


PAMIGA Annual Activity Report 2015


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Highlights

2015 has been a transitional year for PAMIGA which has finalized its Business Plan 2 in June 2015 and launched its Business Plan 3 in July 2015 with significant changes and a strong focus on the professionalization of the Network : introduction of a tier approach, with an addition of a Tier A composed by Banks with rural operations and outreach strategies, Performance Based Agreement with members with a close monitoring system, new membership fees policies and cost sharing rules. A new MOU capturing all these elements have been debated at the 2015 CEO Meeting at Cotonou and approved by BoD at the end of the year. It will be effective in 2016.

The integrated approach, consisting in provision of Technical Assistance and Investments in synergy, which is PAMIGA's model for Sustainability and Impact, has also been progressively put in place in 2015. This so call model has received very good appreciation from members, donors and investors, the later considering TA as a good risk mitigation strategy to secure their investment and also assure higher impact on end clients.

Many contacts have been taken in 2015 to integrate new members to the Network. They will yield good results in 2016, where at least 3 new members (one in each tier / category) will be joining, in countries like Tanzania, Burkina Faso and Kenya.

In 2015, PAMIGA FINANCE SA, PAMIGA's Impact Investment vehicle has progressed very well in: (i) restructuring the initial B compartment to make it an innovation window to fund rural outreach (through digital finance, agency banking…), capital needs for growth and compliance (especially for SACCOs and Mutuelles) and for piloting innovations in products, (ii) creation of a compartment C to scale up the water and renewable energy portfolio of members, (iii) fund raise for both compartments leveraging on the 3 Millions € equity that SDC has provided to bring in impact investors such as OPIC, Calvert Foundation, Rockefeller Foundation, EIB and AFD plus an individual private investor and (iv) starting investing in member MFIs in a well adapted manner upon demand, using the different instruments in place. 5 loans have been approved by the Investment Committee and 4 were disbursed before year end and 1 in early 2016.

It has also been a year where many advocacy and visibility work have been assured in global, European, panafrican conferences to advance the cause of rural finance and of impact investing. PAMIGA has intervened in panels and has made high level presentations in Convergence World Forum in Paris, WAME and Fondazione Giordano Dell Amore workshops in Milan, the SEED conference in Nairobi, at the European Microfinance Week at Luxembourg, in a agricultural financing training at Boulder Microfinance Training Institute in Turin…

Activities-wise, highlight includes:

- The launch of the "Digital Finance and Risk Management" program with 8 members in 4 countries, supported in particular by AFD (and in 2016 co-financed by EIB-Luxembourg) : in year one, PAMIGA has launched the program in April in Senegal with CAURIE and UIMCEC, with the assistance of PHB and in Kenya with WPS.

- The expansion / scaling up of the "Access to Water and Renewable Energy" program to new countries and more MFIs : in 2015, PAMIGA has been active in these areas supporting 14 MFIs in 8 countries : Benin, Burkina Faso, Cameroon, Ethiopia, Kenya, Mali, Senegal and Tanzania. Highlights on the launch of strong interventions of the TA funded by EIB, which consisted in providing 4 experienced engineers in renewable energy, irrigation, WASH to perform market scans in 4 countries (Benin, Burkina Faso, Senegal and Kenya), followed by assessment of the supply and demand for adapted solutions that exist on the local market on which the MFIs can rely for the loans provided.

In a nutshell, all in all, PAMIGA is proud to have been able to satisfactorily wrap up its BP2 and even more so, successfully engage into the new Business Plan cum Business Model of an integrated TA and Investment approach that is the true conditions to deliver sustainable growth at members' level and high impact at end clients' level, that are the million small farmers, women, youth and microentrepreneurs, among the rural underserved population of Africa.
PAMIGA is very confident that the Network, with its support, will deliver the services and the impact that it has aimed at in its new 4 year plan: 2015 have been both challenging and rewarding. We are on the right track.
In fact, our members and our partners tell us that PAMIGA has become the number one network in microfinance in Africa, certainly the one that provides the most and the best services to its members, the (only) one that has a clear strategy for sustainability and has gained the most ownership and loyalty among members.

I. The PAMIGA Network of Rural Microfinance Intermediaries

1.1. Membership status

In 2015, the Network finally lost 2 members: PRIDE RFW (in Tanzania), Benso Jamanum (in Mali) and one was suspended: WAGES (in Togo).

PRIDE RFW has experienced major governance problems that have led it to fail. The mother organization, PRIDE Tanzania has finally decided to rescue it by recapitalize it and turn it into its rural outlet for its core business. Under such circumstance, it became irrelevant for PRIDE RFW to pursue its membership in the Network. It was hence radiated when we transitioned into the BP3.

Benso Jamanum has suffered from a major fraud that took place in its international remittances transactions that were supported by development partners in relationship with a foreign bank. Benso Jamanum has turned to PAMIGA and PFSA for assistance. Having not been involved and also not having the capacity to rescue the institution, PAMIGA had to decline; Benso Jamanum has hence exited from the Network, also at the end of BP2, in June 2015.

The case of WAGES has been different. At the end of 2014, WAGES has been sanctioned by the regulatory authorities for poor governance and non compliance (with certain prudential ratios). PAMIGA who has been supporting this MFI in its transformation process (which is supposed to be the solution to both issues, explicitly recognized by the authorities that has recommended to accelerate its implementation) has sent a high level mission to (i) assist in the diagnosis performed jointly with the board of directors and the senior management of the MFI (ii) come up with a credible plan to address the major problems raised, including governance and (iii) potentially coordinate foreign investors efforts to solve the liquidity and capital adequacy problems in a sounder financial situation. Unfortunately, the senior management and the acting CEO have refused the plan and preferred to find internally ad hoc solutions. It was therefore decided to suspend the membership of WAGES till a clearer situation could be found.

From the three painful experiences, PAMIGA and the Network have drawn some important lessons for the future. These lessons learned are there to assist all the stakeholders in bringing more rigor in the relationship within the network, find ways so as to be able to anticipate crisis, avoid reputation risks and spill over effects on the Network but also, very importantly, on PFSA, while the vehicle is about to invest into member MFIs.

It is from these 3 concrete cases that PAMIGA, in consultation with its members, especially at the annual CEO Meeting in Cotonou, has come up with (i) a risk mitigating approach where members are categorized into tiers (A, B, C) (ii) for each category, performance indicators developed and thresholds defined so as to define a Perfomance Based Agreement with members that will be monitored at least semi-annually, early warning mecanisms will be put in place for members falling out of the agreed threshold in order to trigger a in-depth dialog and diagnosis followed by a action plan (iii) member satisfaction surveys will be put in place as well as recourse to the board of directors in case of dissatisfaction of members or unfair treatment (iv) and finally, early termination of membership will be put in place for transparent exit from both sides.

The new MOU that will be signed by all starting 2016 that is the result of the lessons learned and the solutions found jointly at the Network level is provided as an annex to this annual report.

Testing the relevance and applicability of the performance indicators within the existing network, we have found them quite fit, increasing therefore our confidence in them to serve their purpose. However, three network members have been found in a "cautious" zone that will need a swift dialog mission. Such missions will be organized in Q1 2016, as soon as possible.

1.2. Membership drive

In 2015, PAMIGA has also worked hard in identifying potential new candidates to develop the Network. Three approaches have been used for this purpose:

In a promising country and a market such as Tanzania where we have lost a member, the approach was to identify a FI that meets all the criteria defined (especially those of investment readiness), is interested to join because our TA program meets its needs and strategy and that fall into one of the three categories where we want to balance the Network with. After looking into 3 possibilities, finally, a due diligence mission has been organized in September at Mwanga Community Bank. Upon the report and some key indicators as well as key qualitative indicators, PAMIGA's board has approved a progressive integration of MCB in our TA operations (in the area of access to water and energy) for an initial 6 months, both parties testing compatibility in operations. This took place at the end of 2015.

Various contacts have been initiated with Tier one banks on one hand (KREP-Bank in Kenya and Centenary Bank in Uganda) and with Tier two market leaders in rural microfinance (RCPB in Burkina Faso and ACEP in Senegal). Candidates in Tier two / three have also been analyzed for future consideration (CUOMO in Zambia and PEACE in Ethiopia).

These contacts followed by joint due diligence missions performed by a PAMIGA officer as well as a PFSA officer, will most probably allow the integration of 3 new members in 2016 and 3 to 4 more in 2017.

Hence, the Network appears to be more sound and investment ready now then before and the measures taken to anticipate potential issues, manage and mitigate risks as well as careful selection of new entrants are all promising features for a successful new business model for impactful financial inclusion.

