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| Wasasa Microfinance Share Company  | Directors report for the period July 1 2016 to June 30, 2017  |
|  | August 2017, Alemgena, Ethiopia |

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# Background

 Wasasa Microfinance S.C. was established and got its Microfinancing business license from the National Bank of Ethiopia on September 20, 2000, to assist the poor communities in their efforts of coming out of the vicious circle of poverty. Its mission is to provide sustainable financial services to the active poor in order to employ capital for poverty alleviation. This annual report depicts what has been achieved in line with its mission in the fiscal year, July 1, 2016 to June 30, 2017. Furthermore, the document shows the plan for the current fiscal year, July 1, 2017 to June 30, 2018.

 Wasasa’s strategy to attain its set objectives, in short, are extending loans for those who are capable of being engaged in income generating activities (giving priority to women). As per its mission, more than 90% of the loans are given without asset collateral to the poor who do not have any collateral to pledge for borrowing. The interest rate it is charging has also been reasonably set by taking into account the capacity of the borrowers, and as of July 1, 2016, the interest rate calculation is changed into declining instead of flat. Wasasa has been making as much effort as possible to mobilize better savings, and this is considered as a strategic direction for the customers benefit from the services, and Wasasa would use it for on-lending. Detail achievements, challenges, and plan for the current fiscal year are discussed in detail in the document.

# Governance Report

 The Major activities that were done by the Board in the reporting period were the following. One of the Board’s major focus area is the quarterly reports, which depict the overall operations of Wasasa , on quarterly basis. Thus, at the end of each quarter the Board conducts review and scrutiny of performance vis-à-vis the plan. Dpending on the outcome, the Board gives directions and also enourage the Management and staff for a more enhance dperfromance. The Board made nine meetings in the fiscal year and passed major decisions. Among them were approval of Internal Audit Policy & Manual, Risk Management Policies & Procedures Manual, Interest Rate for Time Deposits, Goods Disposal, Staff Performance Appraisal Parameters, and Staff Loan. Furthermore, among the different strategic decisions that it made in the current fiscal year, approval of loans borrowed from the Development Bank of Ethiopia and reviewing and approval of quarterly loan classifications and amounts of provisions set aside by the management can be mentioned.

# Service Delivery Methodology (Terms and conditions)

 Group guarantee based on the principle of joint and several liabilities helps to overcome the requirements of collateral but at the same time guarantees loan repayment. According to this principle, each member of a savings and credit group should understand, agree and undertake in writing, to be responsible, in the case of repayment default, for the debt of any member of his group, as if it were his debt.

 However, Wasasa taking into account the other means of employment creation through SME financing has diversified its portfolio through other lending methodologies in addition to the major group lending approach that is mentioned in the above paragraph. These are asset collateralized loans, personal guaranteed individual loans, value chain financing, which are partly group and individual and also non-collateralized individual loans for clients that have graduated from group loans.

## Loans

 Wasasa has different loan products. One is for the semi-rural towns, its repayment is on equal bi-weekly or monthly installment basis; the second is for employees of other institutions; its repayment is on monthly basis; the third product which is the largest proportion of the portfolio is agricultural loan; its loan term in most cases is for a year. The installment frequency for the third product is monthly during which 30% of the principal and 100% of the interest is repaid. The remaining principal is paid on the last installment; the fourth loan is the individual collateralized loan; its term is two years, and the fifth is individual loans without collateral with personal guarantor that is given in 20 Rural Services Facilities. Wasasa has other innovative products; like: malt barely value chain, Farmers Marketing Organizations (FMOs), Renewable and clean energy financing, specifically Biogas, solar, micro-irrigation and coffee value chain as well.

 The types of activities for which clients are taking loans are categorized into agricultural and non-agricultural. Agricultural loans are loans for purchase of seeds, fertilizers, ox for plowing or fattening, poultry, milk cow, etc. Non-agricultural loans are loans for petty trading, small shops, lanterns, SHS, biogas, handicrafts, production and distribution of local drinks, maintenance of houses in which case loan repayment is made from other activities.

