MicroCapital Monitor
On Microfinance & Other Forms of Impact Investing

FREE PREVIEW EDITION*

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MICROCAPITAL BRIEFS | TOP STORIES

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DWM-advised Funds Loan $32m to Sri Lanka's LOLC Micro Credit

Request a sample of the subscriber edition to read about this *MicroCapital Deal of the Month.*

Water.org Borrowing $20m from OPIC for Water, Sanitation in Asia

The Overseas Private Investment Corporation, a self-sustaining agency of the US government, recently agreed to lend USD 20 million to the WaterCredit Investment Fund 3, which will invest in microlenders and other organizations that facilitate the deployment of safe water and sanitation systems. The goal of the fund is to raise USD 50 million to reach 4.6 million people in South and Southeast Asia over the next seven years. OPIC CEO Ray Washburne said, "Access to safe water and sanitation is vital for security, stability, and moving the global economy forward." The WaterCredit Investment Fund 3 is managed by WaterEquity, a "social impact investment manager" founded by US-based Water.org, which reports having reached 7 million people since the 1990s. September 22. 2017

Ghana Association Seeks Lower Capital Requirement for Rural MFIs

The 708-member Ghana Association of Microfinance Companies (GAMC) is attempting to convince the Bank of Ghana to narrow the scope of its recent decree that all microfinance institutions in the country must hold capital equivalent to USD 450,000 by April 2018. Referring particularly to those in rural areas, GAMC Executive Secretary Joseph Donkor reportedly said that "if you are not careful, some of those institutions will go out of the industry, and it's not going to help anybody." September 16. 2017

PAG, Primavera Lead $117m Equity Raise for China's Dashu

Two firms based in Hong Kong, alternative investor Pacific Alliance Group (PAG) and China-focused Primavera Capital Group, recently led a Series C funding round for China's Dashu Finance, a provider of unsecured loans to individuals as well as small and medium-sized enterprises. A third financial services company in Hong Kong, China Everbright Limited, and Sequoia Capital China, a Beijing-based unit of US-based venture capital firm Sequoia Capital, also participated in the local-currency package, which was worth a total of USD 117 million. Since it was established in 2014, Dashu has issued 60,000 microloans totaling USD 30 million. The firm, which has 17 offices, specializes in "credit analysis based on big data, a method traditionally applied only to credit card loans and micro loans." It also provides analytical tools to banks that lend to small enterprises. September 8. 2017

Calvert Lends $5m to Eco.Business Fund for Latin America

The Calvert Social Investment Foundation, a US-based institution supporting the "social and environmental impact sectors," recently bought USD 5 million in subordinated notes from the Eco.Business Fund, a lender to financial institutions in Latin America that seek to mitigate climate change. The Eco.Business Fund, which is based in Luxembourg, invests in the agriculture, forestry, fishery and eco-tourism sectors with the goal of protecting biodiversity and reducing climate change. The fund is managed by Germany's Finance in Motion, which oversees USD 2 billion in assets "exclusively focused on development finance." September 7. 2017

*(*For more top stories, please contact us to request a sample of the subscriber edition.)*

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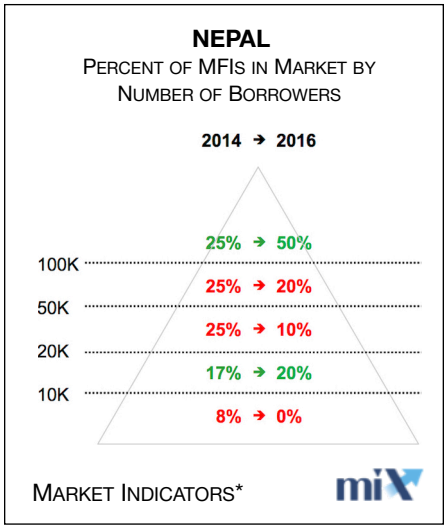

MICROCAPITAL BRIEFS

Chinese Peer-to-peer Lender HuaXia Using Ping An for Escrow

HuaXia Finance, a peer-to-peer lender in China, recently began using a "formal online banking depository" arrangement to hold customer funds at Ping An Bank, also of China, in order to comply with tightened requirements of the China Banking Regulatory Commission. HuaXia, which was launched in June 2015, has since intermediated loans totaling the equivalent of USD 1.3 billion. September 29. 2017

Sri Lanka's Nations Trust Bank Borrows $50m from IFC for SMEs

The World Bank Group's International Finance Corporation recently announced it will loan USD 50 million to Nations Trust Bank in order to expand its lending to small and medium-sized enterprises in Sri Lanka. Nations Trust, which was established in 1999, provides deposit services, loans, investment planning and online banking. The bank, which operates 93 branches and 120 automated teller machines, reports assets equivalent to USD 1.4 billion and customer loans and advances of USD 979 million. September 27. 2017

Société Générale Launches Yup Mobile Wallet in West Africa

Société Générale, a financial services provider based in France, recently rolled out its Yup mobile wallet in the Ivory Coast and Senegal, allowing its 30,000 users to deposit and withdraw money at 600 non-bank agent locations, as well as to send money to individuals, utilities and retailers. Société Générale plans to expand Yup to Ghana by December, and during 2018 it expects to replicate the service in Burkina Faso, Cameroon, Guinea and Togo. September 25. 2017

FMO Gives $240k to Sanad for Technical Assistance for MSMEs

The Sanad Technical Assistance Facility, an affiliate of the Sanad Fund for MSME (Micro-, Small and Medium-sized Enterprises) that supports lenders to MSMEs in the Middle East and North Africa, recently received a grant equivalent to USD 240,000 from the Netherlands Development Finance Company, a government-backed institution also known by its Dutch acronym FMO. FMO Capacity Development Manager Martin Steindl said, "The political landscape highlights the need for economic development and the creation of employment, especially among the youth…." Sanad has raised investor commitments of USD 186 million. September 22. 2017

World Vision, DiD, Enablis Deploying Training Program in Senegal

Three Canadian NGOs, World Vision Canada, a unit of US-based Christian NGO World Vision; Développement international Desjardins, a provider of access to financial services and financial education; and Enablis Canada, a consultant to small and medium-sized enterprises, recently collaborated to launch the Skills Training for Employment Program (STEP) in Senegal. With three years of funding from the Canadian government, STEP "is intended to improve the economic prosperity of populations in the Kolda region by developing employment and entrepreneurial skills among young people, with a gender inclusive approach." World Vision Canada is the lead executing agency. September 20. 2017

EBRD May Loan $60m to ZSB of Kazakhstan for Home Mortgages

The European Bank for Reconstruction and Development, a UK-based multilateral development institution, is considering loaning the local-currency equivalent of USD 60 million to joint stock company Zhil-stroysberbank (ZSB), a housing finance bank in Kazakhstan, to finance residential mortgage loans for individuals. ZSB, which has total assets of USD 2.2 billion and 32 branches, is a subsidiary of Baiterek Holding, an instrument of the government of Kazakhstan. September 18. 2017

Intesa Sanpaolo Albania Secures $30m in Backing for Agri-loans

Intesa Sanpaolo Bank Albania, a subsidiary of Italy's Intesa Sanpaolo, has secured the equivalent of USD 30 million in "unfunded risk participation" from the Albania Agribusiness Support Facility to support USD 60 million in lending to farmers and agribusinesses. The facility was created by the Albanian government and the UK-based European Bank for Reconstruction and Development. Intesa Sanpaolo has a market capitalization of USD 57 billion and 12 million customers. Its Albanian subsidiary reports assets of USD 1.3 billion. September 15. 2017

Myanmar Clears the Air by Issuing MFS License for OK Dollar

Myanmar's Internet Wallet Limited reportedly has received a mobile financial services license from the Central Bank of Myanmar to cover the operations of its subsidiary, OK Dollar, which offers electronic accounts for holding and sending money. Although such a license is required of companies offering such services (unless they are managed by a traditional banking institution), the company reportedly served 100,000 customers from its launch in 2016 until its receipt of the license. In addition to operating without a license, OK Dollar was accused by the *Frontier* newspaper of failing to require users "to register a SIM card, or provide a national ID card or driver's licence, as required." OK Dollar offers fee-free money transfers and allows users to pay for travel services, mobile phone credit and other purchases. September 15. 2017

ResponsAbility Lends $45m to TBC Bank in Georgia for MSMEs

ResponsAbility Investments, a Swiss for-profit investor in developing countries, recently informed MicroCapital that it has disbursed a five-year loan of USD 45 million to TBC Bank, a Georgian commercial bank formerly known as the Tblisi Business Centre. The facility is intended to "enable TBC Bank to deepen its support to micro-, small and medium enterprises (MSME) in Georgia." TBC Bank, which was founded in 1992, reports total assets of USD 2.7 billion and annual net profit of USD 24 million. September 13. 2017

BlueOrchard Loans $4m to VisionFund Myanmar

VisionFund Myanmar, a microfinance institution serving primarily women in rural Myanmar, recently received a two-year loan of USD 4 million from two investment vehicles managed by Switzerland's BlueOrchard: the Japan ASEAN Women Empowerment Fund and the Microfinance Initiative for Asia Debt Fund. VisionFund Myanmar reports total assets of USD 16 million and a gross loan portfolio of USD 16 million but does not publish data on its savings services. The microbank is a subsidiary of VisionFund International, which offers microfinance in 32 countries as part of World Vision, a US-based Christian NGO. September 13. 2017

Moeda Sells $5m in Cryptocurrency to Boost Financial Inclusion

Moeda, a cooperative funded by the Brazil-based organizations Cresol, Green Cross Brazil and Unicafes, recently launched its eponymous Moeda token, a cryptocurrency that can be traded worldwide through mobile phones. The goal of the organization is to build "a banking-as-a-service cooperative financial network to connect disadvantaged entre-preneurs to modern financial systems," including peer-to-peer loans. Moeda has sold 5 million Moeda tokens, the value of which are pegged at USD 1 each. The system uses the blockchain technology of Switzer-land's Ethereum Foundation to record transactions. September 13. 2017

(For more briefs, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper.)

SPECIAL REPORT

This feature is part of 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.

Micro-leasing for Productive Assets

MicroCapital: How does micro-leasing compare with microlending?

Manuel Hörl: Microcredits do not fit the needs of every situation. Often, the borrower cannot meet the collateral or other requirements for receiving a loan. Micro-leasing can allow a farmer, for example, to pre-finance the purchase of a productive asset, such as a cow. The farmer receives basic training in handling the asset, and risk is mitigated by insuring the asset and - in some cases - also the farmer. Creditworthiness is evaluated based on future potential cash flows.

Micro-leasing products are very complex, requiring partnerships with an insurer, a local bank, a supplier and sometimes even a veterinarian! The combination of insurance, coaching and increased productivity reduces the risk for the lending entity. At the end of the leasing period, the ownership of the asset changes from the lending entity to the farmer. There is no need for credit history, collateral or savings.

MC: In what (geographic or sectoral) areas has micro-leasing been successful?

MH: Swisscontact and Credit Suisse started their partnership with a pilot project in Kenya. From there, the model was replicated in Rwanda and Tanzania - then Peru, El Salvador and Nicaragua. In Peru, for example, farmers were able to scale their income from quinoa by purchasing post-harvest machines via micro-leasing.

When Swisscontact introduces micro-leasing in a new country, its staff conducts a market analysis to identify: (1) which productive assets are in demand; (2) potential partners; and (3) any aspects of the local market that warrant customizing the terms of the leases. Regardless of the type of asset - livestock, irrigation pumps, transport bikes, flour mills - it must allow the lessee to improve productivity in a sustainable way and thereby generate revenue to make payments on the asset.

MC: How does collaboration lead to success in this arena?

MH: Collaboration is key - not only at the strategic level, as between Credit Suisse and Swisscontact, but also on the local level. As mentioned earlier, the local lender, the insurer and the asset supplier engage in a partnership that forms the core of micro-leasing. Farmers also profit from technical assistance provided by the asset supplier or the associated service provider, for example on how to best tend to the cattle or how to maintain the flour mill. Farmers' associations play an important role by supporting both the launch and replication of the model.

MC: Would you please describe a challenge you had to overcome?

MH: It is not easy to find the right partners - from financing to insurance to asset supply. However, when expanding into new countries, a bigger problem we ran into was that the demand for micro-leasing far exceeded the capacity of suitable local partner financial institutions. Swisscontact and Credit Suisse therefore had to come up with a strategy to address re-financing at an early stage of a project.

Manuel Hörl leads the Microfinance Capacity Building Initiative at Credit Suisse and will moderate a panel titled "Asset Financing at the BOP: Lessons from Micro-leasing" at European Microfinance Week.

EAR TO THE GROUND

Would Nietzsche Buy Climate Insurance?

