



Appui au Développement Autonome



# Entrepreneurial solutions

Activity Report 2016

## Editorial

# Our entrepreneurial solutions



**Olivier Massart**  
Executive Director

**Max Meyer**  
Chairman

ADA is a Luxembourgish NGO specialising in microfinance, a sector in which it has become a significant actor in a little over 20 years. Our association benefits from the same image of excellence in microfinance as Luxembourg does in finance. Our reputation and our professionalism are reflected every day in the work our 40-person team carries out. ADA is currently taking part in 50 on-the-ground projects throughout the world. We are particularly active in the Less Developed Countries of Southeast Asia, Latin America and Africa.

ADA relies on local talent and the support of the Grand-Duchy of Luxembourg to contribute to the worldwide promotion and development of inclusive finance. We adapt the financial expertise of Luxembourg's markets and share it worldwide. ADA offers microfinance institutions of the Global South technical and financial assistance, financial management tools and

courses in risk management and governance that are held in collaboration with our partners. We also offer consultancy services to government bodies. Furthermore, ADA advises MFIs that are in a working relationship with the Luxembourg Microfinance Development Fund (LMDF). Both the audited MFIs and the LMDF appreciate our due diligence work.

Enabling men and women throughout the world to build up their revenue-generating activities, ADA applies the principles of responsible finance to developing entrepreneurial solutions in Rwanda, the Philippines, Nicaragua and Burkina Faso. We benefit from Luxembourgish financial know-how, applying it to our work in both these and other countries, where we are in close partnership with local and regional institutions. However, our actions ultimately target these institutions' clients. In reading this report, the reader is invited to recognise the size and importance of our impact.

Better staff training and structural strengthening of MFIs benefits all of their users. Every two days, an ADA-organised training course is held somewhere in the world (see p. 9). We currently advise 38 MFIs on their financing (see p. 10). Working in close collaboration with REDCAMIF, our efforts target the 138 MFIs belonging to that network as well as their 1.6 million clients (see p. 15). Each job created with the help of our "Young Entrepreneurs" initiative indirectly generates two further positions, therefore ensuring a better life for a total of three (often large) African families. While it is difficult to calculate exactly how many people's lives our work will have positively impacted, we are certain that more than 5 million people have benefitted from our Luxembourgish expertise in 2016. What an impressive figure, when one considers that the Grand-Duchy's population is only around half a million!

## Our 2016 Board of Directors

Chairman: Max Meyer

Vice-Chairmen: Rémy Jacob, Philippe-Fitzpatrick Onimus, and Gilles Franck

Administrators: Nicole Dochen, Patrick Losch, Michel Maquil, Corinne Molitor, Jacques Prost, Bram Schim van der Loeff, Robert Wagener, and Claude Witry



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

Directorate for Development Cooperation  
and Humanitarian Affairs

ADA is a non-governmental organisation approved and co-financed by the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs.



## **SUPPORTING** Solutions for young entrepreneurs

**04**



## **PROFESSIONALISING** Solutions for sustainable agricultural financing

**07**



## **FUNDING** Solutions for supporting MFIs' financial growth and their social mission

**10**



## **ADVISING** Solutions for high-value-added MFI networks

**13**



## **STRENGTHENING** Solutions for sustained SME growth

**16**

**Our financial figures**

**18**

**ADA's projects and solutions worldwide**

**20**

**Sharing: solutions for knowledge distribution, here and worldwide**

**22**

**Our partners**

**23**

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The figures provided in this publication were accurate as of 31st December 2016.



For more information about our activity, please see:

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

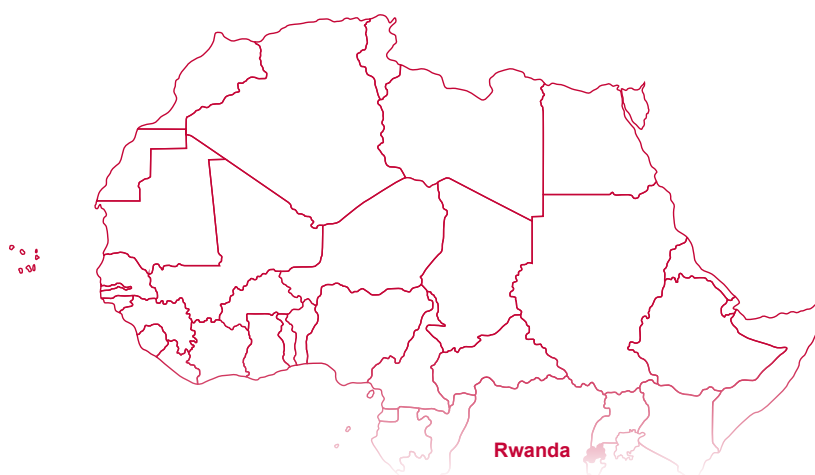


Our project managers, Marina Abboud and Jérémie Chapet, with UFC Rwanda employees

## SUPPORTING

### Solutions for young entrepreneurs

*ADA is assisting the Umutanguha Finance Company (UFC) microfinance institution with improving the microcredit it offers young people, as well as with tailoring this product to young Rwandan entrepreneurs who are starting up or developing their revenue-generating activity. Our aim is to provide UFC with the technical skills it requires to acquire new financial product design skills and management capabilities, while also taking into account the higher levels of risk in the newly targeted market.*



# What solutions does ADA offer UFC to improve its support of young entrepreneurs?

## Solution 1

### Providing our technical assistance through a trusting relationship and supporting greater autonomy

The Umutanguha Finance Company (UFC) microfinance institution has been active in Rwanda since 2002. As is the case in most other African countries, Rwanda's population is very young: 50% of the population is under 19 years old and 77% is under 35. A high proportion of Rwandans, 83% of the population, lives in rural areas.

UFC had already developed a range of products that it marketed to young customers within the framework of the UNCDF "Youthstart" partnership. However, UFC sought to improve the efficiency of those products and to increase their outreach to young entrepreneurs who want to set up their own business or build up an existing one.

