



**AMT  
Board of Directors Meeting**

**South Africa, 24 – 28<sup>th</sup> March 2009  
Meeting Minutes**

**Place:** Hoedspruit, South Africa

**Present:**

Members of the AMT Board

- Caterina Giordano, Microfinanza Rating, Kenya
- Damian von Stauffenberg, MicroRate, USA
- Grégoire Nedelec, Planet Rating, Kenya
- Khaddouj Gharbi, AMSSF, Morocco
- Kimanthi Mutua, K-Rep Bank, Kenya
- Massimo Vita, Microfinanza Rating, Italy
- Luc Vandeweerd ADA, Luxembourg
- Mia Adams-Bormans, Belgium
- Wessel Venter Beehive, South Africa

Coordinator:

- Emma-Jayne Paul ADA, Luxembourg

**Absent:**

- Mamadou Touré, Pamecas, Senegal

**General Formalities**

The meeting was opened with the introduction of Massimo Vita from Microfinanza Rating who has taken over from Fabio Malanchini as Microfinanza Rating's representative to AMT. Fabio Malanchini sent his formal resignation to AMT prior to the meeting and has now moved to take up the position of director for MicroFinanza. Massimo Vita has filled out the relevant documentation and submitted it to Wessel for the auditors.

Khaddouj Gharbi from AMSSF/MC also submitted documentation to the auditor relating to her replacement of Nadia Mannaoui, the former representative of AMSSF/MC.

Letters of proxies were received from Microfinanza Rating and Planet Rating respectively designating Massimo Vita and Grégoire Nedelec as delegates for this meeting.

In compliance with the Statutes (article 13.4), a Chairman, Vice-Chairman, a Secretary and a Treasurer were elected from amongst the Board members. The posts were allocated as follows:

**Chairman:** Kimanthi Mutua

**Vice-Chairman:** Mamadou Touré. As he was absent from the meeting, his acceptance of this post will have to be verified.

**Secretary:** Emma Paul. Although not technically a Board member, the Board voted that the coordinator should act as the Secretary.

**Treasurer:** Luc Vandeweerd



**The minutes of the meeting will follow the same layout as the meeting agenda.**

**Point 1: Approval of the minutes from the last Board meeting**

The minutes of the last AMT Board meeting which was held in Dakar, Senegal on the 14<sup>th</sup> of October, were approved as were all the annexed documents.

The additional changes to the internal rules were also accepted. All board members signed the documents to indicate their approval.

**Point 2: The results of the Working Group on the efficient functioning of AMT**

In principle, this document was accepted in its entirety. There were several small changes added namely to the section D on the roles of the coordinator. The following tasks are now added to the list:

- Manage the affairs of AMT and conduct day to day management and administrative duties.
- To keep, file and archive all documentation pertaining to AMT.
- Represent AMT to third parties.

These activities will be added to the list of the coordinator's tasks in the internal rules. It was further requested that the coordinator draw up a job description. A template for this document will be sent to the coordinator from AMSSF.

Decisions and outcomes relating to the Working Group's paper are listed under the relevant sections below.

**Point 3: Decisions & outcomes of the Working Group's paper**

**a. How to improve the organisation of the General Assembly**

It was agreed that from now on, General Assemblies (GA) would last one and a half days with the afternoon of day one being dedicated to discussion between MFI members and rating agencies. Discussions should include a description of the actual services offered by the agencies and an explanation of the differences between them (financial rating, social rating, mini rating, institutional diagnose etc.).

The agencies will further offer a well prepared analysis of the current situation of the rating market in Africa as they see it, the difficulties, progress, what has changed, what are the future challenges etc. This will build the basis for real discussion between members.

The morning of day two would be the review of information points with the afternoon being reserved for decisions and voting. All relevant documentation for the GA would be sent out to members at least 14 days prior to the meeting.

**b. Improvement of information circulation amongst members and improved services to members**

i. Website:

The idea is for the AMT site to become *the* site that people will visit to find out about ratings in Africa. In order to get the site to become a real point



of information it was decided to form a website committee made up of Massimo Vita, Kimanthi Mutua and Emma Paul. The committee would devise a questionnaire that would be sent to all microfinance stakeholders in Africa to deduce what is missing in terms of information within the African microfinance industry. What would they most like to see on the site?

