

Through our
partners' eyes

Through our partners' eyes

This year, in order to tell you about our projects and to demonstrate our impact, we have chosen to focus on how our partners see us and what they expect of us. This approach is in keeping with our initial choices, those we made when ADA was first set up, some 21 years ago. We act on behalf of those in the southern hemisphere, who are excluded from the financial system. Working with the Microfinance Institutions (MFIs), our partners and key stakeholders in the fight against poverty, we are active in countries in the southern hemisphere, on behalf of the sometimes large share of the population that is excluded from the financial system. The MFIs market the financial products we develop in a targeted manner to suit young African entrepreneurs, farmers of the Sahel region or families in Central America, for example.

It is for the MFIs that we organise training courses and develop IT-based tools. They are the ones we provide with our technical assistance. In fact, by strengthening the MFIs, we reach out to our final clients, the poor, making sure they benefit from more fair, more useful, more comprehensive, and overall better financial services. Finally, although obtaining MFI financing through the LMDF is one of our most visible actions, the granting of loans to MFIs entails a need for advice and support in the medium to long term, which we gladly provide. Here too, developing strong bonds with our partners is essential.



Olivier Massart
Executive Director

Max Meyer
Chairman of the Board

Laura Foschi
Deputy Director

ADA is active in Africa, in Latin America and in South-East Asia. Our partners will tell you this... ADA improves the everyday lives of women and men, by empowering them with the possibility of creating their own revenue-generating activities. Our partners will bear witness to that... ADA strengthens MFIs, the way they are structured, the way they are organised and their autonomy. Our partners will explain that to you... In this report, confirming their trust, our partners share their opinions and their experience

of the work we have undertaken together. This provides us with invaluable feedback and gives us a better idea of our work 's utility and success.

Where these results and opinion are similar to reagents, ADA acts as a catalyst. They help us to focus our projects anew, in Assisting Autonomous Development (French: ADA), in adapting them to other geographical areas and other countries and just simply in improving the service we provide.

Our 2015 Board of Directors

Chairman: Max Meyer

Vice-Chairmen: Rémy Jacob et Philippe-Fitzpatrick Onimus

Administrators: Nicole Dochen, Karin Faber, Elmar Follmann, Gilles Franck, Patrick Losch, Michel Maquil, Henri Marx, Corinne Molitor, Jacques Prost, Bram Schim van der Loeff, Robert Wagener

Administrator since June 2015: Claude Witry



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

Table of Contents

Working together with our partners in the field

page 04



RCPB and micro-leasing

page 05

FUCEC and the Young Entrepreneurs

page 07

PAMF in Ivory Coast

page 09

Building with our strategic partners

page 10



REDCAMIF and housing credit

page 11

Networks in South-East Asia

page 13

Supporting our partners on their journey towards autonomy

page 16



RIM and risk management

page 17



Our training offer

page 19



SAM 2015

page 20

Our financial figures

page 22

Our main projects in 2015

page 24



Sharing knowledge

page 26



For more information about our activity: www.ada-microfinance.org

A man in a checkered shirt is feeding a group of goats in a field. The goats are of various colors, including white, brown, and black. The man is holding a green bucket and pouring feed into it. In the background, there are some buildings and trees under a clear sky.

Working together with our partners in the field



At any moment, our approach is one of partnership. No action is carried out in the field without involving our partners. We see a collaborative relationship as being one of bilateral exchange, which mutually benefits both parties. Know-how is exchanged and expertise is strengthened.

Olivier Massart, ADA's Executive Director

Farmers are equipping themselves thanks to microfinance

ADA has already been working with the Réseau des Caisses Populaires du Burkina Faso (RCPB) for almost 15 years, developing targeted microcredit products together with the microfinance institution. With the goal of increasing farming profitability, we are currently focusing our efforts on a project in micro-leasing, which aims to enable farmers to acquire modern agricultural equipment.

Agriculture accounts for 85% of employment in Burkina Faso and the agricultural sectors contribute 30% to GDP. A number of factors however are constraining farming performance, both at the level of supply and transformation as at that of farm product distribution and financing. Motorised farms only account for 0.01% of the agricultural workforce and so it came as no surprise that RCPB's branches were receiving numerous requests from its members. They expressed a common wish: that of gaining financial access to modern equipment, in order to improve their enterprises' profitability.

Micro-leasing: an innovative service aimed at the farming sector

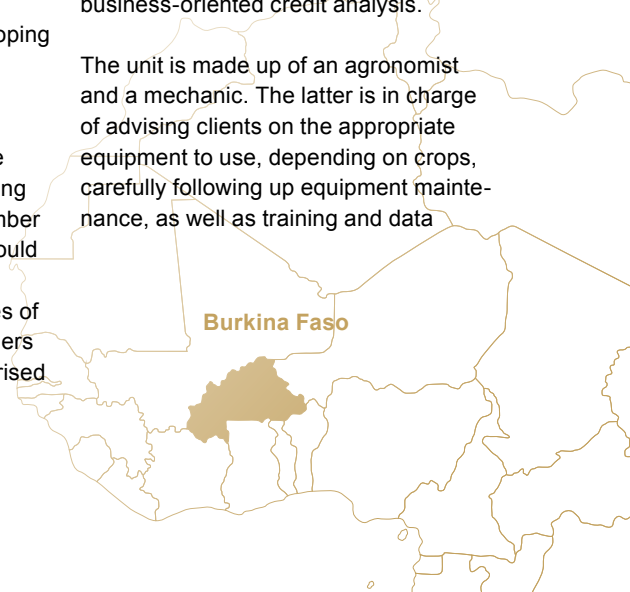
ADA and the RCPB have been developing a micro-leasing product, given this context, which is aimed at farmers who are in need of modernisation and improvements to profitability. The micro-leasing project began by carrying out several studies, from which a number of value chains to be focused upon could be selected (cotton, rice, cereals, pastures), as well as the specific types of equipment that are employed by farmers for the targeted crops (tractors, motorised pumps, small tractors, and multiple-purpose motors, in particular, those

having cotton-gin extensions). The micro-leasing pilot project was rolled out in the area around Diébougou in the south-west of the country and in Bobo-Dioulasso in the west.

"In order to ensure the distribution of micro-leasing, we first had to restructure internally"

Within the RCPB, it rapidly became clear that an entity dedicated to micro-leasing was needed. By setting this up, we could provide the technical and accounting support necessary for our new product. The micro-leasing unit has been placed at the heart of the Bobo-Dioulasso-based Centre Financier aux Entrepreneurs (CFE), which provides support to RCPB's branches, particularly in the form of business-oriented credit analysis.

The unit is made up of an agronomist and a mechanic. The latter is in charge of advising clients on the appropriate equipment to use, depending on crops, carefully following up equipment maintenance, as well as training and data



collection. Analysis of micro-leasing itself is carried out by the CFE's credit agents and the unit is supervised by its CEO. It represents the project's motor as it must ensure coordination between all stakeholders, including the pilot project's treasuries in the field.

