Temasek Places $500m in LeapFrog for Financial, Health Services in Africa, Asia
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Sri Lanka Launches Finance Inclusion Strategy
The Central Bank of Sri Lanka (CBSL), with assistance from the World Bank Group’s International Finance Corporation, recently launched a National Finance Inclusion Strategy. The strategy has four primary goals: “increase access to digital finance and payments, boost access to finance for [micro-, small and medium-sized enterprises], protect financial consumers, and improve financial literacy.” These are to be achieved by boosting data collection, expanding infrastructure and reducing regulatory barriers. The financial literacy component, in particular, is meant to serve: (1) youth via changes to school curricula; and (2) women, as a CBSL survey conducted in 2018 determined that nearly two thirds of women in the country knew of mobile money, but only about half that number were “comfortable using the technology.” Prime Minister Mahinda Rajapaksa stated, “I believe this strategy will complement the government’s efforts to minimize the provincial income disparities, [to reduce] urban-rural inequalities, and to promote inclusive growth.” March 15, 2021

ADB Sells $20m in Bonds for Otbasy Bank to House Rural Women in Kazakhstan
The Asian Development Bank (ADB), a multilateral development finance institution, recently raised the local-currency equivalent of USD 20 million via a bond sale to institutional investors in Kazakhstan to finance loans by the Housing and Construction Savings Bank of Kazakhstan, which is also known as Otbasy Bank. The subsequent loan from ADB to Otbasy carries a guarantee from the Ministry of Finance of Kazakhstan. The bonds, which were issued by Kazakhstan’s Tengri Partners, mature in 10 years and have a semi-annual coupon rate of 10.15 percent. Otbasy is to on-lend the funds for home renovations and home purchases by women, largely in rural areas. The funding is part of the Gender Equality in Housing Finance Project, through which ADB is investing a total of USD 90 million in Otbasy. In addition to funding mortgages, the project includes a research and public awareness campaign regarding housing finance for women in the country. Otbasy, which is a unit of state-owned Baiterek National Management Holding, offers loans with periods of six to 25 years. It holds customer deposits of USD 2.4 billion, and a loan portfolio of USD 3.3 billion. During 2020, the bank’s customers completed repayments on 51,000 contracts with a total value of USD 406 million. March 12, 2021

Fiji Passes National Payment System Act, Seeking to Boost Fintech
The Reserve Bank of Fiji (RBF) recently announced the passage of a National Payment System Act to “upgrade national payment and settlement systems” with the intent of enabling instant fund transfers and the automatic clearing of retail payments. RBF is receiving support on the implementation, which is scheduled to take two years, from...*
NEWS FROM AFRICA

Apis, JG Summit Place $108m in TymeBank of South Africa
TymeBank, the South African unit of Singapore-based TymeGlobal, is selling minority equity stakes for a total equivalent to USD 108 million to the Filipino conglomerate JG Summit Holdings and UK-based asset manager Apis Partners. TymeBank has received USD 33 million, with the balance to be disbursed during the next 15 months, pending regulatory approval. TymeBank, which serves customers exclusively through banking modes such as kiosks and a mobile app rather than traditional branches, plans to use the new funding to “enhance its propositions in insurance, credit cards, and other value-added services to customers.” Its 2.7 million business and personal account holders have access to savings accounts that pay up to 8 percent annual interest as well as money transfers, debit cards, interest-rate tracking tools and a shopper-rewards program. TymeGlobal is a digital banking group active in Singapore, South Africa and Vietnam. March 25, 2021

Vital Finance of Benin Borrows $5m from EIB, Mostly for Women
The EU’s European Investment Bank (EIB) recently agreed to loan the equivalent of USD 4.8 million to Vital Finance, a microlender in Benin, to support smaller businesses. The wholesale loan, which is the first Vital Finance has taken from EIB, is to fund an estimated 77,000 retail loans, 70 percent of which are to go to female entrepreneurs. Vital Finance CEO Wakil Adjiibi stated that the partnership with EIB “will enable Vital Finance to continue expanding and helping businesses in Benin to create jobs.” Founded in 1998, Vital Finance offers group and individual loans for one to two years in amounts of USD 90 to USD 36,000 at an interest rate of 1.75 per month. Its individual loans for income generation require collateral, and its consumption loans require proof of salary. Financial data on the firm are not available. March 16, 2021