II. Activities in provision of Technical Assistance to members

2.1. Digital Financial and non Financial Services

The objectives set in the BP3 for this strategic pillar are:

"Small and medium rural FIs are using technology (PDAs, POS, Mobile phones) adequately to secure operations, reduce costs and to dramatically increase outreach to new poorer and previously unreached clients"

In 2015, the Digital Finance department, in close collaboration with the Risk Management manager, has been able to develop a project proposal to assist 8 FIs in putting digital financial services in place so as to secure operations / transactions while reaching out to more remote rural areas. This project has been granted 1M € of co-financing by the French AFD for a period of 4 years (till the end of the BP3).

In year 1 (April 2015 to March 2016): the project will start with 2 countries and 3 MFIs: in Senegal with CAURIE and UIMCEC who had strong MIS in place and hence better prepared to take up this innovation and Kenya with WPS who is assisted by PAMIGA to set up a Greenfield Microfinance Bank and has integrated using digital finance to operate with an agency banking model at village level. Both countries were also chosen because of a conducive technology environment and relatively good regulatory conditions for such technology based innovation. In one year, the project is expected to have reached its pilot phase in these two countries and therefore will need less hand-holding technical assistance.
In year 2: two more countries and three more MFIs will be assisted. Benin with RENACA and ACFB and Madagascar with CECAM will be part of this second batch, while the initial cases will reach full deployment.
In year 3: Vola Mahasoa in Madagascar will be assisted (giving it the time to bring its MIS to a good level of operationality) as well as an 8th FI to be chosen among the new entrants.

Activities undertaken in 2015 and main achievements

PAMIGA has worked in partnership with a consulting firm specialized in developing digital financial services and innovative delivery channels in microfinance, PHB development. Together they have provided technical assistance for Caurie-MF and UIMCEC in Senegal, as well as WPS in Kenya in the following areas:

- Market & Feasibility studies have been carried out in all the 3 institutions. This involved assessment of relevant laws governing digital finance in each country, telecommunications and IT providers available to offer digital finance services, customers' and FI needs in terms of digital finance, FIs' strategies on financial inclusions, FIs' institutional capacity to handle the identified digital solutions. The final output for this technical assistance was a detailed Go-To-Market Strategy that clearly details the various digital finance options for each FI and a recommendation for which options to implement first and with a scaling up strategy.
- Vendors selection and partnership. This involved supporting the FIs in documenting their needs and developing detailed Technical requests for proposal that were sent out to potential vendors. PAMIGA then supported the FIs through the selection process of appropriate IT vendors, negotiations and contractual agreements with vendors.
- Implementations – Caurie and UIMCEC are as of March 2016 in their deployment phase where PAMIGA has supported in developing (together with vendors) detailed technical implementation plans and general support in project management.

PAMIGA has continued to support WPS in selection of a new MIS system in line with their digital finance strategy. During the market study, the MIS was found to be very unreliable and with weak internal controls that could not support digital finance. As such, PAMIGA has since been supporting WPS find an appropriate MIS and the process has just been concluded and now negotiating with vendors to finalize the process and start implementation immediately.

Other additional technical assistance provided have been on developing digital finance strategies, capacity building on risks related to digital finance solutions and developing mitigation strategies, setting up of internal project committees, etc.

As conclusion, project is still ongoing, and the following activities are planned: technical testing, developing of new procedures and policy manuals that relate to digital finance, staff and client training, marketing in relation to branding and promotion of digital finance services. Results look promising, and will be seen at the end of the process, once digital finance has been fully implemented in the FI. Expected outcomes will be on one hand on the outreach and social performance, and on the other hand on the profitability of the FI, starting from third quarter of 2016.

This project has attracted a lot of demand within the Network and among potential candidates, especially in West Africa where digital finance is still quite new and appears to be promising to banks as well as to MFIs who are facing many problems of security among others, especially in money transfer.

To accelerate implementation, PAMIGA has opted to partner with a consulting firm who is specialized in this field and has a lot of experience especially in West Africa: PHB. A first consulting contract has been signed with PHB for co-implementation in Senegal with very clear division of task between PHB's experts and PAMIGA's IT expert. It is expected that an in-depth evaluation of this experience after one year will allow PAMIGA to define the way we want to use for the future, including new markets such as Benin and Madagascar.

At the end of 2015, although some delays could be observed, we could assess that all the steps of the methodology have been implemented carefully and with appropriate skills put in place: market studies, need assessment, TOR design, development of RFP, tendering out to select distributors, the selection itself, the negotiation and the contract with the selected provider.

PAMIGA has also been assisting APFI in Burkina Faso in strengthening its MIS now that the merger has been granted a licence by the Authorities: TA has been provided for need assessment, design of TOR and RPF, tendering. At year end, APFI has been able to select a well-known MIS provider, CAGECFI and a well performing MIS used by many west African members, PERFECT.

In September 2015, a DF workshop was organized by the DF Working Group in Thies, Senegal. The objective was to sensitize IT managers of member FIs to the potential of digital finance in the West African context. A very senior DF expert from BICIS in Senegal (a subsidiary of BNPParibas) has intervened on a pro bono basis and has raised a lot of interest among participants.

2.2. Innovative product development

The aim of this strategic pillar is:

“Financial products are developed to finance rural water, renewable energy projects and agricultural value chains, with as a main objective to enhance productivity in agriculture production while preserving the local environment”

In 2015, PAMIGA has entered its roll out and scale up phase in particular regarding the small farmers and households segment of the water and renewable energy market.

Scaling up based on the lessons learnt and the toolkit developed has twofold in the network:
- In countries and with MFIs who have been through a pilot phase, proposing these products in a few branches, deployment means expanding to more / all branches and country-wise. In this case, PAMIGA TA team provides mainly ToT and on site two missions of follow up per year in addition to regular off site monitoring and advices to the champion in-house.
- It also means opening new countries and integrating new MFI candidates who feel ready and interested to start such an innovation to complement their services and product range. In this case, PAMIGA TA team will unfold with them the whole methodology and process, starting with a market study.

- **PAMIGA’s activities are based on the following methodology developed for water/energy:**

A comprehensive methodology for getting involved in energy lending

pamiga

1. Identify the needs
2. Identify the offer
3. Assess the profitability

MILESTONE 1: Go / No-go

4. Set up the partnership between the MFI and solution provider
5. Adapt the HR policy
6. Develop an adapted financial product
7. Design the marketing / communication strategy
8. Strengthen the energy supply chain
9. Develop a monitoring strategy and tools
10. Train MFI’s staff

MILESTONE 2: Check-list

11. Launch, implement and follow up the pilot
12. Evaluate the pilot and define a roll-out strategy

We have been working in 2 pilot countries: Cameroon and Ethiopia with respectively 4 small rural MFI (A3C, UCCGN, ICS and SWAVIB) and 2 medium size MFI (Wasasa MFI and Buusaa Gonofaa) in a scale up phase. The process consists in acting at 3 different levels: building the capacities of local FIs, strengthening the actors of the supply chain to serve the clients at the last mile and raise awareness, build loan management capcaities at end clients level.

Build the capacities of local partner FIs to offer financial services for solar solutions

This was done by Identifying target rural populations' energy and financial needs, through **market studies** (quantitative surveys + qualitative focus groups) and by developing **techno-economic fact sheets** to identify the profitability and pay-back period of solar solutions per type of needs (for households and for MSMEs according to sectors).

The integration of a new product in the portfolio of a financial institution, as attractive as it looks like for the clients, requires a specific market study to validate market assumptions and adapt the products to the needs of the clients. Identifying the energy/water and financial needs of rural microfinance clients will enable to check how significant the potential market for the new financial product is, to select the adapted technical solutions that should be promoted, to design adapted financial products, and to develop an efficient marketing strategy. The market study can be done both through quantitative survey and qualitative interviews

Further to market study, there is a need to assess the potential market within the Financial Institution's portofolio of Clients. The objectives are (i) to define the potential market within the clientele of the FI and (ii) Estimate the number of sales per type of technical solution and thereby estimate the number of energy/water loans, for the coming months and years. This is an important exercise to be done by the FI in order to make sure that there is a potential market for those new products within their portfolio of clients. This exercise should also look more broadly at the potential in the area of activity of the FI, as the new financial products could also attract new clients.

Elaborate financial projections that show the expected incomes and expenses related to the new financial products. The aim is to evaluate the breakeven point of the new financial products, that is, to identify how many energy / water loans the FI needs to disburse in order to start generating profit for the organization. This exercise will determine whether and under what conditions the new financial products can be profitable for the FI.

