learning

With this in mind, the FS Sustainable World Academy is delighted to unveil brand-new diplomas in Financial Inclusion and Green Finance. These 12-month blended learning programmes combine the benefits of online learning with classroom training, allowing participants to develop their skills beyond what they can learn in our standalone Certified Expert courses.

The new programmes allow participants to create their own curricula, giving them the freedom to sculpt their studies to mesh with their career goals. The first two periods of each diploma are online, affording participants the chance to study how and when they desire. The third period is one week of classroom training and hands-on learning in Frankfurt, Germany, at the Sustainable World Academy’s distinguished Summer Academy. This is a great opportunity to network with fellow participants, industry experts and FS International Advisory Services staff.

The diplomas cover an otherwise missing middle in the Sustainable World Academy's portfolio. Many participants in the e-campus courses want to extend their study beyond one Certified Expert course, but face limitations when considering a Masters application - whether in terms of the cost of tuition or their ability to juggle the time commitment alongside full-time work. The diplomas address these concerns by offering accessible classes, a customisable program and affordable tuition.

“In its long-term recovery from the COVID-19 outbreak, the world will turn to its next generation of financial experts, who will find opportunities to rebuild toward a brighter economic and environmental future.”

The new diplomas also advance the Sustainable World Academy’s commitment to the UN Sustainable Development Goals, targeting those who are ready to make a change in the economies of developing countries and expand the fight against climate change.

In its long-term recovery from the COVID-19 outbreak, the world will turn to its next generation of financial experts, who will find opportunities to rebuild toward a brighter economic and environmental future. The new diplomas will help equip this future generation with the hands-on skills and technical expertise they need to make a real difference!

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

This is a free, abbreviated preview of a monthly report available by paid subscription at MicroCapital.org
Stay ahead of the curve with Fern Software’s Flexible Lending Solutions

Please register your interest at info@fernssoftware.com

CONNECT
Crisis Communication Manager

Provide fast and reliable support through the convenient and secure Q-Connect platform, e.g.

- Emergency funding
- Application for public support
- Forbearance
- Factoring
- Transaction support
- Learn from clients through survey function

- Instant roll-out
- Role-based and rule-based access
- Customer access through web, mobile app and mobile web
- Data accessible through API
- OTP based login for security
- High scalable, cloud-native application with an option to install on-premises

www.q-lana.com  info@q-lana.com

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

(Accidental) Loans to Farmers Keep Food on the Table

While a lot of the buzz around the impact of COVID-19 on our industry tends to focus on accelerating digitalization and other processes that push our sector into the future, I have been thinking a lot this month about a sector that is among the most traditional - farmers.

My recent talks with MFI staff about the impact of the crisis on their business reveals that their biggest concern is their portfolio of short-term consumer and urban micro-business loans. People have lost jobs, and many businesses have had to stop operating in light of quarantines. All but the most essential businesses - supermarkets, groceries, pharmacies etc - have had to either adapt, pause or close down. Not so the farmer.

For decades, lending to farmers has been seen as a risky - and only sometimes profitable - activity. The rewards are cyclical and often not worth the risks. Even MFIs with a deep understanding of the agricultural sector, such as FDL in Nicaragua, actually have been reducing their portfolios of agricultural loans over time, in reaction to volatility in the price of coffee, increased input costs and climate risks. Perhaps this is why so many governments continue to subsidize or guarantee loans to this sector. For the most part, the private sector has still not figured out how to loan to the farmer in a profitable way.

But with COVID-19, things may be starting to look different. Farmers’ risks are not diminishing by any means, but the PAR 50 rates of the agricultural loans of some MFIs remain healthy. This has to do with the fact that principal on these loans often is not paid until maturity, and the timing of quarantine did not correspond to harvest time for all products.

Solutions like YAPU make a lot of sense these days, when consultants can fly in easily and business models need to pivot quickly. Most importantly, they can help ramp up loans that can contribute to improving access to food during these uncertain times. Solutions like YAPU offer a turnkey product for MFIs to: (1) systemize and digitize their data capture; (2) automate data processing into reports for credit committees; and (3) combine these digitized processes with internal and external databases, such as sources of credit histories and crop pricing.

My recent talks with a co-founder of YAPU Solutions, which promotes digital solutions for microfinance with a specific focus on agricultural and climate finance, have led to an appreciation of the importance of AI models that can use farmer data to constantly improve lender capacity to measure and manage risks, such as those relating to production and markets as well as climate and ecosystems.

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)eaec-global.com, or you may follow her on Twitter at BarbaraatEA.
**Humanitarian Cash Transfers and Financial Inclusion, Lessons from Jordan and Lebanon**

By Nadine Chehade, Peter McDonough and Christy Martin Meier; published by CGAP (Consultative Group to Assist the Poor); April 2020; 54 pages; available at https://www.cgap.org/sites/default/files/publications/2020_04_WorkingPaper_Cash_Transfers.pdf.

While cash and voucher assistance (CVA) has become much more prevalent as an avenue for delivering humanitarian aid since 2014, financial inclusion often is left unimproved as a result. In Jordan and Lebanon, where much of the humanitarian need stems from the Syrian civil war, this is because CVA resources are routed via the financial accounts of NGOs, rather than those of aid recipients.

When CVA is distributed to aid recipients via their own financial accounts, financial services providers can tap into a new customer base, and beneficiaries can build account histories that enable access to a wider range of services such as savings, insurance and credit, thus boosting recipients’ economic resilience.

To make this possible, the authors propose: (1) donors and governments prioritize financial inclusion; (2) relevant actors participate in developing enabling regulatory environments and infrastructure for...*

**Impact of COVID-19 to MFIs in Indonesia: A Rapid Assessment**

By Caroline K Mangowal, Erlyn Shukmadewi and Trudii Santos; published by RISE; May 2020; 11 pages; available at https://www.findevgateway.org/sites/default/files/users/user331/200518%20COVID-19%20Indonesia%20MFI%20Rapid%20Assessment_RISE.pdf.

Based on a “rapid assessment” of 24 microfinance institutions (MFIs) in Indonesia regarding the key challenges they face due to the COVID-19 pandemic, the authors identified: (1) poor morale among managers; (2) borrower delinquency; (3) general operational impacts; (4) staff fear of remuneration cuts; and (5) staff fear of contracting the virus.

To mitigate these issues, the institutions surveyed have sought to: (1) maintain open communication; (2) follow new regulatory measures; (3) review their financial exposure; (4) reschedule loan repayments; and (5) develop cashflow projections for multiple scenarios. MFIs also are implementing various forms of social distancing, remote working arrangements and digital solutions for client interactions.

In terms of additional government assistance, the respondents expressed greatest interest in liquidity support, regulatory flexibility and...*