The micro-leasing mechanism applied was developed thanks to the technical assistance and tools provided by ADA. As underlined by Mahamoudou Nikiema, who is CFE's CEO in Bobo-Dioulasso, *"looking beyond financial support, ADA brought us its know-how, in order to define the micro-leasing mechanism, but also to put it in place, to monitor and to assess it."* Numerous procedures needed to be written so as to clearly define the conditions under which the micro-leasing product is distributed, be it to define conditions for qualifying and loan duration, or to lay out precisely each of the contract's steps, from signature to equipment delivery.

The maintenance of equipment currently still represents a challenge

Organising maintenance for the equipment made accessible through micro-leasing contracts is one of the project's core success factors. Mahamoudou

Nikiema emphasises how important it is, to teach farmers how to use their new equipment correctly, *"but this may represent a challenge, especially because clients often live in remote areas that are difficult to travel to, and persons receiving training may not be the ones effectively using the equipment."* High-levels of illiteracy in rural areas together with linguistic barriers may also impede the management of essential micro-leasing documents such as the contract, the maintenance log, provisional planning, etc.

"Rural areas are rich in opportunities yet simultaneously strewn with pitfalls"

However many constraints the rural farming sector may face, it has great potential for future development. In order to accompany the response given by micro-leasing to requirements in financing and modernisation, Burkina Faso's farmers also need public sector commitment, in order to ensure that promising agricultural sectors are promoted and that the market develops at a sub-regional level. Combined with good agricultural practice, these different components should enable Burkina Faso to reach its extraordinary agricultural potential.



Our partner: the RCPB

The Réseau des Caisses Populaires du Burkina Faso (RCPB) saw its first savings and credit groups set up in 1972. It is the oldest cooperative savings and credit network in Burkina Faso and it is also one of Africa's oldest cooperatives. Today, RCPB has become Burkina Faso's largest MFI, covering all 45 of the country's provinces. Through its 185 outlets, it serves close to one million clients.

RCPB is our partner MFI in the Young Entrepreneurs project (see: page 07)

Agricultural finance in partnership with the FAO

Thanks to a partnership with the United Nations' Food and Agricultural Organisation (FAO), ADA is extending its expertise in agricultural finance. Our partnership addresses three main themes:

1. French-language training in agricultural finance;
2. Research, in particular through the preparation and dissemination of case-studies;
3. Knowledge management through a platform dedicated to agricultural finance:

www.ruralfinanceandinvestment.org



Main obstacles to agricultural production in Burkina Faso



Irregular weather conditions and low access to water



Soil quality and drop in fertility



Demographic pressure on the land already in use



Costs of equipment and inputs



Informal property rights



High level of illiteracy among farmers

ADA acts as a catalyst of entrepreneurship for young Africans

Africa has the world's youngest population, as close to 200 million Africans are aged between 15 and 24, a figure that is forecast to double by 2045. Despite the extraordinary potential youth has to transform local economies, young people find it difficult to obtain financing, in order to grow their micro-enterprises.



Although they hold promising careers, a number of excuses are given for not financing young persons' activities: their lack of maturity, their lack of guarantees and higher risks. Sylvain Messan Danigie is Head of Analysis, Planning and Projects with the Fautière des Unités Coopératives (FUCEC). He observes that *"the proportion of young people is predominant in Togo's population and a large share of the young are craftspeople, but many find it difficult to set up a shop or a workshop."*

Each year, over 60,000 young people graduate from apprenticeships in artistic professions in Togo

In response to the observations made above, ADA developed a special provision aimed at young persons, which combines financial services (credits and savings) with non-financial services (financial education, advice on enterprise management, follow-ups and coaching). The "Young Entrepreneurs" project was launched in 2011 by RCPB in Burkina

Faso, where microcredit targeting the young is distributed under the name of "Créd'art". Since 2015, we have been providing our support to two further MFIs in their setting up of products dedicated to young users: ASUSU in Niger and FUCEC in Togo. Both of these MFIs aim to be financing 900 micro-enterprises and to have reached out to 1,800 young entrepreneurs by the end of 2016. Sylvain Messan Danigie points out that *"financing young persons and young entrepreneurs in particular, is foreseen by FUCEC Togo's mission statement, which stipulates that: financial services are to be put on offer, that are adapted to Togo's socio-economic categories."*

The exchange workshop held with RCPB Burkina Faso rapidly enabled FUCEC TOGO to design an adapted product

In order to help launch FUCEC's youth product, we organised an exchange visit with the RCPB, so that lessons learned in Burkina Faso could be shared. Kodjovi M. Sogan, in charge of Projects and Programmes with FUCEC, recalls the meeting's major points: *"thanks to RCPB, we immediately recognised it as being necessary to appoint credit agents dedicated to the new products and that they should receive the support of a coordinator who is attached to headquarters. We also understood the need to remain in permanent contact with young borrowers and the need to continue*

offering them training courses until they had acquired autonomy." That is how FUCEC created its new product dedicated to young persons, called "YouthEspoir".

"Working together with ADA gave great support to two of the project's key aspects"

ADA's support to FUCEC took two main forms: financial support, in particular through a guarantee fund, covering a part of the risk of capital losses, and technical support. *"ADA helped us to develop modules for our financial education course as well as for our enterprise management course aimed at young entrepreneurs. We also developed and improved our management and disbursement monitoring tools,"* Sylvain Messan Danigie recalls. Furthermore, ADA financed a large share of the running costs attributed to managing the product, as well as bearing the brunt of the cost of advice and support to young entrepreneurs who have been granted credit.



The YouthEspoir product will continue to grow in the coming years

In order to continue development work on its new product throughout the pilot phase, which is to last until the beginning of 2017, FUCEC continues to draw lessons from the successive deadlocks and improvements that were encountered by Créd'art. *"We have already held the preliminary course, preparing around 200 young persons for disbursement but, with a view to offer young entrepreneurs a full training course, we now need to form partnerships with support structures and professional chambers,"* explains Kodjovi M. Sogan. On the path to attaining YouthEspoir's viability, numerous