Developing **adapted financial services and training FI**s' managers on financial product design and risk management for energy lending

Define the division of tasks and responsibilities for the implementation of a new financial product within the FI is essential to make all managers and staff aware of their respective responsibilities for the successful implementation of the new financial product.

Develop tools and procedures to ensure a strong financial analysis for energy/water loan demands. Some rural FIs are used to providing only small loan amounts or group loans, for which the analysis is based mostly on reputation, personal guarantors, and/or joint liability. For these FIs, strengthening the financial analysis process will be crucial if they decide to offer energy/water loans. This is particularly true for energy solutions for micro and small enterprises (MSEs) and irrigation solutions for farmers, which represent a major investment for the clients and important amounts to disburse for the MFI. In addition to being larger, such loans are often provided on a longer duration (around 24 months) and on an individual basis. To manage the potential credit risk, a deeper financial analysis is thus essential.

Designing the characteristics and **procedures of solar loans**

It is crucial to define the characteristics and procedures of the energy/water financial products, taking a risk management approach :

<u>Types of financial products:</u> When talking about facilitating access to energy / water solutions through microfinance, one first thinks about offering microcredit. Because energy / water solution can have a high upfront cost, many target clients would not have the financial capacity to purchase it directly in cash. A loan is therefore a very relevant product to facilitate access to energy / water solution. Another financial product, less commonly offered, could also be interesting to develop: specific savings for access to energy / water. The MFI could for instance offer a special term-deposit account, where clients regularly deposit money and receive their energy / water solution once they have reached the requested amount. Savings products could also be used to help a client gather the cash collateral that will be needed to obtain an energy / water loan.

<u>Designing loans through a risk management approach:</u> To define the adequate characteristics and procedures for the energy / water loans, it is recommended to adopt a risk management approach: The idea is to first identify (if possible in a participatory way) the specificities of an energy / water loan, compared to other loans already provided by the MFI: it is linked to an equipment, it may have a higher amount and/or duration, it is not always for productive use, it can require more technical knowledge, etc. Then, the MFI should identify the different risks that come out of these specificities. For instance, as the loan is linked to an equipment, there is a credit risk and a reputation risk if the equipment is not working. For each risk identified, the MFI should then think about the various strategies to mitigate them. For instance, to avoid credit and reputation risks in case of equipment break down, the MFI can decide to make sure that the loan will be used only for quality solutions and therefore disburse the loan in kind for the client (directly paying the selected reliable provider). This risk management approach will allow identifying very quickly what are the characteristics and procedures that need to be adapted to the specificities of the energy / water financial product. This is even more important for larger energy solutions (such as photovoltaic systems for small enterprises) or irrigation systems, as they represent important investments for the beneficiaries and for the MFI.

Adapt/develop **manuals of procedures,** loan application forms, loan **contracts**, monitoring tools and develop adapted **human resource** policy, **marketing strategy** and incentive system to launch the new financial products

Develop tools and procedures to ensure a strong financial analysis for energy / water loan demands. Some rural MFIs are used to providing only small loan amounts or group loans, for which the analysis is based mostly on reputation, personal guarantors, and/or joint liability. For these MFIs, strengthening the financial analysis process will be crucial if they decide to offer energy / water loans. This is particularly true for energy solutions for micro and small enterprises (MSEs) and irrigation solutions for farmers, which represent a major investment for the clients and important amounts to disburse for the MFI. In addition to being larger, such loans are often provided on a longer duration (around 24 months) and on an individual basis. To manage the potential credit risk, a deeper financial analysis is thus essential.

In addition to the internal loan processing procedures, the FI needs to integrate the specific procedures that describe the relationships and communication between the FI and the partner technical solution provider(s) (thanks to Memorandum of Understanding (MoU) and a Memo of Procedures signed between the FI and the solution provider - and other potential partners).

Define the repartition of tasks and responsibilities for the launching and implementation of the new financial product within the MFI. This step is essential to make all managers and staff aware of their respective responsibilities for the successful implementation of the new financial product. Define the characteristics and procedures of the energy / water financial products, taking a risk management approach

Strengthen FIs' capacities to promote and manage solar loans through training of staff.

Fully train the FI's staff on all aspects related to the launching and implementing of the energy / water financial products. The trainings are important for the staff to perform well their activities but also to get them motivated and committed. Training should be provided to all staff members that will be involved in the implementation of the new financial products, in particular: regional coordinators, branch managers, loan officers, cashiers, etc. The training should cover 4 main topics: (i) The energy / water technical solutions ; (ii) The financial product ; (iii) The marketing strategy ; and (iv) The monitoring tools.

Strengthen the capacity of solar solution supply chain actors to reach the last mile

Developing partnerships between FIs and solar solution providers, selecting distributors that have the financial and logistical ability to make bulk orders, manage importations, and offer a warranty to local clients

Identify providers of energy / water services who can commit to reliable and quality customer services. Offering energy / water loans entails some specific risks. Even if the client has invested in a good quality solution, the latter may break down for various reasons (exceptional product defect, misuse by the client, accident, etc.). Even though there is a warranty, if the client does not have access to quick and efficient after-sales services, there is a risk that he may stop repaying his loan. Beyond the quality of the technical solution itself, customer services are also key to ensure clients' satisfaction and reduce credit and reputation risks for the FI.

Developing adapted Memorandum of Understanding and procedures memo between FIs and Solar solution distributors where roles and responsabilities are clearly defined.

Developing local networks of Energy Entrepreneurs to provide marketing, installation, training and maintenance services to rural populations

- Identify and select local Energy Entrepreneurs
- Train local Energy Entrepreneurs on solar solutions' installation and maintenance
- Train local Energy Entrepreneurs on marketing skills and business creation/development
- Set up a technical support mechanism to support local Energy Entrepreneurs regarding warranty execution and technical issues

The selection of the right profile of Energy Entrepreneurs (EEs) is essential for the success of the program. The EEs are representing the brand, the provider and to some extent the FI in front of clients. EEs have the key responsibility to market the energy solutions and boost the demand, which is critical to reach the break-even profitability on this new product for both the technical solution provider and the FI.

Training of the EEs can be done gradually, in order to enable him to assimilate the new knowledge as well as to reduce the initial cost of training. As a first step (in particular if the EE is first contracted as a service provider only), the EE can be trained on basic skills, in order to be able to do the marketing, installation, and after-sales services for small, simple renewable energy solutions (e.g.: small solar home systems): Technical characteristics, components, functioning, capacity and limitations of the energy solutions ; Installation of the energy solutions ; Good practices in the use and maintenance of the energy solutions – key awareness messages to give to clients ; Marketing messages and techniques ; Procedures to link with the provider and the MFI ; Warranty conditions and after-sales services.

Then, on the basis of his performance and motivation, the EE can receive additional trainings to be able to market and install some more complex energy solutions (e.g.: larger photovoltaic systems for small enterprises) and/or to graduate from a service provider to a local retailer or micro-franchise. Further trainings could be done on the following topics: Technical characteristics, components, functioning, capacity and limitations of more complex / technical energy solutions ; Business management and entrepreneurship.

Defining sustainable business models for cost-efficient last mile delivery channels is really essential. This could be done through developing and testing various distribution scenarios and selecting the best delivery option (most effective and cost-efficient) for each country and setting up robust business models for local Energy Entrepreneurs, involving solar solution providers and FIs

Define a business model for the development of a network of Energy Entrepreneurs (EEs), locally-based technicians that will make the link between the technology provider and target populations in rural areas. This step is specific to the offer of energy financial products, and in particular to the financing of solar solutions. Up to date, it is still very rare to find providers of quality renewable energy solutions with existing branches or shops close to target rural areas. Technology providers often remain located in the capital and some secondary towns, but usually fail to reach poor populations in rural areas. This is often why these providers are interested in partnering with microfinance institutions that are already embedded in rural areas. However, MFIs are not in a position to fill the gaps in the supply chain. They can to some extent facilitate access to their existing clients for marketing or facilitate delivery of solar solutions through their branches; but they are not the right player to market, install or maintain the energy solutions (lack of technical skills, lack of time and resources, risk of mission drift, etc.). When the technology provider is not yet present in target rural areas, it is thus necessary to set up another actor, here called the “Energy Entrepreneur”, who will be in charge of reaching the “last mile” by marketing the technical solutions and providing all needed customer services at the local level. Define selection criteria for Energy Entrepreneurs, identify relevant profiles, organize training, and set up a coaching and monitoring mechanism.

