

INCREASING OUR IMPACT

ACTIVITY
REPORT
2017



Appui au Développement Autonome

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On 4 January 2018, Romain Schneider, the Minister for Cooperation and Humanitarian Action, signed the new mandate binding the Directorate for Development Cooperation and Humanitarian Action and ADA. The mandate covers a four-year period from 2018 to 2021 and is the third of its kind since 2007. This renewal of confidence both honours and commits us.

We are honoured because we consider this mandate to be a form of recognition. It is a recognition of our many successes in the field, the relevance of our choices, the impact of our efforts to reduce poverty. Under the terms of this mandate, ADA works not only with

the ministry and thanks to the ministry, but also for the ministry. It is a rare privilege to be able to use and share Luxembourg's financial expertise and to be able to place this exceptional range of know-how at the service of the countries in the south.

This new mandate also imposes certain commitments upon us. Indeed, most of ADA's budget comes from the ministry or, to be more accurate, from the Directorate for Development Cooperation and Humanitarian Action. This means that we need to be even more demanding in our work missions, our vision, our values, in other words in our strategy and our actions. This mandate is reflected in our 2018 – 2021 operational development plan. It will be achieved, particularly, by reinforcing our impact on the populations we serve, on our final beneficiaries, and also on our partners, MFIs, professional associations and governments.

This requires ADA to assess the impact of its actions both clearly and objectively, not only to measure and analyse them more accurately, but also to increase them. Looking beyond the concept of quantitative evaluation, we must improve from now onwards our ability to perceive, know and measure our effectiveness in the fight against poverty.

So, we are inviting you to discover our impact by reading this activity report. Our impact in 2017 on the daily lives of people, MFIs and the organisations we support, on financial inclusion in the countries where we operate. Through these case studies and stories, we will convey the sense of our actions that change lives and have real impact.

Max Meyer (Chairman of the Board)
& **Olivier Massart** (Executive Director of ADA)



On 1 June 2018, Laura Foschi succeeded Olivier Massart as Executive Director. On 28 June 2018, Corinne Molitor took over the presidency of ADA from Max Meyer.

On 5 July 2017, ADA was honoured to welcome Her Royal Highness the Grand Duchess, who attended the 40th Midi de la microfinance on women's entrepreneurship in Africa.

From left to right: Pierre Ahlborn (Director of the Banque de Luxembourg); HRH the Grand Duchess of Luxembourg; Olivier Massart (Executive Director of ADA). From behind: Mr Romain Schneider (Minister for Development Cooperation and Humanitarian Affairs).

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The figures shown in this report are those achieved as of 31 December 2017.

IMPACT ON SMALL FARMERS

ADA SHARES ITS EXPERTISE ON AGRICULTURAL FINANCE

Whilst sub-Saharan Africa has made considerable progress in the fight against famine over the last ten years, according to the FAO the tendency has reversed since 2016. The main reasons for this are the unfavourable weather conditions which have led to poor harvests and the loss of livestock which, as a consequence, has disrupted agriculture and production systems.

ADA ACTS AS A COACH IN THE FIELD OF AGRICULTURAL FINANCE

Due to their proximity to their customers, MFIs are well acquainted with the rural population and its particularities. Whilst some of them have been able to develop products adapted to the local needs of the farmers, others continue to struggle to offer services responding specifically to these demands, both because of a lack of knowledge and know-how and also due to the risks involved in doing so.

That is why ADA implemented a coaching support project in agricultural finance in 2017 aimed at supporting MFIs in the design of agricultural finance services which respond to the needs expressed by their customers. The project was developed in two stages.

PROVIDING KNOWLEDGE

ADA considers training to be a key factor in the empowerment process of its partner institutions in the field. The coaching support project therefore started with a training workshop on agricultural finance, which was based on modules initially developed by the



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

FAO and adapted by ADA to the context of French-speaking sub-Saharan Africa. The training was held in Abidjan from 7 to 11 August 2017 and was attended by 18 volunteer participants from 15 different MFIs from Benin, Burkina Faso, Côte d'Ivoire, Togo and the Democratic Republic of the Congo.

Over the course of five days, the training session provided the participants with the theoretical knowledge required to design, develop and market agricultural finance products in an innovative and profitable way, but also limiting the risks. The challenge is not only to master the process of developing the product, but also to establish strategic alliances with the different stakeholders involved throughout the product's value chain, so as to be able to share out the risk among the various actors.

The theoretical work was further enriched by the exchange and sharing of experiences amongst the participants.

DEFINITION OF AN ACTION PLAN

At the end of the first training course, the institutions involved were invited to apply to the one-year coaching support project, renewable at the end of the first year.

"In this project, all of the coaches are experts in agricultural finance in the sub-region who were especially selected and made aware of the coaching methodology by a professional coach who provided them with support during a planning workshop and also provided them with remote support", adds Léa Merino, the project coordinator for ADA. "The coaching enables the managers of the MFIs to benefit from the support of someone from outside the institution who listens to them, questions what they are doing, helps them to take a step back and to identify the avenues they had not thought of. This also provides them with an opportunity to take an overall look at their current strategy and to identify some areas for improvement. The coach is not there to tell the managers what they should be doing or to do their job for them."

With the support of their coaching expert in agricultural finance, each MFI is required to design an action plan to meet the objectives it has itself set. ADA is making available a fund of up to 30,000 EUR to support the MFI in the implementation of this plan, which should enable it to co-finance certain activities included in the plan.

Of the 15 MFIs which took part in the training in Abidjan, 13 applied to the coaching support project and five were chosen by ADA to benefit from this support:

ACFB in Benin, ACFIME and GRAINE-SARL in Burkina Faso, FUCEC in Togo and PAIDEK SA in the Democratic Republic of the Congo.

The managing directors of the five selected MFIs, together with their operations manager or assistant manager, attended a planning workshop in Lomé at the end of September 2017. The aim of this workshop was to intro-

duce the coaching concept and methodology to enable these managers to put forward a preliminary version of their action plan thanks to the support of their dedicated coach.

FIRST RESULTS: APPROVAL OF THE ACTION PLAN AND LAUNCHING OF THE ACTIVITIES

The action plan of these institutions received a final approval at the beginning of December 2017 and the first actions started in the institutions during the last quarter of 2017. The five partners will be able to implement their action plan during 2018.

