

INNOVATION FOR INCLUSION

ANNUAL
REPORT
2019



ANNUAL REPORT 2019

EDITORIAL



On 25 November 2019, ADA celebrated 25 years of activity in Luxembourg, in the presence of historical partners.

INNOVATION FOR INCLUSION

Inclusive finance is inherently innovative: it has transformed itself to support a population that would otherwise have been excluded. It is innovative through its products, rules, indicators and operation, and tailored to meet objectives relating to inclusion and impact.

25 years ago, launching ADA meant that we really had to be pioneers. We had to anticipate what microcredit would become, that is, not only a tool for combating poverty, which today provides work for more than 300 million people, but above all a transformation of the role and goals of finance. ADA has supported this transformation for 25 years. It continues to support it today. And it will support it over the next 25 years... and probably for much longer.

This annual report illustrates this support. ADA supports microfinance institutions in creating new products in rural and agricultural finance and in developing new digital services. Our association advises microfinance institutions in their fund-raising efforts, and is committed to financing start-ups and SMEs. The African Microfinance Week (SAM) embodies a dynamic sector that evolves and innovates. This biennial event, organised by ADA, brought together 900 professionals from all over Africa in Ouagadougou. For a week, the capital of Burkina Faso became the centre of inclusive finance, where key stakeholders met to discuss the next trends, forge partnerships, find investors and invent the future.

Finance is innovative when it is inclusive. To do this, it must first and foremost change its paradigm, no longer focusing solely on short-term profitability, but rather planning for the medium and long term. For 25 years, ADA has embraced this vision. Several banks, partners and institutions, including the Directorate for Development Cooperation and Humanitarian Affairs, our main donor, have shared this belief with us from the outset. Today, more and more funds and banks are turning to impact investing and responsible finance, proving that inclusion creates value that is both real and sustainable. Agility is central to this process. Inclusive finance will have to innovate more than ever to meet the next economic, demographic and climate challenges facing our world. Ultimately, the spirit of innovation that prevailed 25 years ago when ADA was conceived is more present than ever!



Laura Foschi, Executive Director of ADA and
Corinne Molitor, President of ADA

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The figures shown in this publication reflect the results achieved as at 31 December 2019.



SUPPORTING MFIs IN FINANCING AGRICULTURE

In 2017, ADA launched a support project based on the coaching method used in agricultural and rural finance to guide MFIs seeking to develop agricultural finance products.

A METHODOLOGY BASED ON THE COACHING APPROACH

Significant challenges remain for agricultural and agri-food development. To satisfy the food needs of a growing world population and combat poverty in rural areas, it is necessary to provide farms, rural households and other stakeholders in the agri-food sectors with financial products and services tailored to their needs. However, most financial institutions have limited means of developing such an offer. **The coaching/institutional support of the rural and agricultural finance training project** aims to strengthen the capacities of financial institutions in Francophone Africa to develop a range of services that meet the needs of these stakeholders and their families. This contributes to agricultural development and the fight against poverty in the countries in question. The intervention methodology is based on **combined access to coaching/institutional support and technical assistance services.**

First project in Togo with FUCEC

In 2017, 15 MFIs from West and Central Africa undertook basic training in agricultural finance, after which five were selected to take part in a planning workshop. ADA therefore worked with FUCEC in Togo, the largest MFI in the country. Together, FUCEC and ADA focused on 3 COOPECs (Credit Unions that are members of the federation) to develop and test the new financial products identified in the action plan. The projects included loans for the production of cocoa, cassava and soybeans through the purchase of seeds and fertilisers, as well as loans to finance grain storage. Pilot projects are ongoing, and FUCEC plans to use 2020 to carry out the latest tests and make adjustments to the products in development prior to their large-scale rollout from 2021.

The project extends to Burkina Faso and Benin

Building on the lessons learned from the first project, adjustments to the methodology were made for the MFI selection process and the format of the planning workshop. Each candidate MFI is now subject to due diligence before the selection phase, and the presence of coaches



is bolstered on the ground by more regular assignments. In February 2019, three new MFIs – **Assilassimé in Togo, Yikri in Burkina Faso** and **Renaca in Benin** – joined the project at a planning workshop in Cotonou, with FUCEC on hand to share its experience. Following this, Assilassimé developed a pilot project offering loans to traders from Lomé for maize and bean storage; Yikri focused on adapting products for pig fattening, local chicken rearing and market gardening; and Renaca launched off-season loans for market gardening, mollusc farming and fattening small ruminants.



For further information about our activities, go to: www.ada-microfinance.org

FIRST FRENCH-LANGUAGE RURAL AND AGRICULTURAL FINANCE TRAINING PROGRAMME



Ahead of the SAM 2019 in Ouagadougou, the first edition of the French-language rural and agricultural financing training programme delivered by ADA and FAO was held via the CABFIN project. This programme aims to help executives from French-speaking African financial institutions improve their understanding of the issues and challenges of rural finance. Over two weeks, 42 participants from 13 African countries were trained by 15 expert participants in innovative techniques enabling access to financial services for agricultural stakeholders. In 2020, training courses will take place in Luxembourg in November.



group of 10 to 15 farmers from the same area. The reciprocal support begins on the leader's plot for the first activity, e.g. tree pruning. For the first plot, the group attends a demonstration by an agronomy expert in cocoa, who shows them how to obtain tree pruning that optimises fruit growth while minimizing the risk of diseases. The group implements these recommendations by pruning the trees on the leader's plot. Once the activity is completed, the group continues the same work – generally the next day – on the plot of a second farmer from the group, then a third, etc., without the support of the agronomist. This system ensures that the technique is taken on board by each producer. They can then replicate it independently during future agricultural campaigns.

By the end of the pilot in July 2019, **34 groups had been supported** (i.e. 285 cocoa producers) and **936 loans had been disbursed**. Of the 285 producers, 24 had received both technical assistance and the financial product. Since then, a second 24-month project has been launched to enhance the synergy between these two services, extend the project to 720 *choveros* and disburse 1,500 loans.

