



**MEETING MINUTES**  
**AMT GENERAL ASSEMBLY**  
**17 October 2008 – Dakar Senegal**

**Location:** Hotel Sofitel Teranga, Dakar

**Present:** 14 members out of 18 participated in the General Assembly (please see participant list attached) as well as 10 observers from 8 MFIs.

**Chairman:** Mr Mamadou TOURE stood in as chairman in absence of the AMT president Mr. Kimanthi MUTUA.

**1. Approval of the meeting minutes from the last General assembly in 2007, Mombasa Kenya;**

Meeting minutes were adopted without any modifications

**2. Presentation of activities completed since the last General Assembly in Mombasa, Kenya May 2007 and update on expenses to date. (in line with the 2008 budget)**

a. Confirmation of the institutionalisation process of AMT:

AMSSF changed its representative at the Board meeting following the departure of Nadia Mannaoui. This created some administrative problems. The AMT Board specified that members and Board members represent their institution. Therefore, if the representative changes the institution should inform the AMT Board in writing and indicate the name of the new representative of the institution.

b. Confirmation of statutes : adopted

c. Modification of internal rules: as proposed by the Board, the Members agreed to modify the internal rules slightly in order clarify the position that AMT members need to be committed to regular ratings. After discussion, the following was decided:

- Consensus was that ratings should be updated at least once every two years.
- If, after 2 years, a MFI member has not updated its rating, the AMT coordinator will send them a letter to remind them that they are due a rating and to determine why the update has not taken place. The coordinator will then accord an extra year for the MFI to complete its update.

- If, after 3 years the MFI has still not completed its update and can present no valid reason for not having done so, sanctions may be imposed which could include exclusion of the member.
  - Members decided that the dates of each member's ratings should be posted on the web site in order to show the transparency of AMT MFI members.
- d. Confirmation of the Grievance Procedure: adopted
- e. Adoption of the revised code of conduct: The revised version of the code can be found in annexe 1. The rating agencies have until the 1<sup>st</sup> of November to ratify the code by signing and returning it to the coordinator.
- f. AMT's PADME press release: According to the representative from the MFI RENACA, Dieudonné Gnanvo from Benin (observer), the Benin courts have ruled in favour of former director René Azokli who was dismissed by the government. Subsequently, the Benin government is reviewing its intervention strategy in the sector: From now on, the National Microfinance Fund will refinance MFIs at a rate that better reflects best practices.
- g. Update of activities completed and ongoing: Website, promotional flyer, awareness-raising workshop, investor's fair, investor booklet etc.
- h. Update on 2008 expenses: The coordinator presented the 2008 expenses to date. However, these did not yet include expenses incurred by the investor's fair which will greatly increase the portion of the budget spent. The updated budget will be sent out to all members once it is finalised. Questions were raised about the inclusion in AMT budget 2008 of cost for rating reports subscriptions from Agencies. It was agreed that this should not be included in AMT budget.

### **3. Brief presentation of the development of the African microfinance rating market over the last few years:**

The rating agencies presented a few key points and answered a variety of questions asked by the members.

#### **Rating Agencies**

Microrate highlighted that a rating is always highly dependent on an MFI's MIS system and its ability to provide the information required. With regards to first ratings, it is often hard to get this information from the MFI and the rating analysts are noticing that the MFIs tend to be rather surprised at the questions they need to answer. However, on the whole, this process does not tend to present too much difficulty.

On the market side of things, Microrate identified an increase in competition between rating agencies. For example, MFIs are starting to switch rating agency

as they tend to stay with the same rater for two ratings and switch for their third. MFIs are also starting to request cost estimates from more than one agency when preparing for a rating.

The price of ratings has remained stable over the last 10 years however the cost of plane tickets have drastically increased which has had an effect on rating agency profits. Lastly, Microrate identified Cameroon as a country that is starting to engage in the rating process.

Planet Rating confirmed Microrate's observation that MFIs are rotating between the rating agencies and maintained that this trend is very beneficial for the sector. They also maintained that the MFI's ability to produce the requested information is always pivotal in the rating process.

Planning rating missions can be problematic in Africa and MFIs have cancelled or postponed their rating one week before it was due to commence which is obviously not a sound practice and disrupts the analyst's ability to plan their timetable.