The site is to contain dynamic rather than static information and the rating agencies were asked to devise an innovative way of presenting data on the site. Other proposals included a section on recurring weakness that agencies identify when rating MFIs and compiling these weaknesses into a document. Another was a checklist which can be downloaded by MFIs who are preparing for a rating.

The rating agencies have agreed that the executive summary of all ratings of all AMT MFI members can be posted on the website.

The website will be launched in a basic format by the 10<sup>th</sup> April. The board is then to review the site and provide feedback to the coordinator. The website committee's work will really start after the launch and once the board's feedback has been received.

- ii. As previously discussed, a quarterly newsletter will be circulated amongst all members and will detail all internal AMT news, relevant sector information, member news, new membership applications, events etc.
- iii. Sporadic emails will be sent to relevant members informing them of events or information that may interest them ie scholarships for training or conference attendance etc.

**c. Establishment and approval of the 2009 activity plan**

The timetable of activities for 2009 can be found in the "calendar of activities document".

**i. Studies to be conducted:**

A proposal was received by MIX to perform a comparative analysis of both rated and non-rated African MFIs and to look at whether ratings have an impact on MFI's funding structure. Whilst this could be a very interesting study, the Board felt it might be very ambitious at this stage especially considering that a similar study was recently abandoned by CGAP as it could draw no concrete conclusions. The board therefore ruled not to partake in this study this year.

It was however decided that the rating agencies would analyse just **how accurate the data is that is reported to the MIX from African MFIs**. They will do this by comparing the data posted on the MIX with rating agency data. Once the agencies have drawn up the comparison, the coordinator will find an external consultant or intern to draw up the report. Rating agencies are to provide the comparative analysis to ADA by the 31<sup>st</sup> May.

A second study to be performed is more of a working paper. It will investigate **whether rated African MFIs have managed to improve their performance over time**. In general, do their rating grades improve



the more ratings they have? Whether this paper will purely present data or whether it will seek to investigate reasons for improvements and/or decreases in performance remains to be discussed between the Board members.

The final study to be performed is an **evaluation of AMT**. This evaluation will be carried out by a working group made up of Board members comprised of Mia Adams, Wessel Venter, Massimo Vita, Caterina Giordano, Grégoire Nedelec and Khaddouj Gharbi. The group will devise and circulate a questionnaire amongst AMT current and ex-members in order to identify their actual needs and expectations. The questionnaire will also help evaluate the impact that AMT has had on its members.

The group will have the questionnaire ready to be sent out to members by 15<sup>th</sup> June and further plan to meet on the 3<sup>rd</sup> of September prior to the next board meeting set for the 4<sup>th</sup> of September in Luxembourg to draw up the report. The results of this group should be ready to present to the GA by October.

In light of these studies, it was decided that the next transversal analysis will be done in 2010.

ii. **Location and dates of 2009 awareness raising workshops, the investor's fair and the General Assembly and the next Board meeting.**

**General Assembly & Investor's Fair:** It was accepted to hold this year's GA and investor's fair in Nairobi during the third week of October. Kimanthi Mutua has agreed to help in terms of logistics along with the possible assistance from Microfinanza Rating and Planet Rating who both have offices there. Kimanthi will investigate a range of venue options for the Board to decide upon.

**Awareness-raising workshop:** First one to be held if possible during or alongside the 4<sup>th</sup> Microfinance Conference in Burkina Faso from the 7<sup>th</sup> – 10<sup>th</sup> July. The coordinator will contact the organisers to see if this is possible. The second will be held prior to the GA in Nairobi. The national MFI network AMFI could be contacted to help organise this workshop.

**Second Board meeting:** Rather than holding the meeting directly prior to the GA, it was decided to hold the second Board meeting for 2009 on the 4<sup>th</sup> September in Luxembourg. This meeting will be fully dedicated to preparing for the GA.

iii. **How to launch & maintain a database of service providers**

This service was discussed in Dakar but was never fully developed. The idea is for the coordinator to maintain a database of consultants that AMT members have previously used and who they would recommend to other MFIs. It was decided that the coordinator will send out a questionnaire to all member MFIs to find out which consultants and/or service providers they have used in order to improve their performance or efficiency. Members who are experiencing difficulties will be able to contact the coordinator to obtain a list of recommended consultants and which member MFI recommended them. When the list is compiled, the coordinator will contact the consultant to ensure that they are still active.



Once the questionnaire has been drawn up, it will be sent to the Board for approval.

iv. **Promoting good quality audits of African MFIs.**

This point was briefly discussed but it was felt that AMT does not have the capacity to engage in this kind of activity at this point.

v. **Working Groups**

It was agreed that working groups need to have set objectives and a defined timeframe in which to meet this objective. They must also designate a focal point / group leader. Any working group formed must outline these specifications and send them to the coordinator. Reasonable budgets can be made available to working groups to help them achieve their goals such as covering the cost of travel if they need to meet up outside of scheduled AMT meetings. Working groups will work on a limited number of topics decided upon by the assembly in an effort to motivate members to participate in AMT.

vi. **Other suggestions**

It was suggested that the discussion session between rating agencies and member MFIs at the next GA should focus on social ratings/methodologies and social performance to really help members understand just what this product is and the point of tracking social performance.

**d. 2009 Budget**

AMT needs to secure 30% of its 2009 budget. The total estimated amount for 2009 is €264,100, therefore €79,230 needs to be mobilised from external sources. The following suggestions were made to help cover this amount:

- Charge investors a registration fee of €500 for the next investor's fair.
- Offer a variety of sponsorship options during the investor's fair (investor panel, sponsoring of a dinner, logo on documents etc)
- Always seek local sponsorship such as AIG or Barclays, for all AMT meetings (General Assembly, awareness-raising workshops, investor's fair etc.)
- Approach former funders of AMT, these include - amongst others:
  - The European Commission
  - The Swiss Development Cooperation
  - BRS
  - Triodos Group
  - The European Investment Bank
  - Foundations such as Ford, Nike, MasterCard, Bill & Melinda Gates, Argidus, Omidyar etc.
  - The Austrian Development Bank
- The possibility of engaging the services of a professional fund raising company was also raised. This will be more of a contingency plan but nonetheless was universally welcomed if required.
- An AMT delegation headed by the President should present AMT during the European Microfinance week in order to help seek out new sources of funding.

It was decided that in order to effectively raise funds, it is necessary to have a sound business plan which details the raison-d'être and objectives of AMT as well as the activities and services it offers. The coordinator will draw up a draft business plan which needs to be approved by the board.



In order to raise the necessary funds for 2009, it is vital that the whole board is active in this area and coordinates with ADA should they wish to contact any of the proposed funders. The coordinator will also let the Board know who it is contacting and when.

**e. Integration of new members**

The general application procedure is as follows: the potential member sends an application to the coordinator. If the applicant meets the minimum eligibility criteria the coordinator will then share the request with the Board. The Board reviews the application during its subsequent Board meeting and votes whether to accept the member or not.

The coordinator then sends the Board's decision to the applicant. If successful, the applicant will also receive a code of values to which it must adhere. This code stipulates what is expected of all AMT members and is being drafted by the same working group that is dealing with the evaluation of AMT (see point C.i). This code has been circulated amongst the rest of the Board. Once adopted, this code needs to be signed by all members at the next General Assembly. This is a condition of membership.

The following decisions were also taken regarding integration of new members:

- i. Once approved by the Board, new full members are immediately allowed to vote at the next General Assembly.
- ii. New full members are eligible to stand for election to the Board as soon as they have been accepted by the Board.

**f. Membership fees**

The last General Assembly requested that the Board recommend an amount for associate members that apply as individuals. The Board proposes €100 for individuals. This amount is to be approved at the next General Assembly.

**g. Board duties**

The duties of the board laid out in the working group paper were generally accepted by the board. These will be laid out in a separate document and sent to all the members of the Board and any newcomers to the Board.

**h. Review and approval of proposed contracts.**

Two contracts which are required by the auditors were reviewed by the Board, approved and signed. These included:

- i. An AMT contract which designates ADA to act as the administrator on a renewable basis for the year 2009.
- ii. A funding contract from ADA which specifies the amount of funding that AMT will receive for the year 2009.