THE BENEFICIARIES OF THE COACHING ATTEST

“I had always used the terms coach and consultant without making any difference between the two. Now I have changed my mind”

Rémy Mitima
Managing Director of PAIDEK SA

“We had to talk about just about everything, to discover ourselves. The expert asked questions relentlessly, without ever giving up”

Gaston Assagwe
Managing Director of ACFIME

“I had the impression that I was discovering something new in terms of tools. In one week, we achieved unbelievable results. It is a really powerful tool”

Moussa Tassebedo
Coach of ACFB

“The approach is unnerving, there are so many questions. But this makes us think, to explain our position, to find our own solutions. It is positive. We have a lot to do but the coach helps us challenge ourselves and to respond to certain questions. We are not alone, we discover things and we retain what we learn. It is new and it is really good”

Gaston Assagwe
Managing Director of ACFIME in Burkina Faso, after several months of remote coaching and a field visit by his coach



“The coach must guide the coachee and help him to structure his ideas, sometimes to clarify them. The coachee is an actor of change, so the coach must be careful not to impose his way of doing things.”

Gauthier Malnoury
ADA project officer and coach to FUCEC in Togo



First training workshop on agricultural finance held in Abidjan from 7 to 11 August 2017, led by Gauthier Malnoury

IN 2018

THE COACHING SUPPORT IN AGRICULTURAL FINANCE PROJECT WILL BE CARRIED OUT IN SOUTHEAST ASIA

In parallel to the project launched in Africa, a second project was developed in Laos with three MFIs. The aim is exactly the same, namely to provide support to the management of the MFIs through local coaches and a technical assistance fund to develop or to improve financial products aimed at farmers.



REDCAMIF: A LEVERAGE EFFECT ON HOUSING CONDITIONS

ADA and REDCAMIF provide technical and financial support to MFIs based in Central America and the Dominican Republic to enable them to offer innovative solutions to the most disadvantaged people, thereby improving their living conditions.

REDCAMIF, ADA'S LONGSTANDING PARTNER

REDCAMIF groups together the national networks of seven countries (Guatemala, Honduras, Dominican Republic, El Salvador, Nicaragua, Costa Rica and Panama), representing a total of 141 MFIs serving more than 1.8 million owners of microenterprises, 59% of whom are women. The ADA-REDCAMIF project implemented between 2012 and 2017 was designed to promote financial inclusion in the region through three components:

1. Capacity building for the MFI members of national networks to make them more autonomous in their financing processes for micro and small enterprises, as well as for small farms. This capacity building took place at two levels: reinforcing **risk management** and **governance**, through the provision of technical assistance services, training and coaching; reinforcing **transparency** and **social performance**, through assessments, training and the dissemination of data.

Over the course of the five and a half years of the project, technical assistance was provided 143 times to support 98 MFIs.

2. Development of inclusive finance products and services: in 2014, a preliminary assessment of the needs of the clients of the MFI members of the national networks made it possible to highlight the needs related to **rural financing and housing**. ADA and REDCAMIF then carried out market and feasibility studies to enable them to design products meeting the needs identified in these two areas.

3. Knowledge management, in addition to support for pilot projects, through regional meetings with the member MFIs on the topics of risk management, coaching and leadership, internal controls, rural finance and

green credit. These meetings also made it possible to capitalise on the experiences gained around these topics.

FOCUS ON THE DEVELOPMENT OF INCLUSIVE FINANCE PRODUCTS AND SERVICES (IFS)

In 2015, following the assessment of the needs and the design of products in the fields of rural financing and housing, the project provided support to 32 MFIs to help them develop appropriate financial services.



“Before working with Pana-Pana I had a small business. I did not have any shelving to display my products and so I was working like a street vendor. I now have my own premises and have sufficient materials.”

Alejandra Becker Molina
Pana-Pana client in Nicaragua



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

MICROFINANCE IN RURAL AREAS

Four rural financing products were proposed by 15 MFIs: green credit, credit to improve energy efficiency, credit for women entrepreneurs and micro-leasing.

Through the 15 MFIs, a total of 2,794 clients benefitted from these products according to their needs and USD 2,8 million were disbursed in credits.



“Since working with Pana-Pana we have changed our way of life. Pana-Pana’s support has enabled us to have a new home and to look after our family.”

Freddy Webster
Pana-Pana client in Nicaragua

FINANCING FOR HOUSING

Five products to fund housing-related products were proposed by 17 MFIs: housing improvement credit comprising two options (gradual improvement of housing or its comprehensive improvement), water sanitation, home purchase, purchase and legalisation of land ownership and house construction.

Through the 17 MFIs, a total of 5,538 clients benefitted from these products according to their needs and USD 14,1 million were disbursed in credits.

THE HOUSING IMPROVEMENT CREDIT PROVED TO BE VERY POPULAR!

Of the five products made available by the 17 MFIs, housing improvement credit was chosen by 92% of the clients. The advantage of this product is that it offers two options:

- comprehensive improvement, which is aimed at clients who have a high payment capacity enabling them to use a single credit to renew their home entirely;
- gradual improvement, a solution which entails less risk, since it enables clients who have a more limited payment capacity to invest occasionally in small-scale renovations, thereby protecting them from a possible over-indebtedness.

THE EXAMPLE OF PANA-PANA IN NICARAGUA

The Pana-Pana MFI in Nicaragua has benefited from an IFS implementation project in the field of housing. The MFI, which is also financed by LMDF, is a member of the ASOMIF (Asociación Nicaragüense de Instituciones de Microfinanzas) (Nicaragua’s Association of Microfinance Institutions) regional network, which groups 27 MFIs and approximately 549,469 clients. Located in a rural area in the Puerto Cabezas region, Pana-Pana serves a primarily indigenous population and has 2,687 clients (69% are women). Through the RED-CAMIF project, the MFI tested the distribution of two products between May 2015 and December 2016: the housing improvement credit and its two options (gradual or comprehensive improvement), as well as the water sanitation credit.

ATTRACTIVE HOUSING PRODUCTS

The pilot project fulfilled its commitments for the most part. A total of 415 credits were granted over the lifetime of the project. Half of the credits were related to water sanitation. Lucila Law, the Director of Pana-Pana, believes that *“this service contributes to provide clean water to the population to improve their quality of life”*.

As part of the process related to the housing improvement credit, the MFI also benefitted from construction-related technical assistance to ensure the quality of the building work and the installations.

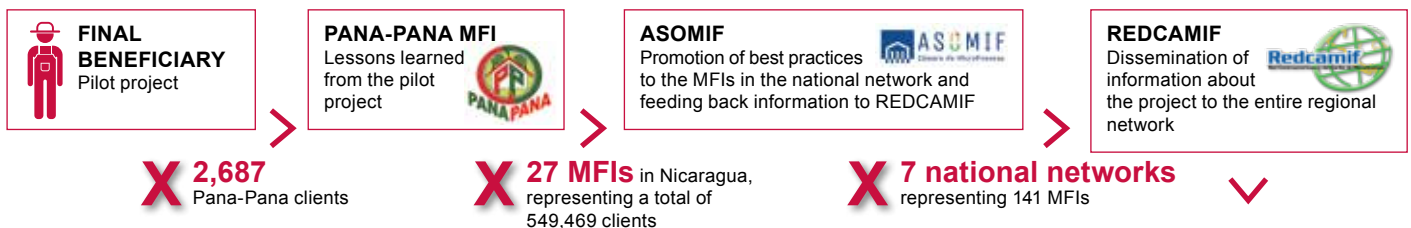


“I took out a water sanitation credit of 37,000 Cordoba and this has significantly improved my housing.”*

Jorge Stefan Patterson
Beneficiary of the housing improvement credit provided by Pana-Pana in Nicaragua

*Less than USD 1,200

AN INCREASED IMPACT THANKS TO NETWORKING



In total, 1.8 million clients benefit from the project ADA-REDCAMIF

SOCIAL IMPACT

ADA FINANCES MFIS WITH STRONG SOCIAL PERFORMANCE

ADA advises Luxembourg Microfinance and Development Fund (LMDF), a fund which invests in microfinance institutions (MFIs) having clearly set social goals.