ADA has pledged to support UFC throughout its implementation of improvements to the financial and non-financial services it offers young entrepreneurs. We are able to draw on the experience we gained working on three similar projects with the Réseau des Caisses Populaires du Burkina (RCPB) in Burkina Faso, with ASUSU in Niger and with the Faïtière des Unités Coopératives d'Épargne et de Crédit du Togo (FUCEC) in Togo, with the help of the Rotary Clubs of Luxembourg. We also received the assistance of the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs for the projects in Niger and Togo.

ADA has drawn on its experience with a number of pilot subsidiaries and currently the main aim of its support is to help the MFI become competent in replicating new methodologies, and for it to be able to autonomously apply those methodologies to other business sectors.



**Marina Abboud** is a senior project manager at ADA. Here she is introducing the "problem tree", a simple methodological tool that maps out a given set of problems so that their causes, consequences and possible solutions may be understood

*"We are working with ADA in a spirit of collaboration. We reflect together and we build together, sharing the same goals. Within that framework, ADA's international experience is very valuable to us."*

Jules Ndahayo, Executive Director of UFC

## Solution 2

### Designing a product for young entrepreneurs that is also adapted to Rwandan conditions

Working in close collaboration with Josée Mukandinda, UFC's Director of Operations, ADA's teams started by analysing the specificities of UFC's situation and the context it evolved in. By means of a field survey, we were able to collect relevant data concerning geography and youth entrepreneurship. We also pinpointed the youth labour market's main actors.

A workshop was then organised with UFC's personnel with the objective of assessing the existing young entrepreneur product and singling out possible concrete improvements. The project was designed collaboratively and we were able to map out an overview, highlighting the possible future pitfalls of the product. Based on this preparatory work, the new product can now be developed to correspond with the actual conditions facing the region's young entrepreneurs.

To improve the youth product, we applied our methodological tool by focusing on the most popular career paths for young entrepreneurs. Five promising careers were identified as the credit product's targets: hairdressing, sewing, mechanics, carpentry and welding. At this stage, we were able to ensure risk was reduced thanks to our in-depth understanding of the situation; when risk is decreased, so are the collateral guarantees associated with a loan. Eliminating the material guarantee requirement, or strongly reducing it, provides more opportunities to young entrepreneurs who often lack any such guarantee. In fact, the work performed on the product's design resulted in two new sub-products: a start-up credit and a business expansion credit.

The tools UFC needs to manage the new product were adapted and implemented and each member of personnel was given appropriate training. The form that is given to young entrepreneurs applying for credit was also revised and developed. A manual on how to prepare a business plan was added to the array of tools made available to young entrepreneurs setting up their micro-enterprises.

With ADA's support, the microfinance institution is now more able to accomplish internal change. It is now able to develop new products with a strategic significance both to the MFI and to its beneficiaries. In order to facilitate the product launch, ADA is covering 90% of the costs facing the MFI as a result of setting up its new Young Entrepreneurs product. The MFI, for its part, covers all running costs, as well as the cost of financing credit grants. During the pilot phase, ADA will also provide a partial guarantee system covering credit default risk.

*“We wish to assert our uniqueness, to be competitive and to maintain our market reputation, whilst accomplishing our social goals.”*

Jules Ndahayo, Executive Director of UFC

### Solution 3

#### Reinforcing non-financial services and coaching young entrepreneurs

Another aim of ADA's technical assistance is to improve the non-financial services that necessarily accompany offering credit to young entrepreneurs. In our view, providing training courses in entrepreneurship and accounting, together with coaching and mentoring, are essential to ensuring that young entrepreneurs succeed in their endeavours. The analysis that facilitated the design of this new product carefully considered how to cover the cost of these non-financial services, which is a permanent challenge for MFIs.

Employing profession-specific coaches is not usually financially feasible for MFIs, yet finding professionals who are able to transmit the details of their trade to young entrepreneurs remains an essential task. This explains ADA's and UFC's dedication to developing partnerships with professional educational centres, chambers of commerce and other similar entities, as they are able to provide access to specialised professional knowledge.

#### The UFC microfinance institution (Umutanguha Finance Company)



Established in 2003, UFC is a Rwandan savings and credit cooperative.

By the end of 2016, the MFI had 10 branches and 60 employees, of whom 40% were women. Assets under management totalled € 2.4 million and the credit portfolio was valued at € 4 million.

In the Kinyarwanda language, “Umutanguha” (the U in UFC) means: “the friend who does not deceive you.” An appropriate name for a financial cooperative that has extended the reach of its activities to nearly the entire country.

Key figures:

- 5,500 active borrowers including 46.6% women
- 101,000 clients, 54% of whom are women



An information meeting promoting the new product in Rwanda



# PROFESSIONALISING

## Solutions for sustainable agricultural financing

*ADA aims to strengthen MFIs' capabilities in agricultural finance. Through a training course, which was launched by the FAO and adapted by ADA, we aim to improve MFIs' understanding of value chain finance as well as their ability to develop agricultural finance products. Our training course also represents a key element in increasing our local partners' self-reliance.*

### **Agriculture: a vital sector lacking specialised financing**

Agriculture is the main economic activity that meets the world population's demand for food. According to the United Nations, "this sector is the world's main employer. It is currently the source of earnings for 40% of the world's population, and the main source of revenue and provider of employment for poor households in rural areas."

Despite the important role agriculture plays in feeding the world, 500 million small farming enterprises that supply around 80% of the food consumed in developing countries still lack crucial financing mechanisms that are adapted to their activity.

# What solutions can financially support agricultural value chain actors?

## Solution 1

### Developing tailor-made products for inhabitants of rural areas

Agriculture is a complex economic sector that faces high levels of risk. Victim to swings in weather conditions as well as to volatile market conditions (these now extend internationally), the agricultural sector is not receiving the long-term financing it requires. This task is compounded by the fact that agricultural cash flows are erratic, which introduces further risks. High transaction costs and high levels of risk have put traditional financial institutions off, making it all the more difficult for the agricultural sector to obtain the financing it requires. This particularly applies to small-scale rural enterprises.