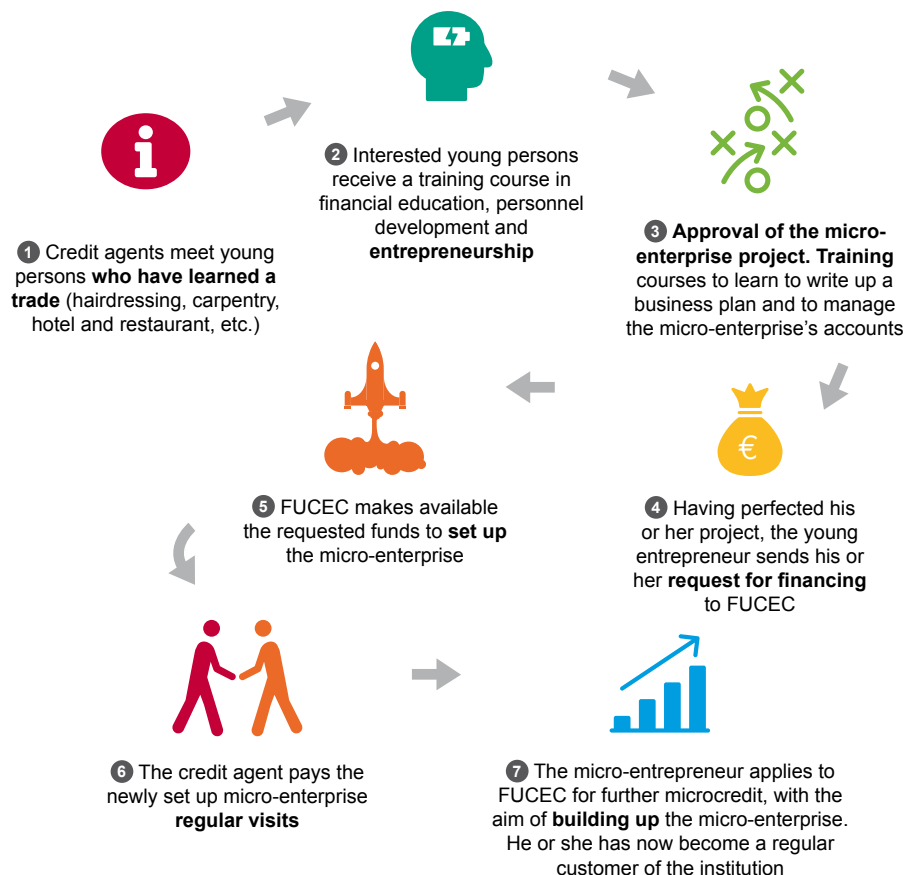
challenges are faced: making the product more attractive to the targeted market, reaching MFI break-even before ADA and the creditors complete their tasks, but also reducing risk by educating both young entrepreneurs and credit agents. Enthusiastic and full of drive, Sylvain Messan Danigue concludes that *"if all goes well with YouthEspoir, we later hope to develop a product for craftspeople of over 36."* His motivation is reinforced by the excellent early results YouthEspoir has been generating. As a matter of fact, within two months, no fewer than 85 young persons had received FUCEC financing, amounting to a total 32 million FCFA (approx. 50,000 euro). To top the icing, FUCEC even reached gender equality in its allocation of credit, as 53 % of young entrepreneurs granted credit were women.

The Rotary Clubs of Luxembourg's on-going commitment

ADA's Young Entrepreneurs project benefits from the Rotary Clubs of Luxembourg's loyal support through their "Espoir 2005" project.



The path followed by a young entrepreneur under FUCEC's guidance



Encouraging results from Créd'art



Since its distribution began in 2011, Créd'art has produced the following encouraging results:

- 1,687 young people have received financing amounting to a total 1 million euro, as well as being given training and on-going support.
- 84% of the micro-enterprises financed in 2008-2009 are still active today.
- 2,300 jobs have been created: those of the micro-entrepreneurs, their apprentices and further actors.

Créd'art shows that a well-managed youth microcredit can be profitable to the MFI, while concretely adding value to society. In 2015, the product was introduced in two further Burkinabé cities: Bobo-Dioulasso and Koudougou.

Our partner: FUCEC

FUCEC-Togo is Togo's largest cooperative savings and credit network with 40 outlets and 107 production sites (Coopec offices, branches and smaller outlets). These are coordinated by the general directorate. As at the end of December 2015, FUCEC-Togo's membership counted 761,151 members and its consolidated assets amounted to FCFA 107 billion (approx. 163 million euro).

By means of a unified network of financial cooperatives, managed in accordance with best practice, FUCEC-Togo's mission is to supply sustainable financial services that contribute to risk reduction, that are profitable and that are accessible to the least-advantaged parts of Togo's population.

"ADA's experience and technical assistance have proved essential"

The Première Agence de Microfinance (PAMF) is an institution managed by the Aga Khan Agency for Microfinance (AKAM) and it is active in three countries: Mali, Burkina Faso and Ivory Coast. In the latter, ADA assisted PAMF in obtaining a 400,000 euro loan from LMDF (Luxembourg Microfinance Development Fund).

Although our relationship with PAMF began only fairly recently, in June 2015, it is already showing promising signs. The partnership was set up and the operation is now developing rapidly. Work may even soon be extended to reach other countries in the geographical sub-region. It must be said that PAMF aims "to rapidly become the main financial partner in rural areas and underprivileged urban zones," explains Olivia Fechner, who is in charge of investments at ADA. These areas are, of course, also of particular interest to ADA. PAMF's Ivory Coast headquarters are located in Bouaké, which is in the poorer northern part of the country, where agriculture is predominant. "ADA is well known in the microfinance industry, for both the financial and non-financial services it provides to MFIs," explains Birame Kané, PAMF's CEO. "Forming a partnership felt natural and our discussions progressed rapidly," he concludes.

"Meeting our clientele's growing needs"

Through its four branches, PAMF Côte d'Ivoire serves the north of the country's cotton-growing area, where it counts some 16,500 clients, spread over an extensive geographical area. In response, PAMF seeks to strengthen its network and is setting up projects for banking via mobile telephone. "In order to meet our clientele's growing needs, we were looking for new sources to add to our credit portfolio", explains Birame Kané. "After meeting ADA, and taking into account its expertise in agricultural financing, we immediately had a good feeling about this partnership," he adds. Given the region's low level of

monetization, PAMF put in place credits taking into account the seasonality of agricultural revenues. The MFI thus enables its borrowers to reimburse their loan capital once their crops are sold. PAMF also finances the revenue-generating activities of farmers' wives, and offers them information sessions on financial education in partnership with other subsidiaries of the Aga Khan network.

A course in risk management

PAMF Côte d'Ivoire aims to be particularly transparent with its clients. Its credits are granted under flexible conditions, and its contracts bear no hidden costs. Given these conditions, "ADA's assistance enables us to build up our capacity and to better suit our clientele's requirements," says Birame Kané. Furthermore, a member of PAMF's management team recently travelled to Luxembourg in order to attend a training course on risk management organised by ADA and

the ATTF (see: page 18). "Both ADA's experience and the technical assistance it offers have been determining factors for us," adds the CEO, also underlining that ADA contributed to a "reduction in exchange-rate risk". In turn, this reduced the cost of borrowing from the LMDF and, as a result, the cost to final clients too.

"ADA, our privileged financial partner"

As its main shareholder, AKAM does not request excessive returns from PAMF Côte d'Ivoire. The MFI endeavours to cover its costs, thus ensuring its long-term viability, while seeking a balance between its financial and social objectives. With those aims in mind, PAMF Côte d'Ivoire developed tools that enable it to measure and improve the social impact it has. Recognising these choices and sharing these values, ADA hopes to increase its support in coming years. It is not surprising to hear Birame Kané clearly state his plan: "We want to make ADA our privileged financial partner".

PAMF Côte d'Ivoire in figures

16,500 clients - 3.6 million euro total credits



€ 433
Average credit size



43 %
Share of borrowers who are women



63 %
Borrowers dwelling in rural areas



58 %
of loans finance agricultural activities



42 %
of loans finance commercial activities

A woman wearing a wide-brimmed hat, a blue long-sleeved shirt, and a colorful floral apron stands in a banana plantation. She is smiling and has her hand on the trunk of a banana tree. The background shows a large greenhouse structure with a translucent covering. The text 'Building with our strategic partners' is overlaid in large white font on the top left of the image.