A MFI WITH A STRONG SOCIAL PERFORMANCE: IDH IN HONDURAS

Through LMDF, ADA lent close to USD 750,000 in IDH in Honduras in September 2017 for a four-year period. IDH stands out by the introduction of a particularly efficient tool to manage social performance.

In terms of its staff, the MFI has a retention rate of 82%, which can be explained, partly, by a respectful working environment, a decent level of remuneration based on a fair salary structure, an annual 3% salary increase for

everyone, as well as other benefits for the employees and their families (private medical insurance, educational grants for children, etc.). Bonuses are also paid to employees who achieve their monthly targets and an internal satisfaction survey is organised each year. Priority is given to promotion from within the MFI and all employees benefit from an annual training plan.

The highly qualified members of staff are at the service of the MFI's clients, are quick to process loan applications and are well versed in financial education. The specialised credit officers also provide coaching services to their client SMEs. IDH has set up a simple and efficient system to deal with complaints through the introduction of free hotlines and suggestion boxes in the agencies. The complaints are followed up rigorously by the supervisory authority. The social data of each client is collected systematically and social reports are examined on a monthly basis by the management

and the Board, which has established 27 social performance indicators.

IDH is also highly transparent and achieves this by publishing its rates on its website and by making flyers, brochures, etc. detailing the costs and terms and conditions of all of its products available in its agencies. It also has an employee whose sole task is to provide customer support.

ADA'S MISSION: TO ENCOURAGE MFIS TO HAVE A GREATER SOCIAL IMPACT TO OBTAIN FUNDING

ADA and LMDF finance MFIs having the best social performance, in other words the MFIs which have the highest potential to help the most disadvantaged people. To this end, they encourage the MFIs to spare no effort in becoming socially performing institutions, since they are aware of what this is all about: to obtain funding for the development of their activities and to achieve their social goals.



“During the due diligence process, aside from analysing the social performance of the MFIs, we systematically perform an audit with the help of the SPI4 Alinus tool to assess the social performance of the MFI. We visit various branches of the institution to check whether the procedures are being applied as they should and the clients are being treated the right way. Finally, we talk to the MFI about their technical assistance requirements and put them in contact with ADA’s dedicated team.”

Saad Menjour
ADA investment officer in Southeast Asia



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

WORKING HAND IN HAND TO IDENTIFY THE MFIS WHICH HAVE A HIGH LEVEL OF SOCIAL PERFORMANCE



Luxembourg Microfinance and Development Fund

ADA has a dedicated team which provides investment advice to LMDF. Its work is, first of all, about identifying MFIs with a strong social and financial performance matching the profile sought by LMDF amongst the small MFIs (Tier II and III). To this purpose, the team undertakes prospecting missions in the field, to meet with MFIs or to attend events (conferences, Investor Fairs, ...). If an MFI meets the eligibility criteria, ADA performs a preliminary audit in the field, called due diligence, to check the MFI's financial figures and to meet with its managers and clients. Once it is back in Luxembourg, ADA submits the application for financing to the LMDF Committee, which decides whether to invest in the MFI through senior or subordinated loans. All 18 applications presented to the Committee in 2017 were approved.

ADA 3T: THE ADDED VALUE OF ADA IN THE REINFORCEMENT OF THE IMF'S CAPACITIES



Other than offering financial services, the ADA team can propose tailor-made support to MFIs enabling them to strengthen their capacities and thus professionalise. **This type of support is called ADA 3T** and consists of Training in financial and social performance,

AS OF 31 DECEMBER 2017

- 41 MFIs advised by ADA and financed by LMDF in 18 countries
- Outstanding loans of 19.3 million EUR
- 35,974 owners of microenterprises directly impacted, 76% of which are women

risk management, agricultural finance, digital finance...as well as Technical Assistance and management Tools. Ultimately, this support enables MFIs to achieve their social goals to attract an ever-increasing number of investors.

SPI4 ALINUS: A TOOL TO MEASURE SOCIAL PERFORMANCE

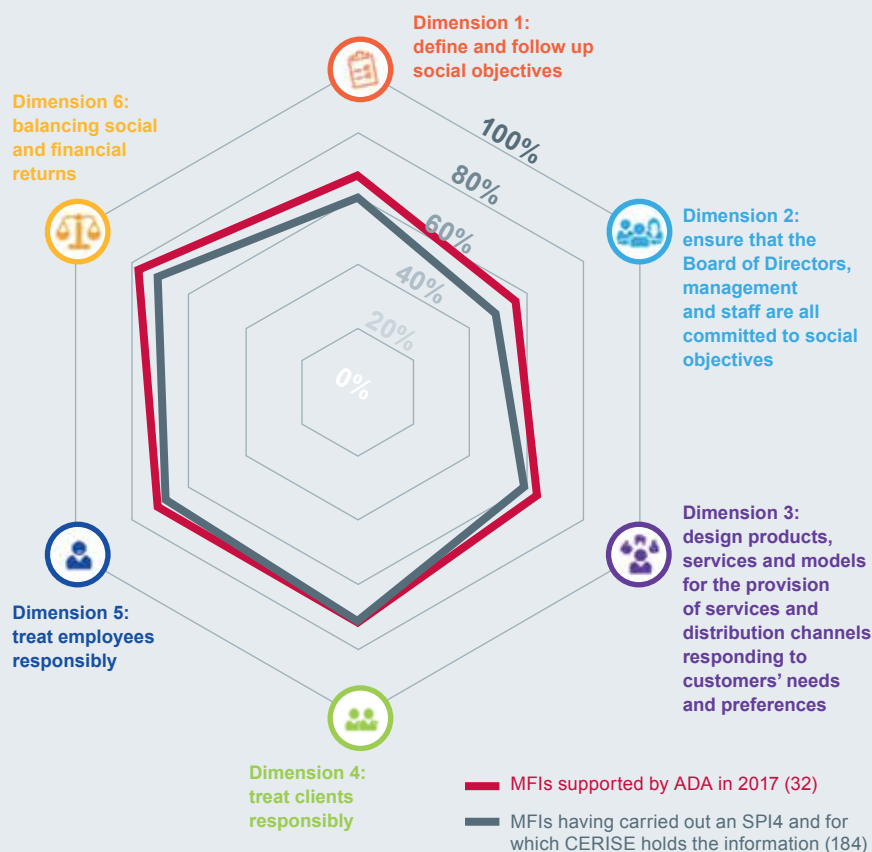
An MFI's social performance is its capacity to achieve its social goals. It is measured through six dimensions called Universal Standards for Social Performance Management.