For these reasons, even MFIs tend to opt for easier markets, where financial cycles are shorter and risk levels more manageable. However, given that in rural areas 80% of the population derives its livelihood from agriculture, the sector represents a formidable potential market. The extension of MFI's activities into the agricultural sector would not only enable them to acquire new market segments, it would also help be more competitive in urban areas.

Given their proximity to the client and their decentralised structures, microfinance institutions are well positioned to develop financing mechanisms while catering to the requirements of small agricultural entrepreneurs. MFIs understand rural populations well and some have already developed specialised financial products. This has convinced us of the crucial role MFIs can play in agricultural finance.

Training and coaching MFIs so that they can design financial products dedicated to the agricultural sector makes a long-term contribution to improving financial inclusion as well as to increasing agricultural sector productivity and food security.

## Solution 2

### Developing specifically targeted training courses in agricultural financial management

It is with this aim in mind that ADA and the FAO developed a training course adapted to MFIs' needs. Our starting point was the existing training courses that do explain agricultural value chain financing well, even if it is only a summary explanation. In partnership with the FAO, we have been able to adapt the chapters of the standard training course concerning the design of financial products for the agricultural market. Furthermore, we have ensured that the course now covers value chains in their entirety, and that there is a chapter on market access, since these two topics are vital to any MFI considering a new venture in agricultural finance.

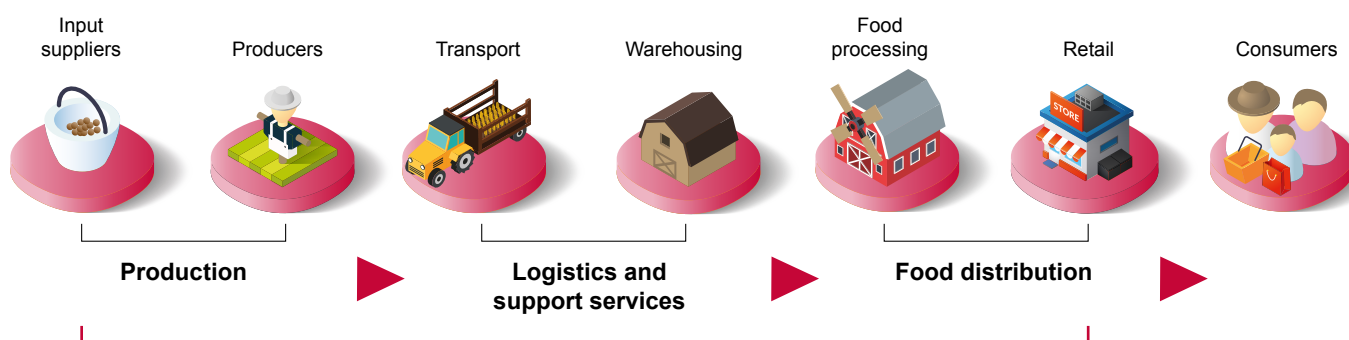
Adding relevant case studies to the course, we adapted its content to cater to regional specificities. Case studies that students can relate to are useful to explain new concepts; it would, for example, be hard for an MFI from Burkina Faso to understand the financing of artichoke production given that this vegetable is not well known in the country. Case studies also allow for a more complete understanding of the importance of agricultural value chains; producing coffee is not the same as producing cotton and in order to finance agricultural activities correctly, all actors in the value chain must be taken into account. Emphasising the



ADA is working in close collaboration with the FAO on a number of aspects of agricultural finance including adapting and promoting training courses, research and communication activities, and developing individual support programmes for MFIs.

## What is the value chain?

The value chain consists of the entire set of necessary activities for a product or a service to be brought through different transformation phases from its conception to its production and on to its distribution to the consumer. At each step in the process, value is added to the product.



**ADA supports institutions that are developing financial services (credits, savings, insurance) that target particular value chain actors.**





*“Investing in smallholder women and men is an important way to increase food security and nutrition for the poorest, as well as food production for local and global markets.”*

United Nations Food and Agricultural Organisation (FAO)

### **Solution 4**

#### **Applying theory to fieldwork: our coaching service**

In order to put into operation the course material an MFI has learned during the course, it is important for the MFI to receive technical support provided through coaching by an agricultural finance professional, whose role is to help the MFI find its bearings in the new market. Supporting MFIs in their development of new agricultural finance products, ADA's teams offer two main types of assistance, depending on the development project's time line: coaching and technical assistance. ADA's coaching service aims to help MFIs acquire the process of developing new products for the agricultural sector, so that they can make adjustments to existing products or product methodologies and can develop new agricultural finance products in a self-sufficient manner.

importance of taking the entire value chain into consideration, we named the new course: *“Agricultural finance: trends, opportunities and emerging models”*.

### **Solution 3**

#### **Taking into account all of the value chain's actors is key to success**

Value is added to commodities at each step of the production chain. The value added in agricultural value chains is due to the perishable nature of agricultural commodities and their high processing costs. The financial products and services currently available to the agricultural sector often only focus their attention on one of the value chain's actors, giving no consideration to the interactions between the different actors. Working with the entire value chain instead of independent components can ensure loan repayments as well as reduce risks. Financing agriculture fairly and sustainably requires taking full account of all of the value-chain's actors, as well as of their backgrounds.

The main object of our training course is to increase MFIs' skills in dealing with agricultural finance products so that they can offer financing that is tailored to the small producer market, as well as to other value chain actors.

### **Our Training Courses in 2016**

ADA continued to provide training to its partners, with a special focus on training local teachers so that their knowledge can be spread locally at a lower cost.

In total, over **117 courses** were delivered by ADA or certified trainers to **close to 2,000 participants** in **Africa, Asia and Latin America**.