 The size of a group formed by borrowers could be the smaller enterprise investment group (with five members), in urban areas only, or the larger group (with 15 to 25 members), which is the case both for the urban and rural areas. The initial loan for smaller group members ranges from Birr 2,000 to Birr 5,000 while it ranges from Birr 500 to Birr 3,000 for larger group members; for the individual collateralized loans it depends on a business to be financed, and the maximum amount for a single borrower is limited to 1% of Wasasa’s capital. The interest rates on loans are 18% for collateralized loans and 21% for non-collateralized loans on declining basis per annum, and there is additional 3% service charge. The loan is disbursed in the branch office while collections are effected in the villages where clients found convenient for their meetings. The maximum duration of the subsequent loan from the preceding loan’s final payment is a week for urban and two weeks for rural. Loans are progressive, after paying the preceding loan the subsequent loans would be higher if the purpose justifies the size

## Credit Life Insurance

 We also have credit life insurance for group loans; the purpose is to write-off outstanding loan of a deceased client against the premium of 1% of the loan that shall be paid during loan disbursement. This would help the family of the deceased client or the other group members from bearing the burden of paying the loan. As a death of a breadwinner is already a great loss in a family paying the debt would be an additional burden in the absence of the credit life insurance. Hence, this product is highly appreciated by clients and also helped unnecessary exclusion of sick people from joining a group for fear of shouldering default risk by other members in the case of death of a client.

 Accordingly, from July 1, 2016 to June 30, 2017 outstanding loan balance of Birr 1,139,663.03 was written-off against insurance for 267 clients that were deceased. From the total insurance premium Birr 1,652,649.75 was shown on the liability side of the balance sheet at the same period; whereas, Birr 3,934,260.01 was transferred to revenue; as the corresponding terms were matured. Note that since Wasasa has introduced this product, Birr 4,116,124.19 was written-off for 1,666 deceased clients.

## Savings

 In Wasasa loan is linked to savings. Clients are expected to save 10% for the first cycle and 15% for the subsequent cycles of the loan they need. This savings product is called mandatory savings. Withdrawal from this savings product is not allowed until all the group members have fully repaid the outstanding loans. Interest is paid on this type of savings. This savings partly serves as collateral for loans. In addition to the mandatory savings, individuals in a loan group shall agree on the minimum amount they are expected to deposit while they meet for loan repayment. It is not allowed to save below the minimum amount, but anyone can save above the minimum amount. Withdrawal from the voluntary savings is possible during the loan repayment meetings.

 The other voluntary savings products that Wasasa is offering for the public are passbook savings, planned time deposits, and time deposits.

 Wasasa pays from 6% to 8% on both mandatory and voluntary deposits; the conventional banks pay 5% for deposit. The interest on deposits is calculated and compounded monthly.

1. **Plan versus performance**
	1. **Comparison of actual versus performance:**

Wasasa has been experiencing fast growth rates since its establishment. The following table depicts comparison of the actual for the fiscal year July 1, 2016 to June 30, 2017 against the plan for the same period and the plan for the year 2017/18

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Item | Plan June 30, 2017 | Actual June 30, 2017 | Percentage Achievement | Plan June 30, 2018 | Planned growth |
| Number of Branches | 40 | 34 | 85% | 39 | 15% |
| Number of RSFs | 22 | 20 | 91% | 24 | 20% |
| Number of Credit Officers  | 164 | 151 | 92% | 175 | 16% |
| Number of Total Staff | 590 | 497 | 84% | 557 | 12% |
| Number of Active clients | 139,028 | 140,073 | 101% | 189,100 | 35% |
| Women percentage | 45% | 43.8% | 97% | 45% | 3% |
| Number of loans issued  | 82,665 | 65,061 | 79% | 87,454 | 34% |
| Amount of loans issued | 568,198,500 | 439,794,493 | 77% | 593,722,566 | 35% |
| Outstanding Loan | 532,139,335 | 400,068,905 | 75% | 540,093,022 | 35% |
| Savings balance | 217,374,878 | 163,282,594 | 75% | 220,431,500 | 35% |
| Total Capital  | 152,213,726 | 146,379,311 | 96% | 176,379,311 | 20% |
| Total Assets  | 689,556,427 | 550,942,651 | 80% | 743,772,579 | 35% |
| Operational Sustainability | 127% | 121.8% | 96% | 135% | 11% |