Strengthen rural poor populations’ capacities to make an optimal use of solar solutions and manage their finances

This has been done through raising awareness of the functioning, capacities, benefits, and optimal use of solar solutions and through providing training on financial education to help rural clients manage their solar loan.

Adapt financial education modules to the specificities of the energy / water financial products. Energy / water loans can have specific features (larger amount, longer term duration, possible non-productive use, etc.) that may result in increased credit risk. To mitigate such risk, an important strategy is to train clients on how to manage their budget, savings and debt, taking into account the specificities of their investment in the energy / water solution.

Financial education provides microfinance clients with the needed knowledge, skills and confidence to understand the specificities of the various financial products offered to them, to calculate and compare their expenditures, and to determine what they can afford and what would best suit their needs. Financial education strengthens vulnerable people’s capacity to better manage their money, and therefore improve the well-being of their family. For the MFI, it is an efficient strategy to mitigate credit risk. PAMIGA uses a methodology, particularly recognized in the sector, which was developed by Microfinance Opportunities and Freedom from Hunger (MFO and FFH).

▪ Main achievements in the field

The main break through in Cameroon was on one hand, to convince Schneider-Electric, our industrial partner, to agree to change the national distributor who was not motivated at serving this rural market and also to replace mis-functioning solutions and provide commercial compensations to clients who had to wait a long time for delivery of their kits and on the other hand, to continue to train Energy Entrepreneurs which are the most efficient intermediaries in the rural areas servicing clients at the last mile (installation, training of clients for good usage, repair and after sales). **40 of such EE have been trained and 2500 solar solutions have been introduced at household levels** in a year, more then 10 times the volume of the pilot phase and the growth seems to have taken off after the basic infrastructure has been put in place. MIFED, the national NGO who has been PAMIGA and Schneider’s partner handholding these EE and the MFIs and very instrumental to this market development, is now envisaging with our assistance to spin off a subsidiary to act as super agent for the network of EE. In Cameroon, key outcomes are:

- 4 FIs currently offer loans to finance RE solutions (ICS, UCCGN, A3C and SWAVIB).
- Partnerships with Technical Solution Providers have been signed (Schneider Electric and Light4All).
- 40 Energy Entrepreneurs have been trained
- 14,110 rural people sensitized during formal sessions with providers in Cameroon
- 24 MSMEs have been electrified
- FIs have facilitated access to more than 2,500 solar solutions for poor rural households in Cameroon.

In Ethiopia, the main break through was in opening the range of solutions to 3 other providers, all certified by lighting Africa. **44 Village Electricians have been trained and 1124 solar solutions brought to rural households**. The business model for these village electricians still need to be fine-tuned as they will be working for multiple brands/providers. Key outcomes are:

- 2 FIs currently offer loans to finance RE solutions (Buusaa Gonogfa, Wasasa).
- Partnerships with Technical Solution Providers have been signed (Schneider Electric, SunTransfer (NIWA), RENSYS (d.light) & EverBright)
- 44 Energy Entrepreneurs have been trained.
- 1,780 rural people sensitized during formal sessions with providers in Ethiopia
- FIs have facilitated investment in 1,125 solar solutions for lighting and mobile phone charging.

In Tanzania, where PRIDE RFW is no more involve in promoting access to renewable energy, we had to close the project supported by SCBF (end 2014). Since Tanzania is a very promising market, PAMIGA have decided to identify an alternative RFI partner to jointly develop this market in a rural region and if the partnership appears mutually benefiting, the RFI could join the network. After some research and screening, Mwanga Community Bank has been contacted, a due diligence mission from PAMIGA sent in September and partnership signed at the end of 2015 (after Board’s approval).

The new countries and entrants in 2015 were: Benin (ACFB and RENACA), Senegal (CAURIE, UIMCEC), Kenya (WPS), Mali (CVECA Pays Dogon) and in access for energy at APFI (Burkina Faso) who was already involved in productive water.

A special mention for WPS, which has already some key outcomes to show, even though it has joined the program only in 2015:

- A market scan was conducted to assess the market potential of energy and water solutions for other segments in Kisii region: solar energy for MSMEs, irrigation solutions, and WASH solutions.
- 1 FI currently offer loans to finance RE solutions (WPS) : Three (3) financial products, the Solar Loan (group-lending loan and individual loan) and a clean energy savings account have been designed. PAMIGA assisted WPS in writing an adapted Manual of Procedures.
- Partnerships with Technical Solution Providers have been signed (REV, Green Planet, Orb Energy,)
- 2,260 rural people sensitized during formal sessions with providers in rural Kenya
- FIs have facilitated investment in **500 solar solutions** for lighting and mobile phone charging for poor rural households in rural Kenya (started mid-2015)
- The potential market for access to WASH solutions (Water, Sanitation, Hygiene) has been assessed.

The new feature in these countries is that we are benefiting from the **EIB TA facility** who has contracted a consulting firm, Enclude, to provide to PAMIGA the services of 4 experienced engineers (1 in productive water, 1 in WASH, 2 in renewable energy) who were used in 2015 to undertake **market scans in 4 countries**: Benin, Burkina Faso, Senegal and Kenya, followed by more in-depth and focused analysis of the needs of potential clients in each of the segments targeted (households, MSMEs, and community). **Work on business models** have also started in 2015 and will be pursued in 2016, especially for the Energy Entrepreneurs at the last mile.
The deliverables of PAMIGA with the EIB support TA team were the following in 2015:

<u>In Senegal</u> :

- A market scan was conducted to assess the market potential of energy and water solutions.
- 1 FI currently developing its loans offer to finance RE solutions (CAURIE).
- 1 Partnership with a Technical Solution Provider is being developed (Bonergie).
- The first solar loan disbursements are scheduled to take place in Q2 2016.
- 1 FI currently developing its loans offer to finance irrigation solutions (U-IMCEC).

<u>In Burkina Faso</u> :

- A market scan was conducted to assess the market potential of energy and water solutions.
- 1 FI currently developing its loans offer to finance RE solutions (APFI).
- 1 FI currently developing its loans offer to finance irrigation solutions (APFI).
- Partnerships with a Technical Solution Provider are currently being diligented.
- The first solar loan disbursements are scheduled to take place in Q4 2016/Q1 2017.
- Irrigation loans have been disbursed since mid-2014.

<u>In Tanzania</u> :

- 1 FI currently developing its loans offer to finance RE solutions (Mwanga Community Bank).
- Partnerships with a Technical Solution Provider are currently being diligented.
- The first solar loan disbursements are scheduled to take place in Q2/Q3 2016.

<u>In Benin</u> :

- 2 FIs currently developing its loans offer to finance RE solutions (ACFB and RENACA).
- Partnerships with a Technical Solution Provider are currently being diligented (ENERDAS, ARESS)
- The first solar loan disbursements are scheduled to take place in Q2/Q3 2016.

<u>In Mali</u> :

- 1 FI currently developing its loans offer to finance irrigation solutions (CVECA Pays Dogon).
- Partnership with aTechnical Solution Provider has been signed.
- Irrigation loans have been disbursed since mid-2015 (> **50 irrigation loans**).

Although the insights and expertise of these technical consultants have been very helpful to the PAMIGA team, saving time in activities in which they do not have all the needed skills and to objectivize vis a vis investors the selection of solutions safe for lending, PAMIGA must report that a lot of time of vision sharing and coordination work had to be spent, from the Innovative Product Development team (and in particular, the team leader) to make this collective work efficient. In the field, joint introductory missions also had to be undertaken to familiarize all parties involved, especially since all the engineers were unfamiliar about how microfinance work with clients.

This strategic pillar and work stream has been mainly funded by UNCDF/CleanStart program with core donors such as EUACP, IFAD and LED as co-funders. Since EUACP ended and IFAD's grant is also phasing out in 2015, the team has been closely involved in fund raising for this important TA work that is crucial to mitigating risks for PFSA C's investing.

2.3. Institutional Strengthening

The objective for this strategic pillar is:

“Partner RFIs develop responsible practices using a client centric approach and have strong internal systems, in order to mitigate their risks and improve their financial, social and environmental performance”.

Activities using client centric approach

Identify clients’ needs using a client-centric approach (product development, client satisfaction, exit surveys, impact monitoring, etc.): 2 MFIs (Wasasa in Ethiopia and Vola Mahasoa in Madagascar) were assisted in developing voluntary savings promotion.