Our tools and training courses can be found in our online catalogue: [www.ada-microfinance.org](http://www.ada-microfinance.org)



# FUNDING

## Solutions for supporting MFIs' financial growth and their social mission

*ADA advises the Luxembourg Microfinance Development Fund (LMDF) on its investments in promising MFIs that are dedicated to their social mission.*



With



### Advising the LMDF, a resolutely social Luxembourgish investment fund

An entire team at ADA is dedicated to advising the Luxembourg Microfinance and Development Fund (LMDF) on its investments. Active in the field, we identify promising MFIs with a strong social mission. LMDF-granted financing enables the MFIs to grow into solid financial partners with an increased social impact.

In accordance with its social mission, the LMDF seeks to invest in MFIs that cater to the most excluded segments of the traditional banking market, notably women, young people and rural inhabitants.

LMDF and ADA reviewed the fund's strategy in 2016 and an even greater emphasis was placed on the LMDF's social mission.

## How does the LMDF guarantee that it will fulfil its social mission?

ADA and LMDF underlined the priority that is given to least-developed countries. We subsequently defined eligibility criteria, whose implementation is systematically verified by our investment officers during their visits to the candidate MFIs. The eligibility criteria include:

- The MFI belongs to Tiers 2 or 3 (the size of its balance sheet lies between € 1 million and € 50 million).
- The MFI is transparent and publishes audited accounts.
- The MFI is financially well managed and is profitable or close to profitability.
- The MFI is dedicated to its social mission.

## The close partnership between ADA and LMDF

The synergies between ADA and LMDF go beyond investment consulting. ADA offers an array of services to strengthen the capacities of the MFIs that receive financing from the LMDF. An MFI's reinforcement needs are assessed during the due diligence phase and, if applicable, adapted technical support is provided. To date, 70% of LMDF-financed MFIs have been given technical support. The benefit to MFIs is double given that they are gaining access to financing as well as being provided tailor-made assistance.



## What is understood by having a “social mission”?

ADA and the LMDF have clearly defined together the five main social areas of interest for MFIs with a social mission to focus their efforts on:

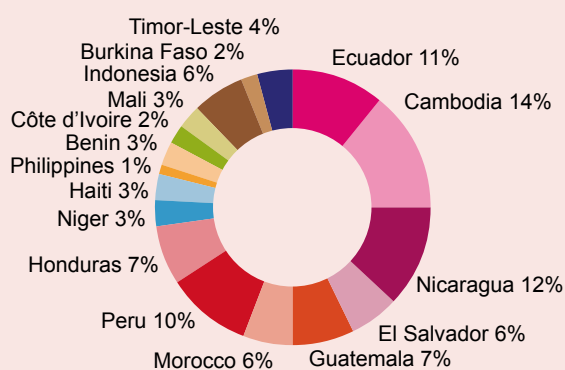
- Gender issues:** The MFI ensures that women have the same access to financing as men, and that they are not marginalised by the services offered by the MFI.
- The environment:** The MFI pays particular attention to its carbon footprint.
- Poverty reduction:** The MFI supplies products and services to disadvantaged segments of the population to help them increase their revenue and escape poverty.
- Small-scale agricultural producers:** The MFI offers financial products meeting the specific needs of small agricultural producers.
- Education:** The MFI's products enable the financing of micro-entrepreneurs' and their families' education.

## ADA and LMDF working together

Evolution of outstanding loans (millions of euros)



Breakdown of investments by country, 2016



## How is an MFI's social engagement assessed?

When visiting an MFI, the investment officers undertake what is known as *due diligence*. Carrying out a preliminary audit allows ADA to verify the MFI's financial accounts and its compliance with eligibility criteria. From now on, ADA's analysts will be using the SPI4-Alinus package for their assessment of MFI social engagement, which provides 64 social performance indicators.

An MFI's high level of social performance contributes to its positive financial results. For example, focusing on the fair treatment of MFI personnel – "treat employees responsibly" – is, after all, the analytical tool's fifth benchmark. Treating employees responsibly illustrates that MFIs can reduce their rate of personnel turnover and so reduce recruitment costs. Taking the human and social dimensions into account improves an institution's financial performance.

### The SPI4-Alinus tool analyses MFI social performance through six dimensions



The SPI4 package has been developed by CERISE in collaboration with the Social Performance Task Force (SPTF), the Smart Campaign, the MIX, Truelift, the Grameen Crédit Agricole Foundation, ADA - BRS, Planet Rating, the Pakistan Microfinance Network, Red Financiera Rural, CIF/West Africa, ESAF India, together with the support of the Liechtenstein Development Service (LED), the Ford Foundation and the Microfinance Centre member Kazakhstan Microfinance (KMF), for the Russian translation.

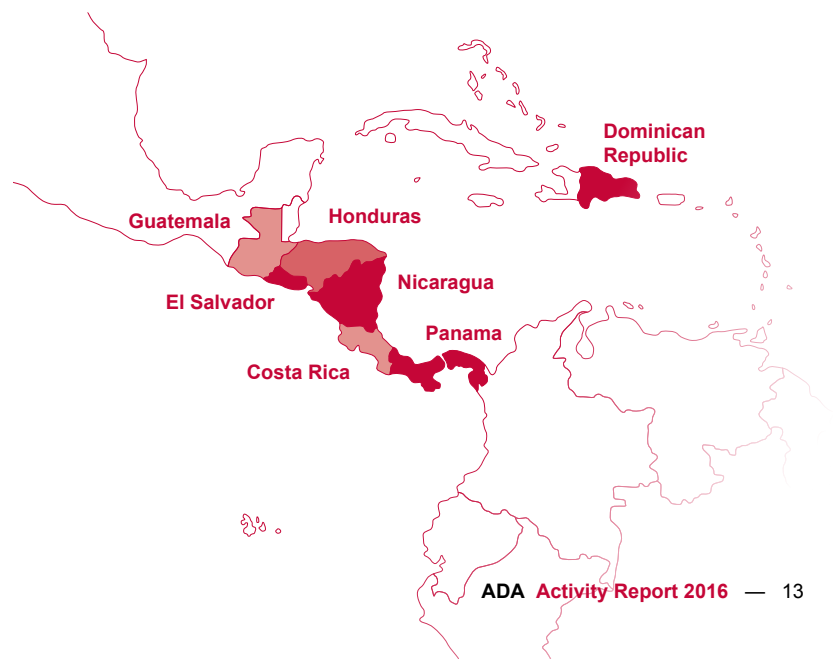


Launch of a micro-leasing product with PILARH in Honduras

## ADVISING

### Solutions for high-value-added MFI networks

*ADA advises the regional REDCAMIF network and the seven national networks that belong to it, to help them optimise their services while they grow autonomously. The aim is for these institutions to become key enfranchised actors of financial inclusion in Central America. Good performances were displayed in 2016 as networks have been growing in efficiency and as new inclusive finance products have been offered.*





Field visit to housing-credit Cooperativa Juan XXIII in Panama

## What are solutions for solid and efficient MFI networks?

### Solution 1

#### Promoting new inclusive finance products and services for MFIs to offer to their clients

##### Creating a new service: micro-leasing

ADA and REDCAMIF have been able to create and develop a new complete micro-leasing service, based on experience gained in Burkina Faso. An array of specially developed tools that are necessary for MFIs to distribute micro-leasing products, as well as a software package allowing the right contract to be calculated and analysed for each client, have also been developed.

The national networks that are offering a micro-leasing service recruited a technical expert able to assist MFIs throughout the project, from adapting its internal operations to assessing the quality of suppliers of leasing equipment.

From now on, when setting up micro-leasing operations, these networks will be able to offer their member-MFIs a complete, profitable service, thereby helping the networks increase their revenue.

Micro-leasing is particularly attractive to clients seeking to acquire productive equipment, yet lacking the means of supplying a guarantee. The leased item remains the MFI's property for the length of the contract and it acts as a guarantee. When the contract expires, the entrepreneur can acquire the equipment definitively. Supplying micro-leasing and offering the region's micro-entrepreneurs innovative solutions also brings advantages to the MFI by enabling its access to, and acquisition of, new market shares.

Value addition performed by ADA and REDCAMIF goes beyond the offer of a large range of tools. It also includes a service that is adapted to each country's needs. For example:

- In Honduras, the micro-leasing product offered was specifically designed for the acquisition of agricultural equipment, helping farmers increase their production.
- In Panama, in contrast, micro-entrepreneurs' needs focus more on acquiring utilities essential to small businesses such as fridges for the sale of fresh drinks. The "green dimension" plays a large role in Panamanian micro-leasing, with acquired equipment running exclusively on green energy. This enables micro-entrepreneurs to optimise their businesses while preserving the environment: a win-win solution!

#### An innovative technical support service to accompany the housing credit offer

The networks of Guatemala, Honduras and Costa Rica jointly set up a technical assistance unit to support MFIs that offer housing credit. The team includes architects and building engineers, who are able to advise clients on a range of topics including their choices of materials and service providers, as well as on ownership rights. The unit ensures that an MFI's client is assisted throughout its house-building project and that it will be able to repay the loan as planned. Both of the networks offering this assistance service are already generating profits. The cost of the technical assistance service is covered by the clients.

### Solution 2

#### Supporting viable strategic projects within national networks

ADA and REDCAMIF have put a fund in place to support national networks that are running projects to increase their own financial independence. Each network was offered the opportunity to put forward a project and to apply for financing from the support fund. Project eligibility is contingent on fulfilling two conditions: not only must the project improve the services provided by the network's member MFIs, but it must also increase the revenue sources that are available to the network.





Field visit to a Green Credit client in Honduras

### Solution 3

#### Strengthening skills at all levels

Education and the development of skills are important to ADA. Reinforcing skills through our tools, training courses and technical assistance services, our aim is to transfer knowledge and know-how to our partners so that they may develop their ability to be self-reliant.

#### Promoting transparency

During the course of 2016, ADA contributed to increasing network transparency by encouraging the creation of supporting materials and services, the preparation of financial reports and the development of tools used to communicate information. A network whose information is transparent builds up its members' trust and gains reinforced legitimacy in its partners' eyes.

We have been working together with the national networks so that they may play a growing role as facilitators in data collection and processing. We encourage networks to produce sectoral reports and financial accounts, which REDCAMIF can analyse and consolidate at a regional level.

#### Workshops and training courses for MFIs

National networks have continued working on providing training courses in areas vital to MFI success: risk management, social performance, governance and transparency. In 2016, training was provided to a total of 93 participants from network MFIs.

#### A web platform to stop over-indebtedness

Guatemala's national network, REDIMIF, put forward a project to set up a web platform centralising the country's three credit providers' data, which is able to provide indicators of clients' repayment capacities. In a few clicks, MFIs can now check their potential clients' credit risk and thus take rapid, informed decisions about granting credit. The platform has become a very useful tool in reducing client over-indebtedness as it also recognises whether credits have already been granted by other institutions to the same person.

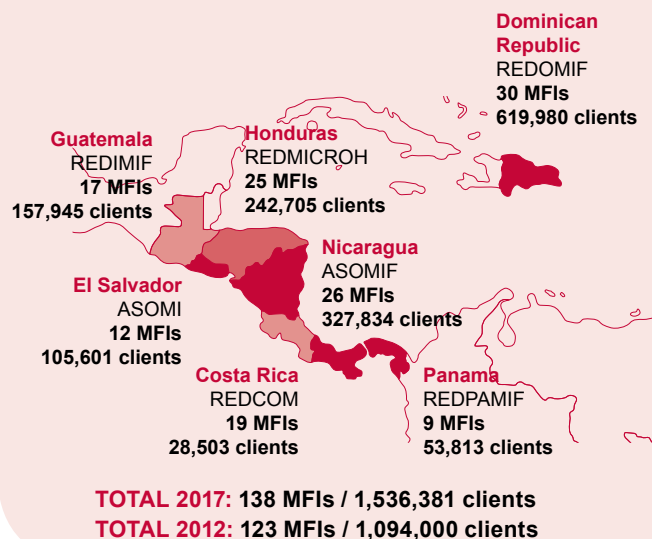
#### A company providing IT-support services

The Nicaraguan network put forward the idea of setting up a company to provide MFIs with IT-support services. The operation is designed to supply software programmes dedicated to microfinance operations that manage microcredits while also offering an after-sales support service.

We know that some projects have already started generating revenue for the networks that launched them!

### REDCAMIF, a regional network serving national networks

REDCAMIF brings together the national MFI networks of six Central American countries: Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador, as well as the network of one Caribbean country: the Dominican Republic.

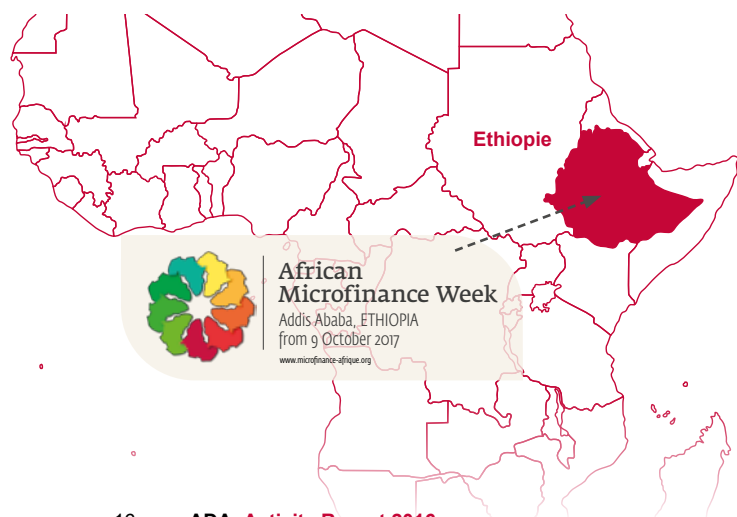




# STRENGTHENING

## Solutions for sustained SME growth

*The positive contribution small and medium enterprises (SMEs) make to economic growth in African countries is undeniable. Lack of financial resources and technical know-how however continue to hinder their sustained prosperity. What role can microfinance institutions play to support sustained SME growth? This will be the topic of discussion at the “African Microfinance Week” (SAM), which will be held in the Ethiopian capital, Addis Ababa, in October 2017.*



### SME growth: a new role for microfinance?

In the Global North as in the Global South, SMEs represent one of the main drivers of economic growth and job creation. However, despite their potential, SMEs in the Global South rarely gain access to bank financing, no matter how important it is for their growth. The lack of financial resources facing SMEs is known as the “missing middle”.

- Added to the shortage of financing they face, SMEs find it difficult to acquire the appropriate technical management skills that are vital to their success, especially in marketing and business development.



While a lack of funds stops SMEs from developing their activities, a lack of skills pushes away finance providers. Ideally, financing and technical assistance should be provided together. Most of the measures currently deployed to support SME development do in fact include such a coupling of efforts in their approach.

ADA and the networks that are contributing to organising the SAM hope to find financing and technical assistance solutions for MFIs and other financial actors to bring to SMEs, so that entrepreneurship in Africa may fulfil its promise in terms of economic growth and job creation. Discussions will also be held on how individual sectors, such as agricultural production and food-processing, are structured.

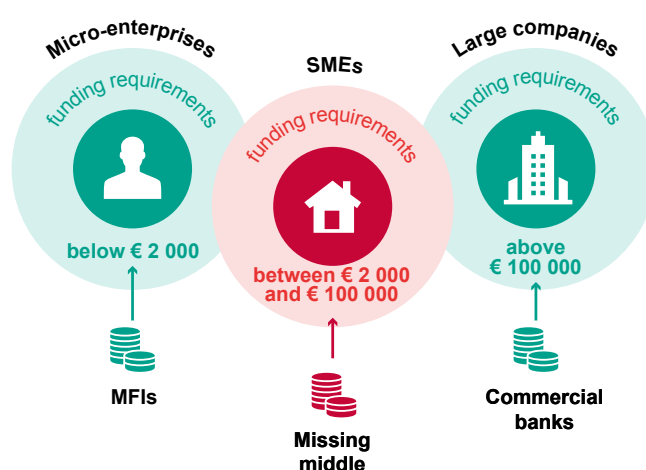
## Entrepreneurial solutions for Africa

The African Microfinance Week – SAM 2017 sessions will address the subject of entrepreneurial solutions for Africa by approaching the topic through the lens of supply and demand. Analysing the matter from both of these perspectives should ensure a thorough assessment of all the financing and support possibilities available for SMEs while, of course, also identifying any potential flaws.

### 1 Demand for financial and non-financial services dedicated to African entrepreneurs

SMEs are often discouraged from applying for loans by the fact that both banks and MFIs request excessively high guarantees. Studies show that loan applications made by SMEs are much more likely to be rejected than those made by micro-enterprises to MFIs and by large companies to commercial banks.

## SMEs are neglected by finance providers in Africa



### 2 Supply of financial and non-financial services dedicated to African entrepreneurs

An analysis of the supply of financial products confirms that SMEs are not as well provided for as micro-enterprises and large companies. MFIs mainly cater to micro-enterprises, thereby contributing to SME financial exclusion. Large banks are not inclined to serve SMEs, in large part due to the fact that they expect lower returns from them, but also because they perceive the risk to be higher.

Studies nevertheless reveal that most MFIs and commercial banks consider the SME market to be the most promising in terms of economic growth. Recognising the high potential of SMEs is without doubt the first step toward developing adapted solutions for these smaller actors trying to grow.

## A subject of debate for an entire Week

The role MFIs can play in supporting SME growth will be discussed during the third edition of the SAM, which will be held between October 9 and 13, 2017. The conference itself is organised by the African networks AFRACA (Association Africaine du Crédit Rural et Agricole), AMT (African Microfinance Transparency Forum), MAIN (Microfinance African Institutions Network), AEMFI (Association of Ethiopian Microfinance Institutions), AMFI (Association for Microfinance Institutions in Kenya), together with ADA and with the support of the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs.

Join us for the African Microfinance Week – SAM 2017. Please register at: [www.microfinance-africa.org](http://www.microfinance-africa.org)



# Balance (EUR)

## Assets as of 31/12/2016

	2016	2015
<b>Fixed assets</b>		
Intangible assets	25 459	20 595
Tangible assets	561 025	657 398
Financial assets	1 801 717	1 439 135
<b>Total fixed assets</b>	<b>2 388 201</b>	<b>2 117 128</b>
<b>Current assets</b>		
I. Receivables		
due within one year	311 835	581 490
due after more than one year	-	-
II. Cash and current account balances, petty cash	1 294 301	848 581
<b>Total current assets</b>	<b>1 606 136</b>	<b>1 430 071</b>
<b>Adjustment accounts</b>	283 161	285 708
<b>Total assets</b>	<b>4 277 498</b>	<b>3 832 907</b>

## Liabilities as of 31/12/2016

	2016	2015
<b>Equity</b>		
Association funds	449 906	449 906
Revaluation reserve	33 902	13 917
Reserve for outstanding projects	439 151	384 623
Carried forward	199 807	594 528
Profit/(loss)	33 803	-
<i>Profit/(loss) for the year</i>	33 803	67 910
<i>Correction of accounting loss 2014</i>	-	286 617
<b>Historical funds for investment</b>	<b>1 201 229</b>	<b>1 201 229</b>
<b>Provisions for contingencies, charges and litigation</b>	<b>217 759</b>	<b>88 030</b>
<b>Debt</b>	<b>1 696 194</b>	<b>1 232 219</b>
due within one year	1 148 279	701 867
<i>Fund dedicated to MAEE subvention</i>	22 796	41 291
<i>MAEE subventions not utilised</i>	614 992	234 025
<i>Trade payables, deferred tax and social security contributions</i>	420 491	336 551
<i>Debts owed to credit institutions</i>	90 000	90 000
due after more than one year	547 915	530 352
<b>Adjustment accounts</b>	<b>5 747</b>	<b>208 648</b>
<b>Total liabilities</b>	<b>4 277 498</b>	<b>3 832 907</b>

ADA's 2016 accounts have been audited by Deloitte.  
The report is available at: [www.ada-microfinance.org](http://www.ada-microfinance.org).

# Operating account (EUR)

## Operating account as of 31/12/2016

	2016	2015
<b>Financing</b>	<b>7 200 488</b>	<b>7 179 168</b>
<i>from Luxembourg Ministry of Foreign and European Affairs</i>	6 345 441	6 269 822
<i>from other national and international public partners</i>	813 756	322 671
<i>Non-utilised resources carried forward</i>	41 291	586 675
<b>Other operating income</b>	<b>518 217</b>	<b>1 077 455</b>
<i>Provision of development services</i>	362 890	977 137
<i>Rent</i>	139 471	94 553
<i>Donations and contributions</i>	15 856	5 765
<b>Other operating expenses</b>	<b>-4 963 297</b>	<b>- 4 988 080</b>
<i>Development activities and other grants paid</i>	-2 961 866	-2 469 770
<i>Other expenses associated with development activities</i>	-1 457 180	-1 985 654
<i>Other operating expenses</i>	-544 251	-559 656
<b>Personnel costs</b>	<b>-2 451 473</b>	<b>-2 603 816</b>
Wages and salaries	-2 107 661	-2 257 389
Social security contributions		
i) Pension funds	-162 707	-175 400
ii) Other social contributions	-102 098	-89 710
Other personnel costs	-79 007	-81 710
<b>Value adjustments</b>	<b>-148 747</b>	<b>-142 240</b>
Intangible and tangible assets	-148 747	-142 240
Other current assets	-	-
<b>Other operating expenses</b>	<b>-96 897</b>	<b>-178 365</b>
<b>Income from participating interests</b>	<b>19 721</b>	<b>-</b>
<b>Other interest and financial income</b>	<b>9 678</b>	<b>21 829</b>
From affiliated enterprises	-	-
Other interest and financial income	9 678	21 829
<b>Value adjustments to financial fixed assets and securities part of current assets</b>	<b>-43 005</b>	<b>-</b>
<b>Interest and other financial payments</b>	<b>-10 884</b>	<b>-11 423</b>
Affiliated enterprises	-	-
Other interest and other financial payments	-10 884	-11 423
<b>Profit / (loss)</b>	<b>33 803</b>	<b>354 528</b>
<i>Profit/(loss) for the year</i>	33 803	67 910
<i>Correction of accounting loss 2014</i>	-	286 618

# ADA's projects and solutions worldwide

## Southeast Asia



### FINANCING MFIs with a strong social mission via the LMDF Fund (p. 10-12)

- 38 MFIs advised by ADA and financed by LMDF in 17 countries
- Loans under management amount to € 18 million
- 40,400 entrepreneurs reached directly, of whom 74% are women

### ADVISING the sector to create an environment that is favourable to inclusive finance

- Africa: advising the MAIN, AMT and CIF networks and governmental microfinance regulators in Côte d'Ivoire, Cabo Verde, as well as in Tunisia (MicroMED project)
- Southeast Asia: advising the Lao Microfinance Association (MFA), Vietnam Working Group, and Cambodia Microfinance Association
- Central America: advising the REDCAMIF network (p. 13-15)