Building with our strategic partners



ADA and REDCAMIF form a long-term partnership. I greatly appreciate ADA's approach, its transparency in our relationship, its flexibility and its constantly adapting to the environment. Throughout the process of our developing the housing credit product, ADA provided us with essential technical support. We worked together in establishing the methodology, selecting the pilot MFIs, developing development tools, monitoring the project as well as defining the new credit and structuring its distribution in seven countries.

Iván Gutiérrez, Executive Director, REDCAMIF

Credit for a home in Central America and in the Dominican Republic

Since 2012, ADA and REDCAMIF have been leading a project aimed at expanding the outreach of inclusive finance in Central America and the Dominican Republic. One of the project's main pillars consists in developing and promoting innovative financial products, answering the needs expressed by MFI clients locally. That is the case of housing credit, which enables access to a home offering decent living conditions. That means having access to water, to electricity and being connected to the wastewater mains.

Access to a home is a theme that reflects our primary needs well: we have a basic need for security. At the beginning of the project, the diagnosis carried out in the area revealed this clearly: people wish to gain access to a dwelling. Iván Gutiérrez, REDCAMIF's Executive Director, explains that access to housing “can bring about positive personal changes, and feelings of appropriation and belonging, which these poor families may have lost in the past. These improvements usually bring benefits to the entire family.” In this context, we designed an innovative housing-credit product, which is capable of providing answers to the rightfully expressed requests. One should understand housing credit in broader terms than simply access to housing. For the poor, housing is not only where the family lives, and in many cases more than one family, but it is also where production takes place and where products and revenue-generating activities are marketed. Access to housing benefits those granted a credit much more than just walls and a roof do.

A progressive credit product developed to respond to customer needs

The new housing credit was developed to take into account the client needs identified by the diagnosis, as well as by market research and feasibility studies carried out during the project's preliminary phase. As Iván Gutiérrez explains: “this new housing credit's distinctive feature is its progressive nature, as it offers different investment options. It can be used to repair, extend or otherwise improve an existing home, or to build a new one. It can also be used to finance the purchase of land or of an already existing home. The client can also start by saving to finance future housing. In rural areas, the product can be applied to financing the connection to basic utilities such as electricity, fresh and wastewater.”



Including building experts: the key to housing credit success

Housing credit's innovative attributes also reside in the fact that the credit itself is backed up by a technical support service for building matters. A number of teams were set up within the framework of each national network, or directly within the MFI supplying the housing credit. Their purpose is to support clients in their project's technical aspects: choosing which materials to use, whose services to rely on, ascertaining what property rights are, etc. Roberto Ruiz Pineda is the Executive Director of World Relief Honduras, one of the MFIs taking part in the housing credit project. As he describes it: *"technical assistance in building benefits the client, who receives advice concerning construction and budgeting and is thus helped in avoiding costly mistakes. But it also benefits*

the MFIs as, when they finance solid construction projects, they face lower default risk."

Pilot MFIs test the innovative product's distribution

During the course of the project's pilot test phase, the housing-credit product was rolled out by two MFIs in each of the seven countries belonging to the geographical area. At the end of 2015, 14 MFIs were thus paying out their first housing credits. The new product required a lot of adaptation by the pilot MFIs. As Roberto Ruiz Pineda underlines, *"both in our head office and in our branches, we changed our operational structure in order to make the new housing project as real as possible. Dedicated personnel was trained and we all learned the procedures the new credit's distribution relies upon."* Today, the MFIs' efforts are being

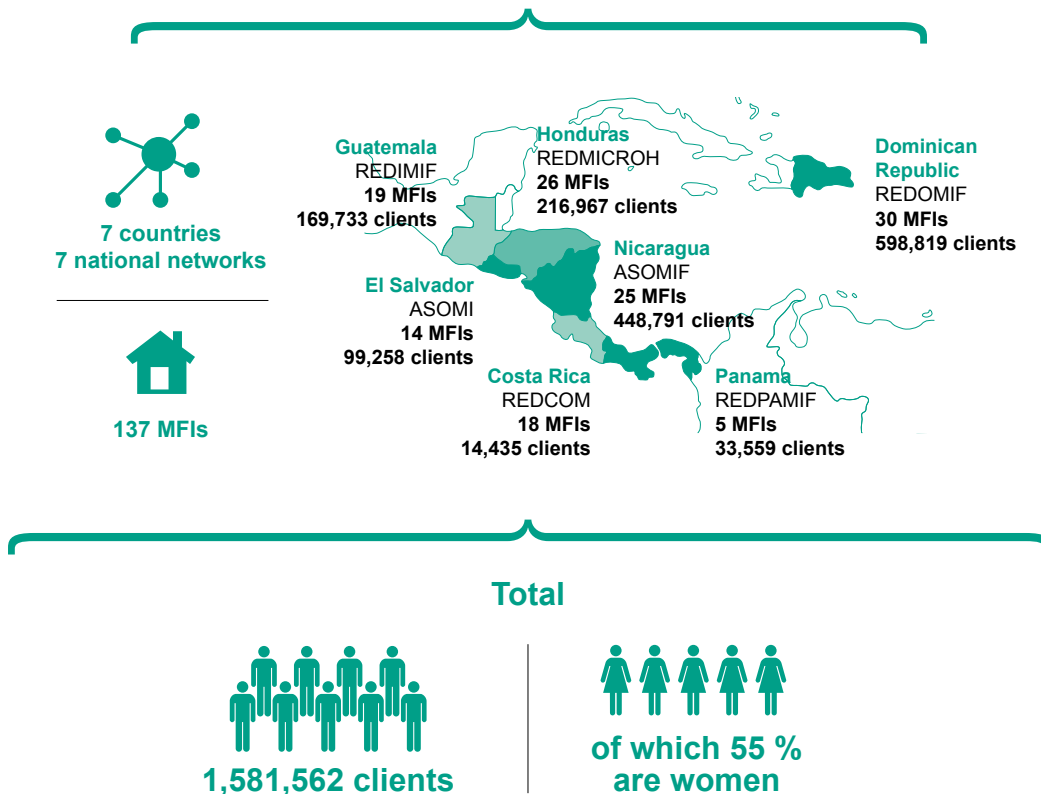
rewarded. World Relief Honduras saw the number of its clients rise strongly as soon as distribution of the housing credit was up and running.

When looking at the 14 MFIs that launched the product, over 140 credits had been granted by end-2015, with a total value of 2.5 million US dollars. The pilot phase is planned to last for two years, and it aims to reach 4,300 clients in the seven countries. This marks a big success for a project we have been managing together with our partner REDCAMIF since 2012! Iván Gutierrez concludes that: *"throughout the process, from the preliminary diagnosis to actually paying out the first housing credits, ADA contributed essential technical support. That was particularly the case in developing the methodology and the development tools, monitoring the project's progress, as well designing the products and structuring technical assistance to building, in each of the countries."*

REDCAMIF: multiplied impact



REDCAMIF is a regional network whose aim is to develop and consolidate the microfinance sector in Central America and the Caribbean. It consists of seven countries' national networks.