The agricultural financing project continues in Côte d'Ivoire

Activities for 2019 ended in November with a new workshop organised in Cotonou. Two MFIs were selected: **UNACREP in Benin**, a network of 13 rural savings and loan funds with 80,000 customers; and **UNACOOPEC-CI in Côte d'Ivoire**, a network of 24 MFIs with 600,000 members. These MFIs are working towards finalising their action plans for 2020.

Since 2017, ADA and its partners have been able to develop and test various financial products which, after the pilot phase and when scaled up, have the potential to serve two million customers in four countries.

STRENGTHENING THE COCOA VALUE CHAIN IN PERU

In 2018, ADA, the MFI "PRISMA" and the NGO "PRISMA" launched a project to strengthen the cocoa value chain in San Martín, a region that accounts for 80% of Peru's cocoa production. The aim was to increase the quality and yield of cocoa production in response to strong market demand and to increase producers' revenues. Despite various support programs that increased production, yields remained low due to inefficient plot maintenance and a lack of human and financial resources needed to ensure good practices by small producers.

The project initiated by ADA has enabled the implementation of a **new technical assistance methodology. Known as "chova chova"**, this system is based on reciprocal support between farmers for the upkeep of plots requiring labour. This assistance was **complemented by a financial product** tailored to the needs of small cocoa producers.

The "chova chova" system in practice

The principle consists of forming groups of farmers from cocoa cooperatives. These groups work together on the plots, carrying out four activities that are important for their proper upkeep: tree pruning, fertilisation, weeding and disease control. A "chovero" leader is then appointed within each cooperative, which forms its

	FUCEC (Togo)	Asslassié (Togo)	Yikri (Burkina Faso)	Renaca (Benin)	PRISMA (Peru)	Total
Total MFI customers	1,002,800	46,884	18,772	147,123	8,800	1,224,379
Financial products developed	1 agro-pastoral product and 1 marketing product	1 storage loan product	1	1	1	6
Small farmers financed	443	141	3,383	135	936	5,038
Small farmers trained	n/a	243	5,000	166	285	5,694
Amount (in EUR)	Loans disbursed: €1,028,000	Loans disbursed: €74,800	Outstanding: €788,546	Outstanding: €94,975	Loans disbursed: €576,000	
Portfolio at risk >30	0.8%	n/a	2.5%	2.8%	8%	
Crop species	Maize, soya, cocoa and cassava	Maize and beans	Local chickens, market gardening, sheep, pigs	Snails, fish farming, local chickens, market gardening	Cocoa	



SUPPORTING MFIs IN THEIR DIGITAL TRANSFORMATION

Whether as a means of reaching people in areas that are difficult to access, of offering fast and secure services to customers, or of reducing costs, the opportunities offered by digital solutions are numerous and promote financial inclusion. For this reason, ADA helps microfinance institutions (MFIs) integrate digital solutions into their strategies.

THE DIGITAL FINANCE INITIATIVE FOR GREATER FINANCIAL INCLUSION

The Digital Finance Initiative (DFI) is a project set up by ADA in 2017 that supports MFIs in several African countries in their digital transformation. It helps them adopt solutions to improve their operational efficiency, offer new services to their customers, or facilitate access to existing services. To do this, ADA offers MFIs strategic, methodological, technical and financial support. These measures take the form of possible co-financing and project management assistance.

There are three phases to this support:

- **Phase 1 - Initial workshop to identify priorities.** The workshop provides the participating MFI with the content and methodological tools needed to **define a digital strategy** and identify its priorities.
- **Phase 2 - Pre-project phase.** During this phase, which may last from 3 to 6 months, ADA supports the MFI in **defining its digital project** (preparing specifications, publishing calls for tender, selecting technical service providers, etc.). The MFI then drafts a co-financing dossier which, if approved by the selection committee, may be co-financed by ADA and other donors for up to 70% of the investment costs, for a maximum of EUR 100,000.



Workshop at ADA in Kigali in February 2019 with UFC and COOPEC-CAHI, in the presence of the DFI team, Catherine Lizard and Arnaud de Lavalette from ADA.

- **Phase 3 - Project phase.** ADA provides the MFI with financial and technical support in **implementing its digital project** (pilot project). If the pilot is successful, the MFI rolls out the project to its entire network. At this point, ADA considers the institution to be autonomous, and the support comes to an end.

The DFI supports MFIs mainly in setting up **three types of projects**:

- **integrating telecom operators** to enable customers to perform tasks with their mobile phones;
- **setting up a network of fixed or mobile agents** to work as closely to customers as possible; and

- **migrating the current MFI management information system (MIS)** to the Cloud. This is one of the prerequisites for implementing the first two solutions.

MFIs can also select other types of projects (e.g. process digitisation, credit scoring).

2019: a good year for the DFI

At the end of the project in 2021, the DFI aims to support and implement **20 digital projects** at MFIs, benefiting **1 million end customers**. The year 2019 made these results a viable reality.

Phase 1: four individual workshops (one-to-one) were held in 2019, allowing for bespoke support tailored to the MFIs' needs. These MFIs include: UFC (Rwanda), COOPEC-CAHI (Democratic Republic of Congo), LAPO (Sierra Leone) and Millénium Microfinance (Togo).

Phase 2: following these workshops, one MFI (UFC) carried out its digital project using its own resources, without the support of the DFI. Another (LAPO) finalised its project with the support of the DFI, and two others (COOPEC CAHI and Millénium Microfinance) are in the project development phase. At end-2019, a total of **five MFIs were in the process of designing their digital projects**. During the year, the selection committee, made up of members of the ADA Board of Directors and professionals based in Luxembourg, **approved three applications**. This included co-financing of EUR 130,000, for a total project amount of EUR 342,000.



Phase 3: following the approval of the dossiers, **four projects were completed in 2019.** Most of these projects were for migration to a new MIS, including mobile solutions. 38% of the projects implemented were co-financed by the DFI (i.e. EUR 205,000).