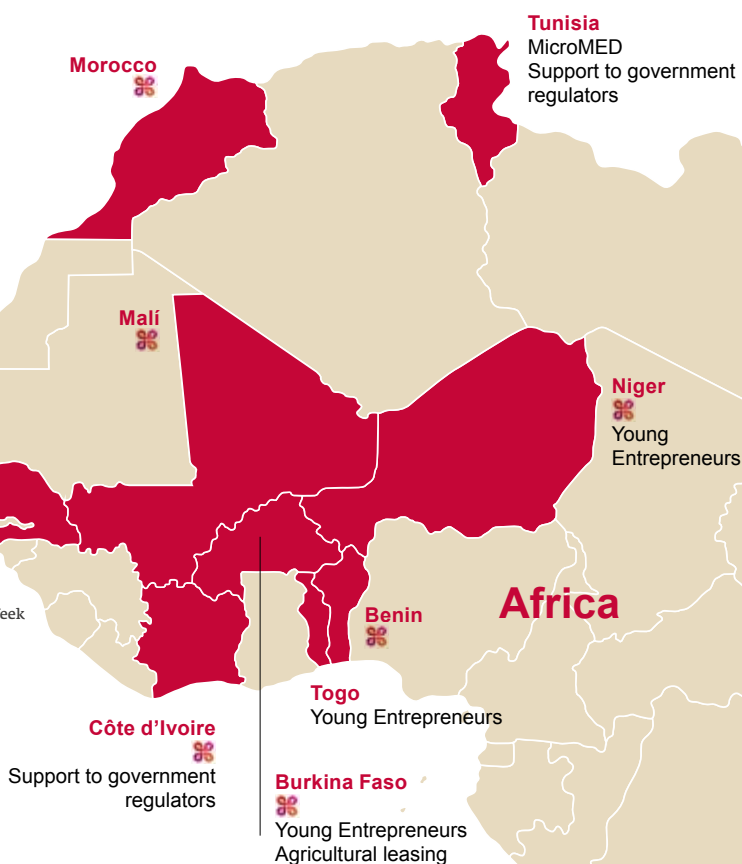
### SUPPORTING MFIs with their operational development

- Green Microfinance in Peru with COPEME and in the Philippines with the MCPI network
- Agricultural leasing in Burkina Faso
- Products and services adapted to young entrepreneurs' needs in Burkina Faso, Togo, Niger, and Rwanda (p. 4-6)

60% of our training courses were delivered in Africa. Most of them were delivered through a network of **110 trainers** in French-speaking African countries (former CAPAF) managed by ADA and present in **13 countries**.

**Cabo Verde**  
Support to government regulators

**Senegal**  
SAM 2015  
African Microfinance Week  
Dakar, SENEGAL  
29 June - 3 July 2015



In 2016, **117 training courses** were organised by ADA and its partners in Africa, Latin America and Southeast Asia. That is equivalent to **500 days** of training and **2,000 participants**.



**PROFESSIONALISING** the sector by providing technical assistance, tailor-made tools and training courses delivered by ADA 3T, on the topics of:

- Financial and social performance (p. 12)
- Risk management
- Governance and transparency
- Product diversification (product development, agricultural finance (p. 9), micro-insurance...)

The MFI Microfact Factsheet, which is used to evaluate MFI financial and social performance, can be downloaded for free. It has already been used by over **600 MFIs!**

**REINFORCING SMEs' professional capacities**

- Providing technical support to reinforce Small and Medium Enterprises in Rwanda and in the Philippines (p. 16)
- African Microfinance Week – SAM 2017 dedicated to the theme of adapting inclusive finance to African SMEs' needs.

**Ethiopia**  
SAM 2017



African Microfinance Week  
Addis Ababa, ETHIOPIA  
from 9 October 2017  
[www.microfacto-dfqa.org](http://www.microfacto-dfqa.org)

**Rwanda**  
Young Entrepreneurs Support to SMEs



**A digital finance initiative for 12 African countries**

Technology changes and causes the lines to shift in financial services. This also applies to Africa, especially in the case of microfinance institutions. But, while African MFIs have understood what is at stake, they do not always know how to approach the problem. As they are not necessarily endowed with the necessary internal skills, they hesitate, facing a multitude of possible solutions and providers, worried about not making the right decision or about not being able to complete what are, in fact, costly projects. Through its Digital Finance Initiative, ADA aims to provide its support to MFIs with their development decisions, while also helping them make the best use of mobile and cloud technologies.

# SHARING

## Solutions for knowledge distribution, both here and worldwide

*Conferences, seminars, workshops and publications: publications are all opportunities for us to share our expertise and to encourage inclusive finance's numerous actors to exchange their experiences, both here in Luxembourg and throughout the world.*

### Academic Symposium 2016

The third edition of the Symposium was held in 2016 on the theme of Financial Inclusion in the Digital Age. It was organised with the support of the European Investment Bank (EIB) Institute and of Luxembourg University's Faculty of Law, Economics and Finance.



### Midi de la microfinance

Four "Midi de la Microfinance" were held in March, July, October and December 2016, in order to make the general Luxembourgish public more aware of topics related to inclusive finance.

Four topics were discussed in 2016:

- Investment funds and microfinance: how to boost sustainable agriculture in developing countries?
- Microfinance funds: challenges and opportunities for socially responsible investments
- Mobile banking and microfinance: What about the clients?
- Islamic microfinance: a solution to expand financial inclusion?



### Mekong Forum 2016

The first edition of the Mekong Financial Inclusion Forum was organised in cooperation between the Banking with the Poor Network (BWTP) and ADA, together with the Asian Development Bank (ADB) and the United Nations Capital Development Fund (UNCDF). The Forum aims to strengthen collaboration between countries of the Mekong Basin, with the goal of improving the inclusive finance sector's development in that region. The event welcomed over 320 participants. It included the region's first Investor's Fair on July 14, in which 15 investors took part. A total of 113 speed-dating meetings were organised. Data was collected for 41 MFIs in preparation for the Fair. Two training courses were led by ADA: a SIMFI training session and a workshop on the topic of financial product diversification.

# Our partners

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



We share the House of Microfinance with the following partners





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