Equity Secures $144m from EIB, EU for Ag, SMEs in Kenya
Equity Bank Kenya recently secured the equivalent of USD 120 million from the EU’s European Investment Bank (EIB) for on-lending to small and medium-sized enterprises (SMEs). The loan is paired with USD 24 million in EU grant funds to support “longer-term agricultural value chain investment projects and further develop [the] provision of long-term financing for agriculture.” The EU Ambassador to Kenya, Simon Mordue, said, “The EU and EIB support to small and medium enterprises will directly support Kenyan entrepreneurs and farmers who need this financing to cushion them from the effects of COVID-19.” Founded in 1984, Equity Bank Kenya has 177 offices and provides fund-transfer, lending, savings, insurance and investment services. The bank reports total assets of USD 5 billion. It parent organization, the Kenya-based Equity Bank Group, is active in Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania and Uganda. The group reports USD 6.1 billion in total assets, customer deposits of USD 4.4 billion and a gross loan portfolio of USD 3.3 billion. March 11, 2021

Nomanini Linking More MSMEs, Distributors with $500k from FMO
Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch public-private partnership, recently invested USD 500,000 as a convertible loan in financial technology platform Nomanini, which has offices in Kenya and South Africa. Founded in 2011, Nomanini facilitates financial service providers and fast-moving consumer goods (FMCG) companies in reaching micro-, small and medium-sized enterprises (SMEs) and their customers. Nomanini allows merchants to use a mobile phone as a retail point-of-sale (POS) device. The firm also finances merchants’ purchases from FMCG firms. In addition, MSMEs can use Nomanini as a platform to offer their customers financial services such as bill payments, prepaid utility transactions, and cash-in and cash-out banking services. Its investors include Goodwell Investments and Standard Chartered. Financial data on Nomanini are unavailable. March 10, 2021

ATL Leasing Borrows $12m from Sanad for Tunisian SMEs
Tunisia-based Arab Tunisian Lease (ATL Leasing) recently secured a senior loan equivalent to USD 12 million from Sanad Fund for MSME, a Luxembourg-domiciled investor in lenders to micro-, small and medium-sized enterprises (MSMEs). The funding is slated for leasing to small and medium-sized enterprises in Tunisia as they adjust to the COVID-19 pandemic. Sanad Board Chair Dr Daniela Beckmann said, “Specialized providers of small and medium enterprise finance, like ATL Leasing, provide critical resources for this important economic segment to maintain their operations in spite of the ongoing crisis. Sanad and its partners are here for local businesses in the long term...”. ATL Leasing provides lease financing for equipment, vehicles and real estate, with a primary focus on transactions that involve real estate and equipment for MSMEs. Its lease terms range up to seven years. The organization was founded in 1993 by two organizations that remain ATL Leasing’s primary shareholders: Arab Tunisian Bank, the local affiliate of the UK-based Arab Bank; and Banque Nationale Agricole, which is controlled by the Tunisian government. March 3, 2021

SunCulture Borrows $11m for Solar Irrigation in Africa
Kenyan solar products company SunCulture recently received access to a credit facility of USD 11 million organized and led by SunFunder, a lender to solar energy projects in sub-Saharan Africa. The other participating funders are the African Development Bank’s Energy Inclusion Facility, Switzerland-based AlphaMundi, the Nordic Development Fund (NDF) and Triodos Investment Management of the Netherlands. NDF is an institution of the governments of Denmark, Finland, Iceland, Norway and Sweden. SunCulture utilizes solar technology “to provide customers with reliable access to water, irrigation, lighting and mobile charging” in Côte d’Ivoire, Ethiopia, Kenya, Senegal, Togo, Uganda and Zambia. The firm offers pay-as-you-go options for products such as ClimateSmart Direct, a solar irrigation pump costing the equivalent of USD 42 per month. SunCulture has raised a total of USD 25 million over four rounds of funding. February 25, 2021
SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2021, during which the European Microfinance Award will be presented. MicroCapital has been engaged to promote and report on the conference each year since 2012.

Christoph Pausch on the European Microfinance Award 2021: Inclusive Finance and Health Care

MicroCapital: Why was “Inclusive Finance and Health Care” chosen as the topic of the 2021 Award?

Christoph Pausch: As the past year has shown us all with such unfortunate clarity, health is everything. Being healthy allows education to play its role in opening new opportunities; it allows people to earn, invest and employ others; it keeps the economy growing and lets groups and societies prosper. And the opposite is true as well: without health - without health care to help people recover from serious health shocks and to stop minor health issues from becoming serious - it’s so hard for people to prosper.

This is especially true for the global poor - the financially excluded - who typically have volatile and precarious incomes and live in countries without high-quality universal health care. They not only need access to health care, but also the ability to pay for it. Too often this can mean taking on debt and selling income-generating assets or even their homes. For families in which the health shock prevents an income earner from working, the loss of assets to pay for treatment is magnified by the loss of income. This risks a negative feedback loop: poverty leads to bad health, which feeds into more poverty. People face barriers to access that are specific to their particular circumstances and needs, and some are exacerbated by a combination of low income and financial exclusion.

For these reasons, the topic of this year’s Award is Inclusive Finance and Health Care, and the framing of the topic reveals two things: that the focus will be not just on health, but care - driving access to the quality and affordable services we all (and especially low-income communities) need; and that both finance and health care can be inclusive - serving those who typically are underserved and excluded.

MC: What are some types of health care initiatives that organisations active in the financial inclusion sector can offer?

CP: The financial inclusion sector can play an indispensable role in both helping households plan day-to-day medical spending and “smoothing” out health-related financial shocks. By encouraging savings, designing appropriate credit products and - perhaps most of all - facilitating access to insurance, financial services providers (FSPs) can direct their core expertise toward financial products that give low-income clients the financial flexibility required to meet their health care expenses.

Inclusive health care financing solutions are usually set up to provide medically necessary care or the money to pay for it when needed. They can also have features aimed at ensuring the quality and cost-effectiveness of care, bringing about behaviour change or supporting grassroots health care providers and/or workers. FSPs can offer health-specific financial products that go beyond generic microloans or savings accounts - from health insurance to emergency credit to vouchers and more. And then, beyond financial products, there is a whole range of non-financial services and value-added services - education and awareness campaigns, health camps, telemedicine and others - that can increase access to health care for those who most need it.

MC: What will the evaluation committees be looking for?

CP: The Award this year aims to highlight initiatives that facilitate access to quality and affordable health care for low-income communities. The committees that evaluate the applicants in this rigorous and multi-stage process will be looking for various characteristics, from innovation and replicability to impact measurement, client protection, outreach to underserved groups and the financial sustainability of the organisation as a whole. Particularly this year, partnerships will be so important. Very few - if any - financial institutions have either the capacity or the regulatory approval to provide health care directly. And the specialisation needed for health care delivery means that many programmes are designed to operate in partnership with a broad spectrum of stakeholders in the health care sector. So the application process will really look for how those partnerships work so that the expertise of different stakeholders adds genuine value to the programme.

MC: What types of organisations do you hope will apply for the Award this year?

CP: Because health care is not the primary focus of most microfinance institutions, this year it probably is harder to predict which organisations will apply compared to some other years - for example last year’s Award on Encouraging Effective and Inclusive Savings. In terms of eligibility, the requirements are as expansive as possible to ensure the field of applicants includes all the important initiatives that are underway. They have to be organisations that facilitate access to health care among low-income populations through financial inclusion. So this will include FSPs that directly provide, finance or otherwise facilitate access to health care, but also non-financial organisations that work with FSPs. Besides that, the usual requirements apply: that organisations have to be based and operate in an established list of countries; the products and services have been operational for at least a year; and the organisations can provide audited financial statements.

“The financial inclusion sector can play an indispensable role in both helping households plan day-to-day medical spending and ‘smoothing’ out health-related financial shocks.”

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

CP: As before, there is a financial prize (100,000 euros to the winner and 10,000 euros to each of the two other finalists). And while this prize, generously provided by the Luxembourg Ministry of Foreign and European Affairs, is significant, we’ve seen over many years that the real benefit of the Award comes in the exposure that the 10 semi-finalists (and especially the three finalists) all get via international and industry press coverage; the European Microfinance Platform’s (e-MFP’s) annual publication, which profiles all the semi-finalists and extracts key factors for success; connections to e-MFP’s extensive network of stakeholders working all over the world; and donors, investors and various potential partners who pay attention to the outcome of this Award. And on top of that, e-MFP organises various events throughout the following year to further profile the initiatives involved in the Award.

Christoph Pausch is Executive Secretary of e-MFP. The £100,000 European Microfinance Award is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network, Luxembourg. Applications for the European Microfinance Award opened on 15th March and close on 19th April at 23:59 CET. For more information and to apply, please visit http://www.european-microfinance-award.com.

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EAR TO THE GROUND
Centralizing Your Data? Don’t Forget Your Loan Officers!

Recently, I have begun composting to reduce my garbage footprint and feed my nascent gardening hobby (see my column from last month). In composting, I have learned, adding diseased plant matter to the mix can lead to tragic outcomes. Data are much the same, so our “post”-COVID fascination with digitalizing client relationships can be crippled by the “garbage in / garbage out” problem.

I recently spoke with an MFI leader who found that when her staff were switching to remote client contact and preparing to use a call center to reach out, they realized that most client phone numbers in their databases were garbage - 888000 or 999000. Meanwhile, clients’ homes and businesses were hard to find because, as in most lower-income countries, conventional addresses are not used in slums and rural areas. Hence, loan officers, who kept client phone numbers in their personal phones, controlled the only way to contact clients and keep the MFI running. This became complicated when loan officers were sick, didn’t follow through with clients for some other reason, or just plain pocketed loan payments. Also, it reinforces the ever-present risk of loan officers taking clients with them when they go to work for a different MFI. But it took COVID for many MFIs to realize that they did not, in fact, have anything more than a balance sheet; their customers were entirely in the hands of their employees.

The tension between loan officers and management has perplexed me for years. In 2009, I was in Peru speaking with the CEO of a nonprofit MFI. Despite being very socially conscious in other ways, when it came to loan officers, she spoke of them as if they were adversaries rather than team members. The attitude was common at the time. Loan officers know that clients are the hand that feeds them, and hence they often “side” with clients over their own employers. At best, they may protect the interests of clients over those of the organization. At worst, they exploit gaps in the system to make a profit. This is not healthy.

In Mexico, the financial services distribution company that I co-founded, Noahui Soluciones, overturned this paradigm by ensuring that customers belong to the whole organization rather than one staff person. Technology helps a lot. Our clients log into our platform via a mobile app or web platform, registering directly with us and updating their information regularly. This allows us to centralize data not only for analysis but also for controls and follow-up. That leaves our wonderful promoters, our Noahuis, to focus on building strong relationships with clients, helping them grow as they benefit from financial services. Working together on a supportive team, including participating in extensive training, offers each staff member a lifelong opportunity for personal growth as she builds strong relationships with clients, peers and supervisors. This as an integral part of our philosophy and business model, and it allows us to disrupt the adversarial aspects of the management-staff relationship.

As more and more MFIs undergo digital transformation and begin really to “own” their clients for the first time, they also need to think about relationship transformation and the types of cultural change they want to implement within their institutions. These changes are essential to building relationships with clients, who are critical to MFIs’ competitive advantage - not just another dollar on the balance sheet.

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 BarbmagnoniEA.
PAPER WRAP-UPS

Crisis Roadmap for Microfinance Institutions: COVID-19 and Beyond


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

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