- **ACEP (a multi-country MFI network),** benefited from ADA's support in setting out and finalising the ACEP group's digital strategy and compiling their financing application dossier.
- **U-IMCEC (Senegal):** the MFI has completed the migration of its new MIS, PERFECT-Vision (from CAGECFI), in Cloud mode. A mobile solution integrated into the MIS for internal staff is in the pilot phase.
- **LAPO (Sierra Leone):** the MFI has completed the migration of its new MIS, INSTAFIN (from ORADIAN), in cloud mode. A mobile solution integrated into the MIS for internal staff is in the pilot phase.
- **GRAINE (Burkina Faso):** the MFI has completed the migration of its new MIS, PERFECT-Vision. A mobile solution integrated into the MIS for loan officers and Tontine collectors is operational.

Finally, 40 MFIs and investors completed the training course **"Digital finance: what solutions, what impacts?"** held at the SAM in Ouagadougou in October 2019.

The case of U-IMCEC: MIS migration

The Senegalese MFI U-IMCEC initially had to migrate its MIS to the Cloud, a prerequisite for the implementation of digital solutions. To do this, it called on the Togolese company CAGECFI, which specialises in the design and production of IT applications for decentralised financial systems.



"We have finalised our support for U-IMCEC in rolling out mobile collection and mobile banking. As a prerequisite, the priority was to migrate their MIS and their core banking to be able to subsequently develop digital solutions. The next step is to support U-IMCEC in moving towards electronic payments."

Léon Houndjago
CEO of CAGECFI

"The goal was to better meet the needs of our customers, especially in rural areas, as mobile solutions could not be used with our existing core banking. We have moved from historically separate databases to a centralised cloud database. We currently have a new and modern system. There is no more need to open ATMs or branches in very remote rural areas. The mobile solution satisfies customers and enables them to handle their transactions. This solution represents a giant step forward for the Senegalese agricultural sector."

Ousmane Thiongane
Managing Director of U-IMCEC

The necessary conditions for a successful transformation

The DFI team consists of two ADA project managers who have been supporting MFIs for three years now. After several completed projects, they are now able to identify the key points on which MFIs must focus to succeed in their digital transformation:

- **Governance:** need to involve the management team, have a competent project manager, good governance and an up-to-date business plan.
- **Funding:** digital transformation projects are expensive. The MFI must therefore have the financial means to cover these investments (self-financing and donors), and, for example, the capacity to hire new resources to manage new alternative distribution channels.
- **Operations:** having good portfolio management and understanding the needs and expectations of their customers.
- **Regulation:** staying up to date with the digital finance texts in force in their target areas.
- **Technical:** having a technical environment that supports setting up digital solutions (MIS open to third-party solutions, centralised databases, interconnected branches, access to the Internet and electricity, etc.).

DIGITAL TRANSFORMATION CONTINUES IN CENTRAL AMERICA

In 2018, ADA renewed its support for the regional microfinance network in Central America and the Caribbean, REDCAMIF, through a second support programme for MFIs affiliated to the network. As part of this, a methodology was established to support the implementation of digital solutions for MFIs. In collaboration with Amarante, it offers a comprehensive approach focused on the needs of both customers and the MFI. First, the MFI's current model and available resources are analysed, and areas for improvement for an optimal customer experience are identified. Based on these results, the MFI, which now has precise data on the behaviours and preferences of its customers, designs a strategic plan for its digital transformation. The three-year project aims to test the methodology with 10 MFIs by end-2021. At end-2019, the following seven MFIs have already finalised their digital transformation strategy: FAFIDESS (Guatemala), Hermandad, Banco Popular and ODEF (Honduras), Banco ADEMI (Dominican Republic), SAC Integral (El Salvador) and Banco Delta (Panama). Three other MFIs will be selected in 2020 to continue this process.



SUPPORTING YOUNG ENTREPRENEURS

ADA promotes economic development and job creation by supporting young entrepreneurs through innovative initiatives in Africa and Central America. ADA works with institutions to support these young people.

Building on 25 years of experience, ADA seeks to explore new financing mechanisms for activities with a high potential impact on growth and job creation. Young entrepreneurs fall into this category, and are one of ADA's priority targets. Therefore, in addition to its projects to finance young entrepreneurs through MFIs, ADA has identified three types of partners with complementary expertise in supporting entrepreneurs: **incubators/accelerators**; **market catalysts** (institutions that facilitate marketing) and **financing institutions** (investment funds, crowdfunding platforms, business angels, etc.). Since 2018, 185 small businesses and 1,212 agricultural producers have benefited from the 11 projects carried out with these partners in West Africa (Burkina Faso, Mali and Senegal) and Central America (El Salvador and Honduras).

- **granting a loan**, the repayment of which is based on the company's turnover;
- **support for the entrepreneur** before and after access to finance;
- **part of the loan must be used to cover the technical assistance** provided by the incubator/accelerator;
- the **duration of the financing** is 3-5 years; and
- the **amount of the financing increases** over time.

In 2019, ADA received USD 50,000 from the Deutsche Bank Microcredit Development Fund to start developing YES. This financing allowed ADA to launch the initial pilots in 2020.

OVERCOMING A FUNDING SHORTFALL THROUGH THE YES FUNDING INITIATIVE

To respond to the need for a "missing middle" made up of young entrepreneurs with a financing needs for between EUR 10,000 and EUR 100,000, ADA launched in 2019 the "**Young Entrepreneurs Sustainable Funding Initiative**" (YES) in Africa and Central America. YES is a financing model in which investors/financing institutions work hand in hand with incubators/accelerators who support young entrepreneurs in preparing them to receive the investment. YES is based on five principles:

INITIAL PILOT IN GUATEMALA

To test the YES Funding Initiative, a strategy was adopted for the West African and Central American regions, respectively, where partnerships were set up with incubators and accelerators. In Guatemala, due diligence was performed on the incubator Alterna and its Catalyzer funding program, financed by the Inter-American Development Bank. Following this, ADA will grant Alterna EUR 150,000 to finance Catalyzer's small social entrepreneurs.



A finalist of the circular economy incubation programme, Suisse Mendoza, makes pillows with mattress production leftovers.