Strengthening networks to increase financial inclusion in South-East Asia

By consolidating professional associations in Laos, Cambodia and Vietnam, ADA contributes to making the geographical area's entire sector more professional. Thanks to the stronger and more competent associations, microfinance institutions are able to develop services and products that are better adapted to the needs of low-income populations.

Although they are fairly recent, the professional associations and MFI networks play an essential role in accelerating financial inclusion. By contributing to creating conditions that are favourable to the sector's development, they represent a powerful means of extending financially inclusive products and services. Our project in South-East Asia thus aims to strengthen professional associations in Laos, Cambodia and Vietnam so that, in turn, they may provide efficient support to MFIs. A further aim is to enable the associations to become real spokespeople, capable of promoting the sector before the authorities and other stakeholders.

ADA strengthens professional organisations in three main ways:

1. Support to professionalising the associations

Depending on needs, we strengthen associations' competences through training courses and a tailor-made follow-up schedule. This may involve carrying out audits, providing training in governance, developing the skills of the association's personnel, taking part in strategic development, as well as supporting requests made to the regulators. As underlined by Khanmany

Southammavong, who is a member of the board of the Lao Microfinance Association (LMFA), *"the continuous support ADA has given us helped us to develop a strong and central role in Laos. In particular, the differences between us and the regulators were reduced."*

2. Support in the services offered to member MFIs

By focusing on themes such as risk management, the analysis of financial performance indicators and product development, we encourage the associations to develop their services, thus ensuring that MFI competences are strengthened. In 2015, ADA contributed to designing the Certificate in Microfinance Management (MF MCC), which has become compulsory for all MFI managers in Laos.

Khanmany Southammavong, who is also the executive director of the Lao MFI Patukham, tells us that *"Patukham is a small MFI and we did not have the means to hire experts who could advise us on managing our MFI. Thanks to LMFA, we were able to take the MF MCC course. Its content was very rich and it provided us with tools to improve the way we manage ourselves. Since then, Patukham has been able to reduce its bad debts, while improving its financial analysis skills."*

3. Support to communication between stakeholders and coordinating their actions

We contribute to setting up standardised systems for the monitoring of financial and social indicators, and we promote transparency and the exchange of information. The latter may involve the setting up of research repositories as well as support in writing publications and developing communication materials.

We contribute to the agreement reached between the three professional associations so that they may exchange the lessons learnt all along the support program, capitalise on their experience and develop synergies on common questions. Khanmany Southammavong remembers an exchange meeting with the Cambodian association as being *"a unique opportunity to learn from our neighbours' experience."*



The Lao central bank: a key player in the sector’s development



Dr Akhom Praseuth

The Bank of the Lao People’s Democratic Republic (BOL) plays an essential role in the process of professionalising and consolidating the Lao microfinance sector. The central bank is endowed with the power of organising and regulating the sector so that it may prosper.

We talked to Dr Akhom Praseuth, who heads the BOL department supervising financial institutions.

What is the BOL’s main role in developing the microfinance sector?

The BOL’s role is to define policies, which aim to promote and strengthen microfinance institutions, so that they may be sustainable and protect clients. We supervise the MFIs, checking that they are in compliance with the regulations, by regularly looking into their operations. The BOL furthermore offers training courses, in partnership with a number of other stakeholders, in order to strengthen and improve the proficiency of the sector’s institutions.

What is your work relationship with the national network, LMFA?

The BOL works together closely with the LMFA network, in particular on reinforcing MFI capacities. The MFMCC examination was recently made compulsory for all MFI managers throughout the country. The course was developed by Frankfurt School, in collaboration with ADA and the LMFA network. We supported the latter, in particular in preparing the sections on compliance and internal auditing. We also meet very regularly with the LMFA to exchange experiences and information.

What major progress has the sector made over the course of the last few years?

Numerous regulations for the supervision of MFIs have seen the light of day. The BOL has regularly monitored and verified MFI activities. The MFMCC course has been held twice already and over 40 MFI managers were trained in 2015. This contributes to regulating and professionalising the sector.

Working in collaboration with a GIZ project and a UNCDF program, the BOL also took part in improving conditions when making money transfers with the use of mobile telephones. This represents a major advance for the sector.

Which major challenges does the sector face in coming years?

MFIs in the Lao People’s Democratic Republic are still young in terms of human and financial resources such that, in a near future, we are going to concentrate more on reinforcing their capacities. Strengthening MFIs will ensure that their clients understand the financial aspects of microfinance better and that the MFIs take on more social responsibility.

Our partner: LMFA - Lao Microfinance Association

The Lao professional organisation – Lao Microfinance Association (LMFA) – represents 66 members, of which 48 are MFIs. That is close to 60 % of Lao People’s Democratic Republic’s formal microfinance sector. The member MFIs account for around 170,000 clients, who indirectly benefit from the services the association provides.

Laos

The Lao People’s Democratic Republic has a population of approximately 6.9 million inhabitants living in 18 provinces, of which 63% are in rural areas. Laos has one of South-East Asia’s most dynamic economies. Although still counted as a less-developed country (LDC), Laos has made significant progress in fighting poverty over the course of the last two decades. Its poverty rate fell from 46% in 1992 to 23% in 2015.

- Capital:** Vientiane
 - Poverty rate:** 23%
 - Life expectancy:** 66,2 years
 - Literacy rate of over 15 year olds:** 72.7%
 - Human Development Index:** ranked 141st out of 187 countries
- Source: UNPD - 2015



Our partners

Our partners in the field enable us to act. Yet nothing would be possible without our institutional partners. Thank you to all those who give us their support!



Thank you to all our partners who supported the SAM 2015



Supporting our partners on their journey towards autonomy

A photograph of four women sitting outdoors. They are wearing traditional African clothing, including headwraps and patterned dresses. The background features a yellow tarp and a rustic structure made of wood and mud. The women are smiling and looking towards the camera.

Having identified coaching objectives during the course of a workshop held in Luxembourg, we adopted a structured and realistic approach to risk management. The exercise was a real eye-opener for our management. A roadmap was put in place, setting up a well-structured risk-management system and helping to maintain the organisation on a good course for its development.

Dolores M. Torres, Executive Director, CARD Bank
Philippines

Managing microfinance risk

In order to advance its financial and social objectives, any microfinance institution (MFI) is regularly required to take management decisions that have an impact on the entirety of operations. However, just like financial institutions in the northern hemisphere, MFIs in the south operate in a constantly changing environment, where one must steer a course with prudence in order to avoid the numerous pitfalls that risk represents. Credit risk, financial risk, operational risk... a number of dangers threaten success, which one must learn to counter for our strategic decisions to be enlightened ones.



The existence of efficient risk management is a decisive factor for an MFI's viability. Managing risk positively contributes to the institution's overall financial health, by stabilising it and by making it more resilient to the shocks and difficulties an often harsh environment imposes. Managing MFI risk protects the client too. It increases an MFI's market credibility and generates new growth opportunities when applied correctly. Unfortunately, it is not yet fully understood how important risk management is and the central role it should play within the MFI.