Each of the six dimensions translates into social performance indicators. SPI4 Alinus, which was developed by CERISE and co-financed by ADA, is a tool enabling the MFI to provide its own data for each of the indicators in view of establishing an overall diagnosis of its situation. These results then become an input for ADA and are an integral part of the decision-making process. There is also a more sophisticated version of the Alinus tool, but its use requires the assistance of an SP14 certified auditor.

MFIS SUPPORTED BY ADA ACHIEVE A HIGHER SOCIAL PERFORMANCE LEVEL THAN THE AVERAGE

In 2017, ADA asked CERISE to analyse the social performance of the MFIs financed by LMDF and to compare their performance to that of other MFIs which had carried out an SP-14 and whose information was held by CERISE. The results show that the MFIs supported by ADA achieve a higher level of social performance management than the average achieved by other MFIs. This confirms the investment team's commitment to the promotion of good practices in terms of social performance and also makes it possible to identify avenues for further improvement and the potential technical assistance requirements of the partner MFIs.

SOCIAL PERFORMANCE MANAGEMENT BY DIMENSION



IMPACT ON THE INDUSTRY

AND THE SAM BECAME THE BIGGEST MICROFINANCE CONFERENCE...

With more than 700 participants from 58 countries, including 32 African countries, the third edition of the SAM (African Microfinance Week) established itself as an unmissable microfinance event not only in Africa, but perhaps worldwide. Looking beyond the many opportunities it provides, the SAM has a positive impact on financial inclusion in Africa.

MORE THAN A CONFERENCE, IT IS AN ECOSYSTEM OF EVENTS

The success of the SAM's success is to be found in a common desire to bring the industry together in a single place to optimise knowledge sharing. The SAM is not just a conference, it is rather an ecosystem of events: training, workshops, an Innovation Salon and an Investor Fair all take place around the conference. This wealth and diversity of events is also supported by other partners ready to deliver training sessions and share their knowledge.

THE SAM IS BUILDING THE FUTURE

Just like Luxembourg, which has become a financial crossroads, the SAM brings together the different forms of expertise required to foster inclusive finance for impact. In the space of just one week, the participants, who are often the senior managers of an MFI, benefit from one or two training sessions, attend the conference, meet with networks, have discussions with future partners and speak to state representatives.

A CONFERENCE WHICH HAS A REAL INFLUENCE

The SAM is helping to strengthen the industry. It brings African microfinance professionals together in a single place where they are able to discuss a range of issues and hold exchanges. Above all, it facilitates meetings by being open to other actors, ranging from politicians and financiers, to investors, innovators, entrepreneurs and even trainers. In this way, it contributes to the development of microfinance in a changing world. This successful event is now producing significant results translating into signed contracts, changes within microfinance institutions, amendments to regulations. Here are a few examples.

SAM IN FIGURES



700 participants, **58** countries represented, including **32** African ones



170 contacts established at the Investor Fair



25 innovators at the Innovation Salon



60 speakers



12 training courses



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

THE INVESTORS' FAIR: 170 MEETINGS BETWEEN INVESTORS AND MFIS



Dozens of MFIs and investors met for the first time or re-established old contacts. Speaking on behalf of the ID Ghana MFI, Stephen M.K. Dugbazah said, *“Thanks to the SAM, ID Ghana FNGO now has access to funding and technical support provided by Fefisol, Alterfin, ADA, Grameen Crédit Agricole and SPTF.”*

As for the investors, Philippe Guichandut from the Grameen Crédit Agricole Foundation declared that, *“this is an excellent opportunity to meet new potential partners, organisations we are already in contact with but which we were never able to meet in the flesh, or new organisations.”*



LUXEMBOURG AT THE SAM

The opening session of the SAM was honoured to be addressed by **H.R.H. the Grand Duchess of Luxembourg**, who welcomed the participants by video link. **Mr Romain Schneider, Minister for Development Cooperation and Humanitarian Affairs**, also attended the conference as a speaker in the opening panel. He expressed his deep appreciation to ADA at the end of the event, stressing that, *“it was a great honour and a real pleasure to take part in the opening of the SAM 2017 [...], together with the Ethiopian State Minister for Industry, Mr Mebrahtu Meles. I would like to thank ADA for the smooth running of this important event in the world of inclusive finance.”*



INNOVATION IS AT THE VERY HEART OF THE SAM

Various suppliers introduced their products during the Innovation Salon. Mohamed Asri, from HPS, explained how his product, the PowerCARD, could be set up in just three months on a pay-as-you-go basis. Debbie Watkins, from Fern Software, said that, *“we provide three types of data configurations: in the cloud, centralised in your head office or distributed in each branch”*. Thierry Artaud, from Moss ICT Consultancy, introduced the M-Birr service which has established partnerships with six MFIs in Ethiopia, enabling the users to send money to retailers and private individuals and to receive government loans and aids.

THE GRAMEEN CRÉDIT AGRICOLE FOUNDATION AND ADA JOIN FORCES



The Grameen Crédit Agricole Foundation (GCA) and ADA have signed a partnership agreement to provide improved support to the MFIs they finance. The two share the objective of reducing their partners' workload by adopting the same due diligence procedures and the same forms they use to gather information and to monitor the social and financial performances of these institutions. Furthermore, the GCA Foundation and ADA have undertaken to improve the coordination and efficiency of their provision of technical assistance to the partners they have in common.



THE PARTICIPANTS SHARE THEIR VIEWS



“The EIB was extremely pleased with the organisation of the SAM. My colleagues and I appreciated the depth of the discussions and the event was a unique opportunity to meet with potential new clients, established partners, peers and other investors, whether this be around the stands or at the Investor Fair. Even if we were delighted to be able to emphasise our Bank’s commitment to investing in projects which will have a considerable impact in terms of microfinance and equity in Africa, we also learned a great deal. We are already looking forward to the next SAM!”

Ambroise Fayolle
Vice-President of the European Investment Bank

“FMO enables entrepreneurs to build a better world, to stimulate local economic growth, to create jobs, to improve people’s living conditions and to promote local-level prosperity where it is most needed. The SAM brings together all of the elements: impact investors, experts in financial inclusion and investment opportunities, and that is what makes it such a great event.”