 When we compare the plan for the year 2017 against the achievement at the end of June 30, 2017; number of loans issued, amounts of loans issued, outstanding loans, and savings balances are on the lowest side compared to the other parameters. The major reasons for the failure to achieve the plan were: the civil unrest in the region, drought in certain woredas, and failure to get a loan guaratee.

 Regardless of the above mentioned critical situations, it is possible to say that the performance for the period is very commendable, considering the constraints mentioned earlier in this report.

 As indicated in the above table, in addition to the 34 branches, Wasasa also has 20 rural services facilities (RSFs) that are delivering financial services to the communities in very remote rural areas and the community representatives are involved in the management. Wasasa pays allowances and incentives for the community representatives that are involved in the management of the rural service facilities and involving them has made Wasasa give individual loans to the clients without asset collaterals. The quality of the portfolio is extremely excellent.

4.2. **Loan Disbursement and Related Variables**

 The number of loans disbursed by Wasasa in the year was only 65,061 while the value of disbursement was Birr 439,794,493. As mentioned above the number of loans disbursed was one of the areas where we failed to meet the plan; there was a net increase in outstanding loans from the previous year by Birr 18,401,200. The total value of loans disbursed from the date of its establishment were cumulated to Birr 2.21 billion. The fiscal year was challenging in terms of maintaining the portfolio quality at the usual minimum level. It had been seriously engaging the front-office and other senior supervisors to collect bad loans that were created due to the major reasons mentioned above in this report. Loan write of ratio was 0.2% while the portfolio at risk ratio of greater than 30 days was 6.1 % as at June 30, 2017, which was on the high side and still requires efforts of the management and staff at the concerned branches. At the same date, the outstanding loan at the hands of 67,381 active borrowers was Birr 400,068,905.

 In the reporting period, Birr 893,464.28 was collected from the loans written-off in the previous years. This has brought the total collections from written-off loans to Birr 5,206,289.75.

* 1. **Savings Mobilized**

 In Wasasa loan is linked to savings, both voluntary and compulsory. Individuals in a group are expected to save on their willingness and capacity to save, but all group members shall agree upon the minimum amount below which saving is impossible.

 Even if, Wasasa is making an effort to mobilize as much savings as possible from the clients and non-clients as well, the balance was only 40.8% of the outstanding loans. In value terms the savings balance at the end of the reporting year was Birr 163,282,593.54. There were 140,073 active depositors at Wasasa at the end of the fiscal year.

1. **Institutional Sustainability and clients (targeting the poor)**

 The existence of Wasasa is a means to serve the needy community as an ongoing source of finance. Therefore, possible means to ensure sustainability were identified among which were cost minimization, efficient utilization of the very limited amount of finance and human resources, setting reasonable interest rates and operating at economies of scale by increasing outreach.

 By doing so, Wasasa is also trying to expand from year to year to significantly contribute to the processes of development efforts in the Country. The small loans extended to poor people for self-employment projects that generate income allow them to cater for themselves and their families.

 We believe that Wasasa is targeting the poor, and this is evidenced by the following policy instruments put in place, the very flexible lending system that suits to the needs of the poor, delivering the services at the doorstep of the rural clients, keeping the portfolio size intentionally very small (the average disbursed loan including the individual loans was about Birr 6,760, which is about euro 270), not asking asset collateral, making transactions simple and understandable for the illiterates, using local languages, making the frontline staff part of the group for decision making and also having very simple offices which are friendly to the poor to easily enter and communicate for whatever information they required from Wasasa’s staff. As Wasasa did not get loan guarantee, there was no borrowed loan from the Commercial Bank of Ethiopia; as a result there was a net decline of borrowed fund from the previous year by 20.4%. The total asset also declined from the last year by 0.8%.

