



# Lessons learned

## Digital Finance Initiative

TOPIC

Digital

Before MFIs can offer their customers a digital solution, they first need to complete their own digital transformation.

NAME OF THE PROJECT

Guiding microfinance institutions through their digital transition

### Context

African MFIs have an opportunity to improve their financial and social performance, thereby promoting financial inclusion in the areas where they operate. The solution is to digitalise their processes, from recruitment and customer authentication to credit assessment and approval, as well as their remote customer interaction. This digitalisation can be achieved through forging partnerships with telecom operators, creating agent networks, setting up SMS and Mobile Banking, or new digital products.

PROJECT DURATION

2017–2021  
(5 years)

From 2017 to 2021, via the Digital Finance Initiative (DFI), ADA helped MFIs make digital part of their strategies, bringing them deeper insight into the solutions available for digitalising their operations. As a result, they were able to reach more customers by opening up alternative distribution channels. They improved their geographical coverage and operational efficiency, reduced their costs, and overhauled their customer experience by offering new and innovative products and services.

GEOGRAPHICAL AREA

Sub-Saharan Africa

Throughout those five years, the DFI provided a real opportunity to accelerate the development of financial inclusion in Sub-Saharan Africa through digitalisation.

BUDGET

EUR 1,549K

BACKER

Luxembourg Ministry of Foreign and European Affairs

### Project goals

First launched in 2017, the goal of the DFI was to help MFIs in various countries of Sub-Saharan Africa to design and implement customised digital solutions. This was in an effort to improve their financial and social performance by providing them with strategic, methodological, technical and financial support.

STAKEHOLDERS

African MFIs that partnered with the DFI

- ACEP GROUPE & PAMF WEST AFRICA (multi-country)
- COMUBA, ALIDÉ, MDB, RENACA (Benin)
- GRAINE SARL, YIKRI, UBTEC (Burkina Faso)
- WASASA (Ethiopia)
- EBO SACCO (Uganda)
- MICROLOAN (Malawi)
- SORO YIRIWASO (Mali)
- MEC FADEC & U-IMCEC (Senegal)
- LAPO SL (Sierra Leone)
- COOPEC-SIFA, ASSILASSIME SOLIDARITE, COOPEC LA FRUCTUEUSE, MILLENIUM MICROFINANCE (Togo)

### Vision for the DFI

Digital finance promotes financial inclusion for at least three reasons:

- It enhances operational efficiency.
- It improves access to, and for, customers.
- It paves the way for new services.

### Overall aim

Improving financial inclusion in Sub-Saharan Africa by broadening the scope and impact of the MFIs supported by the DFI via the proper IT tools.

### Specific goals

- Making digital a part of the overall strategy adopted by MFIs (goals, solutions and priorities).
- Broadening the scope, impact, and social and financial performance of supported MFIs through the digital solutions introduced.

CONTRIBUTION TO THE SDGs



# Key activities



The DFI offered three-step support:



## 1 Starter workshop Identifying priorities

The workshop gave participating MFIs content and methodological tools to define and prepare their digital strategy and their digital projects. Each MFI paid EUR 1,500 to take part.



### Co-financing:

Co-financing applied to both the pre-project and the implementation phase.

ADA and its partners were able to cover up to 70% of expenditure for investments, with a cap of EUR 10,000 for the pre-project phase and EUR 100,000 for the implementation phase.

The remaining 30% (minimum) was to be financed by the MFI itself.



## 2 Pre-project phase Defining a digital project

During the pre-project phase, lasting three to six months, the DFI helped the MFIs assess:

(i) the expected benefits, (ii) the project impacts, and (iii) the prerequisites for the project to succeed. The project proposal was also drawn up.



## 3 Pilot phase Implementing the digital project

During the pre-project phase, lasting three to six months, the DFI helped the MFIs assess:

(i) the expected benefits, (ii) the project impacts, and (iii) the prerequisites for the project to succeed. The project proposal was also drawn up.