Jeroen Harteveld
Manager of the MASSIF Fund at FMO

“The prize of 10,000 EUR is precious to us since we are seeking to reach out to an increasing number of farmers in the under-served markets. This has enabled us to introduce a scientific novelty in remote sensing and to carry out research on the ground with potential partners in Nigeria and Kenya. The publicity we have received thanks to the SAM and FMO has also helped us to increase our visibility in the market and to open up new partnership opportunities.”

Ruchit Garg
Founder and CEO of Harvesting Inc, winner of the 2017 FinTech microfinance prize of 10,000 EUR





“I have really enjoyed the topics about young people and women, two relatively vulnerable target groups. The SAM has facilitated the exchanges between a variety of microfinance practitioners and investors on the issues around financial inclusion in Africa. The achievements presented in relation to job creation have served as a model for the UFC. From the very first moment I received the invitation to attend the SAM, right to its closing, I was impressed by the flawless teamwork displayed by ADA’s staff, which is quite clearly eager to ensure that the SAM is a huge success. The team need to maintain the same level of enthusiasm when preparing future events of this kind.”

Josée Mukandinda (on the left),
Director of Operations at Umutanguha Finance Company (UFC)
in Rwanda



“More than ever, Africa is the land where everything is possible and where there is enormous hope for an economy and a society based more on inclusion and solidarity.”

Her Royal Highness the Grand Duchess of Luxembourg
(via video link)



“The SAM 2017 provided us with a forum to discuss the issues which continue to restrict access to basic financial services for millions of people in Africa. These moments of reflection are significant in that they allow us to both validate and reconsider certain choices, thereby enabling us to achieve an objective we all share.”

Sambou Coly
Project manager at the Mastercard Foundation

“If I had one wish, it would be to see the next SAM promote the establishment of a genuine inter-regional strategic plan for African microfinance to fight effectively against the erosion of the rural economies, which I believe to be one of the continent’s priorities today. In any event, I think that the SAM is the right forum to promote this type of continent-wide initiatives.”

Eric Campos
Chief Executive Officer of the Grameen Crédit Agricole Foundation



IMPACT ON A COUNTRY

ADA IS STRENGTHENING THE PROFESSIONAL ASSOCIATION IN MYANMAR

Due to their capacity to mobilise numerous MFIs and to engage in dialogue with the authorities and the regulators, networks constitute a significant vector for the export of Luxembourg's expertise throughout the world. ADA has launched a project to both structure and initiate the activities of the microfinance professional association in Myanmar.

MYANMAR: A NEW COUNTRY OF OPERATIONS FOR ADA

According to the World Bank, almost one in four Burmese still does not have a bank account. Nevertheless, the microfinance industry is experiencing swift growth due to the opening-up of the country, the potential market it represents for investors and the slow, but positive, changes being made to the regulatory framework. This is why ADA decided to launch a new project there in 2017.

BUILDING THE CAPACITIES OF THE MMFA AND OF THE MEMBER MFIs

Created in 2013, the Myanmar Microfinance Association (Myanmar MicroFinance Association – MMFA) is the umbrella group of the country's microfinance institutions.



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

At the end of 2016, following numerous exchanges with the key actors in the country's inclusive financial industry, ADA identified the need to strengthen the MMFA, which did not have the solid foundations required to represent and serve its members both effectively and sustainably. A technical support project was established to both structure and develop MMFA's activities, as well as to facilitate coordination and partnerships with support organisations in the country. An ADA staff member was seconded for an initial one-year period to the association, which is based in Yangon, to ensure the smooth implementation of the project.

TECHNICAL ASSISTANCE ONE YEAR LATER

ADA's support focussed on building the association's institutional capacities and the provision of capacity-building services to its member MFIs. The technical assistance provided at the local level has allowed to:

- **establish a permanent local team:** this part of the project included a requirement analysis in terms of human resources, the definition of functions, the launching of the recruitment and training processes, as well as the establishment of HR policies. In 2017, an operations manager was recruited, along with a financial and administration manager. The recruitment of an Executive Director remains ongoing.

- **improve the premises and facilities of the secretariat and to formalise the way it works:** the MMFA office was equipped with computers, desks, printers and the supplies it requires to carry out its activities. Operational and financial procedures were put in place to organise the association's activities.
- **facilitate the definition of a membership policy:** in May 2017, MMFA obtained its permanent licence as an NGO from the Ministry of Home Affairs of Myanmar (MOHA). This allowed it to begin to register its members and to collect their membership fees. Two categories of members were established and a sliding-scale of membership fees will be introduced from 2018 onwards.
- **reinforce governance:** the General Assembly of the MMFA was organised and a new Board of Directors was established. The election process was clearly defined and documented and the Board meetings were formalised.
- **update the strategic plan:** working sessions were organised with the staff and the Board to define the values of the MMFA, together with its objectives and the expected strategic results. This process was carried out in collaboration with IFC and it enabled the MMFA to establish its three-year strategic plan.

- **develop coordination with funders and to diversify the financial support:** the strengthening of the MMFA has enabled to relaunch two important partnerships: a project with USAID guaranteeing a funding to support operations and training, and a partnership with IFC to implement a training programme on responsible finance.
- **develop MMFA services for its members:** the MMFA has broadened its service provision to members through the organisation of training (in partnership with USAID, IFC and ADA), the creation of clubs and working groups to encourage learning among MFIs, as well as the exchange of experiences, and the strengthening of policy advocacy towards the regulator. The MMFA has also published its first quarterly newsletter and it has maintained its efforts throughout the year to support collaboration and coordination among the different actors in the industry by holding member meetings every two months.



General Assembly of the MicroFinance Myanmar Association held on 9 and 10 November 2017 at Nay Pyi Taw



“MMFA is positioning itself as a key actor in the inclusive finance industry in Myanmar. This is an interesting time for the association and for the industry in general which is experiencing rapid growth in a constantly changing environment. The position being established by the association also represents a strategic opportunity, mainly because the various initiatives regarding the regulatory framework may have a real impact on the industry. It is therefore important to strengthen the association which already plays an advocacy role towards the regulator. Although there are clearly many challenges for future years, it is a network which brings together people who are highly committed and who have a real desire to build a strong association.”

Wendy Medrano Lazo
ADA senior project officer on secondment to the MMFA in Yangon

IN 2018

THE PARTNERSHIP WILL BE EXTENDED

ADA will continue its partnership with the MMFA in 2018 through the introduction of a three-year plan which will cover four priorities:

1. To strengthen its organisational structure and ensure an efficient and formalised governance;
2. To provide quality services designed to meet the demand in order to support the growth of the microfinance industry;
3. To facilitate collaboration among microfinance practitioners;
4. To support ongoing advocacy in favour of a healthy market environment within an appropriate legal and regulatory framework.