The following table depicts some of the sustainability and efficiency indicators:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. |  Items | Actual June 30, 2017 | Plan June 30 2017 | Plan June 30, 2018 |
| **I** | **Sustainability indicators** |  |  |  |
| 1 | Return on equity Excluding donations | 12.9% | 17% | 20% |
| 2 | Return on Assets Excluding donations | 3.2% | 3.8% | 4% |
| 3 | Operational Self-sufficiency | 121.8% | 127% | 135% |
| 4 | Capital Adequacy Ratio  | 36% | 20% | 20% |
| 5 | Liquidity Ratio: Liquid asset /total deposit  | > 20% | > 20% | > 20% |
| **II** | **Portfolio Quality**  |  |  |  |
| 1 | Portfolio at Risk >30 days | 6.1% | 4% | 4% |
| 2 | Annualized write-off ratio  | 0.2% | 2% | 2% |
| 3 | Risk coverage ratio (as per the NBE Regulation) | 33% | - | - |
| **III** | **Efficiency**  |  |  |  |
| 1 | Operating expense ratio | 12.4% | 12.3% | 12% |
| 2 | Average number of clients per Credit Officer | 446 | 607 | 600 |
| 3 | Portfolio yield | 18.7% | 24.3% | 21% |

1. **Sources of Finance**

 Wasasa has managed to diversify the sources of finances that are like loans from commercial banks, savings of clients and non-clients, managing revolving funds, donors’ grants and retained earnings. Accordingly, the following table indicates the balances per source of fund:

1. Balances of borrowed loans Birr 213,102,185
2. Balances of depositors money Birr 163,282,594
3. Other liabilities Birr 28,178,560
4. Balances of retained earnings Birr 113,468,158
5. Balances of Grants Birr 30,911,154
6. Balances of Paid up capital Birr 2,000,000

 Loans that Wasasa had been borrowing from the commercial banks have been backed by foreign banks guarantees. The current loans that are not fully repaid are guaranteed as follows: Cordaid guaranteed loans from CBE are Birr 33 million and Birr 100 million and Terrafina Microfinance and Rabobank Foundation have jointly guaranteed Birr 38 million loan and the latter alone has guaranteed additional Birr 11 million that we have borrowed from CBE. Out of the KFW guaranteed loans only part of the Birr 5 million borrowed from OIB is outstanding. The latest borrowed Birr 100 million from CBE without foreign bank guarantee with 50% cash collateral was in the previous fiscal year ended June 30, 2016. There are also clean loans that Wasasa had been borrowing from the Development Bank of Ethiopia. In the fiscal year ended June 30, 2017 the total repaid borrowed fund balance was cumulated to Birr 64,100,059.

# Client satisfaction

Wasasa is putting appropriate feedback mechanisms in place to regularly test how its customers are satisfied with the services that it is rendering. One of the mechanisms is to collect data from the new entrants and customers that have reached fifth cycle and analyze the results to see how the intervention would positively impact the customers’ efforts to improve their livelihood. The second is the customers’ complaint handling systems that are deployed in about 11 branches to get feedback on the services delivery system and the products and services we have for the customers.

 The customary feedback taking approach, while borrowers close loans and apply for the subsequent loans and observations of field and supervisory staff, depicts that they have benefited from the services rendered by Wasasa in the following manners: -

* Relief from getting money from private money lenders at exorbitant interest rates
* Easy access to source of loan without collateral
* Easy accesses to withdraw from their voluntary savings, for capitalizing their income generating activities
* Effectively prioritizing their needs in allocating their cash resource (due to the training given by Wasasa),
* Behavioral changes (abstaining themselves from misusing their cash while visiting towns for marketing),
* Motivation to hard work to repay their debt and save weekly or bi-weekly or monthly.