Develop financial education programs to empower clients (training of trainers, customization of modules, impact monitoring): This activity has benefited to 4 members: WPS in Kenya where after a session of ToT, the institution has duplicated ToT within the staff to roll out the module to 12,000 tea and coffee farmers and to 15,000 microfinance clients, Vola Mahasoa in Madagascar on savings and to Buusaa Gonofaa and Wasasa in Ethiopia in new modules focusing on accompanying the access to renewable energy program.

3 social performance assessments were conducted in 2015: WPS in March 2015, and ACFB and RENACA in September 2015. The tool used for those assessments was the new version of the SPI tool, i.e. version 4, which is aligned on the USSPM (Universal Standards for Social Performance Management) of the Social Performance Task Force

Assistance was provided to 5 MFIs to develop action plans/tools for the implementation of client protection principles in processes and procedures: ACFB and RENACA in Benin, WPS in Kenya, APFI in Burkina Faso and Wasasa in Ethiopia.

Activities in Risk Management

The methodology used by PAMIGA in providing TA in Risk Management and in promoting a risk culture in FIs has been developed in collaboration with 4 participating members (Vola Mahasoa (Madagascar), A3C (Cameroon), WPS (Kenya) and RENACA (Benin) and is the following:

Action plan

After a diagnosis of the institution and the development of a risk mapping that identifies all risks and highlights the most important ones, a workshop is organized with heads of department in order to define actions and activities that can strengthen their risk management framework and mitigate some of the key risks. This can be for example: training the staff to raise their awareness, use the risk mapping as a management tool for monitoring risks and taking decisions, development of an incentive system, etc.

Risk mapping

Training is provided to the top management in order to raise their awareness and provide them with theoretical and practical knowledge, and then a workshop is organized to build together a risk mapping, that will enable to identify all risks for the institutions and their relative importance.

Capacity building for governance

Training is provided to the board of directors and supervisory board when applicable, to raise their awareness about their role and responsibilities, as well as on the risks the institutions is facing or might face. In addition, an exchange visit is organized, so that directors can learn from others’ experience and bring back best practices and tools into their institution.

Capacity building for internal audit

A working group has been created, gathering internal audit manager from the 8 FI of the project. Objective is to make share experience, best practices and tools through a workshop. A first workshop was organized in November 2015 in Dakar, and internal audit manager had the opportunity to share their tools (internal audit program, internal audit charter, internal audit report, etc.) and experiences about key issues like independency, fraud, etc.

Development / improvement of reporting system

The aim of this activity is to make a diagnosis of the existing reporting, the process, the resources needed, if this is automatized or manual, etc. and then to identify through a workshop with managers involved in those activity the improvements such as reducing the time to produce reports, and development of new reporting if some are missing, for example on risks and social indicators.

Risk manager

Some FIs have raised the need to develop the position of risk manager. Technical assistance provided by PAMIGA consists in assessing the needs, drafting terms of reference and job description, help in the recruitment and build capacity of the new risk manager.

PAMIGA drafted a risk mapping in assistance to WPS, with a focus on risks linked to information and technology, and develop and action-plan on risk management. PAMIGA is now closely monitoring the implementation of the risk mapping as a decision tool and the action plan, by working with the head of internal audit and providing technical assistance when needed. Similarly, risk mapping has been performed in a participatory manner in Benin at ACFB and RENACA, as part of the Digital Finance and Risk Management program.

A working Group composed by heads of internal audit departments of Caurie-MF (Senegal), U-IMCEC (Senegal), ACFB (‘Benin), RENACA (Benin), WPS (Kenya), CECAM and Vola Mahasoa (Madagascar) and A3C (Cameroun) took place in PAMIGA’s office in Dakar, Senegal in November 2015. The objective was to improve knowledge and skills, compare methodology, tools, good practices and key success factors, through concrete examples shared with other MFIs, identifying strengths and weaknesses of own internal audit, in order to improve effectiveness. Each FI presented a tool used by its internal audit department, and the organization and methodology of CECAM were studied. In addition, concrete results were the development of a fraud register, with examples from the different FI, and an action plan for each FI.

Activities in support MFIs transformation processes

- **Wages in Togo**

In January 2015, WAGES has been hit by several decisions and sanctions from the Banking Commission. The Representative of PAMIGA for West and Central Africa has then carried out a mission in Togo during the period of January 20 to 24 to support the team from WAGES and to assess the severity of these decisions and sanctions.

At the request of the Chairperson of the Board of WAGES, Mr. Kimanthi Mutua, the Chairman of the Board of PAMIGA, Mrs. Renée Chao-Béroff, the CEO of PAMIGA and Mr. René Azokly, the Representative of PAMIGA for West and Central Africa, have carried out a mission in Togo during the period of February 25 to March 03, 2015 to assess the specific situation of WAGES, meet all stakeholders of the institution, collect the needs of the institution to turn around the situation and to agree with the institution’s leaders on actions to be taken to comply the Institution with regulations’ decisions.

Finally, given the governance’s crisis in the institution that does not allow a proper implementation of PAMIGA’s recommendations to turn around the situation, PAMIGA and WAGES agreed to suspend the participation of WAGES in PAMIGA’s network.

- **A3C in Cameroon**

In early 2014, A3C’s leaders sent to regulatory authorities, according to the regulation, a request to implement the reconfiguration process they designed with PAMIGA’ support.

In March 2015, the banking commission sent to A3C, a letter asking the institution to hire a consultant for an independent audit of the institution and develop before August 31, 2015, a new restructuring plan based on the independent audit’s recommendations.

Following the banking commission’s letter, PAMIGA conducted a mission to A3C in May 2015 to:

- Evaluate with A3C management team, the current situation;
- Identify the weaknesses and define jointly ways to mitigate them;
- Identify priority restructuring activities and modalities of their implementation;
- Identify technical assistance needs in developing the new restructuring plan.

In August 2015, PAMIGA undertook a second mission to help the institution's team to develop a new restructuring plan that meets the supervisory authorities’ requirements and an ad hoc technical assistance plan.

- **APFI in Burkina Faso**

APFI has been awarded its long awaited license end 2014 as a merged one tier entity. Before getting the license, it has functioned partly using the old model of CVECA network and partly implementing the new organization (branches and outlets with professional staff) and the new procedures (in loan approvals, accounting and cash management). The interim situation is not the most effective and certainly not the most secured. In June 2015, PAMIGA conducted a mission to help APFI’s leaders to implement post-license activities. This mission has assisted in:

- Analyzing its financial situation;
- Analyzing the status of its network and branches
- Assessed how the new governing bodies are functioning;
- Estimated the minimum staff required for it to be effective;
- Defined the strategy for the rapid automatization of APFI

Strong recommendations have been made to quickly move to the new model, in full compliance with the license given, as among others, the authorities will undertake an inspection mission to check, a year after. Among the priorities raised, putting a strong MIS in place is certainly the most urgent step. This recommendation was implemented with the assistance of PAMIGA during the Summer 2015.

- **WPS in Kenya**

Wakenya Pamoja SACCO (WPS) aims to establish a Microfinance Bank (MFB), to be licensed and regulated by the Central Bank of Kenya (CBK). In 2015, PAMIGA, through the intervention of different experts and consultants, have assisted WPS to perform a feasibility study whereas the market has been assessed, the positioning of the future MFB has been defined as well as its relationship with WPS during a transitional period, the distribution model (through branches and agencies) based on technology and digital finance, ownership, governance and staffing have been studied. A well thought-through business plan has also been developed specifying the requirements for capital (equity and debt). With these, WPS, with the support of PAMIGA has brought the project to Central Bank of Kenya for a pre-application assessment. It is expected that a first familiarization meeting will be set with CBK in early 2016. License is expected in mid-year 2016. The Green Field Microfinance Bank will have its own legal structure (share company), board of directors, HQ, branches, MIS, staff, procedures. WPS has invited PFSA to be co-promoter of the GFMFB, and founding shareholder for 25% of the capital and be part of the governance.

- **ACFB and ALIDé[1] in Benin**

In May 2015, PAMIGA conducted a mission to ACFB and ALIDé, at their requests, to assess the two institutions leaders' willingness to transform their institutions; discuss with them about procedures to follow before making decisions, and discuss with the two institutions' leaders about the nature and conditions linked to PAMIGA's support to the transformation of the 2 institutions.

[1] ALIDé is not yet a member of PAMIGA's network

III. Progress made in developing PAMIGA FINANCE SA

It has been a very intense and fruitful year for PFSA where many essential undertaking have been achieved, both in setting up the facilities to fit the needs of member FIs, in strengthening the governing bodies, in bringing processes and procedures to good practices of the impact investing industry, in conducting all the steps of fund raising while executing a first batch of transactions that meet the needs of MFIs and contribute to PFSA's efficiency and profitability.