THE DIGITAL REVOLUTION WILL HAVE A GREATER IMPACT

Promoting the financial inclusion of the most disadvantaged people by helping MFIs to open new distribution channels and to offer new innovative products: this is the dual social and financial objective of digital finance. For many MFIs, making this shift towards the digital world calls for a rethinking of their business model. The “Digital Finance Initiative” was devised as a response to this issue.

THE PROJECT IS AIMED AT THE LEAST DEVELOPED COUNTRIES

The Digital Finance Project started in 2017 and was designed to run for a five-year period, from 2017 to 2021. Its initial target group comprises Tier II and Tier III MFIs in African countries, most are part of the least developed countries: Senegal, Guinea, Côte d'Ivoire, Mali, Burkina Faso, Benin, Cameroon, the Congo Republic, the Democratic Republic of the Congo, Rwanda, Burundi and Madagascar.

THE DIGITAL FINANCE INITIATIVE WAS INTRODUCED TO PROMOTE FINANCIAL INCLUSION

The aim of the Digital Finance Initiative is to help MFIs to devise and implement a digital project to improve their financial and social performance so that they are better placed to promote financial inclusion within their countries. In order to achieve this aim, they benefit from the support of a dedicated team which helps them to identify the needs to define and implement a digital solution through the provision of financing and assistance to manage the project.

INITIAL WORKSHOP TO IDENTIFY THE PRIORITIES

The workshop is aimed at MFI leaders and its objective is to provide the participants with a comprehensive view of the issues, opportunities and constraints represented by new technologies. It provides them with the key elements required to analyse all the possible scenarios for the integration of digital solutions within their strategy and to assess the expected benefits from a technical, but also operational, financial and regulatory point of view. By the end of the workshop, the participants should be able to identify their objectives and the means to be deployed to achieve them.

ESTABLISHING A DIGITAL PROJECT

The MFIs wishing to continue this venture must ensure that their project is compatible with their system of governance. Once they have done this, they can start their action plan with the support of the ADA officer responsible for the project “Digital Financial Initiative” and local consultants. This plan provides for the drafting of specifications, the publication of calls for tenders, the selection of technical service providers, the implementation of a schedule and, finally, the preparation of a co-financing application to be submitted to the Selection Committee comprising members of the Board of Directors of ADA, Deloitte Digital, POST Luxembourg and LuxFLAG. If it is approved,



“The experience of the last few months shows that a project’s success factors are dependent upon the comprehensive support of the governance structure, the project leader’s attitude and commitment in terms of time, spirits and resources, as well as the involvement of the entire department.”

Arnaud de Lavalette

ADA project manager of the Digital Finance Initiative



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

70% of the project's investment expenses is co-financed by ADA (and in some cases by other donors), up to a ceiling of 100,000 EUR.

IMPLEMENTATION OF THE DIGITAL PROJECT

Once the application has been approved by the Committee, work can start on the implementation of the project. At this stage, ADA proposes the MFI a financial assistance, but also support for all the areas being impacted by the project: redefinition of procedures, training for both staff and clients, risk management... Once the test phase has been successfully completed, the MFI rolls out the project across its entire network. ADA's support ends at this point, considering the institution to be autonomous.



Workshop held in Cotonou in Benin in April 2017, led by Arnaud de Lavalette, ADA project manager of the Digital Finance Initiative

RESULTS ONE YEAR DOWN THE LINE: THE DIGITAL PRIORITIES HAVE BEEN IDENTIFIED AND THE FIRST PROJECTS ARE UNDERWAY

The Digital Finance Initiative was launched in 2017 and two workshops were held involving two of the project's target countries: the first was held in April in Cotonou and was attended by 10 MFIs from Burkina Faso, Mali and Benin, and the second took place in November in Dakar and was attended by 5 MFIs from Burkina Faso, Benin, Democratic Republic of the Congo and Madagascar.

These workshops have enabled ADA to fine-tune its projects and to focus on three strategic options:

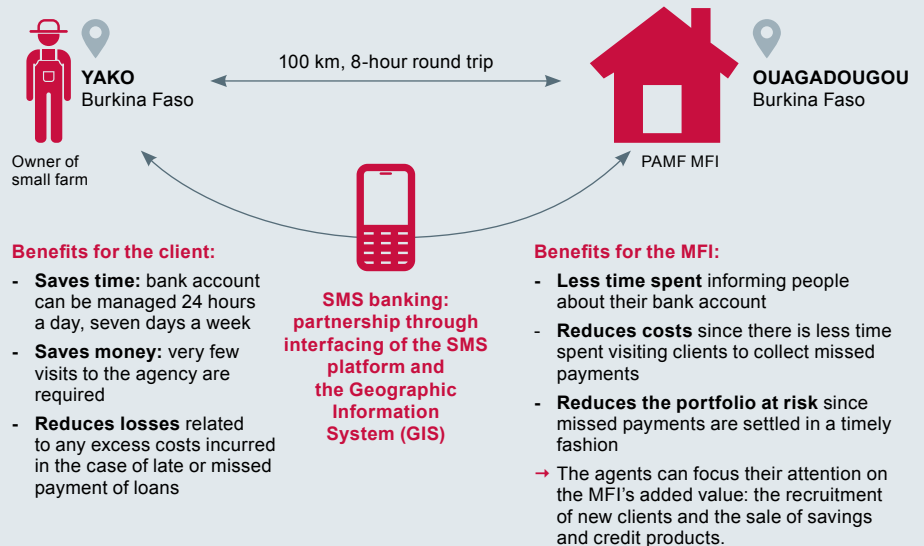
- To interface the management system with a telecommunications operator** to enable clients to both make and receive payments using the operator's electronic wallet system;
- To establish a network of agents** to enable clients to both make and receive payments without having to visit an agency;
- To migrate their management system to a cloud-based solution** which would enable the MFI to benefit from a centralised management system and, in the longer-term, to make it easier for them to offer new distribution channels and new products.

Five of the MFIs which attended the workshop in April 2017 submitted their application for co-financing in December and four of these applications were approved by ADA: one SMS banking project has now been finalised, two projects based on establishing a link with a telecommunications operator and one project which will require the MFI's system to be migrated to a cloud-based solution, are currently being developed.

The MFIs which attended the November 2017 workshop are in the pre-project phase (stage 2) and are preparing their applications, which will be submitted for approval in 2018. A further two workshops are due to be held this

year. By the end of the project in 2021, ADA hopes to have provided support to 20 MFIs in their development of digital solutions designed to boost their performance.

AN SMS BANKING SOLUTION PROVIDED BY PAMF IN BURKINA FASO* TO REDUCE TRAVEL NEEDS



* PAMF Burkina Faso is a microfinance institution which is a member of the First Microfinance West Africa (FMFWA) network.