 The attainment of the above benefits in turn advanced the socio-economic development of the clients and their families; regarding better accessing health facilities, education for their children and better living conditions.

1. **Human Resource**
	1. **Staff Development**

 Unless invested in technology to use different services and delivery approaches, the Microfinancing activity remains labor intensive. Wasasa has not done enough in utilizing alternative delivery channels for services delivery; hence, it is using its own branches and RSFs to reach its customers. Currently, it is operating in 46 districts of 8 different Zones by having 34 branch offices and 4 regional offices and 20 rural outlets; in total 59 offices.

 The total number of permanent staff in Wasasa was 497 out of which 151 were loan agents. When we see the educational levels of the employees, 251 have Diploma level education, 87 with first Degree, and 2 with second degree. See annex 1 for Wasasa’s organizational structure. The loan agent’s caseload ratio was 446 at the end of June 30, 2017. The average caseload at the end of the year was above the industry average. However, had it not been for lack of funding they could have handled more borrower clients. In total 43 new employees were recruited during the reporting period; whereas, 36 left the organization for different reasons; especially, most of them joined conventional banks.

* 1. **Staff training**

 Training is vital for effective management of the growth in Wasasa and meeting the set objectives, which could be, attained through delivery of quality services for our clients. We do believe that trainings are important for staff to enaable them excel in their roles, be able to learn and evolve as the roles changes, be able to master the tools and technologies involved today and tomorrow, get along well with others in the team and get directions and feedback. As a result, Wasasa has improved its capacity to give in-house trainings and in this fiscal year significant number of front-office emoployees were trained on different relevant areas as seen in the following table.

The following table depicts the trainings topics and number of participants attended in the year:

| No. | Training topics | Period  | No. of Days | No. of Participants | Sponsor |
| --- | --- | --- | --- | --- | --- |
| 1 | Work shop on Organization Performance | July 15-16/2016 | 3 |  18  | Wasasa MFI |
| 2 | System based Audit &Risk management for auditors | Aug. 02-04/2016 | 3 |  7  | Wasasa MFI |
| 3 | Core Banking System & Savings Promotion  | Aug. 08-13/2016 | 5 |  16  | Wasasa MFI |
| 4 | Core Banking System & Savings Promotion  | Aug. 15-19/2017 | 5 |  13  | Wasasa MFI |
| 5 | Orientation and Induction | 24-26/08/2016 | 3 |  7  | Wasasa MFI |
| 6 | Core Banking System  | 29-01/09/2016 | 3 |  11  | Wasasa MFI |
| 7 | Work Shop On awareness creation on Ethiopian SME financing project | Sep.21/2016 | 1 |  1  | Development Bank of Ethiopia |
| 8 | Saving Mobilization, promotion and Management for RSF staff | 9-10/11/2016 | 2 |  24  | Wasasa MFI |
| 9 | Credit Management | 11-12/11/2016 | 2 |  24  | Wasasa MFI |
| 10 | Saving Mobilization, promotion and Management for RSF staff | 14-15/11/2016 | 2 |  41  | Wasasa MFI |
| 11 | Credit Management for RSFs staff | 16-17/11/2016 | 2.00 |  41  | Wasasa MFI |
| 12 | Development of a Web-Enabled customer information & product warranty tracking system | 14-15/11/2016 | 2.00 |  1  | Development Bank of Ethiopia |
| 13 | Validation workshop of GEF-financed project | 30/11/2016 | 1 | 1 | Development Bank of Ethiopia |
| 14 | Delinquency mgt. and Interest rate setting in MFIs | 05-09/12/2016 | 5 | 2 | Development Bank of Ethiopia |
| 15 | Induction Training | 14-16/12/2016 | 5 | 8 | Wasasa MFI |
| 16 | Induction Training | 19-23/12/2016 | 5 | 2 | Wasasa MFI |
| 17 | Coaching | 26-27/12/2016 | 2 | 10 | Wasasa MFI |
| 18 | Coaching and Mentoring  | 28-29/12/2016 | 2 | 14 | Wasasa MFI |
| 19 | Risk and compliance management | 2-4/01/2017 | 3 | 9 | Wasasa MFI |
| 20 | Work shop on RIMS &M&E | 23-24/01/2017 | 2 | 1 | Development Bank of Ethiopia |
| 21 | Savings Mobilization and product development | 01-02/02/2017 | 2 | 12 | Wasasa MFI |
| 22 | Agri-finance | 2/2/2017 | 1 | 7 | BRS |
| 23 | Orientation and Induction | 22-24/02/2017 | 3 | 2 | Wasasa MFI |
| 24 | ILFAT (Individual Loan for Agricultural Transformation) | 23-24/02/2017 | 2 | 26 | Wasasa MFI |
| 25 |  Training on Management Information System (MIS) | 16-18/03/2017 | 3 | 21 | Wasasa MFI |
| 26 |  Training on Management Information System (MIS) | 22-24/03/2017 | 3 | 32 | Wasasa MFI |
| 27 | PPI (Progress out of Poverty Index) and Compliant Resolution | 27-30/03/2017 | 4 | 16 | Wasasa MFI |
| 28 |  Training on Management Information System (MIS) | 05-07/03/2017 | 3 | 23 | Wasasa MFI |
| 29 |  Training on Management Information System (MIS) | 10-12/04/2017 | 3 | 22 | Wasasa MFI |
| 30 | Orientation and Induction | 26-28/04/2017 | 3 | 9 | Wasasa MFI |
| 31 | ILFAT (Individual Loan for Agricultural Transformation) | 28-29/04/2017 | 2 | 10 | Wasasa MFI |
| 32 |  Training on IFRS(International Financial Reporting System ) | 01-23/05/2017 | 16 | 4 | Wasasa MFI |
| 33 | Orientation and Induction | 24-26/05/2017 | 3 | 6 | Wasasa MFI |
| 34 | Workshop on Organization Performance | 29-31/05/2017 | 3 | 19 | Wasasa MFI |
| 35 |  Training on Risk and compliance  | 15/05/2017 | 1 | 17 | Wasasa MFI |
| 36 | Orientation and Induction Training | 11-15/06/2017 | 5 | 1 | Wasasa MFI |
| Total | 115 | 478 |   |

1. **Surveys, pilot projects/products and visits**

 Different studies, surveys, partners’ visits, and product designs did happen at Wasasa in the fiscal year; some of them were done in-house by own staff and others were done through technical supports from our partners.

 The staff of Wasasa in a team conducted two market studies; one was to select operational areas for new branches opening and the second was area study to open new Rural Services Facilities. Two loan proposals were written and submitted to the Development Bank of Ethiopia; one was for Women Entrepreneurship Development Program (WEDP) and the second was for SME financing; while the former was a continued program that Wasasa applied for the third time, the latter was a new program where Wasasa has become among the very few MFIs and Banks selected to be part of the program.

 A needs assessment study was conducted with financial supports from PAMIGA and SOS FAIM Belgium to enable us select an appropriate front-office technology to integrate the transactions at RSFs into the core-banking and for credit officers to use technology for transactions that are happening in the field; instead of the current duplicated transactions that are manually done at the field and posted by tellers at the branch offices.

 Furthermore, ICCO-Terrafina has conducted a feasibility study for new agri-loan product development, in the MasterCard Foundation Supported program. In addition Wasasa has established three new partnerships with SOS FAIM Belgium, SOS FAIM Luxemburg, and BRS (a Belgian foundation). They are going to financially and technically support Wasasa in agri-finance, savings mobilization, marketing, and technology. Apart from the benefits that Wasasa has been getting from PAMIGA as a network member, a new agreement is entered between Wasasa and PAMIGA, for the latter to technically support Wasasa in the effort that it is making to have alternative services delivery approaches using technology. PAMIGA has also supported Wasasa to implement PPI and customers complaint resolution mechanisms in the selected representative branches of all regional offices.

1. **Reporting**

 During this period Wasasa had been regularly reporting to its stakeholders as per their requirements. Performance Reports were quarterly submitted to National Bank of Ethiopia, AEMFI, RUFIP Project Coordination Unit under the Development Bank of Ethiopia, WEDP Project Coordination Unit at DBE, Cordaid, Terrafina Microfinance, and PAMIGA hrough the Head Office of Wasasa while its branch offices have been reporting to the district administration office in their respective operational areas.

 External auditors audited books of accounts of Wasasa for the fiscal year July 1, 2015 to June 30, 2016. The General Assembly meeting of shareholders of Wasasa was also conducted in the fiscal year ended and endorsed the External Auditors and the Board of Directors reports.

 In compliance with the legal provision, the institution is reporting to National Bank of Ethiopia, which is the supervisory authority. The National Bank has the licensing and supervisory authority vested in it by Proclamation No. 40/1996, this proclamation was replaced by Proclamation no. 626/2009 which was issued in May 2009. The business license of Wasasa is renewed up to September 19, 2017.

1. **Major Investments**

 The construction of the multipurpose building at Dukem Town is going on; except that some part of the construction activities were interupted for long time because of a high-electric power line that is passing along the consruction site. Currently, after tireless efforts made by Wasasa’s amangment the line is diverted and the construction is going on in full capacity. As a reminder, the construction of a basement and ground plus five stories is estimated to require investment of Birr 43,500,000 and expected to be completed in year 2018. Furthermore, a construction of a small office for an RSF with a total estimated cost of about Birr 400,000 is going on.

1. **Opportunities and challenges**

 As it has been always said and learnt from experiences, there is very huge unmet demand for financial services: credit, savings, micro-insurance, money transfer, payment and educating the public on financial literacy here in Ethiopia in general and in Oromia Region where Wasasa is operating in particular.

 We have also learnt that much cannot be done to meet the high needs of the community for financial services by playing an intermediary role; i.e. borrowing from the commercial banks and on lending the same to the poor. Therefore, Wasasa shall play a proactive role in terms of tapping into the potential for local savings mobilization instead of relying on commercial borrowing. The importance of microfinance in the efforts of improving the living condition of the poor family is also appreciated at different levels, though it still needs effort to create clear understanding among the local community and the local leaders, whether formal or informal, to make them collaborate with the financial services providers.

 Like most of the microfinance institutions, while making efforts to addressing the rural poor, the challenges facing Wasasa are the following:-

* The seasonality of rural activities resulted in period of excess liquidity and period of inadequate liquidity and especially repaying the borrowed loans on quarterly bases is the major challenge facing us and affecting the relationship that we have with lenders. An alternative arrangement, like, reducing the repayment frequency is also a problem as the amounts to be repaid at a time would be high and drains the loanable funds. This makes liquidity management very difficult. Diversifying sources of funding and loans and savings products would partly solve this problem and we are working hard in this regard.
* Absence of standardized information useful for lending
* Highly natural weather dependent farming practices;
* Shortage of loanable fund
* Even if, it has significantly decreased, almost by half, comapred to last fiscal year, still there is high client dropout (10,158, clients’ dropped out in the year, July 1 2016 to June 30, 2017); there are different reasons for dropout; like: the major reasons during this reporting period were complaint on the loan sizes, it is small; some clients are borrowing for a specific reason and drop-out once that specific need is met; especially, when it is a consumption loan for civil-servants, loans for bio-gas and solar lantern or SHS. The other reasons as usual were: forced dropouts because of failure to repay loans, death, transfer, some of them are also waiting clients to get the subsequent loans, etc.

**Annex 1**

**Organogram of Wasasa Microfinance S.C.**

