

SOLIDARITY Bankers

Strengthening of operation risks management Terms of Reference (ToRs)

Thematic: Risks

Location: Peja, Kosovo

Duration and date: 10-days field mission, S1 2022

Beneficiary organization: Kosovo Finance Agency (AFK)

CONTEXT

Microfinance aims at providing access to a set of financial products and services to people excluded from the financial system. Mainly spread in developing countries, microfinance stimulates entrepreneurial activity through small loans granted to micro-entrepreneurs and small-holder farmers and draws up the first stages of a journey towards financial inclusion.

Created in 2008, at the joint initiative of Crédit Agricole and the Nobel Peace Prize Laureate Professor Muhammad Yunus, the Grameen Credit Agricole Foundation (GCAF) is a cross-business actor committed to promoting financial inclusion and social entrepreneurship. Investor, funder, technical assistance coordinator and funds advisor, the Foundation have granted more than €280 million in loans to more than 120 microfinance institutions and social enterprises working in around 40 different countries since its creation in 2008. The Foundation currently supports 81 microfinance institutions and social impact enterprises with a portfolio of €87.1 million. It primarily targets microfinance institutions serving women and rural populations. These institutions support over 7.9 million people, 89% of whom are women and 84% of whom live in rural areas.

GCAF has been supporting AFK since 2018. Created in 2000 and having obtained the status of microfinance institution in 2011, AFK is a Tier 2 microfinance institution (portfolio between \$10M-100M\$) that provides sustainable financial services to small and micro enterprises in order to improve living conditions in Kosovo. As of Dec-21, the organisation has 24 branches across Kosovo and 225 employees. It serves 20,733 active borrowers (23% women and 50% in rural areas) and manages a portfolio of EUR 40.2 mln.

AFK has developed a risk policy focused on credit risk while the other risk areas are managed by each department without a formalized framework. Given its growing size, the institution would like to structure a proper risk management framework to improve identification and analysis of risks, especially operational risks.

MISSION'S OBJECTIVES AND DELIVERABLES

The objectives and scope of the Solidarity Banker mission listed below may be adjusted based on the profile of the expert and his/her recommendations on how to achieve the best results.

OBJECTIVES

Objective 1: Assessment of the company's main risks and risk management framework, with a focus on operational risks.

Actions:

- Identify and analyse main risks, with a focus on the following operational risk categories:
 - i. Human risks (i.e. errors, frauds, collection, animosity);
 - ii. Process risks (i.e. lack of clear procedures on operations such as disbursements, repayments, day-to-day matters, accounting, data recording and reporting, cash handling, auditing);
 - iii. System and technology risks (i.e. software failure, computers, power failures);

- iv. Relationship risks (i.e. client dissatisfaction, dropouts, loss to competition, poor products);
- v. Asset loss and operational failure due to external events (i.e. loss of assets or work due to natural disasters, fires, robberies, thefts, riots, etc.).
- Assess the existing procedures, organizational structure and tools in terms of risk management and evaluate their efficiency.
- Identify gaps and areas of improvement to mitigate risks better, especially operational risks.
- Share experience on the practices in place in the Crédit Agricole Group.
- Update the risk mapping accordingly, with a focus on operational risks.

Deliverables:

- Diagnostic of the existing risk management procedures and tools, with a focus on operational risks, including
 - i. A brief narrative document to share main lessons learned
 - ii. A risk mapping tool, with a focus on operational risks

Objective 2: Design of a new risk management governance framework and action plan to identify and manage operational risks better.

Actions:

- Determine an adapted organizational structure to develop the new risk management framework.
- Recommend tools and processes for a global and effective risk management framework, prioritized into a detailed implementation action plan.
- Develop new risk management tools, if deemed possible and relevant in the frame of this TA mission

Deliverables:

- A narrative document on the recommended organizational structure and the tools and processes to set up in priority
- A detailed implementation action plan
- New risk management tools, if applicable

CALENDAR AND LOGISTICS

WORK LOAD (for reference – can be modified)

The Crédit Agricole expert will dedicate a total of 20 working days to the mission:

- Preparation: 5 working days to prepare the mission (spread over the month preceding the field mission)
- Field mission: 10 days visiting AFK's headquarters, branches and clients, interviews and workshops with key managers, on-desk work and debriefing
- Post-mission: 3.5 working days to finalize the deliverables at the expert's office to spread over 3 weeks following the field mission + 1.5 working days of post-mission follow-up (one follow-up meeting at 3, 6 and 12 months)

CALENDAR (For reference)

- **SELECTION PROCESS (March-April 2022)**
 - Publication of the mission's ToRs at Crédit Agricole website.
 - Selection of the Crédit Agricole expert who will become the Solidarity Banker of the mission. As part of the selection process, the candidates will be interviewed by GCAF.
- **MISSION PREPARATION (May 2022)**
 - Expertise sponsorship agreement signed.
 - Preparation of the mission by the Solidarity Banker, AFK and GCAF (5 working days to spread over the month preceding the field mission).
- **FIELD MISSION AND FINAL DELIVARABLES (June-July 2022)**
 - Field mission by the Solidarity Banker (10 days).

- Final deliverables to AFK following the field mission (5 working days to spread over 3 weeks following the field mission).

LOGISTICS

LOGISTICS, EXPENSES COVERAGE AND INSURANCE

- The pre-mission training and logistics coordination will be provided by the Grameen Crédit Agricole Foundation
- Transport and Insurance are covered by Crédit Agricole S.A. Crédit Agricole SA will provide an update on the health situation at least 7 days before the date the mission is due to start and may ask the employee for any medical evidence that may be needed prior to departure. These documents shall be kept during the entire duration of the mission.
- Accommodation, local transport and catering costs are covered by the beneficiary organization.
- The Crédit Agricole Group rules on international travel must be respected as part of the mission.
- Medical examination and tests (including PCR) related to the Covid-19 outbreak are covered by the beneficiary organization.
- The Solidarity Banker is in charge of other expenses

LOCATION

- The field mission will take place mainly in Peja, Kosovo. Travels outside Peja will be required to meet AFK's clients. Important: the field mission will only take place if the Covid-19 context allows it; if it's not the case, the mission will be postponed.

PROFILE OF THE EXPERT

The expert is a Credit Agricole staff, willing to engage in the "Solidarity Banker" program, with the following expertise / experience:

- Solid skills and experience in Risk management.
- High proficiency in English is mandatory.
- Previous experience in the Balkans would be helpful.
- Experience working with microfinance institutions would be a plus.

CONTACTS

For information on "Solidarity Banker"

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