Experts collaborate to promote risk management

Given this situation, ADA and its partners – Calmeadow, Center for Financial Inclusion - Accion, MEDA, Solutions

MFJ, Microfinanza, Oikocredit and Triple Jump – pooled their expertise, to set up the Risk Management Initiative in Microfinance (RIM). This new platform is dedicated to promoting and teaching best practice in microfinance risk management. As Kevin Fryatt, RIM's Director, explains: *"The main goal of the RIM is to change the approach to risk management and its central driving question from "what is risk management and how do you do it?" to "why is risk management important for my organisation and clients?"*"

With this goal in mind, RIM designed a risk management tool, which is based on current good practice in risk management and which complies with the Basel regulation as applied to microfinance. Based on RIM's Risk Management Graduation Model (RMGM), the tool offers MFIs a roadmap to follow with a view to improving their risk management.





The RMGM, an adapted and evolving tool

The objective of using the RMGM as a framework is to enable MFIs to properly evaluate their shortcomings in terms of risk management by comparing their procedures to good practice in microfinance, then applying those measurements to developing a strategic plan, to improve the MFI's risk management.

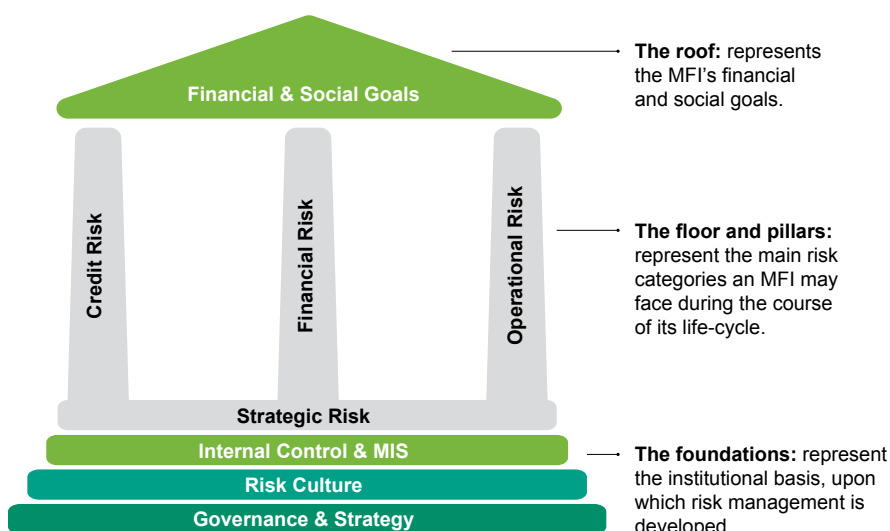
ADA recently carried out an assessment mission applying the tool to an MFI in Benin. The process resulted in a number of specific recommendations, on the basis of which the organisation will be able to develop its strength and improve its governance.

The RMGM adapts to the MFI's nature: the good practice and monitoring tools it offers take into account the MFI's size, its complexity and its structure, as well as its economic objectives and its risk profile. For example, risk exposure differs between an MFI that collects savings and one that solely offers credit.

Based on the principle that risks grow more complex as an MFI grows and develops, the RMGM's functionalities also evolve, with risk management following in its depth and complexity. The RMGM tool follows changes to each of the main risk components. In order to illustrate the process, the components are represented as together forming the components of a house, the "Risk Management House", which shows the main elements of an appropriate risk management system, their functions and their interdependence.

The RMGM tool has already been tested in 14 countries throughout the world. It is downloadable free of charge and it is adaptable to any legal and operational framework. According to Kevin Fryatt, this availability "reduces the rift between those who can afford consulting fees for risk management and those who cannot. The RMGM enables individuals and institutions to undertake risk management, with best practice in their reach." Everyone is welcome to download the free Risk Management Graduation Model (RMGM) tool from RIM's website: www.riminitiative.org

La maison de la gestion des risques



Risk management together with REDCAMIF



Within the framework of our joint project with REDCAMIF, and based on RIM's methodology, we carried out a study of risk management needs in Central America, where 16 MFIs were assessed. The conclusions recommend the implementation of a number of measures for the improvement of risk management within those MFIs.

Our partner: ATTF - Agence de Transfert de Technologie Financière



Since 2008, ADA and the ATTF have jointly organised a seminar in Luxembourg on excellence in risk management. Its aim is to enable MFI directors to train and develop their skills for a week, following which they are provided with the technical support of a Luxembourgish risk manager in a North-South coaching relationship which lasts one year. At the end of this period, the beneficiary MFIs present the results of how their risk management has improved during the course of the support process.

ADA 3T: 3 ways of professionalising MFIs

Inclusive finance is a strong growth sector requiring ever more specialised skills. Training and reinforcing the competencies of microfinance executives is therefore essential, especially in order to increase their autonomy. This is one of ADA’s key values.

ADA 3T brings together ADA’s professionalisation services, taking the form of tools, training courses and technical support for microfinance institutions and professional organisations. The goal is to assist the institutions in developing the services they offer, improving their daily management and maximising their financial and social performance.



Two training courses are delivered every week throughout the world

In countries of the southern hemisphere, requirements are so big that ADA can only reach a limited number of actors. That is why we have developed a provision, which trainers then pass on. In order to multiply the impact our training courses have, the aim is to transfer knowledge and to develop skills at a local level.

Approximately 100 training courses were thus delivered by ADA collaborators in 2015, or by trainers who had been trained by ADA in Africa, Latin America and South-East Asia, as well as in the MENA region. Together, these courses amounted to a total of 350 days and they reached 1,500 participants.

ADA 3T is based on four key themes:

	Financial and Social Performance	Risk Management	Governance and Transparency	Product Diversification
Tools	<ul style="list-style-type: none"> - Microfact microfinance - MicroVision - SPI4 	<ul style="list-style-type: none"> - RMGM - Risk evaluation (RIM Initiative, see page: 17) 	<ul style="list-style-type: none"> - Self-assessment and benchmarking 	<ul style="list-style-type: none"> - Microfact Microinsurance
Training	<ul style="list-style-type: none"> - Microfact - Performance indicators - SIMFI - Microfinance simulation game - Financial analysis - Accounting 	<ul style="list-style-type: none"> - SIMFI – Risk management simulation game - Risk management 	<ul style="list-style-type: none"> - MFI Governance - MFI Transparency 	<ul style="list-style-type: none"> - Microfact - Micro-insurance - Developing new products - Agricultural finance
Technical Assistance	<ul style="list-style-type: none"> - SPI4 Social audit 	<ul style="list-style-type: none"> - Risk management excellence + Coaching 	<p><i>under development</i></p>	<ul style="list-style-type: none"> - KPI Micro-insurance audit

SAM 2015, a flagship event for microfinance in Africa

The Second edition of the Semaine Africaine de la Microfinance (SAM) was held in Dakar, Senegal, on 29 June 2015, bringing together over 500 participants around the theme of “*Innovating to Accelerate Rural Finance in Africa*”. The conference’s debates and discussion rounds focused on innovative solutions to accelerating rural finance in Africa, as well as on the challenges presented by rural exodus, food production and distribution, climate change and environmental protection.