YAWAL: AN INCUBATOR SUPPORTING THE CIRCULAR ECONOMY IN EL SALVADOR

Among the projects completed in 2019, ADA supported the **Yawal social enterprise incubator in El Salvador** (from INSERT) in assisting the country's circular economy entrepreneurs. Of the hundred entrepreneurs who expressed an interest in taking part in this programme, eight received training to refine their business plan, with four of these receiving USD 2,500 to develop their product prototypes. Finally, two companies benefited from the incubation programme, which will end in February 2020. ADA co-financed the project for a total of USD 30,000.



EXPANDING ACCESS TO SUSTAINABLE ENERGY

ADA has carried out various projects in the Philippines and Tunisia to improve access to sustainable energy products for vulnerable populations. These have helped reduce the environmental impact in both countries.

ENHANCING THE INCLUSIVE GREEN FINANCE CAPACITIES OF THE MICROFINANCE COUNCIL OF THE PHILIPPINES (MCPI) NETWORK AND ITS MEMBER MFIS

The so-called “GIF (Green Inclusive Finance)” project, carried out between 2017 and 2019, followed on from an initial project to develop access to sustainable energy (DevSEA) implemented by MCPI with the support of ADA between 2013 and 2016. To enhance the inclusive green finance capacities of the network and its member MFIs, ADA and MCPI received EUR 200,000 in financial support from the Luxembourgish Ministry of the Environment, Climate and Sustainable Development (MECDD) over 24 months.

MFIs seeking to give vulnerable populations access to green energies

To cater to customers of its member MFIs in rural and urban areas with little or no access to the electricity grid, MCPI has launched a pilot project with five MFIs to improve access to affordable and renewable energy for these vulnerable populations in the Philippines. 20 of MCPI’s 51 MFIs had sufficient financial and human resources to develop green energy credits to meet the needs of their customers, and took part in a training course on green finance products. Of these 20 MFIs, five received technical assistance to develop loans coupled with technical solutions to access renewable energies and improve energy efficiency.



Solar equipment demonstration at SEDP-Simbag. Sun King Home 60 solar light kit. The three lamps can run for eight hours with no additional power.

A proven methodology for assessing energy needs

The methodology developed by MCPI identifies technical and financial solutions tailored to the profile and needs of MFI customers. Of the five MFIs selected for technical assistance, and following an assessment of customers’ energy needs, the one located in an urban area (K-Coop) began to develop eco-energy loans for the construction or modification of housing, with a view to minimising energy consumption. The other four MFIs – JMH, USPD Savings and Credit Cooperative, CEVI and SEDP-Simbag – in rural areas introduced loans for the purchase of solar equipment, including solar lamps, chargers and fans.

Products tested and accepted

The MFI pilot projects were a notable success, particularly for the four MFIs that introduced solar equipment. “It wasn’t hard to convince the customers,” says ADA project manager Bernard Georges. “They immediately embraced the product. On the one hand to access elec-

tricity, which is also at a favourable price, and on the other to save electricity.” In total, 2,500 products were sold to 2,425 customers over the duration of the GIF project. Most of them took out an initial loan for solar lamps, and then a second loan for fans.

SUPPORTING A TUNISIAN MFI IN THE DEVELOPMENT OF GREEN PRODUCTS

At the same time, ADA led a project to support ENDA Tamweel in Tunisia, the largest MFI in the country, in developing a range of financial products providing access to green energy. The pilot assessed the potential of the MFI’s green portfolio. The goals were to enhance internal capacity for more efficient portfolio management, to improve an existing product (the “Eco-Loan”), and to introduce a new green product (the “Solar Irrigation and Pumping System [SIPS]” loan). Launched with palm oil producers in the Tozeur agency in southern Tunisia, the MFI aims to grant 80 loans in six months for an average amount of EUR 6,400; i.e. to build a portfolio estimated at more than EUR 500,000.



Solar pumping system using the new SIPS product.



FINANCING INSTITUTIONS

Since 2009, ADA has advised the Luxembourg Microfinance Development Fund (LMDF), a private fund with a strong social mission that invests in microfinance institutions. For example, with financing granted to Oxus, an MFI in Kyrgyzstan.

AN EVER-GREATER SOCIAL IMPACT

Financing a Moroccan woman to open her beauty salon, releasing EUR 290 for a Lao weaver to purchase a weaving machine, helping a young Peruvian woman set up a greenhouse in her grandparents' fields... It has been 10 years since ADA started indirectly assisting micro-entrepreneurs and their families by investing in MFIs around the world thanks to the LMDF fund that it set up and has advised since 2009. ADA invests in debt for these MFIs and offers two products for this purpose:

- **Senior Debt:** an amount ranging between EUR 0.2 million and EUR 1.8 million granted in local currency, USD or EUR for a maximum period of 5 years at the market rate;
- **Subordinated Debt:** an amount ranging between EUR 0.2 million and EUR 1.8 million granted in local currency, USD or EUR for a maximum period of 5 to 7 years at the market rate.

FINANCING SOCIAL MFIs: THE CASE OF OXUS

ADA/LMDF finances small- and medium-sized MFIs (Tier 2 and Tier 3) with a strong social mission. They are hence careful to maintain good social indicators in order to attract investors. This is the case with Oxus in Kyrgyzstan, which has an excellent **Alinus score of 92%**. Alinus* is one of the tools generally used by MFIs to assess the proper implementation of the Universal Standards for the Management of Social Performance. In 2018, a specialist ratings agency also gave Oxus Kyrgyzstan a BB rating.

Launched in 2006, Oxus is a medium-sized MFI (Tier 2) with a well-established social mission aimed at low-income populations not served by the banking system, mainly rural farmers. This mission is shared by staff and the management team. To this end, Oxus has no fewer than 7,700 customers, **57% of whom live in rural areas** and **45% of whom are women**. One-third of its portfolio is earmarked for agriculture, whether

for the purchase of livestock, land, raw materials or equipment. In 2017, thanks to its good social indicators, Oxus benefited from an initial loan from LMDF for USD 600,000. In 2019, it was granted a second loan of USD 400,000 over three years to further develop its business and increase growth. That year, ADA and LMDF also decided to fund Oxus in Tajikistan, a country full of opportunities for microfinance.

AS OF 31 DECEMBER 2019

- **55 MFIs** advised by ADA and financed by LMDF in **25 countries**
- Outstanding loans to the tune of **32.7 million Euros**
- **55,784 micro-entrepreneurs** impacted directly, **77% of them women**

* Alinus (Aligning investors due diligence to the Universal Standards) is a short version of CERISE's SPI4, the social performance audit tool in the inclusive finance sector. It is used by microfinance investors to carry out their due diligence with financial service providers.

“This financing enabled Oxus Kyrgyzstan to develop its portfolio. The timing at the end of March 2019 was perfect, especially for farmers. The loan is granted in local currency, which prevents our customers and MFIs from being exposed to currency depreciation risks. But this goes far beyond mere financing. ADA’s ability to take risks on Tier 2/3 MFIs makes it a key driver. In both Kyrgyzstan in 2017 and Tajikistan in 2019, ADA has provided fresh impetus after a difficult period when we suffered losses, reassuring other lenders who followed with additional funding. Financing is complemented by a technical assistance programme, which has significantly improved our risk management. We have also received a partial grant to benefit from a social rating with MFR to improve our social performance. I call upon ADA to continue its support work for small MFIs. Its financing has an impact for both the institution and its customers.”

Fernand Pillonel
Managing Director of OXUS Development Network



MFIS HAVE THEIR OWN FINANCIAL PROJECTIONS TOOL

Microvision is the new tool launched by Microfact (ADA and BRS) in 2019 that allows MFIs to design a business plan and develop five-year financial and social projections. After an initial training course in Belgium, Microvision continued its tour in Africa, Latin America and Asia.

Eighty-two percent of corporate bankruptcies are caused, among other things, by poor financial projections. MFIs experience the same problem. Designing a business plan including clear and realistic financial projections is therefore essential to ensure their sustainability. This is why Microfact, a joint initiative by ADA and BRS, launched Microvision, a tool that allows MFIs to draw up a business plan including five-year financial and social projections.

A TOOL THAT IS COMPATIBLE WITH THE MFI FACTSHEET

Microvision was designed as an extension of Microfact's MFI Factsheet. Used by 1,000 MFIs worldwide, this tool analyses an MFI's key financial and social performance indicators over the past four years. By importing all the MFI's historical data from the MFI Factsheet into Microvision in a few seconds, and filling in the different assumptions, the tool can generate projections for financial statements and five-year key performance indicators. It can also assess the impact of different parameters on the MFI's overall activity, and is able to record up to three different scenarios. The projections generated by Microvision are therefore an essential, valuable aid to obtaining a robust business plan centred on strategic choices, objectives, customer segmentation and resource planning.

Microvision is easy to use. It can be downloaded from the Microfact website for free and comes with a manual that allows it to be used independently. It is available in French, English and Spanish.

MICROVISION IS MAKING THE ROUNDS

To deploy the tool as widely as possible, training sessions on the use of Microvision have

been given to MFIs and consultants seeking to support MFIs in drawing up their business plan. In 2020, plans are in place to train 150 MFIs through this network of consultants set up specially for the project.

Training sessions were held in the following locations:

- Belgium, November 2018
- Belgium, March 2019
- Dominican Republic, November 2019
- Benin, September 2019
- Burkina Faso, October 2019
- Myanmar, October 2019

"The fact that MFIs find Microvision so accessible shows us that this tool has the potential to become an internationally recognised standard for the financial modelling of business plans."

Marina Abboud
Senior Project Manager at ADA



STRENGTHENING THE PROFESSIONAL ASSOCIATION OF MYANMAR

ADA enhances the capacities of national microfinance professional associations. The aim is for them to become key local leaders, legitimate representatives of microfinance institutions (MFIs), and effective partners in the implementation of responsible inclusive finance projects. For example, in Myanmar.

STRATEGIC SUPPORT OVER THREE YEARS



Following the first enhancement programme in 2017 aimed at improving its institutional and technical capacity, the Myanmar Professional Association **MMFA (Myanmar Microfinance Association)** improved its governance, successfully set up its Secretariat, formed an operational team, and formulated its three-year strategic plan. To support the implementation of this three-year plan, ADA is continuing to assist MMFA with a new partnership (2018-2020). This partnership is formulated in line with the association's strategic goals, and targets the following three results:

- Enhancing MMFA's **institutional and financial autonomy**;
- Developing **high-quality services** based on demand to support the growth of the microfinance sector and facilitate consistent collaboration between microfinance practitioners and stakeholders;
- Promoting a **healthy market environment** within an appropriate legal and regulatory framework.

AN EXPANDING ASSOCIATION

Since 2017, MMFA has undergone a meteoric rise. At end-2019, the association had **115 member microfinance institutions** (out of a total of 189) serving more than **4.8 million customers** across the country. MMFA's efforts are ongoing, and it hopes to reach 80% of Myanmar's member MFIs by 2020. To date, the Secretariat consists of three full-time staff responsible for implementing actions for members and the sector in general. The association is a real platform for discussion and learning, as supported by the strong commitment and active participation of members in the various working groups and organised clubs.



HR club meetings were held on a regular basis, with 61 participants from 29 MFIs. The staff recruitment process was among the topics covered



Microvision Training on 12-13 December 2019 in Yangon

MEETING THE NEEDS OF A FAST-GROWING SECTOR

During 2019, the **portfolio's total outstanding amount increased by more than 60% in Myanmar, exceeding USD 1.7 billion**. The sector currently employs more than **22,000 people**. This figure continues to grow due to significant demand for training and technical assistance. In 2019, following a needs analysis of its members, MMFA set up a training programme. **Thirteen training courses** were organised on various topics related to microfinance, in particular risk management, financial and social performance indicators (Microfact) and the financial projections (*new Microvision tool developed in 2019 by ADA and BRS, see page 11*). These

training sessions were attended by **308 participants from 72 member MFIs**. In addition, MMFA and ADA have begun to provide support for two MFIs in assessing risk management using the Risk Management Graduation Model (RMGM) tool, and in developing an action plan identifying areas for improvement. This technical assistance will continue in 2020.

FOSTERING A FAVOURABLE REGULATORY ENVIRONMENT

The advocacy work carried out by MMFA consists of a series of strategic, complementary actions. Informed by its mission, these actions seek to represent the sector vis-à-vis the regulators and the various stakeholders. MMFA's strategy includes ongoing dialogue with the **Financial Regulatory Department (FRD)**, the organization of forums and consultation areas, partnerships, and a working group set up to deal specifically with regulation. In 2019, the association led consultation workshops. It also formulated guidelines and proposals to provide information about the new microfinance law, and to respond to FRD regulatory measures such as the new **interest rate cap**. The recommendations enabled MMFA to obtain clarifications and an extension of the compliance period for MFIs. The new microfinance law will be formalised in 2020.



MCIX Promotional Workshop on 20 June 2019 in Yangon. Opening by Wendy Medrano-Lazo, ADA Technical Advisor



INFLUENCING RESPONSIBLE MARKET DEVELOPMENT: THE MCIX PROGRAMME

To compensate for the absence of an operational credit office in Myanmar, MMFA, with the support of ADA, joined forces with ThitsaWorks to launch its own digital platform, the **Microfinance Credit Information Exchange (MCIX)**, in October 2018. MCIX facilitates the exchange of information between MMFA member MFIs. The aim is to minimise bad debt and improve credit risk management. MCIX integrates MFI credit data into a common analysis platform to provide basic customer information (multiple loans and write-offs). At end-2019, the platform shared data on **more than two million customers from 27 active MFIs in 197 communities** in Myanmar.

Last June, a **MCIX promotion workshop** was held in Yangon to encourage MMFA member MFIs to take part in the programme. The workshop introduced the platform and provided sectoral data on over-indebtedness in Myanmar's various municipalities. There was also a panel discussion featuring representatives of MFIs using MCIX.

2020 PROJECTS

In 2020, the partnership between ADA and MMFA will enter its final year of implementation. A project assessment is planned for the end of the year. The recommendations from this assessment will form the basis for a potential new support program.



“Over the last three years, I have had the chance to work with MMFA and witness its significant development into one of Myanmar’s key platforms, facilitating dialogue and consultation between microfinance institutions, the Financial Regulatory Department and the major inclusive finance stakeholders. In addition, MMFA has taken a remarkable step forward in actively promoting responsible practices through initiatives such as the MCIX platform. As the sector evolves, MMFA’s main challenge will be to stay relevant in Myanmar’s ever-changing market. At ADA, we are committed to continuing to support MMFA and to promoting the involvement of leaders and key stakeholders in their efforts to build an inclusive and sustainable financial sector in Myanmar.”

Wendy Medrano-Lazo
ADA Technical Advisor based in Phnom Penh, Cambodia



OUAGADOUGOU AT THE CENTRE OF INCLUSIVE FINANCE

Does inclusive finance have a role to play in helping achieve the Sustainable Development Goals? This was the subject of the fourth edition of the SAM held from 21 to 25 October 2019 in Ouagadougou, which became the centre of inclusive finance for a week.

INCLUSIVE FINANCE AS A DEVELOPMENT LEVER

As a reminder, the African Microfinance Week (SAM) aims to become a common African platform for discussion and debate among all microfinance sector practitioners. Over the course of a week, banks, decentralised financial systems, FinTech, donors, NGOs, investors and innovators gathered at the International Conference Centre in Ouagadougou, Burkina Faso to see how inclusive finance can contribute to achieving the SDGs, eliminating hunger, eradicating poverty, producing and consuming sustainably, and putting an end to inequalities.

BURKINA FASO: THE PLACE TO BE

Organising the SAM in Burkina Faso is really a poetic justice. In late 2014, the SAM should have been held in Ouagadougou, but the popular uprising led the organisers to relocate to Dakar. The request for this fourth edition came from the Burkinabe government, which is determined to make Ouagadougou the hub for inclusive finance: a unique space where hundreds of participants can take part in **around 20 free training courses**, attend **debates** and a **research conference**, meet investors at the **Investors' Fair**, or discover sector innovations

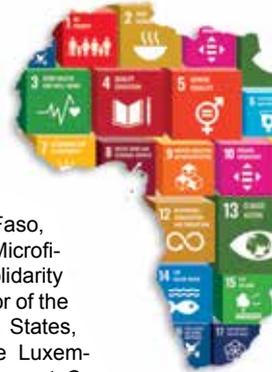


at the **Innovators' Village**. In this sense, the SAM has created a valuable ecosystem that benefits not only the sector but also, and above all, African countries – primarily the host country. Partners, professional networks, sponsors and participants made this a unique event and the place to be.

A HIGH-LEVEL CONFERENCE

Composed of a series of plenary sessions and workshops, the SAM is primarily a two-day conference at which experts from the inclusive finance sector and senior political representatives can exchange ideas, debate and discuss the sector's key issues. This year's conference covered topics such as digital finance and FinTech, agricultural finance, money transfers, the development of small- and medium-sized

enterprises, youth employment and gender inequality. A highlight of this edition was Burkina Faso's Prime Minister, Christophe Dabiré, chairing the opening ceremony alongside the Deputy Minister for Land Planning in Burkina Faso, the Senegalese Minister for Microfinance and the Social and Solidarity Economy, the Deputy Governor of the Central Bank of West African States, and Ms. Paulette Lenert, the Luxembourgish Minister for Development Cooperation and Humanitarian Affairs.



MORE THAN 20 TRAINING COURSES AND WORKSHOPS

Twenty-two training courses and workshops were provided free of charge by ADA and long-standing partners, whose reputation and expertise precede them.





“Ready for investors” workshop by Arendt and ADA, giving MFIs the tools to prepare well for investors in order to obtain financing

These include: UNCDF, Arendt, BNP Paribas, BRS, FAO, SPTF, Cerise, Microinsurance Network, Pamiga, Amarante, MicroSave, the Grameen Credit Agricole Foundation, Banca Etica, Micro-assurance du monde, the Commercial Bank of Burkina Faso and SIDI.

THE INNOVATORS' VILLAGE

This year, the Innovators' Village had a makeover. The resolutely forward-looking B2B space welcomed 25 new technology providers supporting inclusive finance. The exhibitors, all of whom were from very different backgrounds, presented their digital solutions to curious visitors taking a look around the Village. To name a few, HPS (Hightech Payment Systems) introduced PowerCARD Microfinance, an integrated platform and Mobile Banking; Qotto introduced its battery-based solar kits which can be used to operate devices such as lamps, televisions, and phone chargers; and “Hedera Connect”, an online learning platform that connects financial service providers, investors and consultants. As a little bonus, there was a palaver tree in the middle of the Village, where people could take a break and swap ideas with other villagers.



900 participants, including 145 from Burkina Faso;
56 countries, including **35 African countries**



25 exhibitors at the Innovators' Village

AN INVESTORS' FAIR

More than just a conference, the SAM is an events ecosystem. The Investors' Fair in particular brings together investors and MFIs through its 20-minute meeting sessions which take place over a whole day. This year saw no fewer than 24 investors, 2 rating agencies and 110 MFIs from 27 countries come together. A total of 525 meetings were scheduled between all these stakeholders. Speaking on behalf of Verdant Capital, Ed Higenbottam said: *“I had access to a wide range of MFIs, both English- and French-speaking, ranging from larger and more mature institutions to smaller and younger ones, some of which had a specific impact on development.”*



80 speakers, +100 partner contributors

525 meetings between MFIs and investors



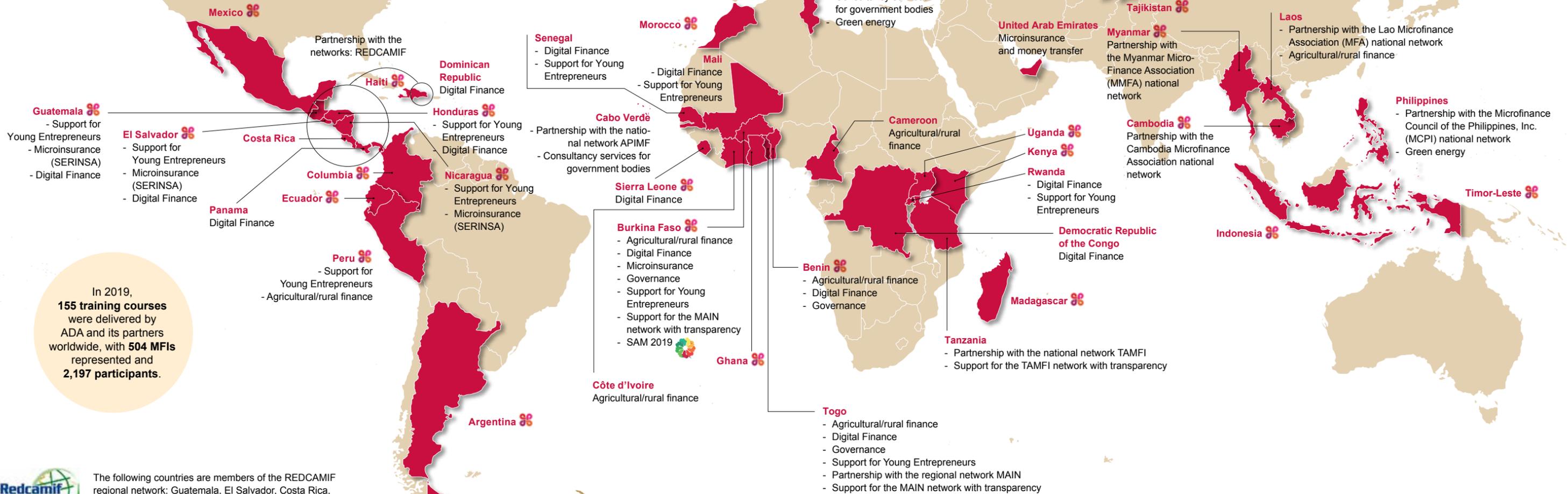
22 training courses and workshops



24 sponsors

ADA: PROJECTS AND SOLUTIONS AROUND THE WORLD

Over 1,000 institutions use a Microfact tool (MFI Factsheet, BCEAO Factsheet, MFI Factsheet Compiler or Microinsurance Factsheet). The new Microvision tool will make it possible to make five-year financial projections (p.11).



In 2019, 155 training courses were delivered by ADA and its partners worldwide, with 504 MFIs represented and 2,197 participants.



The following countries are members of the REDCAMIF regional network: Guatemala, El Salvador, Costa Rica, Panama, the Dominican Republic, Honduras and Nicaragua

☞ Investments via the LMDF fund, advised by ADA in 2019.

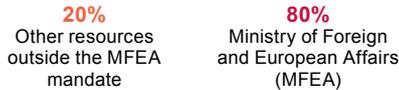
KEY FIGURES 2019

2019 resources of



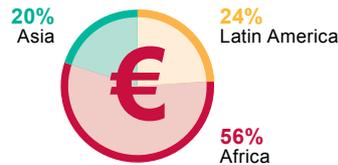
9,04 M€

come from:



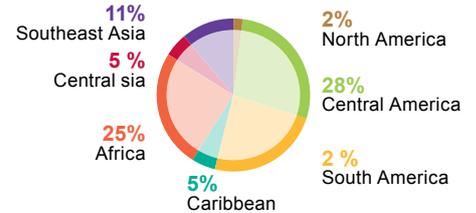
The support of the MFEA is essential to ADA!

Distribution of operational expenditure by continent:



Over half of ADA project expenditure goes to Africa

Geographical distribution of ADA/LMDF loans by continent:



57% of investments are in Latin America!

Training courses



149 training courses for MFIs and 6 training courses for incubators/accelerators



504 MFIs



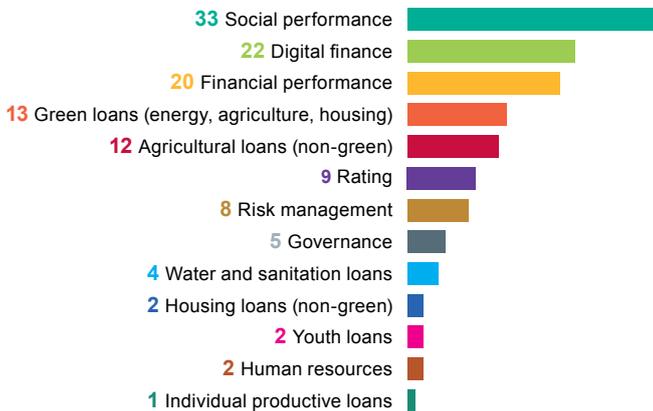
2,197 participants

Technical assistance

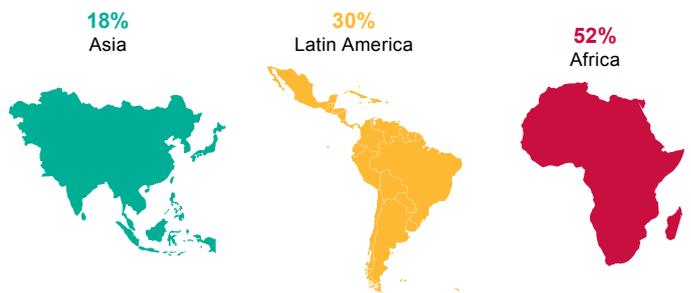
110 MFIs have received one-off (diagnostic) or sustained (long-term support) technical assistance.

Breakdown of these 110 supported MFIs by area

(Some MFIs have received technical assistance in several areas)



Most of the 110 MFIs operate in Africa:



Research example: 33 MFIs have received technical assistance with social performance.

Beneficiaries

In 2019, with support from ADA, 33 MFIs and 1 FinTech offered a new financial product or service (microinsurance, agricultural loans, green loans, savings, individual productive loans, youth loans, and loans for housing, water or sanitation) for a total of 76,420 beneficiaries (including 67,694 beneficiaries of a microinsurance product). Some 8,221 beneficiaries also received non-financial support.

Research & Development

In 2019, 14 studies were published by ADA and its partners (REDCAMIF, European Microfinance Network, SPTF, Cerise and the ADA Chair).

550 PARTNERS IN 40 COUNTRIES

ADA is supported by the Ministry of Foreign and European Affairs of Luxembourg:



Our partners in Luxembourg:



Our partners at the Maison de la Microfinance:



EXECUTIVE BOARD 2019

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Directors: Gilles Franck, Rémy Jacob, Michel Maquil, Max Meyer, Bram Schim van der Loeff, Luc Vanderweerd, Robert Wagener and Claude Witry

ADA supports nearly **550 MFIs** and operates in more than **40 countries**.

Discover our partners on the ground at:

www.ada-microfinance.org

PARTNERS ARE TALKING ABOUT OUR ACTIONS



“In 1994, ADA (Appui au Développement Autonome) wanted – and the name says it all – to be a means of support. That is, to provide support over time for projects people needed and that they wanted to carry out.”

Mia Adams
Founder of ADA



“I started farming 15 years ago. I tried to borrow money and discovered microcredit. I thought it was a unique opportunity because no normal bank would have financed me.”

Alfredo Zepeda
Farmer in Quito, Ecuador



“After Asia, we went to West Africa. ADA added training for young people by giving them the tools they need to run a business. It is important to create jobs so that young people do not leave and are satisfied with their living conditions.”

Dony Calmes
Rotary President in Luxembourg



“ADA has just proposed the best training course currently aimed at any MFI, regardless of its size, that wants to make its agricultural financial services more professional and profitable.”

Ousmane Thiongane took a training course in rural and agricultural finance in Ouagadougou in October 2019



“Microfinance gives women access to financial and non-financial products and services that will act as a tool and a lever for their development and leadership”

Mercedes Canalda de Beras-Goico
President of REDCAMIF



“ADA was one of the pioneers of sustainable finance, and the Luxembourg government committed themselves to this.”

Paulette Lenert
Former Minister of Cooperation and Humanitarian Affairs for Luxembourg



“Being self-employed means being your own boss, and not having to rely on others anymore.”

Pierre
Carpenter in Rwanda



“This work allows me to provide my family and my children with a better standard of living.”

Marie-Chantal
Hairdresser in Rwanda



“ADA has remained true to its commitment to development support.”

Alpha Ouedraogo,
One of the first West African partners to make a commitment to working alongside ADA



25 YEARS IN INCLUSIVE FINANCE



1994

ADA is established as a non-profit organisation.



2008

Launch of a second project for the professional integration of young people with RCPB in Burkina Faso.



2007

First mandate of the Luxembourg Cooperation between ADA and the Ministry of Foreign and European Affairs.



2007

ADA is granted the High Patronage of Her Royal Highness the Grand Duchess of Luxembourg.



2006

First Midi de la Microfinance.

2005

International Year of Microcredit.



2004

Partnership with an NGO in Mali for a young people's professional integration programme.



2004

Launch of the Rating Fund, which promotes the transparency and quality of MFI information.



2009

ADA is granted the High Patronage of Her Royal Highness the Grand Duchess of Luxembourg for a second time. Luxmint becomes LMDF, a unit trust (SICAV) advised by ADA.



2012

Second mandate of the Luxembourg Cooperation between ADA and the Ministry of Foreign and European Affairs.



2013

First African Microfinance Week (SAM) in Arusha, Tanzania.



2014

ADA operates in 23 countries, working with 150 MFIs and reaching 5 million people.

2016

Youth project in Rwanda with UFC.



2019

Fourth African Microfinance Week (SAM) in Ouagadougou, Burkina Faso, with 900 participants and 54 countries represented.



2018

Launch of projects to ensure the sustainable growth of micro- and small enterprises.

2018

Third mandate of the Luxembourg Cooperation between ADA and the Ministry of Foreign and European Affairs.

2017

Launch of the Digital Finance Initiative (DFI), a project that supports microfinance institutions in their digital transformation to better serve their customers.



2017

Fortieth Midi de la Microfinance on the topic of women, in the presence of Her Royal Highness the Grand Duchess of Luxembourg.





ADA benefits from the High Patronage of Her Royal Highness the Grand Duchess of Luxembourg.



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