The price of a rating is still high for smaller MFIs and it can be hard to maintain the boundary between evaluating and support/consulting.

The rating update market is still limited in Africa.

Microfinanza Rating raised issues that could be improved on the MFI's side including providing the necessary information in advance of the mission and before the departure of the analysts. Another problem encountered is the availability of the MFI's key staff.

Finally, they experience repeated delays in receiving feedback on the draft report. MFIs need to react quicker and make sure the feedback incorporates all key opinions.

### **Reactions from the MFIs**

CAPPED (Congo): Felt that the rating price is too high and that the on-site time allocated to first time ratings is too short. CAPPED also asked whether the prices were the same between rating agencies and whether the raters are themselves rated.

MBT (Zambia): Raised the idea of devising a rating price scale based on the type of institution, its size of portfolio etc. They also wanted to know if it was possible to combine a social rating with a financial rating to reduce the cost to the institution.

ENDA Inter-arabe (Tunisia) questioned the agencies as to the comparability of grades and the standardisation of their methodologies.

AMSSF (Morocco) suggested that raters should consider the language they use on the front page of a report. As the front page of the report is often what users read to get an overview of the MFI, it is important that the vocabulary used does not stigmatise the MFI.

Mecrekin (RDC) questioned whether it was possible for MFIs that want to be rated who are based in the same country/region could coordinate their dates so that a rater can visit several MFIs in one trip in order to reduce the travel costs and hence the overall cost to the MFI.

ACEP (Senegal) feels that some MFIs will change agency according to the grading scale that the agencies use. They also wanted to know whether raters put higher importance on certain areas of the report and if this differs between agencies. CECA (Togo) questioned the ways and means for MFIs to be well prepared for a rating and felt that the rating agencies should be more proactive in this regards. They further questioned why it is that MFIs do not join the rating process and suggested that the price, lack of awareness and a lack of transparency culture are all barriers.

Several MFIs also wanted to know more about the ability of the social indicators and methodologies implemented by the rating agencies during their social ratings.

### **Reponses from the rating agencies**

The standardisation of rating scales between rating agencies is an extremely difficult issue and a first attempt to reconcile them in Latin America failed. The rating agencies are however, willing to work with a specialised consultant chosen by the raters to try and progress in this area.

With regards to social ratings, the raters agree that the indicators and methodologies they use are not harmonised but they are all members of the social Task Force which an aim to working in this.

With regards to who rates the raters, whilst it was operational, the Multi Donor Rating Fund certified rating agencies according to their activities and products and to some extent acted as a "supervisor" of the raters. MFIs could only receive co-funding from the Fund if they used the services of an approved rating agency. It was suggested that the GRASS initiative could take over this activity. Rating agencies are open to being rated themselves but they stressed that it is important to remember that they do not act like rating agencies from the traditional banking sector.

## **4. Revitalising AMT**

In addition to highlighting the need for AMT to fulfill its legal obligations as a registered section 21 organisation in South Africa, Mia Adam's paper on the revitalisation of AMT raised several important issues on the workings of AMT and further offers solutions to improve its functioning .The fundamental points raised include:

- Steps to take in order to comply with legal obligations; documents to prepare for the next Board meeting
- Increased services to members (regular information, analysis)
- Adopting clear working relation between ADA and AMT
- Intensify the implication of the Board of Directors, improve Board meetings
- Clarify tasks description and position of AMT coordinator
- Clarify Budget, funding sources for AMT, search for additional funding for AMT.

After feedback was received from the participants, the General Assembly decided to:

- AMT's first financial year will commence January 2009.
- Formalise the relationship between ADA and AMT by drawing up a contract to specify the roles and obligations of each party.
- Put all the recommendations highlighted in the paper into practice. A workgroup would be charged with the preparation of documents, proposals for contracts to be submitted at the next Board meeting.
- Hold the next Board meeting in South Africa during the second half of March 2009.

With regards to the circulation of information to members, it was requested that members react in a timely fashion to mails sent out by the coordinator. Even if the principle "silence implies consent" is maintained, it would be greatly appreciated if members would at least acknowledge receipt of the information.

