



MICROCAPITAL BRIEFS | TOP STORIES

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CreditAccess Asia Raises \$103m in Equity from ADB, IAS, Olympus, Others

Please refer the subscriber edition for coverage of this “MicroCapital Deal of the Month.”

Creditinfo Establishes Credit Bureau in Azerbaijan

Creditinfo Group, an Iceland-based firm with operations in 25 markets worldwide, recently launched a credit bureau in Azerbaijan that it co-owns with 21 financial institutions in that country. The International Finance Corporation, a member of the World Bank Group, participated in developing the Azeri entity. Creditinfo CEO Reynir Grétarsson said, “It will have credit history profiles from leasing as well as non-traditional creditors like telecommunication companies, trade credit and utility payments.” Aliya Azimova, the IFC Country Representative in Azerbaijan, added that it “will help reduce default rates.” April 27. 2017

EIB Lending \$102m for Equity Bank, HFC to On-lend in DRC, Kenya, Tanzania, Uganda

The EU’s European Investment Bank recently announced it has opened two new credit lines to support small-scale enterprises in the Democratic Republic of the Congo, Kenya, Tanzania and Uganda. The larger credit line has a maximum equivalent to USD 80 million, which Equity Bank, a Kenya-based microbank, is to distribute through its affiliates Equity Bank Tanzania, Equity Bank Uganda and ProCredit Bank Congo. The second credit line, which is in the amount of USD 22 million, is being issued to HFC Limited, a subsidiary of Kenya-based HF Group, which reports total assets of USD 666 million. Equity Bank, which serves six African countries, reports total assets of USD 4.6 billion. April 24. 2017

FINCA Nicaragua Issues \$1.1m in Local-currency, USD Bonds

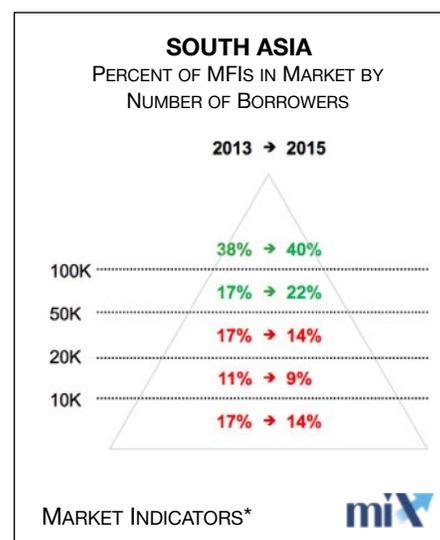
Financiera FINCA Nicaragua, an affiliate of US-based microfinance nonprofit FINCA International, recently registered a bond program totaling the equivalent of USD 10 million from which it has issued one- and three-year bonds totaling USD 1.1 million. Investors over-subscribed the issuance, purchasing notes denominated in US dollars, Nicaraguan cordobas indexed to US dollars and unindexed cordobas. FINCA Nicaragua reports total assets of USD 63 million. FINCA International reports USD 794 million in outstanding loans, USD 168 million in deposits held and 1.8 million clients in 21 countries. April 13. 2017

Incofin’s agRIF Raises \$27m for Agricultural Lending

Belgium’s Incofin Investment Management recently informed MicroCapital that its agRIF, the successor to the Rural Impulse Funds I and II, has raised an additional USD 27 million, bringing its volume to USD 140 million. The new commitments are from mainstream investors, such as France’s AXA Investment Managers and Belgium’s KBC Pensioenfond, as well as those focused on ecological and social goals, such as Belgium’s Korys; Germany’s Invest in Visions; and Maatschappij voor de Roerend Bezit van de Boerenbond, an affiliate of the Belgian Farmers Union. Launched in 2015, agRIF invests equity and debt in financial intermediaries serving agricultural producers and processors as well as other rural microenterprises in Africa, Asia and Latin America. Incofin manages 10 funds with total assets valued at USD 858 million. April 3. 2017

(*For more top stories, please refer to the subscriber-only edition.)

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MICROCAPITAL BRIEFS

Zimbabwe May Require Banks to Accept Moveable Collateral

The ruling party in Zimbabwe recently proposed a law that would require lenders to accept moveable assets, such as accounts receivable, livestock, machinery and vehicles, as collateral. Finance Minister Patrick Chinamasa said the legislation would “promote financial inclusion to small and medium enterprise, women, youths and other under-banked groups.” April 26, 2017

MFR Certifies 2 MFIs as Truelift “Leaders” in Poverty Reduction

During April 2017, Italy’s MicroFinanza Rating (MFR) certified Fundación Paraguaya and Guatemala’s Friendship Bridge as “leaders” under the Truelift “trust mark...to signify commitment to positive and enduring change for people affected by conditions of poverty.” MFR is one of three rating agencies that Truelift has certified to issue such “milestones.” MFR also issued four microfinance institutional ratings. Two of these were to affiliates of French NGO Entrepreneurs du Monde: BB- with a stable outlook to Assilassimé Solidarité of Togo and CC “under observation” to Palmis Mikwofinans Sosyal of Haiti. The other two were BB+ with a stable outlook to Conserva of Mexico and BB+ with a positive outlook to Centro Financiero Empresarial, a Panamanian affiliate of Canada’s Développement international Desjardins. MFR also issued credit ratings ranging from AA to BB to seven institutions to help them comply with the requirements of Bolivian regulators. April 25, 2017

Ant, Ayala Invest Equity in the Philippines’ GCash, Fuse Lending

Ant Financial Services Group, a member of China’s Alibaba Group, and Ayala Corporation, a Philippine conglomerate, recently announced their purchases of minority stakes in Globe Fintech Innovations, a financial technology affiliate of Globe Telecom that uses the trade name Mynt. Mynt operates GCash, a mobile money service, and Fuse Lending, which provides online personal and business loans in amounts equivalent to USD 50 to USD 6,000. Ant’s mission is to “bring equal access to financial services to the world.” Alibaba reports 2016 revenue of USD 15 billion. Ayala, which also holds a stake in Globe Telecom, has a market capitalization of USD 40 billion, inclusive of its subsidiaries. Globe Telecom reports total assets of USD 5 billion. Neither the sizes nor the prices of the new stakes have been disclosed. April 20, 2017

\$130m Program to Boost E-payments, MSME Lending in Pakistan

The government of Pakistan recently launched the Pakistan Financial Inclusion and Infrastructure Project, which is intended to ease access to digital payments by businesses and households as well as expand access to credit for micro-, small and medium-sized enterprises. The project, which has a budget of USD 130 million provided by the World Bank, will be implemented by three Pakistani organizations: (1) the Pakistan Microfinance Investment Company, a new organization funded by the governments of the UK and Germany; (2) National Savings, an arm of the Pakistani government; and (3) the State Bank of Pakistan’s development finance group. April 17, 2017

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CreditAccess Asia Raises \$103m in Equity

CreditAccess Asia, a Netherlands-based provider of microfinance in four Asian countries, recently acquired new equity investments totaling the equivalent of USD 103 million from first-time investors including the Asian Development Bank and Italian private equity firm Istituto Atesino di Sviluppo. Among the investors increasing their stakes in CreditAccess was Olympus Capital Asia, through the conversion of equity bonds. Established in 2006, CreditAccess provides group and individual loans in India, Indonesia and the Philippines, and it also has a pilot program operating in Vietnam. In total, it serves 1.8 million customers with a loan portfolio of USD 496 million. April 11, 2017

Senegal’s BRM Launching “eCFA” Digital Currency

In partnership with US-based eCurrency, Senegal’s Banque Régionale de Marché (BRM) is planning to launch a digital version of CFA francs, the currency used by the eight countries of the West African Economic and Monetary Union. The currency is described as “a high security digital instrument that can be held in all mobile money and e-money wallets.” It is scheduled to go live in Senegal by December and then roll out to other countries. BRM reports total assets of USD 488 billion. April 11, 2017

Dutch Group Promoting Satellite Data to Boost Farmers’ Yields

The NpM Platform for Inclusive Finance, formerly known as the Netherlands Platform for Microfinance, and the Rabobank Foundation, an affiliate of the Dutch cooperative Rabobank, recently launched an effort called “Geodata for Inclusive Finance and Food Security.” Its goal is to encourage the use of satellite data to improve agricultural yields, for example by sending SMS (short message service) text messages to farmers regarding optimal timing to fertilize, irrigate or harvest their crops. Rabobank Foundation Director Pierre van Hedel said, “This lowers the risk that farmers cannot repay their loan, and therefore banks are more willing to finance them.” Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a development bank controlled by the Dutch government, and the Dutch Ministry of Foreign Affairs are also participating in the effort. April 10, 2017

Applications Open for \$107k Award for Housing Finance

The European Microfinance Platform (e-MFP), a 130-member network in Luxembourg, is accepting applications for the eighth iteration of the European Microfinance Award, which is focused this year on financing housing improvements for people with low incomes. The deadline to apply is May 22. The award, which includes a cash prize of equivalent to USD 107,000, will be presented at European Microfinance Week, which is being held from November 29 through December 1 in Luxembourg. The award is being organized by the Inclusive Finance Network Luxembourg, e-MFP and the Luxembourg Ministry of Foreign and European Affairs - Directorate for Development Cooperation and Humanitarian Affairs. MicroCapital has been engaged to promote and document the presentation of the award in particular and European Microfinance Week in general. April 6, 2017

(For more briefs, please refer to the subscriber-only edition.) 



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SPECIAL REPORT

This interview launches a sponsored series on European Microfinance Week, which will be held from November 29 through December 1 by the European Microfinance Platform (e-MFP), a 130-member network located in Luxembourg. MicroCapital has been engaged to promote and document the event.

2017 European Microfinance Award

MicroCapital: Why was housing selected as the theme of this year's European Microfinance Award?

Christoph Pausch: It's really a question of staying true to the underlying purpose of the Award: to highlight practices that are outside the microfinance mainstream, but are financially sustainable and deliver significant social value. The Award succeeds when it is able to gather best practices in the selected area and disseminate them widely, thus facilitating innovation that's valuable to the sector at large.

Housing perfectly fits this criterion. For most families, housing is one of their major investments, and the demand for related, effective financial products is tremendous. Study after study shows housing to be among the top three uses of microcredit, even when loans are designated for business investment. Despite this, the vast majority of microfinance institutions (MFIs) treat housing as a niche product. Though lending methodologies are well-developed, the need to spread the message is great.

MC: What partnerships are MFIs leveraging to implement housing microfinance?

CP: You see plenty! For example, specialized NGOs like Habitat for Humanity work with MFIs to develop products and train staff. Other partnerships focus on improved building techniques, for example to make homes more resilient to earthquakes or high winds. There are also partnerships with governments, which may range from a project targeting a specific community to broad subsidies aimed at housing affordability. On the micro-mortgage side, MFIs frequently partner with real estate developers to build housing that's affordable to the MFIs' clientele.

MC: How are funders reacting to MFIs' efforts to offer housing products?

CP: Thus far, few funders have tackled housing in a serious way. Out of some 100 active microfinance investment vehicles, only one - MicroBuild

- is specifically devoted to housing. We at e-MFP believe this area is ripe for major innovation and expansion as housing requires a different type of funding - specifically long-term local-currency funding - to grow and sustain housing loan portfolios. Frankly, this is a big growth opportunity for investors that they have ignored thus far. With greater supply of the right type of funding, demand from MFIs will pick up as well.

MC: What are the implications for client protection?

CP: The typical issues highlighted by the Smart Campaign all apply, though the presence of real estate is a key additional concern. Relying on the property is an easy guaranty, but it can be a high-stakes gamble for the borrower - these are people's homes, after all! MFIs need to be extra cautious that lending is based on income, not property values. Lenders must also develop a good understanding of property markets and recognize the signs of overheating. The social mission helps here - if you're focused on improving living conditions and avoiding over-indebtedness, you're much less likely to participate in real estate speculation that can hurt both lenders and borrowers.

MC: How do micro-mortgages differ from housing microcredit?

CP: Think of micro-mortgages as combining the front-end of a microfinance operation with the back-end of traditional banking. The client evaluation relies on assessing both formal and informal income, but there's also the requirement for a formal title, and the need for the treasury unit to manage long-term assets, along with the associated interest-rate and maturity mismatch risks. These are not issues that MFIs typically deal with.

MC: What other trends do you see in housing finance for people with low incomes?

CP: In addition to housing microfinance, which involves loans that are slightly larger and slightly longer than traditional microcredit, the micro-mortgage market has also grown over the last decade. Lenders can provide fully secured, long-term loans to families with informal incomes both effectively and sustainably. This is a major tool, especially in dense urban areas, where the imperative of building upwards is incompatible with the rural practice of erecting a single-family home incrementally over time.

There is also room for sensible innovation through savings and remittance products - recognizing these as vehicles to help families plan home improvements. MFIs also have branched out into property insurance, which is critical in areas prone to natural disasters.

Christoph Pausch serves as Executive Secretary of e-MFP. The European Microfinance Award is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network Luxembourg. For more details or to apply, visit <http://www.european-microfinance-award.com>.



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EAR TO THE GROUND

Chile's Private Pensions: Yesterday's Heroes Are Today's Villains

Last week in Chile, I was surprised to find AFP, as the country's private pension fund system is known, under fire. When I first landed in Chile in 1990, the AFP system was all the rage. In 1981, the government had dismantled the public social security system as part of a neoliberal experiment. By the time I came back to the US and began working on Wall Street in 1994, bankers were singing the praises of AFP, which had fueled stock prices and allowed the country to develop a vibrant capital market despite its small size. At the time, I didn't much think about how the people with AFP accounts were managing. After all, I was in my early 20s, and I hadn't thought much about what would happen 40 years later. Apparently, the government hadn't either.

I was blown away at a dinner last week as three generations of a household all agreed that the pension system that I had revered for so long was a sham. When the traditional social security system was unwound, the brutal military dictatorship that was in power at the time ensured there was no dissent. But today, Chileans are protesting in the streets and in their living rooms. Most retirees are taking home a USD 300 monthly pension, below even the paltry national minimum wage of USD 382. Informal workers and women who work in the home are even worse off, as their contributions were lower, sometimes even zero.

Why is Chile's case important? One reason is that 10 countries in the region have adopted similar models. The AFP fiasco shows the damage governments can cause by using capital markets to tackle social problems: clients feel that value is not evenly distributed. Last week, President Michelle Bachelet responded to the national outrage with a plan to set aside part of workers' contributions into a publicly managed

solidarity fund, among other minor adjustments. This avoids AFP's high management fees and the distribution of dividends to private investors, who have become the villains in this debate. But is this reform too little too late? Perhaps.

Another problem is that AFP doesn't provide accountholders with clear information about their contributions and future income. This is a recipe for all kinds of problems. A recent study by the Institute for Poverty Action shows that when provided estimates of their future retirement income based on planned contributions, Chileans who had previously overestimated their pension payouts increased their voluntary contributions. In total, contributions went up about 12 percent. The late Dr Friedman's genius can elude me at times.

One cab driver explained to me that his friend sold vegetables from a small market stall his entire life. He never saved a penny in a pension account. Instead, he bought land. Twenty-five years later, he has 10 bungalows on that land and rents them out, mostly to recent immigrants. His monthly "pension" from the bungalows is a comfortable USD 2,500 each month. And his children can inherit the land and buildings someday. That seems like a much better return on investment than a private pension fund. But alas, herein lies the challenge. If private pension systems cannot ensure that low-income households build wealth over time, explain how they are protecting this wealth and compete with informal mechanisms, then a more aggressive set of reforms is due.

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\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](https://twitter.com/BarbaraatEA).

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GHS 92 M (USD 23 M)
Sole Financial Advisor

Sale of 100% of afb Ghana to Letshego Group Holdings

Namibia 2016

ZAR 450 M
Sole Advisor and Arranger

Debt Capital Raise

Ghana 2016

GHS 60 M (USD 15 M)
Sole Advisor and Arranger

Debt Capital Raise

UK | Zambia 2016

USD 3 M
Sole Advisor and Arranger

Debt Capital Raise

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PAPER WRAP-UPS

Tanzania Postal Bank Digital Financial Inclusion Through Popote

By the World Savings and Retail Banking Institute and PHB Development in collaboration with the European Microfinance Platform (e-MFP) Digital Innovations for Financial Empowerment Action Group, published by e-MFP, October 2016, 14 pages, available at <http://www.e-mfp.eu/sites/default/files/resources/2016/10/Tanzania%20Postal%20Bank%20Case%20study%202016%20final.pdf>

The number of people covered by insurance in the Philippines rose from 3.1 million in 2010 to 31 million in 2014. During this time, the number of service providers rose from six to 22, and the range of available products expanded beyond simple credit life coverage.

The authors trace the evolution of regulation in the country since liberalization in the 1990s led to the growth of microfinance institutions and mutual assistance funds. Waves of regulations in 2006, 2010 and 2014 formalized insurance services and delineated... *(Continued in the subscriber edition)*

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Financial Constraint, Entrepreneurship and Sectoral Migrations: Evidence from Madagascar

By Pierrick Baraton and Florian Léon, published by Making Finance Work for Africa, July 2016, 50 pages, available at <https://www.mfw4a.org/nc/knowledge-center/resources/documents/documents-details/file/financial-constraint-entrepreneurship-and-sectoral-migrations-evidence-from-madagascar.html>

Based on data from 3,000 micro- and small enterprises, the authors found that about one third of... *(Continued in the subscriber-only edition)*

Tanzania Postal Bank: Digital Financial Inclusion Through Popote

Published by the World Savings and Retail Banking Institute and PHB Development, October 2016, 14 pages, available at <http://www.e-mfp.eu/sites/default/files/resources/2016/10/Tanzania%20Postal%20Bank%20Case%20study%202016%20final.pdf>

Aided by the country’s liberal telecommunications policy, Tanzania has four mobile payments providers, 14 banks offering... *(Continued in the subscriber-only edition)*



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