SAM 2015 also welcomed the 7th edition of the Microfinance Investors’ Fair, which is organised by AMT. The Innovation Fair was held for the first time and focused upon new-technology suppliers actively serving financial inclusion and African rural development. Furthermore, PhD students, researchers and international experts were invited to take part in the *Research Meets Africa* colloquium, which was jointly organised by ADA and Positive Planet. The UMM colloquium was held on the theme of “*Promoting innovation research to accelerate financial inclusion in rural Africa*”.

The SAM 2015 was organised by ADA at the request of the African networks AMT,



AFMIN, AFRACA and MAIN. It benefited from the support of the governments of the Grand-Duchy of Luxembourg and Senegal.

Please visit the SAM website to download the SAM 2015 Report and the speakers’ presentations:

www.microfinance-afrique.org

The Semaine Africaine de la Microfinance



The Semaine Africaine de la Microfinance (SAM) brings together stakeholders from throughout the microfinance industry: investors, MFIs, researchers, banks, networks, governments, etc. SAM’s goal is to offer a robust platform encouraging exchanges and debates, thus contributing to the efforts to accelerate financial inclusion and to boost the African continent’s economic growth.

It would be great to see you in 2017!



The SAM is an ideal framework for exchanging experience. To the continent’s stakeholders, the venue represents an opportunity for giving and exchanging. I hope that the SAM will give long-term support to bringing African networks together, be it in the search for financing, organising training courses, sharing the costs of some services, etc. I encourage all stakeholders

to take part in the next SAM so that it may become a powerful instrument playing its part in the grand orchestra of economic development and the fight against financial exclusion in Africa.

Mohamed Attanda, Executive Director of the MAIN network





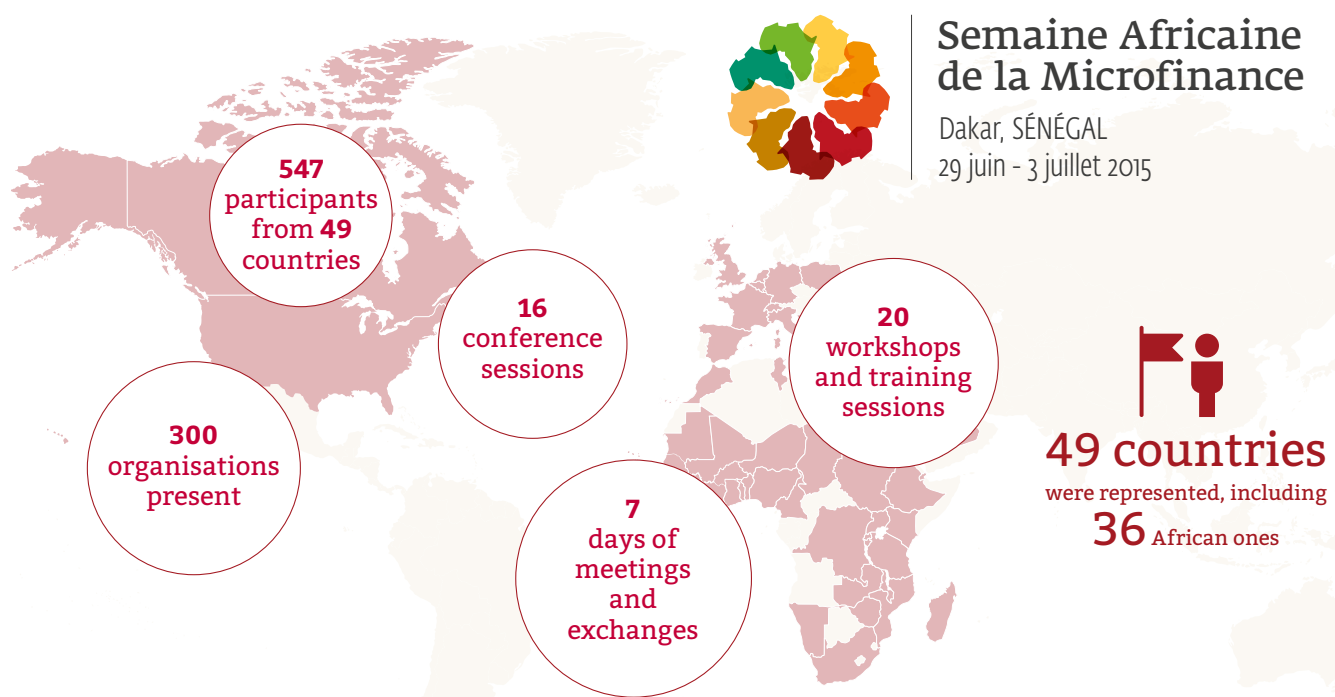
From left to right: Ousmane THIONGANE, AFMIN President; Luca LAZZAROLI, CEO and Deputy Chief of Operations, EIB; Romain SCHNEIDER, Minister for Development Cooperation and Humanitarian Affairs, Luxembourg; Moustapha DIOP, Delegate Minister, Ministry of Women, Family and Children, responsible for microfinance and the solidarity based economy, Senegal; Eugène SERUFULLI, Minister of Rural Development of the Democratic Republic of Congo; Khady DIOR NDIAYE, CEO of Citibank Senegal; Lamine GUEYE, President of APSFD Senegal.



The first edition of the Innovation Fair



The 7th AMT Microfinance Investor's Fair



Semaine Africaine de la Microfinance

Dakar, SÉNÉGAL
29 juin - 3 juillet 2015



49 countries
were represented, including
36 African ones

Balance (EUR)

Assets as at 31/12/2015

	12/31/2015	12/31/2014
Fixed assets		
Intangible fixed assets	20 595	-
Tangible fixed assets	657 398	775 582
Financial fixed assets	1 439 195	1 430 049
Total fixed assets	2 117 188	2 205 631
Current assets		
Receivables associated with management of programmes	567 808	292 974
Other receivables	13 622	62 164
Cash and current account balances, petty cash	848 581	1 054 392
Total current assets	1 430 011	1 409 530
Prepaid expenses	285 708	112 710
Total assets	3 832 907	3 727 871

Liabilities as at 31/12/2015

	12/31/2015	12/31/2014
Equity		
Association funds	449 906	449 906
Reserve for outstanding projects	384 623	384 623
Carryforwards	-100 194	188 652
Surplus (deficit) for the year	354 528	-288 846
Correction of accounting loss 2014	286 618	-
Profit/(loss) economic for the year	67 910	-288 846
Historical fund for investment	1 201 229	1 201 229
Capital gain / loss on investments (since 2010)	13 918	4 772
Total funds and reserves	2 304 010	1 940 336
Payables – credit institutions	620 353	455 405
Provisions for contingencies, charges and litigation	88 030	49 855
Dedicated funds	275 316	586 675
Payables - suppliers	304 793	549 615
Tax owed and payables – Social Security	31 758	72 868
Prepaid income	208 647	73 117
Total liabilities	3 832 907	3 727 871

ADA's accounts are audited by PricewaterhouseCoopers.

The report of ADA's 2014 audited accounts is available at www.ada-microfinance.org.

Operating account (EUR)

Operating account as at 31/12/2015

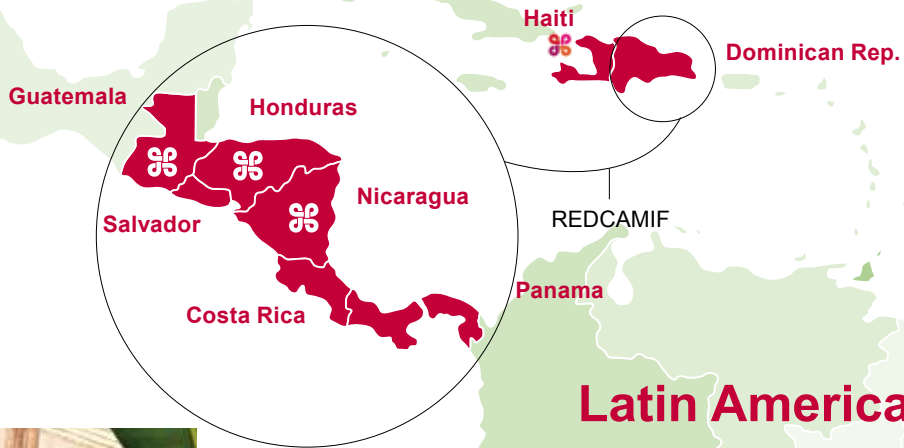
	2015	2014
Dedicated funds / Funds carried over from previous year	300 057	3 605 582
Financing from Luxembourg Ministry of Foreign Affairs	6 503 847	3 517 368
Financing from international public partners	322 671	409 571
Contributions and donations	188 028	54 517
Provision of services income	596 841	297 951
Other operating income	94 553	130 496
Reversals of value adjustments, of provisions	47 651	54 233
Operating income	8 053 647	8 069 717
Stationery and consumables	60 258	68 345
Operating expenses associated with development activities	1 937 979	2 527 468
Support for development and other grants paid out	2 469 770	2 632 876
Other operating expenses	518 760	545 372
Taxes and similar levies	-	-
Staff expenses	2 620 659	2 346 933
Depreciation and amortisation and value adjustments	142 240	142 523
Outstanding commitments of funds received	275 316	51 567
Operating expenses	8 024 982	8 315 084
Operating balance	28 665	-245 367
Financial income	8 679	4 035
Financial expenses	11 422	12 358
Financial profit/(loss)	-2 743	-8 323
Operating profit/(loss)	25 923	-253 690
Extraordinary income	198 034	813
Correction of accounting loss 2014	286 618	
Other extraordinary income	198 034	
Extraordinary expenses	156 045	35 969
Extraordinary profit/(loss)	41 989	-35 156
Economic profit/(loss) for the year	67 911	
Correction of accounting loss 2014	286 618	
Profit/(loss) for the year	354 529	-288 846

Our main projects in 2015

In 2015, ADA organised more than **100 training courses** around the world.



 Investments by LMDF, advised by ADA, in 2015.
In 2015, advised by ADA, the LMDF invested a total of 6.4 million euro in 10 southern hemisphere countries. As at end-2015, ADA managed a portfolio of investments in 35 MFIs located in 17 countries of Asia, Africa and Latin America, having a total value of 17.3 million euro.



South-East Asia



The “Midis de la Microfinance” in Luxembourg

The “*Midis de la microfinance et de l’inclusion financière*” are conferences that are held during the lunch break in Luxembourg. Their aim is to increase public awareness of what is at stake and to provide information on the latest developments in inclusive finance. The 30th Midi addressed the difficulties caused by the recent outbreak of Ebola.

Ebola: what impact for microfinance? The concrete case of Crédit Rural de Guinée

Aboubacar-Demba Sankhon and Lamarana Sadio Diallo, the Director General and the President of the Crédit Rural de Guinée (CRG) MFI, came to speak about of the impact the epidemic has had on Guinea’s main microfinance institution. When the Ebola outbreak hit West Africa, the CRG incurred large losses in human and financial terms. Nevertheless, it continued to work and provide its services to the population. Special measures were put in place to protect its personnel from infection.



Following its visit to Luxembourg, the CRG took part in the 6th European Microfinance Award, which was held by the European Microfinance Platform (e-MFP), a few months later. With great joy, the CRG received a well-deserved award. According to Lamarana Sadio Diallo, this “*will make it possible to strengthen the membership and the structure itself*”.

The Midis in figures

Since the meetings were first launched in 2006, **33** Midis have been held with **47** participants from around the world and **28** associates. The Midis de la Microfinance are organised by ADA, in partnership with the Banque de Luxembourg and they receive the support of the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs, as well as, since 2014, InFINE.lu.



Register for free to attend the next Midi: www.ada-microfinance.org/en/events

The Passerelles publication



Further to its launch in October 2014, within the framework of ADA’s twentieth anniversary celebrations, Passerelles was published twice in 2015. Both issues had the same aim: to disseminate selected results of research and development in inclusive finance, and to establish a concrete link with the field of action. The first issue, named *Climate Change and Microfinance*, was published in April 2015. The second issue was published in October, covering the theme of *Regulating to Innovate in Microfinance*.

In 2015, ADA’s Annual Symposium was organised around the same theme: “*Does regulation hinder or rather contribute to accelerating inclusive finance?*” It received the support of the Faculty of Law, Economics and Finance of Luxembourg University and of the European Investment Bank Institute.



Subscribe on our website to receive the next issue of Passerelles in your mailbox: www.ada-microfinance.org/en/media-library

Please support our action by making a donation!



We develop specific and innovative microfinance products that have a positive impact on the lives of thousands of people. Making a donation to ADA means enabling us to carry out an increasing number of microfinance projects together with our partner MFIs, serving the poor.



Please transfer your gift to our bank account: IBAN LU35 0021 2024 3606 1200 or via our internet website www.ada-microfinance.lu. You will be sent a tax receipt by post.

Thank you for your contributions!

ADA is a registered member of "Don en confiance".

Take part in our association's activities by becoming a member of ADA!



Being a member means taking part in our association's activities. It means sharing one's skills, giving one's advice and especially meeting other members who are just as passionate as you are, as well as people who are engaged in the fight against financial exclusion.

How to become a member

To find out more, please visit our website www.ada-microfinance.lu or call us: +352 45 68 68 1.

Membership is subject to the approval of ADA's board. The annual membership fee is 50 euro.

Thank you for your engagement!

Photo credits:

Marina Abboud: page 06
 Blitz/L. Antonelli: page 18
 Babacar Cissé: pages 20 and 21
 Luc Deflorenne: pages 02 and 26
 Andrés Lejona/ADA: cover and pages 04, 05, 07, 08, 10, 11, 16, 17 and 27
 Rotary/ADA: page 13
 Felix Sorger/ADA: page 18
 UNCDF/MAFIPP: page 14



Publisher

ADA asbl
39 rue Glesener
L-1631 Luxembourg
Tel: +352 45 68 68 1
Fax: +352 45 68 68 68
www.ada-microfinance.org

RCS Luxembourg F 199
CCPL IBAN LU64 1111 1189 2705 0000

Copyright: ADA, May 2016

This publication was produced by Cropmark
and printed by Weprint on recycled paper.

Follow ADA 

You
 **ADA Inclusive Finance**