This month, I am spending a little less time in the developing world and a little more on the Atlantic Coast of the United States. September is probably the best month for this: the sun is shining, the breeze cools down our evenings and - for the most part - the humidity breaks. But there's a menace behind this beauty. It is hurricane season here, and this year it has been especially brutal. The cost of the storm that ravaged Houston will total USD 40 billion to USD 50 billion (according to an estimate by Moody's, which provides the city's credit rating). Some USD 10 billion of that is the opportunity cost of business interruption, with the remainder to be spread over time, during rebuilding. The recovery after Hurricane Sandy, which hit the northeastern US almost five years ago, remains unfinished.

Readers may be surprised to learn that only about 15 percent of the homes in Harris County, where Houston is located, were covered by flood insurance. Even in areas that had been designated "high risk" for flooding, the rate is still only 28 percent. Despite warnings from consumer groups, Houstonians counted on outdated government assessments of flood risk and shunned insurance coverage. In Mexico, almost no private homeowners have insurance for catastrophes such as last week's earthquake. In the Caribbean, many families will be hard-pressed to rebuild from this season's string of hurricanes without financial protection.

Although the case for insurance against climate-related and other catastrophes - at both the public and household levels - is becoming increasingly clear, governments and individuals are dragging their feet. This year, we worked closely with a microfinance institution in Colombia, Crezcamos, to develop a climate insurance product for rural households. However, there are hundreds of other institutions that have not yet tackled the problem. Just last week, I was speaking to a manager at a global reinsurer, lamenting the disconnect between the increasing destructiveness of natural disasters and the low level of interest in insurance. "We tried to offer a product in Mexico for microfinance clients, and there was not enough interest," she noted. "We wish we were paying claims this week."

Many have tried to drum up demand, including myself. Premiums are still expensive, which is a barrier. However, another important obstacle is the *perception* of low demand. In my experience, institutions are too quick to believe that clients turn only to the will of God to look after them during catastrophic events. For my part, I turned to Nietzsche for inspiration this week as Puerto Rico suffered at the mercy of God. As I watched footage of Hurricane Maria ravaging the island, I could almost hear Nietzsche turn in his grave, telling us that it is time to face the ugly reality of climate change: to stop relying on God but to use our own ingenuity to protect us.

Climate insurance can be costly, and finding successful strategies for building this market are critical to keeping costs down. But the demand side needs to wake up too, so it is time for us to work with governments, corporations and households to get them on board. Otherwise, more vulnerable households and countries may face a very rude awakening.

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, or you may follow her on Twitter at BarbaraatEA.

PAPER WRAP-UPS

The Price of Being Banked: A Study on Transparency and Cost of Leading Banking Services Sold in Kenya

By E Totolo, F Gwer and J Odero; published by Financial Sector Deepening Trust Kenya; August 2017; 28 pages; available at: https://www.microfinancegateway.org/sites/default/files/publication_files/fsdk.pdf

In 2015 and early 2016, the authors of this paper recorded the prices to open, maintain and close accounts at 11 banks in Kenya. Their goals were to learn: (1) how much it costs to hold a bank account in Kenya; (2) how difficult it is to compare costs among banks; (3) how customers can compare banking prices more easily; and (4) how the industry can reduce customer fees.

The authors find that the price to open a bank account ranged from the equivalent of USD 1.50 to USD 54, with an average of USD 13. A basket of costs to maintain an account, which included "withdrawals, money transfers and account maintenance fees," ranged from USD 35 to USD 130. The charge to close an account… *(To read the rest of this wrap-up, please contact us to request a sample of the subscriber edition)*

Marginalized Returns

By Mara Bolis and Chris West, published by the Stanford Social Innovation Review, Fall 2017, 3 pages; available at: https://ssir.org/articles/entry/marginalized_returns

The authors of this article cite the Global Impact Investing Network's "2016 Annual Impact Investor Survey," which reported that 84 percent of 158 investors who seek "measurable social and environmental impact alongside a financial return" are expecting "risk-adjusted market-rate returns." However, Ms Bolis and Dr West state that most successful… *(To read the rest of this wrap-up, please contact us to request a sample of the subscriber edition)*

Valuing Microfinance Institutions: Where Are We Now

By Danielle Piskadlo, published by the Center for Financial Inclusion at Accion, July 2017, 7 pages, available at: http://www.centerforfinancialinclusion.org/storage/documents/Valuing_MFIs_Brief_Final_2017.07.11.pdf

In this paper, Ms Piskadlo investigates the difficulties faced by equity investors in valuing microfinance institutions. Based on interviews with members of the Financial Inclusion Equity Council, whose members represent private firms that make equity investments in… *(To read the rest of this wrap-up, please contact us to request a sample of the subscriber edition)*

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