"This solution enables the client to manage their bank account remotely by SMS: it has a notification and reminder system for missed payments. Over time, this will enable us to reduce our portfolio at risk and to educate our clients by keeping them informed at any time, no matter where they are."

Franck Detoh
Digital Finance System Project Manager at First Microfinance West Africa

ADA'S PROJECTS AND SOLUTIONS WORLDWIDE

SUPPORTING MFIs with their operational development

- Products and services for young entrepreneurs' needs in Burkina Faso, Togo and Rwanda.

ADVISING the industry to create an environment that is favourable to inclusive finance

- Africa: the MAIN and CIF networks and governmental microfinance regulators in Côte d'Ivoire and Cabo Verde.
- Southeast Asia: Myanmar MicroFinance Association (MMFA) (p. 14-15), Lao Microfinance Association (MFA), Vietnam Microfinance Working Group, Cambodia Microfinance Association and Microfinance Council of the Philippines, Inc. (MCPI).
- Latin America: the REDCAMIF regional network (p. 06-07)



Support programme for Micro and Small Enterprises (MSEs)

In 2018, ADA has launched a new programme called "Support for Micro and Small Enterprises", which is designed to build the capacities of MSEs, either to help them to become eligible to benefit from the support of MFIs if this is not yet the case, or to help them to derive greater benefit from the financial services they are having access to and to develop their activities. The programme is based on the Microfinance Plus concept, which sets out to promote partnerships among the MFIs and different actors to facilitate the access of MSEs to non-financial services and to facilitate their smooth integration within the value chains. The aim is to launch four initiatives in 2018, the first of which will take place in Peru.



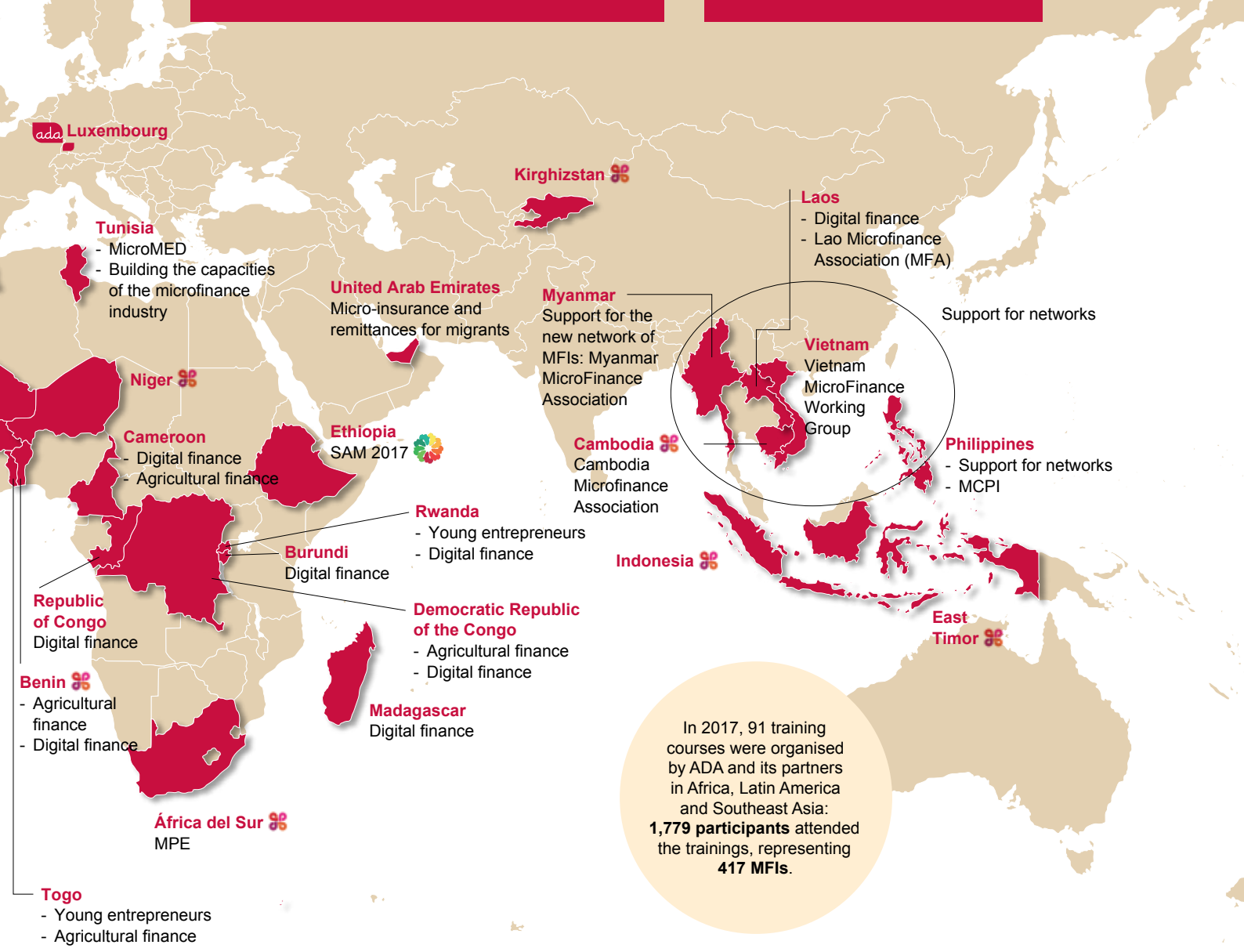
The MFI Microfact Factsheet, which is used to evaluate MFI financial and social performance, can be downloaded for free and has already been used by **800 MFIs!**

PROFESSIONALISING

- The industry by providing technical assistance, tailor-made tools and training delivered by ADA 3T on:
 - Financial and social performance (p. 08-09)
 - Risk management
 - Governance and transparency
 - Product diversification (product development, agricultural finance (p. 04-05), digital finance (p. 16-17), micro-insurance...)
- Building the microfinance industry's professional capacities through the MicroMED project in Tunisia.

FINANCING MFIs with a strong social mission via the LMDF fund (p. 8-9)

- 41 MFIs advised by ADA and financed by LMDF in 18 countries
- Loans under management amount to 19.3 million EUR
- 35,974 micro-entrepreneurs directly benefited, of whom 76% are women



In 2017, 91 training courses were organised by ADA and its partners in Africa, Latin America and Southeast Asia: **1,779 participants** attended the trainings, representing **417 MFIs**.