# Results of the DFI



**56**  
MFIs TRAINED



**23**  
PROJECTS COMPLETED



**WITH 18**  
AFRICAN MFIs

Between 2017 and 2021, the DFI provided digitalisation training for a total of 56 microfinance institutions. Fifteen workshops were held in various countries to help 32 MFIs define their digital strategies. Subsequently, the DFI's selection committee put forward 26 pre-projects. As many as 23 digital projects went ahead with 18 different MFIs in Sub-Saharan Africa. Of these MFIs, some (U-IMCEC, WASASA, LAPO and GRAINE SARL) received support from the DFI for several projects. Some projects also included multiple digital solutions.

### Starter workshop

### Pre-project

### Validation

### Finished project



**32 MFIs** took part in the **15 workshops** on defining the digital strategy and identifying prerequisites and priorities.



After some MFIs dropped out, **26 pre-projects** were put forward to ADA.



Of these 26 pre-projects, **25 were given the green light**, but two were unsuccessful.



**23 projects** were completed with **18 MFIs**.

*Four of these projects involved the F2.0 solution developed for the agricultural sector.*



## Breakdown by project type



By the time it ended in 2022, the DFI had helped the partner MFIs set up 23 different digital projects, broken down as follows:

Country	Partner MFI	Type of project	Impact
Multi-country: Burkina Faso, Cameroon, Madagascar, Niger	ACEP GROUPE	Digital strategy	Once the support phase with the DFI team was complete, the group decided to migrate to a cloud-based management information system (MIS).
Multi-country: Burkina Faso, Mali, Côte d'Ivoire	PAMF	SMS Banking	SMS notifications are sent to customers to confirm their financial transactions.
Benin	ALIDé	Scoring for automatic loan renewal	Reduced processing time for loan applications. Reduced default risk.
	COMUBA	W2B/B2W + IT security	Financial transactions available 24/7 for subscribers.
	MDB	Interconnection of branches + merged database + cloud hosting + mobile tontine + SMS Banking	Inter-co-op transactions available for customers in the branch network. Smoother MIS maintenance. Digitalisation of tontine collection, and SMS notifications for customers. Improved reporting and management for the MFI.
	RENACA	Internet for all 24 branches/desks and the head office	Inter-co-op transactions available for customers in the branch network. Technical requirements for introducing digital solutions.
Burkina Faso	GRAINE SARL	Internet for all 24 branches/desks and the head office	Smoother MIS maintenance and month-end reporting.
		Migration to a cloud-based MIS + internal mobile agents + mobile tontine + SMS Banking	Inter-co-op transactions available for customers in the branch network. Digitalisation of tontine collection for all 35 collectors. Digitalisation of cash transactions at both of the market desks, and SMS notifications for customers. Improved reporting and management for the MFI.
	UNTEC	Interconnection of nine branches and the head office	Inter-co-op transactions available for customers in the branch network.
	YIKRI	Interconnection + merged database + cloud hosting + internal mobile agent + SMS Banking	Inter-co-op transactions available for customers in the branch network. Smoother MIS maintenance. Digitalisation of financial transactions on the ground. Improved reporting and management for the MFI.
Ethiopia	WASASA	Data backup centre	Greater security for customer data and transactions.
		F2.0	Data transmission between players in the agricultural value chain and the MFI has been improved, promoting financial inclusion for small farmers. In 2021, 130 of the MFI's customers took advantage of the platform.
Malawi	MICROLOAN	Digitalisation of processes	Greater productivity from agents and reduced loan processing time.
Mali	SORO YIRIWASO	W2B/B2W	Financial transactions available 24/7 for subscribers.
Uganda	EBO SACCO	W2B/B2W	Financial transactions available 24/7 for subscribers.
Senegal	U-IMCEC	Cloud-based MIS + internal agents	Improved reporting and management for the MFI. Closer customer relations thanks to mobile agents.
		F2.0	Data transmission between players in the agricultural value chain and the MFI has been improved, promoting financial inclusion for small farmers. In 2021, 550 of the MFI's customers took advantage of the platform.
	MEC FADEC	F2.0	Data transmission between players in the agricultural value chain and the MFI has been improved, promoting financial inclusion for small farmers. In 2021, 1,000 of the MFI's customers took advantage of the platform.
Sierra Leone	LAPO	Migration to a cloud-based MIS + internal mobile agents	Improved reporting and management for the institution. Closer customer relations thanks to mobile agents.
		F2.0	Data transmission between players in the agricultural value chain and the MFI has been improved, promoting financial inclusion for small farmers. In 2021, 500 of the MFI's customers took advantage of the platform.
Togo	ASSILASSIME SOLIDARITE	Interconnection + merged databases at the head office + IT security + W2B/B2W + internal mobile agents + SMS Banking	Inter-co-op transactions available for customers in the branch network. Smoother MIS maintenance. Financial transactions available 24/7 for subscribers. Digitalisation of financial transactions on the ground, and SMS notifications for customers. Improved reporting and management for the MFI.
	COOPEC-SIFA	Interconnection + internal mobile agents	Inter-co-op transactions available for customers in the branch network. Digitalisation of all financial transactions on the ground for all 35 agents. Improved reporting and management for the MFI.
	COOPEC LA FRUCTUEUSE	W2B/B2W	Financial transactions available 24/7 for all 2,000 subscribers.
	MILLENIUM MICROFINANCE	W2B/B2W	Financial transactions available 24/7 for over 12,900 subscribers.



Above all, the alternative distribution channels set up by the MFIs help save customers time and bring down the cost of accessing services.

The local digital solutions offered by the MFIs mean that customers are no longer limited to their home branch for their transactions. They can now go through mobile agents, or agents based near where they live. They can also use ATMs or an internet-connected mobile tool to access web solutions, or even their smartphones with direct access to their digital wallet (W2B/B2W), as well as any of the branches in the MFI's network.

Customers can therefore access their account outside of standard business hours, without having to stop what they are doing to go to the branch. This way, they can focus on growing their business. People in rural areas, remote from branches, now have much easier access to the MFIs' financial services.

The key for MFIs moving forward is to keep listening to their customers. Only then can they bring them local, reliable, secure and affordable services to meet their needs.

The 41,000 members of COOPEC-SIFA in Togo can now do all their transactions in any of its branches.



Testimonials

*"Digitalisation has made us more efficient, saved us time and improved our working conditions. Our customers now feel that machine transactions are safer – they don't want paper any more. Before, paper transactions could take three hours, whereas now we can complete them in 45 minutes!"*



**Philippe Fori**  
Managing Director of COOPEC-SIFA (Togo)



**Eléonore Céline Compaoré**  
Managing Director of GRAINE SARL (Burkina Faso)

*"The project took nine months, from the selection of service providers to roll-out. We can now track activities and results in real time, which means we can act very quickly. Before, it would take us 30 days to do our monthly accounts! Everybody is happy with the new solution. During the pandemic, we were able to work from home and set up conference calls to communicate with the branches."*

*"The development of digital solutions is an opportunity for MFIs to broaden their scope, especially in rural areas, and to boost financial inclusion."*

**Catherine Lizard**  
Senior Project Manager for the Digital Finance Initiative at ADA



ADA's Digital Finance Project Manager, Catherine Lizard (pictured left), with the team from Uganda-based EBO SACCO at a DFI workshop in 2020.



## Lessons learned & recommendations

A number of lessons can be learned on many levels from the pilot projects that the DFI set up with the partner MFIs.

Digitalisation remains a priority for many African MFIs, but they face difficulties when it comes to their management and information systems and their infrastructures, as well as the level of internal expertise and staff availability. Another barrier when it comes to setting up digital solutions is seeking funding, as these projects come with numerous, often expensive, logistical and technical requirements.

Initially, the DFI was created to support MFIs in setting up digital solutions for their customers. However, it soon became clear that a number of MFIs first needed to focus on how to structure their own internal digital transformation before they could start implementing solutions for their beneficiaries.

With all that it learned during the initiative, and after several finalised projects, the DFI team is now ideally placed to identify the key areas of focus required for MFIs if they are to succeed in their digital transformation:

### ✓ Regulations

Both the project managers and the MFI need to be aware of the legislation in force in their respective areas for digital finance.

### ✓ Governance

For a successful digital transformation, each MFI needs to involve the management team, appoint a competent project manager, set up appropriate governance and have an up-to-date business plan.

### ✓ Financing

Digital transformation projects are expensive. Each MFI must therefore have the financial means to cover the investments involved (self-financing and backers). They must also have the ability to hire new staff to manage the new alternative distribution channels, for example.

### ✓ Technical requirements

Each MFI must have a technical environment that is conducive to setting up digital solutions (management information system open to third-party solutions, centralised database, interconnected branches, access to internet and electricity, etc.). Each MFI must focus on these requirements before it can start implementing digital solutions for its customers.

### ✓ Operations

Each MFI must demonstrate sound portfolio management and in-depth knowledge of the needs and expectations of its customers.

## STRENGTHS OF THE DFI

Thanks to these five years of experience, the DFI team was also able to refine how it operates. As a result, over time, it has identified key success factors:

- One-to-one workshops with the selected MFIs
- Creation of new shared tools with the MFIs
- Digital finance expertise within the DFI team
- Support for the MFIs, from defining their digital strategy through to rolling out solutions
- Co-financing of the MFIs' projects, with approval based on project proposals
- Regular project monitoring with advisory support
- Simplification of DFI procedures

## CONSTRAINTS ARISING FROM THE ENVIRONMENT AND UNFORESEEN EVENTS

Despite its success, the DFI team did also encounter a number of constraints:

- The IT systems used by the targeted MFIs sometimes had a low level of maturity, requiring additional support.
- The technology available in French-speaking Sub-Saharan Africa was sometimes limited.
- Certain projects were delayed due to the outbreak of the COVID-19 pandemic in 2020, despite the increasing need for digital solutions from both the MFIs and their customers.





As part of ADA's new multi-year strategy started in 2022, the NGO will continue to promote the development of inclusive finance to meet the needs of the following groups in particular: young entrepreneurs, small family farms and vulnerable households. From now on, ADA will therefore be concentrating its efforts on three key areas: access to basic services, youth entrepreneurship, and developing value chains in the agricultural and forestry sectors.

However, its operations will also consider three cross-cutting aspects: issues relating to climate change, gender issues and the role of women, and the use of digital technologies.

This is how ADA plans to include the development of innovative digital solutions for the target groups in its future projects.

The same goal is also behind the continuation of the Farmer 2.0 project, started by the DFI in 2019 to improve financial inclusion in rural areas. It will keep moving forward as an independent DFI programme and will continue to expand with the recruitment of new African MFIs to serve new agricultural producer groups.



## ADA, an expert in inclusive finance, driver of partnerships and innovation

ADA (Appui au développement autonome) is a Luxembourgish, non-governmental organisation that has been increasing the autonomy of vulnerable people in Africa, Latin America and Asia with inclusive finance since 1994, thereby contributing to achieving the sustainable development goals.

ADA leverages its resources and expertise to innovate, support local partners, implement technical support programmes, give investment advice and manage knowledge to positively and sustainably impact targeted populations.

ADA's activities focus on three main topics: **youth entrepreneurship, agricultural and forestry value chains** as well as **access to basic services**. These activities touch upon three transversal themes: climate change, gender and the use of digital technologies.

[www.ada-microfinance.org/en](http://www.ada-microfinance.org/en)



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ADA (Appui au développement autonome) is a Luxembourgish non-governmental organisation that strengthens the autonomy of vulnerable people by leveraging inclusive finance to improve their living conditions.

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