3.1. Developing the governance, the instruments, the process and procedures and Fund Raising

In 2015, PFSA has strengthen its governance structure by widening the membership of its board of directors to two independent experts, Bruno Tassart, a seasoned banker (BNPParibas) who also became the chairman of its Investment Committee (ICOM) and Robin McPhail, a very experienced chartered accountant and member of UNOPS audit committee, who became the chairman of the audit committee.
An Investment Committee was set up with 6 members, out of which two are independent members. It is chaired by Bruno Tassart. The role of the Investment Committee is to advise the BoD in investment decisions.
An Audit committee of 2 members has also been put in place. It is chaired by Robin McPhail, an independent member of the Board.

PAMIGA FINANCE SA (PFSA), the Impact Investment vehicle that belongs to PAMIGA Association, has been created in 2012. After a pilot phase made with a small facility of 3 M € funded by SDC to refinance member MFIs' access to Productive Water portfolio (2012-2014), a decision to scale up was made with the support of SDC in 2015.

PFSA B which was the initial facility was restructured to become an innovative and risk taking fund which scope of investment is to finance CAPEX for new delivery channels (ie Digital Finance), to strengthen the capital base through equity and quasi equity, portfolio refinancing for agriculture and agricultural value chains, MSMEs and local funds. With SDC's donated equity of one million €, PFSA has been able to raise 4 additional millions in long term debt, one from a private high wealth individual and three from AFD (Agence Française de Developpement).

PFSA C has been created in March 2015 to be the recipient of 2 Millions € donated equity from SDC and to be the facility to scale up the Access to Water and Renewable Energy operations. It has successfully leveraged the donated equity used as first loss to crowd in 4 important Impact Investors: OPIC (Oversea Private Investment Corporation, USA) for 4,75 M USD, Calvert Foundation for 1,5 M USD, the Rockefeller Foundation for 1,5 M USD (as sub-debt) and EIB (European Investment Bank) for 4 M EUR, bringing this facility to a total of 13 M EUR.

As of end 2015, PFSA is therefore contemplating investing a total of 18 M EUR into high impact making loans to a million rural clients of its Network revolving X 5,4, ie 60 M EUR worth of loans.

Tremendous efforts have been made in developing the tools in:
- Asset and Liabilities Management: building the models and the budget, hedging with MFX (for exotic currencies), selecting, procuring and putting in place the MIS, e-Front, putting in place the accounting system with GTA in Luxembourg and working on the reporting.
- Audit: putting in place an audit committee with 2 members and chaired by Robin Mc Phail, contracting with Deloitte Luxembourg
- Monitoring and Evaluation (M&E) and ESMS reporting: contacting with MIX Gold for data collection, working with Enclude (funded by EIB) to develop a set of impact indicators and ways of collecting them, working with CERISE (funded by AFD) for social and environmental performance reporting.

3.2. Executed MFI transactions and pipeline for future transactions in 2016

PFSA B IEM pilots: these transactions have been initiated since 2012 in the context of the Access to Water pilot.

- APFI (Burkina Faso): 800 K EUR signed in 2012-2013, fully disbursed. The first years' installments were well repaid until 2015. Since then, the reimbursements have been delayed with partial regular payments. 2 more installments are expected in 2016 in addition to the delayed repayment of 2015.
- UIMCEC (Senegal): 600 K EUR signed in 2012, 300 K EUR disbursed and fully reimbursed in June 2015.
- WAGES (Togo): 1.500 K EUR signed in 2013, 0 disbursed. Renewal of drawing period not authorized by ICOM in December 2014.

Transactions made in 2015: These transactions were made under the new facilities B and C with their respective scopes, MFIs engaging in a overall discussion with PFSA on their different needs for funding and based on their on-going Business Plan.

- CAURIE (Senegal): 450K EUR for women general lending, approved in May 2015, signed in August and fully disbursed in September 2015 through PFSA B.

- CAURIE (Senegal): 450 KEUR for energy lending, approved in May 2015, signed in August, fully disbursed in September 2015.
- CVECA Pays Dogon (Mali): 150KEUR general lending, approved in June, signed in August and 120KEUR disbursed in August 2015
- CVECA Pays Dogon (Mali): 210KEUR productive water loans, approved in June, signed in August and 60 KEUR disbursed in August 2015
- Vola Mahasoa (Madagascar): 350KEUR general lending for national coverage, approved, signed, disbursement subject to CSBF approval.
- RENACA (Benin): 400KEUR general lending, approved in June, signed in November and 200K disbursed in November 2015
- RENACA (Benin): 500KEUR for Water and Renewable Energy lending, approved in June, signed in November and 250KEUR disbursed in November.
- UIMCEC (Senegal): 900KEUR for Agriculture and Water, approved in July, signed in September and disbursed in February 2016.

In 2015, the ICOM approved 3.4M EUR transactions out of which 2.43M EUR has been disbursed.

Pipeline for 2016 transactions

PFSA is contemplating transactions in 2016 with:

- WPS/ GFMFB (Kenya): equity, general and energy lending for a total of 1.5 to 1.6 M EUR
- CECAM (Madagascar): digital finance, energy and general lending for a total of 350K to 800KEUR
- ACFB (Benin): 400KEUR of sub-debt to accelerate transformation and for digital finance + 200KEUR for energy.
- A3C (Cameroun): 400KEUR for energy and general lending
- Mwanga Community Bank (Tanzania): ? for Water and Energy + general lending
- KREP Bank (Kenya):? for matching maturity in equipment loans
- APFI (BF): if full repayment.

3.3. Human Resource and organization at PFSA

The staff of PFSA is composed of 3 professionals:

- Renée Chao-Béroff, as Managing Director on a part time basis
- Mathieu Merceret as Investment Director on a part time basis
- Charline Jan as Investment Officer on a full time basis.

This team is supported by GTA in Luxembourg for the accounting for the transactions, by Electa in Luxembourg for reporting and compliance with the Luxembourg regulations and for all governance administration. It also benefit from support from the PAMIGA Association General Manager and the administration and finance department for logistics and Human Resource Management.

With an increase workload in investing, in monitoring and in reporting, it is expected to build the team with an additional resource, most probably the recruitment of a Senior Investment Officer.

IV Organization

The organization of 3 departments with department heads has become effective during all year 2015:

- The **Digital Finance** department headed by Jacinta Maiyo which is implementing a large 4 years Digital Finance program to the benefit of 8 member MFIs with the support of a specialized consulting firm, PHB, in Senegal
- The **Innovative Product Development** department of 3 full time program officers and 4 part time engineers seconded by EIB, headed by Quentin Antoine.
- The **Institutional Strengthening** department of 2 full time program officers (in Risk Management and Client Centricity) headed by Rene Azokli.

The departments hold monthly meetings (calls by skype or phone) to plan, monitor, discuss problems met, (re) schedule missions. For practical purposes, Jacinta Maiyo has joined the IS department in these monthly meetings. The minutes of these monthly meetings are shared with other departments and management.

Within departments, TOR and budget of missions are reviewed and approved by the department heads, as well as mission reports and other produced documents for external use (articles, proposals, quarterly, semi-annual and annual reports to management and donors).

In 2015, the departments have been assessed by all (staff and department managers) as very useful and fruitful in terms of developing new synergies.

A **monthly Management Committee** has been put in place since quarter 2, 2015 where the 3 department heads, Mathieu Merceret, Investment Director of PFSA and the General Manager meet (calls by skype or phone) to share strategic information and discuss issues, opportunities emerging in the past month. However, these meetings have not been as regular as initially planned due to heavy workload and numerous on-site missions of most participants as well as difficult access to good connections.

3 times a year, a **staff retreat** is organized in Paris where all the professionals are physically present. Staff retreats are essential in an organization such as PAMIGA that is scattered in 3 sites (Paris, Dakar, Nairobi) to build sense of belonging, corporate culture and strong ownership in the implementation of the Business Plan. In 2015, the 3 staff retreats took place in January (X to Z) and focused on finalizing the BP3 (outputs and outcomes/ digital finance?), in June (Y to ZZ) and was mostly on partnerships in value chain financing (with the participation of experts from CIDR) and in September (YY to XX) in ???? In each one of such meetings, a guest is usually invited on one of the relevant topic to provide his/her perspectives and experience so as to combine a "exposure" dimension as well as a training opportunity to all.

As it has been done for many years now, a **CEO annual Meeting** took place in October (29-31) in Cotonou, Benin. 12 CEOs were present including the CEO of CECAM, Madagascar, for the first time. 3 CEOs of members of the Network of the BP2 could not make it, mostly because of the situation of their MFIs: PRIDE RFW (Tanzania), Benso Jamanum (Mali) and WAGES (Togo). The CEO Meeting in 2015 that was brought to 3 full days (instead of 5) focused on discussing on the lessons learnt from BP2 to build consensus on key factors for success and sustainability for the BP3. The board of Directors of PAMIGA joined the meeting on the third day to engage directly with the members on strategic decisions such as categorization of members into tiers (A, B, C), Performance Based Agreements and their underlying indicators and on cost sharing and membership fees evolution.

In 2015, 4 **Board Meetings** were held out of which two were in person. The Board Meeting in April (10-11) in Paris beside covering the statutory agenda spent half a day in discussing with the General Manager the "Continuity Plan" that was requested from her as part of a Risk Management Plan for PAMIGA (key person risk, raised mainly by Investors). The Board Meeting in November 1st, 2015 in Cotonou focused on the functioning of the departments and PFSA as well as synergies or potential conflicts/bottlenecks (typical between TA and Investment arms of similar organizations).

V. Human Resources

In August 2015, Moussoukoura Diarra left PAMIGA and was replaced by Olivier Chesnais at Finance and Administration. A smooth handover has been organized between them.

During the first half-year, we had an assistant in the Admin and Finance desk who did not match our needs. We will renew this hire after Olivier Chesnais will have gone through his probation period (February 2016).

In a transitional year, PAMIGA preferred to stabilize its staff (3 new hires in 2014) to build a strong team spirit for efficiency. When skills were required, we opted to contract with specialized consultant firm (such as PHB for Digital Finance for Senegal). New and important hires will take place in 2016.

VI. Technical and Financial Partnerships

6.1. Technical Partners

Despite the diversification in technical solutions proposed in the Access to Renewable Energy Program, **Schneider-Electric** remains a very close partner to PAMIGA. In 2015, we have pursued the collaboration in Cameroon and Ethiopia and opened a new country for expansion, Benin, where SE has dynamic distributors and field partners on which they can count for marketing. The two main areas where the collaboration have progressed are: building the supply chain to the last mile through supporting the training and the incubation of Energy Entrepreneurs in the rural areas (in Cameroon and in Ethiopia) and also testing the market of MSMEs. SE has also been adjusting its solution offers at households' level and is about to launch in 2016 a new range of lanterns and Home Solar System that will be very competitive in a fast moving market in Africa. Discussions have been held between us to explore a good Rural Electrification approach with a PPP matching grant funding to promote innovative private entrepreneurial initiatives in managing mini-grid at village level.

In the same spirit and at a very early stage, PAMIGA has been contacted in 2015, by Veolia (Water and Sanitation), ENGIE (Energy), Total (Energy) and Shell (Energy), to develop partnerships in Sub-Saharan Africa.

PAMIGA has been benefiting from TA support from 3 major European banks: BNPParibas, National Federation of Savings Bank (FNCE) and the Deutsche Bank (London) for many years. In 2015, 2 of them have performed at least one field mission in support to MFIs of our Network: Benevolab/BNPParibas undertook two missions in Internal Audit at Dakar in November and in Social Marketing in Madagascar in December, while Deutsche Bank did a mission in testing of the RIM tool for Risk Management in August at ACFB, Benin. Our IT department is still benefitting of the mentorship of Mr Frederic Brun from BNPParibas.

6.2. Financial Partnerships

At the end of 2014, the EUACP Microfinance program terminated as well as the support from MasterCard Foundation for mergers and transformations in West Africa. PAMIGA has remained in close contact with these two important partners, positioning itself for new opportunities, such as the new Rural Prosperity Fund.

While we are still benefitting from the strong support from donors such as **IFAD and UNCDF** (CleanStart and MicroLead Ethiopia and Cameroon), PAMIGA retained a new 4 year commitment from **Lichtenstein Development Agency (LED)** in support of its BP3 as core donor and through LED, the support of the **city of Vaduz** for savings mobilization from small rural MFIs for also 4 years.

The **Agence Française de Developpement (AFD),** an investor in PFSA has also agreed to provide TA grant for 4 years in support of the "Digital Finance and Risk Management" project that PAMIGA has developed for 8 member MFIs in 4 countries (Benin, Kenya, Madagascar and Senegal). This project is now co-funded by **EIB-Luxembourg** TA grant for 2016.

In 2015, PAMIGA has been very active in building new partnerships with Regional Funders such as **African Development Bank,** the Financial Inclusion desk, **ECOWAS**, CDEAO and OFID (the OPEC Foundation). We are expecting that some of these will support project proposals that we have introduced in their facilities in 2016.

VII. Visibility, Advocacy and Communication

7.1. Share knowledge / Training:

Course on Rural Finance & Energy (Boulder Institute of Microfinance). PAMIGA, in the person of Marion Allet, conducted an 8-hour course on "Rural Finance & Energy" in August 2015 at Boulder Institute of Microfinance, under the Rural and Agricultural Finance Programme (RAFP). Building on lessons learned from concrete experiences (including PAMIGA's and others), the course aimed to explore the role that rural finance can play in fostering access to clean, reliable, safe and affordable energy solutions for poor rural populations. René Azokli is also a faculty at Boulder Turin, in the regular French track, teaching Rural Finance.

Course on Financial Inclusion at the Executive Master of Sciences Po (Paris) named "Potential Africa": Renée Chao-Béroff conducted a 4 hour course on Financial Inclusion and the role of Microfinance in Inclusive Growth in Sub-Saharan Africa, in January 2015.

In June and in November 2015, René Azokly, PAMIGA's Institutional Strengthening Manager was invited to make a presentation at the Africa Board Fellwoship Program' seminars organized in Cape Town. As a member of the steering committee of this program, René Azokly had shared with the Chairmen of the Board and the Managing Directors of the main African microfinance institutions, its experience in microfinance institutions' growth and governance crisis management. Africa Board Fellowship Program is an initiative of the Center for Financial Inclusion of Accion International to strengthen the governance of key African financial institutions through peers learning and exchange

7.2. Knowledge Management and production of toolkits

Merger and Transformation toolkits for IFAD actors in support to RFIs

Under the work done under IFAD's grant PAMIGA has developed the Knowledge Management tools (How To Do (HTD), Lessons Learned (LL) and Teaser) on "Consolidation of Small Rural Financial Intermediaries (RFIs) through Mergers, Acquisitions and Institutional Transformation".

The purpose of the **Teaser** is to raise the reader's interest to read the "How to Do" guidelines as well as digging into the "Lessons learnt" and discovering that these tools will be useful for their day to day work as Country Program Managers (CPMs), Consultants, policy makers.

The **How to do (HTD)** provides practical suggestions and guidelines to Country Program Managers, project design teams and implementing partners to help them design and implement programs and projects. It presents technical and practical aspects of specific approaches, methodologies, models or project components that have been tested and can be recommended for implementation and scaling up, including best practices and case studies that work and can be used as a model in that particular field.

The **Lessons Learned (LL)** provides a compilation of past experiences on the topic and a reflection on evidence-based best practices and failures, methodologies that have been proven to work well and produce good results, and are therefore recommended as a model.

These tools will be published by IFAD and accessible on its website soon.

Adapting and testing toolkits developed by Professional Networks in which PAMIGA is active

- PAMIGA has become a member of **RIM (Risk management Initiative in Microfinance)** in January 2015, which provides a platform for risk management standards development, information sharing, and industry cooperation. RIM's Founding Members are: ADA, Calmeadow, Center for Financial Inclusion (CFI) at Accion, MEDA, MFX Solutions, Microfinanza Srl., Oikocredit and Triple Jump. As a Contributing Member and member of RIM's Technical Working Group, PAMIGA is now the 9th member of RIM. RIM has developed the **Risk Management Graduation Model.** This model is a pathways-based, best practice standard for risk management in the microfinance sector. Through a diagnostic process, MFIs can assess their current risk management systems, structures, and capabilities against the Risk Management Graduation Model and determine their adherence to best practice risk management standards applicable to their institutional tier level. In 2015, we have tested the RIM tool at ACFB in Benin.

- PAMIGA has been an active member of the **Social Performance Task Force (SPTF)** for many years. In June 2015, during the SPTF annual meeting, PAMIGA was able to share its results and methodology on social performance and client-centricity. First, during the SPI4 session held by Cerise, the case study of Wasasa in Ethiopia was presented on the implementation of client-centric tools to measure clients' satisfaction and improve the quality of its products and services for the clients. Second, PAMIGA also co-hosted the training on the SPI4 tool that was followed by more than 60 participants in Dakar, Senegal.

7.3. Advocacy, communication and promoting visibility for Rural Inclusive Finance and the PAMIGA Group

As a grantee of **ACP/EU MICROFINANCE program,** PAMIGA took part to the third and last seminar for the grantees during 3 days in Brussels, followed by the Program's Final Event, on Thursday, April 30. During this session on financial education, PAMIGA was able to present a case study on the implementation of a financial education program in Ethiopia ("Sustainability ! Financial education for rural based clients in Ethiopia !"). During the workshop on social performance, PAMIGA also presented its MFI-centric methodology on the SPI4 assessment during the workshop on social performance. Renee Chao-Beroff made a presentation of our Access to Energy Program on April 30th, at the ACP secretariat in presence of ambassadors and delegates from member countries.

African Microfinance Week (AMW), June 29 – July 3, 2015, Dakar, Senegal: PAMIGA was invited to take part as a speaker in one of the conference sessions of the African Microfinance Week, entitled "*Green Microfinance in Africa: what are the partnerships of the future*?" The session was an opportunity for PAMIGA to present its Energy & Microfinance Program to a large audience, outline the strengths of its business model and its way of dealing with day-to-day challenges, and give insights about its strategies and ambitions going forward to improve the access to renewable energy for rural populations in Africa. PAMIGA also co-hosted, with Cerise, a training on the SPI4 tool during this event in Dakar. The training targeted more specifically experienced Western African consultants who had already an advanced knowledge of USSPM and extensive experience in MFIs' evaluations. The General Manager and the Representative of PAMIGA were also moderators and panelists in this important industry event.

PAMIGA organized and moderated a session at the Convergence World Forum in September 2015 where all its partners: Wasasa, as participating MFI, Schneider-Electric as Industrial energy partner, UNCDF-CleanSart as TA funder and EIB as investor formed a panel expliciting what it takes to build an ecosystem that works for "Green Microfinance".

Renée Chao-Béroff CEO of PAMIGA also intervened in many conference and fora to promote the integrated approach TA and Investment in complex ecosystems where actors coming from different background and modus operandi work in synergy for better efficiency and impact: **SEED conference in Nairobi** in september**, WAME** and **Fondazione Giordano Dell Amore** workshop in Milan in October 2016, in the frame of the Universal Expo, the **MasterCard Foundation's Symposium for Financial Inclusion at Cape Town** in November 2016.

In November 2015, PAMIGA took part to the forum organized by the **African Development Bank (ADB) in Abidjan** (Côte d'Ivoire) to discuss about the project to put in place an **African Microfinance Platform**.

European Microfinance Week, November 16 - November 17, 2015, Luxembourg: PAMIGA participated at the 2015 European Microfinance Week on *Financial Inclusion for Sustainable Development* in different working groups.

VIII. Way Forward

8.1. The Network

In 2016, we intend to integrate 3 to 5 new members that will be among those prospects that PAMIGA have been in contact with in 2015.
Among them, there will be a **young but very dynamic and promising Community Bank** in Tanzania (that we have integrated as technical partner for the Access to Water and Energy program at the end of 2015 in replacement of an outgoing member) and one or two **large MFI(s) leader in its country**. However, the entry of one or two **Commercial Bank with large Microfinance and Rural Finance focus** will a major will be a major target for PAMIGA as it will help the team to tailor the methodologies, tools and TA delivery to the 3 tiers that will be in place in the BP3.

With the 3 exits at the end of BP2 and the entry of 3 to 5 new FIs, the Network aims at having 15 to 17 FIs as members by year end 2016 but with a much stronger profile both in outreach (potentially X 2) and in terms of performance.

8.2. The Technical Assistance Activities in support of member FIs

We will be in a full year implementation of the BP3 and therefore all the strategic pillars will be in full fledge.

Digital Finance

The pilots in CAURIE, UIMCEC and WPS will be launched and assessed, monitoring and support will be provided to help the scale up.
In the same time, we will start the program in Madagascar with CECAM (agent banking) and in Benin with ACFB and RENACA, which might benefit from the experience of Senegal since they are using the same MIS and the microfinance operations are also similar. Knowledge sharing and lessons learnt will help accelerate the processes in West Africa.
Partnership with PHB and support from Mobile Money for the Poor (MM4P, UNCDF program funded by MasterCard Foundation) will be searched by synergies and efficiency.

Innovative Product Development

The scaling up at households' level of the Access to Renewable Energy program will be pushed forward in all the 6 countries and with all the 9 FIs supported. This scaling up process will be made possible by promoting the dissemination of Energy Entrepreneurs that the program will train, monitor and assist in building a sustainable business model.

Wherever the context allow, the program will advance the market of Clean Energy for MSME, in agriculture value chains (preferably) and in any other rural economic activities that create job for women and youth: Cameroon, Kenya, Tanzania. Solar Motor-pump for farmers cooperatives is a promising market to explore.

A pilot program supporting a MFI member to put in place a **Agricultural Finance Center** as a Business Unit in house to expand in a secured manner the agricultural value chain finance portfolio will also be developed, most probably in Senegal with UIMCEC.

In 2016, PAMIGA, jointly with Schneider-Electric will undertake the feasibility study for a **Rural Electrification project** using mini-grids with the objective of exploring a new and very promising segment of market, the market of medium size villages / communities where electricity will serve as a major factor for local economic attractivity. For this project, a PPP model will be tested where public subsidies will cover the costs of covering the public goods dimension of the electricity use (schools, health center, library, municipal hall) making it affordable for the households and MSMEs. The pilot will be performed in Benin or Senegal, where several success factors could be gathered by both partners.

Institutional Strengthening

We will pursue the assistance to WPS to promote the Green Field Microfinance Bank in Kenya and when the license will be awarded to this MF Bank, PAMIGA, beside being active on the governance (board seat), will be intensively involved in providing all the TA needed to make it a full success (digital finance, risk management, Financial Education, Human Resource Management, Financial Management).

We will also pursue our assistance to ACFB in its transformation process, especially in strengthening its Management and capacity building process.

In assisting MFIs to apply Client Centric approaches in their operations, we will also put a strong emphasis in the implementation of dynamic Social Performance Management Plans with at least 6 members with the support of CERISE, Social Performance Task Force (STPF) and the FMR (facility funded by AFD to help MFIs to adopt best practices in Social Performance).

We will also continue to promote savings habit among the rural poor and savings mobilization at small RFIs by innovating in products, in delivery channels and through financial education modules.

8.3. PFSA and the Investment program

The objective at PFSA is to close both compartments B and C at the first Quarter of 2016.

We will focus all 2016 in investing (at least 6 transactions) and in monitoring the investments made in 2015.

Quality reporting will be very important for this Impact Investment Vehicle, therefore putting in place a very robust Monitoring and Evaluation System (M&E) bridging the MIS of portfolio MFIs, the MIX Gold and e-Front, the MIS of PFSA where all the data of MFIs are stored.

8.4. Human Resource and Organization

There will be new recruitments in 2016:

- An Administrative and Logistics Assistant, to be in place before the Summer
- A Senior Investment Officer for PFSA (Q3 2016)
- A Senior COO (Q4 2016)
- Potentially, a senior Digital Finance Officer

The organization will remain the same as per 2015. The arrival of a COO will bring more comfort to the department heads with more availability and support from senior management, while providing the General Manager more room for developing the sustainability business model for PAMIGA for the next few years to come.

8.5. Knowledge Management and Training

All the training will be pursued at Boulder and at Sciences Po.

At the request of IFAD, PAMIGA will work on the same set of Toolkits (Teaser, HTD and Lessons Learnt) in the areas of Access to Productive Water and Renewable Energy.

The process and lessons learned in the Digital Finance and Risk Management project will be capitalized and will provide for a panafrican Expert Meeting in 2017, when there will be already several successful outcomes to showcase and good practices to share.

8.6. Advocacy and Communication

PAMIGA will focus on for a where Impact Investment and Impact Reporting will be highlighted as we want to be exposed to and be enriched by the cutting edge concepts and approaches of peers, simultaneously as we want to be bring our own insights on impact for Rural Economic Development Financing in Africa to these audiences.
In this spirit, we will be very present at the annual SPTF meeting in May-June at Marrakech.

We intend to be more involved in the Alliance for Rural Electrification (ARE) who will host two fora in 2016, one on Off-Grid Investment in April in Amsterdam and the other one on the Off-Grid Power in June in Munich, especially to network and build partnerships for our Rural Electrification program.