Investments via LMDF upon advice provided by ADA in 2017

BALANCE SHEET (EUR)

Assets as of 31/12/2017

	31/12/2017	31/12/2016
Fixed assets		
Intangible assets	41 139	25 459
Tangible assets	457 121	561 025
Financial assets	1 751 464	1 801 717
Total fixed assets	2 249 725	2 388 201
Current assets		
I. Receivables due within one year	328 688	311 835
II. Cash and current account balances, petty cash	1 372 813	1 294 301
Total current assets	1 701 502	1 606 136
Adjustments accounts	185 429	283 161
Total assets	4 136 656	4 277 498

Liabilities as of 31/12/2017

	31/12/2017	31/12/2016
Equity	1 290 581	1 156 569
Association funds	449 906	449 906
Revaluation reserve	17 795	33 902
Reserve for outstanding projects	472 954	439 151
Established funding	94 769	-
Carried forward	199 807	199 807
Profit / (loss)	55 350	33 803
Long-term Ministry investment funds	1 306 953	1 201 229
Provisions	261 144	217 759
Debt	1 159 424	1 696 194
due within one year	808 623	1 148 279
<i>Found dedicated to Ministry subvention</i>	-	22 796
<i>Ministry subventions not used</i>	248 503	614 992
<i>Trade payables, deferred tax and social security contributions</i>	467 577	420 491
<i>Debts owed to credit institutions</i>	92 534	90 000
due after more than a year	350 801	547 915
Adjustment accounts	118 554	5 747
Total equity and liabilities	4 136 656	4 277 498

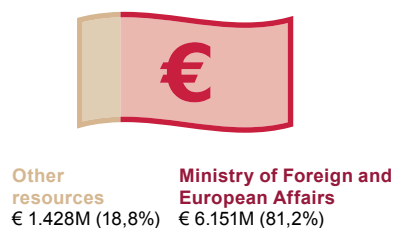
ADA's 2017 accounts have been audited by Deloitte.
The report is available at www.ada-microfinance.org.

PROFIT AND LOSS ACCOUNTS (EUR)

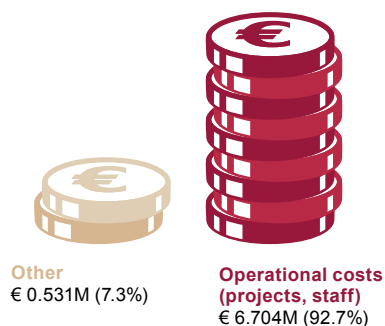
Profit and loss accounts as of 31/12/2017

	31/12/2017	31/12/2016
Financing	6 606 881	7 200 488
From Luxembourg Ministry of Foreign and European Affairs	6 151 497	6 345 441
From other national and international public partners	432 587	813 756
Non-utilised resources carried forward	22 796	41 291
Other operating income	972 742	518 217
Provision of development services	837 072	362 890
Rent	129 160	139 471
Donations and contributions	6 510	15 856
Other operating expenses	- 4 610 349	- 4 963 297
Development activities and other grants paid	- 2 038 266	- 2 961 866
Other expenses associated with development activities	- 2 040 701	-1 457 180
Other operating expenses	- 531 383	- 544 251
Personnel costs	- 2 625 215	- 2 451 472
Wages and salaries	- 2 238 436	- 2 107 661
Social security contributions	- 296 300	- 264 805
Other personnel costs	- 90 478	- 79 007
Value adjustments	- 142 233	- 148 747
On intangible and tangible assets	- 142 233	- 148 747
Other operating expenses	- 99 673	- 96 897
Income from participating interests	16 875	19 721
Other interest and financial income	3 278	9 678
Value adjustments to financial fixed assets and securities part of current assets	- 50 976	- 43 005
Interest and other financial payments	- 15 979	- 10 884
Profit / (loss)	55 350	33 803

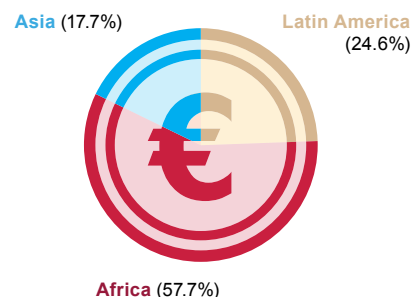
The 2017 resources of € 7.579 million come from:



Expenditure breakdown 2017:



Operational expenditure breakdown by continent:



The support of the Ministry is essential for ADA!

92% of ADA expenditure are dedicated to its projects!

More than half of ADA's projects expenditure go to Africa!

IMPACT ON KNOWLEDGE

THE ADA CHAIR: FORMER STUDENTS SHARE THEIR VIEWS

The ADA Chair in Financial Law was launched in 2014 by ADA and the Faculty of Law, Economics and Finance of the University of Luxembourg. This partnership aims to link ADA's expertise with the academic world in order to meet knowledge and research needs in inclusive finance.

PLACING LUXEMBOURG'S FINANCIAL EXPERTISE AT THE SERVICE OF THE SOUTH

With more than 50% of microfinance investment funds domiciled in Luxembourg, this agreement between ADA and the University is a unique opportunity to reinforce the role and disseminate the expertise of the Grand Duchy in the field of microfinance.

In 2017, the holder of the Chair, Professor Dirk Zetzsche, taught close to 80 hours of commercial law to Masters students at the university. His lectures covered wealth management, fund management, risk management, investment policy and FinTech.

The first edition of the University of Luxembourg's Certificate in Law and Regulation was held from 16 to 27 January 2017 in partnership with ADA and the EIB Institute. Aimed at regulatory authorities in this industry (central banks, etc.), senior managers of microfinance institutions and providers of digital finance services, the training course brought together 22 participants from 16 developing countries, thereby promoting the exchange of experiences and the transfer of knowledge on issues related to governance, risk management and regulation in inclusive finance.



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

MICROFINANCE PRACTITIONERS SHARE THEIR VIEWS



“Since I already had several years’ experience working in microfinance, I was looking for a training course which would enable me to further develop my knowledge and to hold exchanges with participants from different horizons. This two-week course has allowed me to speak to practitioners from different countries and to understand new approaches to regulation and supervision in microfinance. The Certificate is a rich experience in terms of both contents and opportunities to share and network. I really do recommend it.”

Btissam Derdari,
Risk Management Analyst at the Moroccan Central Bank. Since attending the course, Btissam has joined ADA and works in the investments department.



“The course has enabled me to deepen my knowledge of the regulation of inclusive finance in critical areas such as commercial policy and compliance, risk management, AML/CFT requirements, law and ethics. I found the session on regulatory sandboxes¹ highly relevant, since these developments should enable us to test and develop innovations securely in the areas of digital financial services. The web-based SIMFI simulation for microfinance institutions helped me to improve my understanding of the potential impacts of management decisions on regulatory requirements and commercial objectives. This two-week learning experience was both stimulating and enriching.”

Temitope Akin-Fadeyi,
Head of the Financial Inclusion Secretariat at the Central Bank of Nigeria

¹ Regulatory sandbox: this principle consists in providing an adapted regulatory framework which facilitates the rapid deployment of an innovative concept in real conditions, but within a controlled environment.

OUR PARTNERS

Our partners in the field enable us to act but we would not be able to do anything without our institutional partners.



Our partners in the House of Microfinance



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Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

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