## **5. Approval of the 2009 action plan**

The main activities proposed by the coordination are:

- a. Ongoing activities:
  - i. Rating awareness-raising: two workshops per year, presentations/conferences.
  - ii. Newsletter, mailings etc
  - iii. Fund provider database for African MFIs (online and hard copies)
  - iv. Website
- b. Potential studies:
  - i. "How have external evaluations helped African MFIs" / "Impact of evaluations on MFI development" (evaluation of the forum).
  - ii. "What repercussions have the government's policies had on Benin's microfinance sector?"
  - iii. 3rd edition of Transversal Analysis (data from 2005/2006/2007 with publication end of 2009)
  - iv. Other suggestions from the members?
- c. Setting up of working groups (review rating reports to determine what challenges African MFIs are currently facing, time needed to implement recommendations)

- d. Support and advice for members in difficulty, putting MFIs in contact with service providers that can help them (helpdesk)
- e. Transparency log of AMT members to encourage regular rating updates of members. (Publish their rating dates, how many diamonds they have on the MIX)
- f. Fund raising
- g. Suggestions from the members
- h. Draw up activity timetable 2009

Comments on the proposed activities:

Ai) Mia Adams suggested that the investor directory be linked with sponsorship. A substantial contribution from investors to future investments fairs would contribute to the funding of AMT.

Bi) With regards to evaluating the forum it was suggested that a questionnaire be prepared for the next Board meeting and once approved by the board will be sent out to the members to examine all aspects of the MFI's development (quantitative aspects as well as its management, governance etc). This could be done in conjunction with suggestions for point c. A specific working group would prepare this evaluation.

Bii) Mia suggested that, in light of the recent events in Benin and the positive but still delicate situation of Padme current political climate which is adverse to these types of investigations, the study on Benin could be put on hold for now.

C) This point is reflective of the type of work that the rating agencies used to prepare prior to the Forum meetings.

Further suggestions from the members included:

- A study to compare the grading scales of the rating agencies (Luc)
- A study of feedback received from MFIs on their rating: how MFIs perceive the exercise. (Mamadou)
- With regards to transparency, collaborate with the MIX to see what activities could be done on a "member level" (specific studies / analysis?)

The General Assembly agreed that a detailed action plan for 2009 with a calendar of proposed activities and adapted budget will be submitted to the next Board meeting and sent out to all the members after approval by the Board.

Concerning the 2009 activity timeframe, the General Assembly agreed the following:

- The activity calendar will commence as of the 1st January 2009
- The 2009 activity programme and budget will be approved during the next Board meeting in South Africa
- The next General Assembly will take place in October/November 2009 and could perhaps be held in Zambia / Malawi, or Mozambique (depending on the members that join AMT from these countries).

## **6. Approval of the 2009 estimated budget**

An initial estimate for the 2009 budget is €246.330. This budget will be reviewed in detail in relation to the activity program for 2009. From now on, the budget will also include a section showing all revenue as well as expenses and will be approved by the Board at its next meeting (March).

## **7. Confirmation of the auditors**

AMT voted to keep the preselected auditors whose first job will be to audit the accounts for 2009.

## **8. Election of 4 MFIs to the Board of Directors** (in compliance with the statutes and internal rules)

The General Assembly requests that the coordinators draw up a document detailing this process between now and the following Board meeting (March 2009). The work will include

1. Informing all members on the procedures to follow in order to renew/extend a Board member's mandate as well as how a member can join the Board (particular attention must be paid to the regional representation of the Board members – 6 regions instead of 4).
2. Log all new candidates who wish to join the Board to be approved at the next General Assembly.

## **9. Membership fees**

The General Assembly decided that all payments made by members during the year 2008 will be for that year and not for 2007. All invoices for the 2009 membership fees will be sent out at the end of 2008.

For the year 2009, it was decided that the full member membership fee should remain €500. All travel and accommodation costs are covered to AMT board meetings and General Assemblies. Associate membership fee stands at €350 but they must pay their own travel and accommodation costs.

Concerning the membership fees for associate members, the General Assembly decided that in the future, this amount could be different depending on whether it is an individual or an organisation that is applying. The next General Assembly will decide on these fees based on propositions made by the Board.

## **10. Miscellaneous**

No miscellaneous points raised.

The Coordinators:

Emma / Luc



## **ANNEX 1 TO DAKAR GENERAL ASSEMBLY MEETING MINUTES**

### **CODE OF CONDUCT FOR RATING AGENCIES**

This code of conduct applies only in the case that the final rating report is destined for external use, although it is recommended to adhere to the principles of this code of conduct in all cases.