**Point 4: Meeting Sentinel, AMT's designated auditors.**

The original focal point for AMT at Sentinel was Anton, however he has now left the company and has been replaced by Michelle Larren. Anton however came to the meeting for continuity purposes and to introduce Michelle.



As AMT has been registered as a Section 21 company, the auditors outlined just what a Section 21 company is in South Africa. Section 21 companies are limited by guarantee and are public companies. They can also fall into the 'not for profit' category.

Section 21 companies must file a tax return every year. As long as the company has not made a profit, it will not be taxed but it still needs to file a return on an annual basis.

The company needs to have more than 7 members at all times. Should the company go bankrupt, members are only liable for their fees. However, it is important to note that they are also liable for fees that they may not have yet paid for that year. It is important for directors to know what is going on within the company because if it goes bust but carries on with 'business as usual', the directors may be liable if third parties can prove that they were negligent and allowed business to continue.

On a practical level, ADA's external audit will be shared with Sentinel every year. Sentinel will liaise directly with ADA's external auditors for this. In principle, it is OK for Sentinel to receive the 2009 audit by the end of March 2010. However, this would mean that the 2010 General Assembly would have to be held before the end of September as the accounts have to be approved by the GA within 9 months of the end of the financial year (December 2009).

Should AMT ever sign a loan agreement with a third party, the auditors would need to be informed of the loan and its specifics.

**Point 5: Approval / Rejection of new members:**

The following MFIs all had their applications to join AMT as full MFI members approved:

- ASUSU-CIIGABA, Niger
- CAPPED, DRC
- Caurie, Senegal
- CECA, Togo
- Fececav, Togo
- Lapo, Nigeria
- Mec Afer, Senegal
- Mec Feprodes, Senegal
- MECREKIN, Congo
- PEARL, Uganda
- Renaca, Benin
- SEAP, Nigeria
- Vola Mahasoia, Madagascar

Each will be sent an approval letter and an invoice for their membership fees. Once it is finalised, they will also be sent the code of values.

**Point 6: Decision on members that have not had a rating in the last 2 years.**

The following members have not had a rating in the last 2 years:

- ACEP Sénégal
- Faulu Uganda
- K-Rep Kenya
- PADME Benin
- PAMECAS Sénégal
- Vital Finance Benin



These members will be sent a letter from the coordinator asking them to indicate why they have not had a rating in the last two years as specified in the internal rules. They will be given a period of one year in which to complete a rating and if after that year, they have still not undergone a rating and can provide no valid reason for not having done so, the board may recommend to the General Assembly that the member be excluded from AMT.

The point about encouraging members to try and achieve a 5 diamond rating on the MIX was discussed however it was felt that the diamond system was somewhat out of date. Some MFIs have a 5 star rating but haven't updated their rating in years. It was decided that it may be more beneficial to contact MIX and encourage them to update their diamond system before getting members to try and achieve this 5 star level.

### **Point 7: Discussion related to the rating agencies**

- a) **Rating agency credibility:** MicroRate felt that the code of conduct needed to be revised. During the recent economic crisis, rating agencies had failed spectacularly. To restore the confidence in raters, the Code must confront the problem of conflicts of interest head on. This was discussed extensively between the agencies and the Board and it was decided that Damian would send his proposals in writing to the other agencies who would then react to the proposals.

The agencies formed a working group to deal with how the code of conduct, once signed, should be enforced. The initial proposal as provided by Massimo can be found in annexe to this document.

This proposal needs to be reviewed and approved by the Board. As Planet Rating was not present for the drafting of this proposal, their input needs to be given first and then it will be circulated amongst the board for approval.

It was further decided that the rating agencies' working group would work towards producing a position paper on common objectives. The following action plan emerged:

The rating agencies will meet in Luxembourg by September (hosted by ADA/AMT). The two identified objectives of this meeting are:

- ❖ Make the world aware that the specialized rating agencies different from the mainstream agencies.
  - Possible activities: write articles/papers together to be released during the year
- ❖ Combat the market distortion vs. the mainstream agencies (For example the case of IADB/CGAP giving money to S&P to rate MFIs).
  - Possible activities: Write together and lobby together in a coordinated manner.
- ❖ Make the microfinance industry aware of the advantages and the vast difference between the analysis and experience of the specialized rating agencies in respect to the mainstream agencies.

The agencies will meet prior to the General Assembly to ensure that the above position paper is drafted and ready to be circulated before the GA meet. The meeting will most likely be in Luxembourg.

**b) Who will review the annual documents submitted by the Rating Agencies?**

The rating agencies must submit the following documents to the coordinator on an annual basis in order to make sure they are respecting the code of conduct:

- Financial Statements (audited if they are available).
- List of public ratings performed which include:
  - ❖ The names of the analysts that visited the MFI
  - ❖ Potential conflicts of interest disclosed in the first page of the rating report
- Details of the ownership and the Board of the rating agency.
- A list of all associated companies as defined by section 2 of the code

Several proposals of who would review these documents were suggested:

- The possibility of asking an external consultant to review these documents (for example KPMG).
- Another possibility raised was that each agency's external auditor reviews these documents and they themselves send an opinion to the coordinator. However, this presents a problem that Microfinanza Rating do not possess audited financial statements.

No firm decision was taken on who should review the documents and this is something that the rating agencies can discuss as part of their working group. It is also something that the Board needs to further reflect on.

**c) Should all raters possess audited financial statements?**

No final decision was taken on this point although the general mood was that they should.

**Point 8: AMT's inclusion on the Advisory Board of the Rating Initiative**

**a) How will AMT be represented?** AMT will have 2 representatives to the AB – one to represent Anglophone MFIs: Wessel Venter from Beehive in South Africa and one to represent Francophone MFIs: Khaddouj Gharbi from AMSSF in Morocco.

**b) AMT's position on Microrate's and Microfinanza Rating's Institutional Diagnostic:** It was felt that these products should be eligible for co-funding.

**c) AMT's opinion on the approval of the rating agency MICRA:** AMT felt that it had no place in reviewing the rating agency MICRA's application to the Rating Initiative. AMT has a clear geographical mandate which includes Africa only. As MICRA is only operational outside this region, AMT did not feel in a position to review its application.

**Point 9: Collaborating efforts to combine all annual meetings related to African microfinance.**

ADA is proposing to try and harmonise the annual meetings of the Africa wide networks or associations much the way that Latin America does. These networks include AFMIN, INAFI, AMAF, AMT, AFRACA and MAIN. This idea will be developed in Nairobi in June during the Woman's World Banking & AMAF conference.

AMT is open to this idea and would welcome an invitation to participate in such a harmonised meeting should it arise.



**Point 10: Signing of the code of conduct**

In light of the reservations raised by Microrate, the code was not signed. The rating agencies will work together to try and come up with an acceptable solution and the aim is for them to sign the code as soon as possible.

As per above, Damian will send his proposals to the other rating agencies who must then react to his comments.

**Point 11: miscellaneous**

**No points raised**



**Annexe to the meeting minutes:**

**A. Enforcement procedures for the code of conduct as proposed by Massimo.**

*First draft of procedures:*

1. *If an actor finds true evidence/proof (e.g. a "witness" that will underwrite their testimony in black and white) on the said violation of the code of conduct signed by the rating agency there are two possibilities:
  - a. *Submit the evidence directly to the coordinator (Emma)*
  - b. *Contact (preferably) the accused rating agency to make a preliminary verification of the accusation (this would also be in line also with the code of values).**
2. *The coordinator will make a preliminary verification if the evidence is real, contacting the accused rating agency and the MFI with which the code of conduct was violated.*
3. *If the problem is not resolved at this point, the coordinator will contact an external independent audit company (e.g. KPMG) to verify and/or revise the evidence/proof*
4. *The AUDIT COMPANY (e.g. KPMG) will present their RESULTS of the investigation to the **AMT CONFLICT RESOLUTION COMMITTEE** (that should possibly in such cases an independent lawyer...to consider)*
5. *The **AMT CONFLICT RESOLUTION COMMITTEE** will analyze/make a ruling and submit its results/proposals to the AMT BOD (which would necessarily not include the RATING AGENCIES in this process).*

*Obviously the presentation of evidence/real proof makes it such that this procedure should be utilized only in exceptional situations when there is a true violation. an additional proposal to avoid the abuse of this process is that if the same actor accuses a rating agency three times without real evidence/proof the actor will be judged by the amt conflict resolution committee based also on the code of values.*