In recognition of the fact that the microfinance rating industry is still developing, this code stipulates both standards which must currently be adhered to (section 1) as well as ideal standards which all rating agencies must pledge to achieve and maintain by July 2013 (section 2).

#### **Section 1:**

Ratings must be **objective**.

All judgments on a MFIs performance must be **based on analysis of all relevant facts**.

Rating agencies must maintain **internal records** (amongst others the rating rationale, committee minutes and MFI comments on the draft report) to support its ratings opinions for a minimum period of 5 years.

**Ratings must state what they measure.** MFIs could be measured against a number of criteria. There could be ratings of economic impact, outreach, etc. Whilst recognising the existence of other rating/evaluation products, in practice, today's microfinance ratings fall into three main categories:

- **"Performance Ratings"** rank MFIs according to their ability to maintain creditworthiness while conducting microfinance operations according to Best Practice.
- **"Credit Ratings"** measure the likelihood that an MFI will default on its obligations to creditors.
- **"Social Ratings"** measure how effective an MFI is at translating its social mission into practice.

**The full cost** of a rating must be transparent and it must be explained to the client before a rating contract is signed. Specifically, the client must be aware of all charges, fees, taxes etc. which are added to the rating fee. The currency of the rating fee and the conditions of payment must be specified.

The rating agency should **explain the timetable** of the rating, including preparation time, time in the field, people to be interviewed, time taken to write a report. When the rating has been scheduled, there should be an approximate date by which the report will be delivered.

The rated MFI should know what information it must provide before it is visited by a rating team. However, the rating agency has the right to request additional information from the MFI should it be required once the visit has commenced.

MFIs must be given an opportunity to **comment on a rating report** before it is finalised. Rating agencies must explain when and how the rated MFI will be able to comment. This includes reactions during the field visit and comments on the draft report.

**Confidentiality** policies must be clearly spelt out. The rated MFI must know under what conditions information may be released to the public and whether the MFI has control over whether such

information is released. The rating agency and its staff must take all reasonable measures to protect all confidential information.

The rating agency should inform the MFI, at the time the rating is agreed to, who will **head the rating team** and what that person’s qualifications are. Where possible, other members of the team should also be identified. If the head of the rating team changes, the MFI must be informed promptly.

The rating agency and its staff must avoid any **conflict of interest**. Should conditions arise which could affect their objectivity, the rating agency must disclose this. In particular,

- Neither a rating agency nor any of its staff may provide additional services other than ratings to an MFI it rates nor can it sell professional advice to the entities that it rates. Training related to rating methodology and dissemination of information or data pertaining to ratings does not constitute a conflict of interest.
- If services other than ratings are, have been or will be provided to a rated MFI by any entity or person affiliated with the rating agency (including staff, directors, family members and relative and affiliated companies as defined in Section 2 below), then this should be disclosed in the rating report.
- The rating agency must disclose any ownership ties or other affiliations with entities or persons that provide services to MFIs.

If a potential or actual conflict of interest exists, then the rating report will mention that fact on page one of the report and refer to the page where details of the conflict are disclosed.

**Section 2**

This section refers to the standards that all signatories of the code must pledge to achieve by July 2013. By this date, the rating agencies must be willing to abide by all the elements mentioned in section 1 as well as the following paragraphs which will be included in the section concerning **conflict of interest**:

*In order to avoid conflict of interest, a rating agency should never rate MFIs in which it, or its staff, directors, family members, relatives and affiliate companies own shares, or have a financial interest in or provide services to. An **affiliate company** is defined as an institution that has at least a 10% stake in the rating agency, or an institution that the rating agency has at least a 10% stake in.*

*Additionally, in the event that an ex-staff member of a microfinance institution works for a rating agency, that ex-staff member must not be allowed to rate that institution for at least 5 years.*

These standards in this Section 2 will not be enforced until 2013. However, should a rating agency not be in compliance with section 2 before that date then this must be clearly disclosed in the report.

Failure to meet this level of conduct will result in sanctions against the rating agency. These sanctions will be determined by the AMT Board of Directors however they will not be financial in nature.

Read and approved \_\_\_\_\_

Read and approved \_\_\_\_\_

Name and Title:

Name and Title:

Date:

Date: