FPM

Promotion of financial inclusion in DRC

2020 ANNUAL REPORT

KEY FIGURES
AS AT 31/12/2020

FINANCING IN 2020

Total assets: **$38.1 million**

$26.4 million loan portfolio

$612,704 in net profit

10 PFIs financed

CONTRIBUTION TO FINANCIAL INCLUSION

31% of PFI clients are women

2,296 managers and executives **trained** since 2011

27 partners supported by FPM since 2011

1,162,117 MSMEs hold savings with FPM's PFIs

TECHNICAL ASSISTANCE

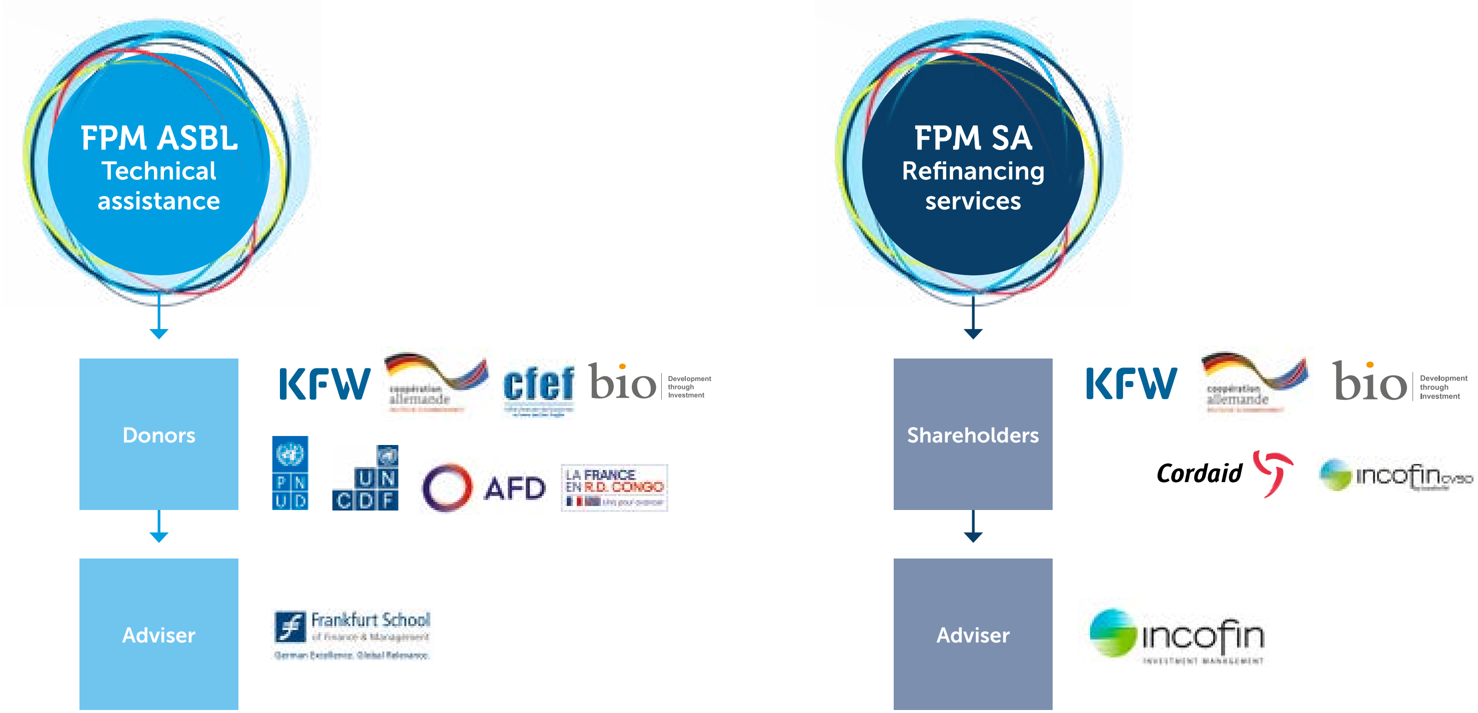
204 projects managed since 2011

18 months per project (average duration)

27 PFIs* supported directly since 2011

* partner financial institutions

Total value of projects undertaken since 2011: **$16.2 million**



FPM ASBL AND FPM SA

A UNIQUE VISION

FPM is a fund aiming at reducing poverty and improving the living standards of people in the Democratic Republic of Congo (DRC). We support the construction and development of an inclusive and responsible financial system.

A SHARED MISSION

Our mission is to foster financial inclusion in the DRC by providing technical assistance and refinancing services to financial institutions serving micro-, small- and medium-sized enterprises (MSMEs) and low-income working people.

contents

1

Overview of FPM

01/ A word from the chairs

Dear partners and readers,

Last year began on a largely positive note in the DRC, with economic activity growing steadily and macroeconomic indicators moving in the right direction. But that all changed with the outbreak of the Covid-19 pandemic, which called for preventive measures that brought the nation to a standstill before plunging it into an economic crisis. The country spent many long months facing the threat of a major public-health crisis that, fortunately, never materialised.

While the restrictions on movement and activity were no doubt justified, they inevitably weighed on economic life, putting the brakes on trade and supply chains and reducing business volumes. These impacts are reflected in our joint study with partners Élan RDC and the Congo Business Federation (FEC), which shows that the preventive public-health measures have caused immense economic hardship for people and businesses. Some 90% of households said they thought the crisis would have a long-lasting impact on their finances, and 40% even said they had reduced their food intake as a result. These are serious consequences that cannot and should not be downplayed. At FPM, we had to develop a strategy to support our partners so that they in turn could help MSMEs weather the initial storm and bounce back from the crisis.

In the second quarter, we introduced a new support programme for our hardest-hit partners. As you will be aware, our mission is to foster greater financial inclusion in the DRC through our two vehicles: FPM ASBL, which offers technical assistance, and FPM SA, which provides refinancing services. Both vehicles support DRC-based financial institutions that work responsibly and transparently with MSMEs and low-income working people. We see financial inclusion as a way to improve the living standards of people in the DRC and, ultimately, to help reduce poverty.

On the refinancing side, we adjusted our investment procedures in light of the new circumstances in order to encourage our partners to lend to MSMEs. We are proud that, through FPM SA, we disbursed seven loans to five institutions in 2020, totalling $6.6 million. We also teamed up with KfW (the German Development Bank), one of our founding shareholders, to design a support scheme for financial institutions, with refinancing to help MSMEs bounce back from the crisis.

At FPM ASBL, meanwhile, we rolled out a number of targeted technical assistance projects. These included support for managing loan portfolios at a standstill, assistance with digitisation, development of continuity plans, portfolio guarantees, and aid for purchasing protective equipment for partner institutions' branches and employees. Nine institutions benefited from these crisis intervention plans (IPs), which were rolled out on a fast-track basis. FPM ASBL also developed online training courses and webinars, which attracted high numbers of participants.

As well as adapting to these unprecedented circumstances, FPM also had to stay on track with its own objectives. At FPM ASBL, our operations are framed by a five-year business plan, which underpins our work and will be used to evaluate our performance. And at FPM SA, where financial performance is a priority, our year-end portfolio stood at $26.4 million – a slight decline from the end-2019 figure. However, our proactive management approach once again delivered solid profitability, with net profit of $620 k after amortising all initial set-up costs.

We very much hope that 2021 will signal a return to normal for our partner financial institutions and, more importantly, for people and businesses in the DRC. The early trends for the financial sector look positive: although the crisis has taken a heavier toll on microfinance institutions and SACCOs than on banks, there are palpable signs of resilience across almost all financial institutions. That is not to say that everything is perfect: far from it. As this report shows, the picture is very much a nuanced one. But the good news is that the sector is holding up well overall – a point that will prove vital in anticipation of future economic recovery.

On a final note, we would like to extend a warm welcome to the French Development Agency (AFD) which, after working with FPM ASBL for many years, has decided to become a donor. We are delighted with this decision – not just because it shows that our project is on the right track, but also because we now enjoy the backing of an attentive partner with a wealth of experience in supporting the financial sector.

We hope you enjoy reading this report.

Claudia Huber, FPM SA
Pierre Daubert, FPM ASBL

02/ Interview with the two CEOs

What is your take on the economic and social situation in the DRC in 2020 and early 2021 amid the ongoing Covid-19 pandemic?

Jean-Claude Thetika and Carlos Kalambay: Last year will forever be associated with Covid-19 – an extremely dangerous viral disease that spread across the globe in next to no time and had severe consequences for every aspect of our lives. Shortly after the first case was detected in China, the WHO declared the virus a public health emergency of international concern. In early March, a mere 30 days later, over 120,000 cases had been reported in more than 110 countries and Covid-19 was upgraded to a pandemic. Not a single country in the world – not even the most advanced nations – was prepared for what was to come. By the end of 2020, the disease had taken a heavy human and economic toll: close to 2.5 million lives had been lost and the global economy had contracted by 3.3%, plunging the world into the worst recession since the Second World War.

Throughout 2020, the pandemic was less severe in Africa, and in the DRC in particular, than in the rest of the world – a marked contrast with the local environment, which is more fragile and susceptible to the spread of such diseases. The early signs suggested that the DRC and Africa as a whole would be at high risk of Covid-19 spreading quickly due to their particular vulnerabilities – from widespread poverty and flawed health systems, to high urban population density, conflicts and overcrowding. Fortunately, the worst-case scenario did not come to pass. At end-2020, Africa accounted for just 3.3% of global cases (and 4% of deaths), compared with Europe's tally of 33.3%. Despite the DRC having a population of 88 million people, the country had recorded barely 27,000 cases and just 717 deaths – well below the terrifying figures seen in many western nations. Scientists have yet to give a plausible explanation for the fact that Africa has not experienced the catastrophic fallout from the pandemic that many predicted. Commonly cited reasons include the warm climate (both dry and humid), the continent's young population and the fact that people are constantly exposed to infectious diseases. But without hard evidence to back them up, these remain little more than hypotheses.

Despite the limited public health consequences, the DRC – like every other country in the world – has paid a heavy social and economic price for the pandemic. The government introduced a series of restrictions to prevent the spread of the disease, including closing schools and borders, banning gatherings, shutting down air travel, restricting movement between provinces, bringing in social distancing rules and putting the commune of Gombe in lockdown. These measures caused both supply and demand shocks by undermining the confidence of economic operators and disrupting supply chains across all sectors.

At the outset of the pandemic, the Central Bank of Congo predicted that the DRC's economy would enter a recession in 2020, contracting by 2% compared with the 4.4% growth recorded in 2019 when the country was in receipt of sufficient budgetary support. In the end, central bank statistics show that the economy grew by a modest 0.8% over 2020 as a whole (whereas IMF figures from April 2021 suggest a 0.1% contraction). Economy activity started to pick up again in the second half of 2020 after the government began easing restrictions in July. Year-on-year inflation jumped from 3.9% in 2019 to 20.7% in 2020 amid dampened confidence and supply shortages. On the foreign exchange market, the Congolese franc lost 17% of its value against the US dollar in 2020, compared with a devaluation of 3% in 2019.

The contracting national economy, coupled with inflationary pressures, weighed heavily on SMEs and vulnerable people by causing already-low levels of income to decline sharply. Importantly, price increases for food and essential goods account for 80% of the above-mentioned rise in inflation. Moreover, in a joint study by FPM, *The Economist* and our partner Élan RDC, some 67% of surveyed households reported that their income had fallen relative to the pre-pandemic period, while 90% said they thought the Covid-19 crisis would have some form of long-lasting adverse impact on their finances.

The financial sector, which has direct links with companies and the wider economy, was hit hard by the economic slow-down and government restrictions, which resulted in financial institutions being unable to do business with their clients. In the first three months of the lockdown (March to June), banks and microfinance institutions (MFIs) saw some of their operating ratios enter negative territory. In June, the loan and savings portfolios of MFIs and SACCOs contracted by 17% and 13% respectively, while the PAR 30 days figure (medium risk) more than doubled from 9.8% at end-December 2019 to 21.8% in June 2020. The microfinance sector bore the heaviest toll. Over the same period, banks' loan portfolios grew by a modest 0.7%, while deposits were up by 5%.

The threat of financial-sector collapse receded as the Central Bank of Congo introduced measures to mitigate the effects of the crisis, and as nationwide restrictions were eased in the second quarter of the year. By the end of 2020, the rebound in activity meant that damage to MFIs and SACCOs was limited, although they ended the quarter in negative territory with deposits and loans shrinking by 5.8% and 3.3% respectively. Banks proved more resilient, recording 5.8% growth in loans and a 31% increase in deposits at year-end, even posting consolidated net profit of $14 million. Overall, liquidity and soundness remained at satisfactory levels across the financial sector. Another key development in 2020 was growth in the use of digital channels – a trend that underscores the importance of completing the financial sector's ongoing digital transition.

Aside from the upheaval of the pandemic, 2020 also marked the beginning of a realignment in the country's political landscape. Despite new institutions being set up in 2019 following the 2018 elections, the last year saw ongoing political instability with rifts in the alliance between CACH (the party behind current president Félix Tshisekedi) and FCC (the political home of former president Joseph Kabila). Disagreements on key issues of national governance left the administration in paralysis and severely hampered Tshisekedi's ability to push through his agenda. The new president sought to break the impasse by holding national consultations as a path to establishing a new political order and gaining a majority in parliament. He founded the Sacred Union of the Nation, a new political alliance formed of members of CACH plus dissidents from his predecessor's FCC party. Major changes swept through parliament, with the dismissal of the President of the National Assembly, who was an FCC member. The government then fell after losing a vote of no-confidence, leading to the appointment of a new prime minister in the first quarter of 2021. This new landscape could signal less volatile institutions, lead to greater consistency in the management of government business and – hopefully – usher in a period of stability through to the next election cycle.

"At end-2020, Africa accounted for just 3.3% of global cases (and 4% of deaths), compared with Europe's tally of 33.3%. Despite the limited public health consequences, the DRC – like every other country in the world – has paid a heavy social and economic price for the pandemic."

How did FPM respond to the fallout from the crisis and what were the main highlights of 2020 for the fund's two vehicles?

"For our partners, the crisis has meant shifting priorities from managing major projects to taking urgent mitigating action. At FPM, we also had to adjust our approach – and the circumstances put our role as a technical partner to the test like never before."

Jean-Claude Thetika: As we mentioned earlier, the public-health crisis escalated quickly. Last year began on a calm and reassuring note – but that all changed in March when the government-imposed restrictions hampered the ability of our financial partners to carry out their activities. The resulting sharp downturn in management indicators required equally rapid adaptation measures to contain the impact of the crisis. For our partners, this meant shifting priorities from managing major projects to taking urgent mitigating action. At FPM, we also had to adjust our approach – and the circumstances put our role as a technical partner to the test like never before.

After quickly assessing the situation in the sector, we rolled out a crisis technical assistance programme – with the backing of our donors – to support the financial sector through these difficult times, to cushion the impact of the crisis on PFIs while helping to build their resilience, and to lay stable groundwork for a future recovery when circumstances would allow.

The plan consisted of three key components. First, we reworked our conventional technical assistance strategy with a new focus on risk-management measures such as setting up business continuity plans, managing credit, liquidity and other key risks, and developing crisis communication plans. Second, we expanded the scope of our work and reached more institutions by creating synergies with other donors such as Élan RDC. And third, we set up a "crisis package", which included an exceptional line of grants to cover the cost of equipment (Covid-19 protection kits and simplified digital solutions), a risk-pooling mechanism to catalyse financing for food and other key sectors (in partnership with Élan RDC), and grants for crisis-affected loan portfolios.

Under this programme, the Board of Directors approved crisis IPs for nine PFIs last year, representing 90% of the 11 PFIs in the FPM ASBL portfolio. The plans were deployed in the third quarter of 2020 and continued through to the end of the year. Thanks to these interventions, the PFIs in question were able to strengthen their risk management framework, significantly reduce their credit risk, return to growth, roll out digital solutions, and more.

In 2020, FPM managed a total of 62 technical assistance projects, including 42 new projects launched during the year. This figure represents a 24% increase on 2019, when we managed 50 projects. Of the 62 projects, 45 were direct technical assistance (DTA) projects. The remainder included nine training sessions and eight forums. In terms of volume, technical assistance budget disbursements amounted to \$1.9 million in 2020, up from \$1.4 million in 2019, while the share of the budget allocated to DTA and cross-cutting technical assistance (CTA) stood at 82.2% and 17.8% respectively. Overall, technical assistance activities increased by 48% last year relative to 2019 levels, due primarily to the deployment of crisis IPs.

The crisis also affected the distribution of the technical assistance budget by market segment in 2020. The share of the budget allocated to MFIs was 71% in 2020 (up from 59% in 2019), while SACCOs accounted for 23% (up from 21%). Conversely, the share allocated to DTA to banks fell sharply last year to 6% (down from 20% in 2019), as MFIs and SACCOs – two of the segments hit hardest by the crisis – saw their shares increase. For similar reasons, the largest share of the technical assistance budget (44%) went to crisis-management projects, including those relating to the management of savings and loan portfolios. Given the key role of technology in pandemic prevention, technological innovation projects accounted for 31% of the DTA budget.

Carlos Kalambay: At FPM SA, our growth trajectory was halted by the outbreak of the Covid-19 pandemic early last year. The government-imposed measures affected almost all economic operations in the DRC. And they hit micro-, small- and medium-sized enterprises (MSMEs) – the lifeblood of the country's economy – especially hard. The DRC has an export- and import-reliant economy, and the border closures that restricted imports of essential products pushed many MSMEs to the brink of collapse. This situation had knock-on effects on the size and quality of PFIs' loan portfolios which, in turn, caused a sharp decline in demand for refinancing from FPM SA in the first half of the year. We therefore had to adapt our policy and investment procedures quickly to make sure we could continue meeting the needs of our PFIs throughout the pandemic.

The hardest-hit financial operators were small financial institutions, which faced the dual threat of high financing requirements coupled with extremely limited solvency. So at FPM SA, we set up low-value refinancing facilities to enable these smaller institutions to meet their refinancing needs, with loans up to a value of $50 k.

The sector had never experienced a public-health crisis like this before, so anticipating the inherent risks proved challenging. At FPM SA, we drastically cut the amount of time required to approve applications and streamlined our internal procedures – including doing due diligence checks remotely and factoring the impact of the crisis into our financial analysis – to give us the flexibility to handle unforeseen requests from crisis-affected PFIs. We also took steps to simplify the decision-making process for debt rescheduling applications where necessary.

Working with our German partner, KfW, we played an active role in developing a Covid-19 emergency fund to make cash-flow support grants available to those MSMEs worst affected by the government-imposed restrictions. As of 2021, discussions around this fund are still ongoing, in which FPM SA is positioned as playing a major role.

Despite the prevailing circumstances, our performance indicators remained in positive territory throughout 2020. Although our loan portfolio contracted slightly in 2020 when compared with 2019 ($26.4 million, down from $27.2 million), we disbursed a number of new loans and renewed many others throughout the public-health crisis. The fund also remained profitable, with FPM SA posting net profit of $612K for 2020 (up from $552K in 2019) and net investment value increasing from 102.2 to 105.4 over the same period. Note that FPM SA invests its cash in fixed-term deposits with PFIs as a way to boost their medium- and long-term resources and enable them to grow their investment loan portfolios.

How do you see the outlook for 2021 and what do you expect the year to hold for both your vehicles?

Jean-Claude Thetika and Carlos Kalambay: Things are looking slightly more hopeful for 2021. On the public health front, vaccine research is advancing at pace and the latest clinical trial results are reassuring. Some wealthier nations are planning to begin their first vaccination campaigns in the first quarter of the year. But for all this progress, there is little hope of these vaccines reaching the arms of people in Africa since vaccines have become a major geopolitical issue – countries around the world are prioritising national interests over the kind of global solidarity that a pandemic of such proportions requires. Also, the fact that these vaccines have been tested and produced in record time is a recipe for growing mistrust. In the DRC and across Africa as a whole, we could well see new waves of infection, with the potential for fresh restrictions that could further undermine the business environment. Analysts expect the economy to bounce back in 2021, forecasting 3.4% growth as commodity prices rise, markets open up and the political landscape remains largely favourable. The figures for end-2020 make encouraging reading and herald a return to growth for the financial sector – unless the public-health situation takes an unexpected turn for the worse.

Turning to institutional and technical assistance matters, we will pursue a dual strategy. First, we will err on the side of caution and, assuming that the crisis is not yet over, continue keeping a close eye on our partners. We will keep our crisis programme ready to deploy at a moment's notice should circumstances require – at least for the first half of the year, and until things return to normal. And second, we will work to safeguard the sector's future development by focusing a large part of our efforts on post-crisis operations, i.e. the kind of conventional development projects we had to put on hold because of Covid-19.

On the refinancing front, our intention is that FPM SA should maintain and build on its current position as the financial support provider of choice for the DRC's financial sector. We will achieve that ambition by continuing to back PFIs through our crisis support plan, recognising that the effects of the pandemic will still be with us throughout 2021. We also plan to diversify our offering for the country's banking sector, including a particular emphasis on subordinated loans, guarantee fund management and the financing of specialised products such as energy, agriculture and improved housing. One way we will do that is by ramping up our efforts on fund-raising and by diversifying our pool of partners through senior debt and equity stakes. In fact, we have already opened discussions on this front with several partners.

03/ # FPM ASBL: Strategy, governance and organisation

Our mission is to foster development through financial inclusion for micro-, small- and medium-sized enterprises and low-income working people.

FPM is a fund aiming at reducing poverty and improving the living standards of people in the DRC. We support the construction and development of an inclusive and responsible financial system by providing tailored technical assistance services to financial institutions serving micro-, small- and medium-sized enterprises (MSMEs) and low-income working people with real development potential.

FPM was authorised to operate as a non-profit organisation (ASBL) under Congolese law in 2010. In 2014, its sister vehicle, FPM SA, was created to provide refinancing services to financial institutions in the DRC.

The two entities are therefore complementary: FPM ASBL offers technical assistance to financial institutions providing financial services to MSMEs, while FPM SA is dedicated to refinancing these same institutions.

Our technical assistance strategy aims to foster an inclusive financial sector.

Strategic market positioning

FPM ASBL's strategic framework is built around four pillars: strategic objectives, segmentation, intervention types and intervention approach.

"Our mission is to foster development through financial inclusion for micro-, small- and medium-sized enterprises and low-income working people."

Our strategic positioning is based on precise objectives and well-targeted interventions that use modular, participatory approaches:

1. Strategic objectives

In pursuit of our mission, our **general objective** is to "provide institutional and technical strengthening for PFIs with real development potential". The ultimate aim is for these PFIs to be in a position to offer a variety of high-quality financial products and services to MSMEs, and to do so responsibly. This general objective is broken down into four **specific objectives**:

- **SPECIFIC OBJECTIVE 1:** Develop a pool of skilled human resources
- **SPECIFIC OBJECTIVE 2:** Promote technological innovation among PFIs in the DRC
- **SPECIFIC OBJECTIVE 3:** Support the expansion of PFIs in under-served areas
- **SPECIFIC OBJECTIVE 4:** Support responsible finance among PFIs in the DRC

2. Areas of intervention

Our DTA interventions cover 10 areas grouped into three main categories: (1) institutional strengthening, (2) specialised product development, and (3) acceleration of technological innovation.

2.1. Institutional strengthening (management risks)

Through these capacity-building interventions, we aim to help PFIs reduce institutional and operational risks and increase their capacity to provide services to MSMEs:

- governance, strategy, organisation and institutional transformation
- *downscaling* and *upscaling*
- control, internal audit and risk management
- human resources
- financial management and accounting
- management information system (MIS)
- development and management of savings and loan products
- responsible finance standards.

2.2. Specialised product development

These are products that are currently underdeveloped or do not exist in the sector and that offer new avenues for growth.

More specifically, these specialised products include agricultural and rural finance, housing loans, education finance and renewable energy finance. Other areas may be added in the future.

2.3. Acceleration of technological innovation

With these interventions, we aim to help financial institutions embrace digital technology in their operations as part of a coherent digital transition strategy, such as through automated solutions to guide and facilitate product marketing (banking services) and IT systems that deliver organisational efficiency gains and therefore reduce product and service costs.

Examples of technological innovations include solutions for expanding banking agent networks, mobile money, mobile payment (cardless solutions), efficiency solutions, paperless offices and more.

3. Market segmentation

Our market is segmented into three groups according to the legal form of the institutions we serve:

- savings and credit cooperative organisations (SACCOs)
- microfinance institutions (MFIs)
- commercial banks targeting MSMEs.

"Our market is segmented into three groups according to the legal form of the institutions we serve: SACCOs, MFIs and banks."

4. Intervention approach: Focus on our new in-house rating model

At FPM ASBL, we are currently rolling out a new partner categorisation system to help us better meet the sector's needs. This approach will enable us to build a picture of progress made over time through the technical assistance we provide by routinely tracking the performance and risk ratings of individual PFIs (institution-wide and per area of assessment). Armed with this information, we will be able to provide targeted technical assistance tailored to the institution's risk profile and specific challenges.

PFIs will undergo a financial and organisational performance assessment covering the seven areas shown in the table opposite.

This framework is a so-called "expert" system based on our experience of implementing technical assistance projects and conducting institutional assessments of banks MFIs over the past decade. Each area is divided into sub-areas which, in turn, are broken down into qualitative or quantitative indicators. The weighting assigned to each area and indicator is adjusted according to the institution's legal form, which also dictates which standards and benchmarks apply to the institution in question. For each indicator, the institution is awarded a score between 1 and 7 (1 representing the strongest performance and 7 representing the weakest). The score for each area is a weighted average of the scores for each indicator. Similarly, the institution's overall score is a weighted average of its scores for each area.

These overall scores are then used to assign the institution a rating of between A and F, which reflect its risk profile (from the lowest to the highest risk).

Tableau 1 - Institutional assessment criteria

	INSTITUTIONAL ASSESSMENT CRITERIA	WEIGHTINGS FOR BANKS AND MFIS	WEIGHTINGS FOR SACCOS
1	History, ownership and vision	5%	5%
2	Strategy and positioning	5%	5%
3	Governance and organisation	15%	25%
4	Human resources	5%	5%
5	Management information system	10%	10%
6	Audit and internal control	10%	10%
7	Performance: • Activity and portfolio • Effectiveness and profitability • Financial and balance-sheet structure • Social and environmental standards	50%	40%
	TOTAL	**100%**	**100%**

Positive and negative symbols (+ and -) signify slight differences in profile and performance within each rating category. Based on these ratings, institutions can be grouped into three main categories:

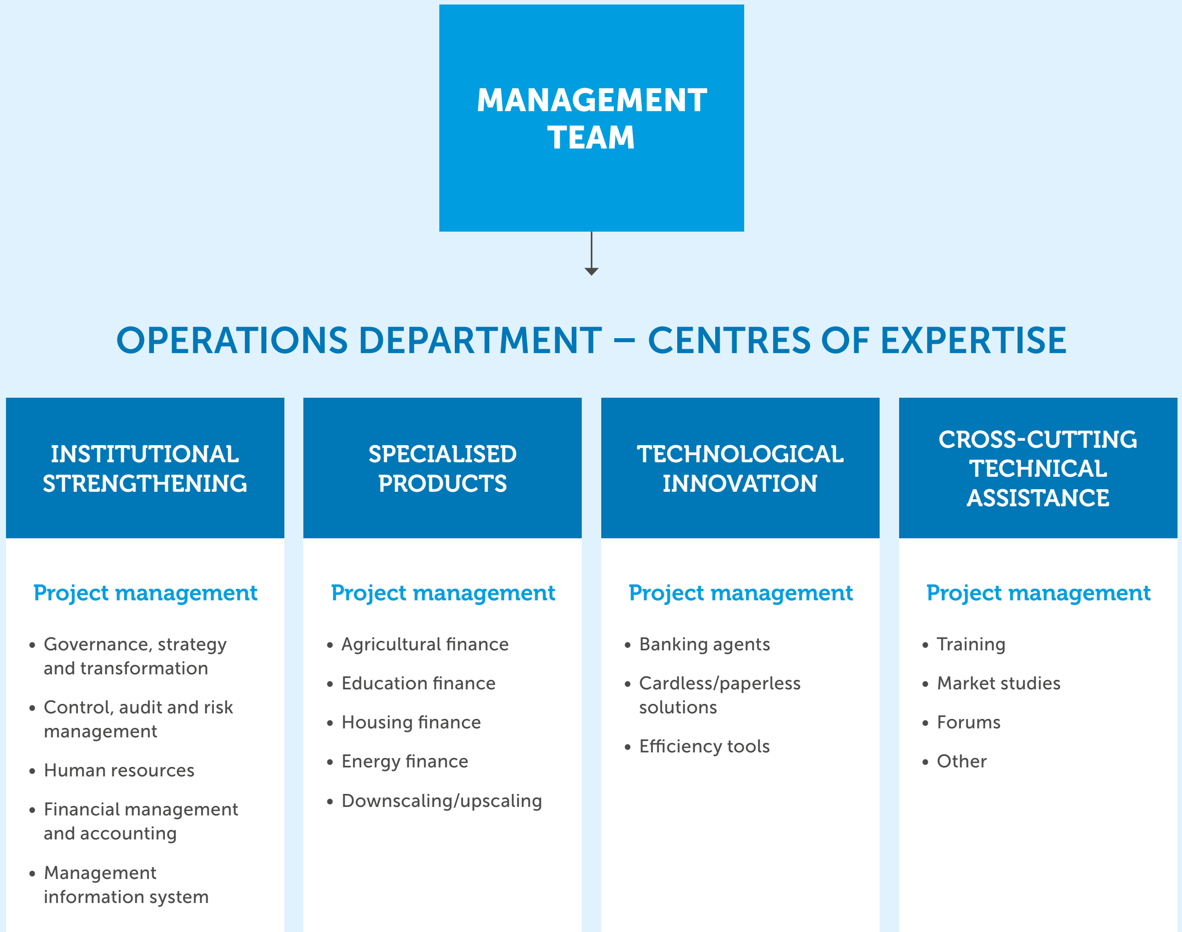
- **Solid and sustainable PFIs:** Institutions rated between A+ and B+, which have solid institutional foundations and carry a low risk of deterioration in the short to medium terms.
- **Mid-level PFIs:** Institutions rated between B- and C+, which have relatively stable institutional foundations and carry a relatively high risk of deterioration in the short to medium terms.
- **Weak and fragile PFIs:** Institutions rated between C- and F, which have fragile institutional foundations and are vulnerable in the short term or on the brink of collapse.

5. Organisation

Operations are organised along the same lines as our areas of intervention, with a dedicated centre of expertise for each – including one for DTA (institutional strengthening, specialised products and technological innovation) and another for cross-cutting technical assistance (CTA).

The Chief Operating Officer (COO) oversees the organisation of our operations, senior project managers lead our centres of expertise, and project managers handle individual projects.

Figure 1 - How our interventions are organised



Governance of FPM ASBL

FPM ASBL is a rare example of a "multi-donor fund" – a non-profit organisation under Congolese law that is governed by specially appointed representatives (European and Congolese) of its donors. The Board of Directors is kept deliberately small in the interest of efficiency over representation. The organisation has a simple, robust and effective governance structure founded on the principle of collegiality.

FPM ASBL's governance structure has three tiers. The first tier deals with strategy matters. It consists of the General Assembly, the Board of Directors and the Audit Committee, each with its own mandate and responsibilities.

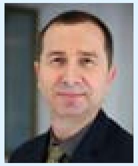
The General Assembly comprises donors or their representatives. It has eight members (known as "full members" under Congolese law on non-profit organisations), all of whom are individuals.

The Board of Directors and the Audit Committee each have three members, all of whom are elected from among the full members by the General Assembly. The General Assembly also approves the annual budget, signs off the annual financial statements and scrutinises the activity reports.

Figure 2 - FPM ASBL: Governance structure

GENERAL ASSEMBLY OF FULL MEMBERS

Board of Directors



Pierre DAUBERT
Chair of the Board of Directors

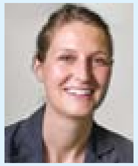
Claudia HUBER
Director

Frédéric KALALA
Director

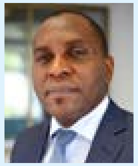
Audit Committee

Christian LEBOYER
Chair of the Audit Committee

Franck MADIMBA
Member of the Audit Committee



Verena SEILER
Full member



Tim MUTAY
Full member

The Board of Directors is FPM ASBL's strategic steering body and oversees day-to-day management of the organisation by the Management Team. It has three members:

- Pierre Daubert (chair)
- Claudia Huber (director)
- Frédéric Kalala (director).

Frédéric Kalala resigned from the FPM Board of Directors in December 2020 due to other commitments. He was replaced by Simon Gupta.

The Audit Committee, which is supported by two international audit firms (one for external audit and one for internal control) handles the majority of control activities and liaises with the external auditors and the statutory auditors (outsourced internal audit function) on FPM ASBL's behalf.

The members of the Audit Committee are:

- Christian Leboyer (chair)
- Franck Madimba (member).

The second tier of FPM ASBL's governance structure handles operational matters. The International Adviser, which provides technical input and expertise to the operations team, sits between the first and second tiers.

The current Adviser, Frankfurt School of Finance & Management, serves a backstop function and manages the hiring of consultants for specific projects.

"The Board of Directors is kept deliberately small in the interest of efficiency over representation. The organisation has a simple, robust and effective governance structure founded on the principle of collegiality."

Introducing the new members of the FPM ASBL governance team:

Two independent assembly members, Verena Seiler and Tim Mutay, stepped down from their roles at the end of 2020. They were replaced by two new directors.

Director: **Simon Gupta**, December 2020

Simon Gupta's term of office as a director of FPM ASBL began in 2021. He holds a master's degree in financial economics from Université du Québec in Montréal (Canada) and boasts 20 years' experience in development finance for MSMEs, climate finance and agricultural finance, working with banks and fund managers in Africa, Latin America and Asia. He currently serves as Head of Business Development DFI/IFI at responsAbility Investments AG in Zurich, Switzerland. His previous roles include Principal Project Manager at KfW (Frankfurt) and Senior Development Economist at DEG (Cologne). Simon also brings to the table his extensive knowledge of the DRC, having visited the country more than 30 times.

Audit Committee: **Colombo Boshabo Nkongo**

Colombo Boshabo Nkongo holds a master's degree in finance, banking and insurance from Université Protestante au Congo and a postgraduate diploma in auditing and accounting from the Institut Cooremans in Brussels, which is affiliated with Haute École Francisco Ferrer. His 16-year career in accounting began in January 2005 at audit firm AJM & Associates SARL. Colombo moved to Belgium, where he completed his postgraduate course while working at Belgian corporate auditing firm DGST between October 2008 and October 2010. He rejoined AJM & Associates SARL in October 2010, working his way up to the position of managing partner in September 2016. He is a member of the National Association of Chartered Accountants, the Institute of Auditors and Accountants and the International Fiscal Association (IFA).

Full member: **Gianni Sartena**, December 2020

Gianni Sartena holds a degree in construction and civil engineering (specialising in urban planning) and has worked in various government agencies and local authorities in France, as well as stints in Ethiopia and Benin under French bilateral aid programmes. In 2001, he joined the French Development Agency (AFD) as team leader for urban development projects, covering Central and East Africa, the Indian Ocean and the Middle East. Gianni subsequently took on roles of increasing responsibility: first for a real-estate company in New Caledonia, then at the AFD branch in Niger and the UEMOA Commission in Burkina Faso, and latterly as country manager for Egypt. He rejoined AFD in 2019 as Deputy Director in the DRC.

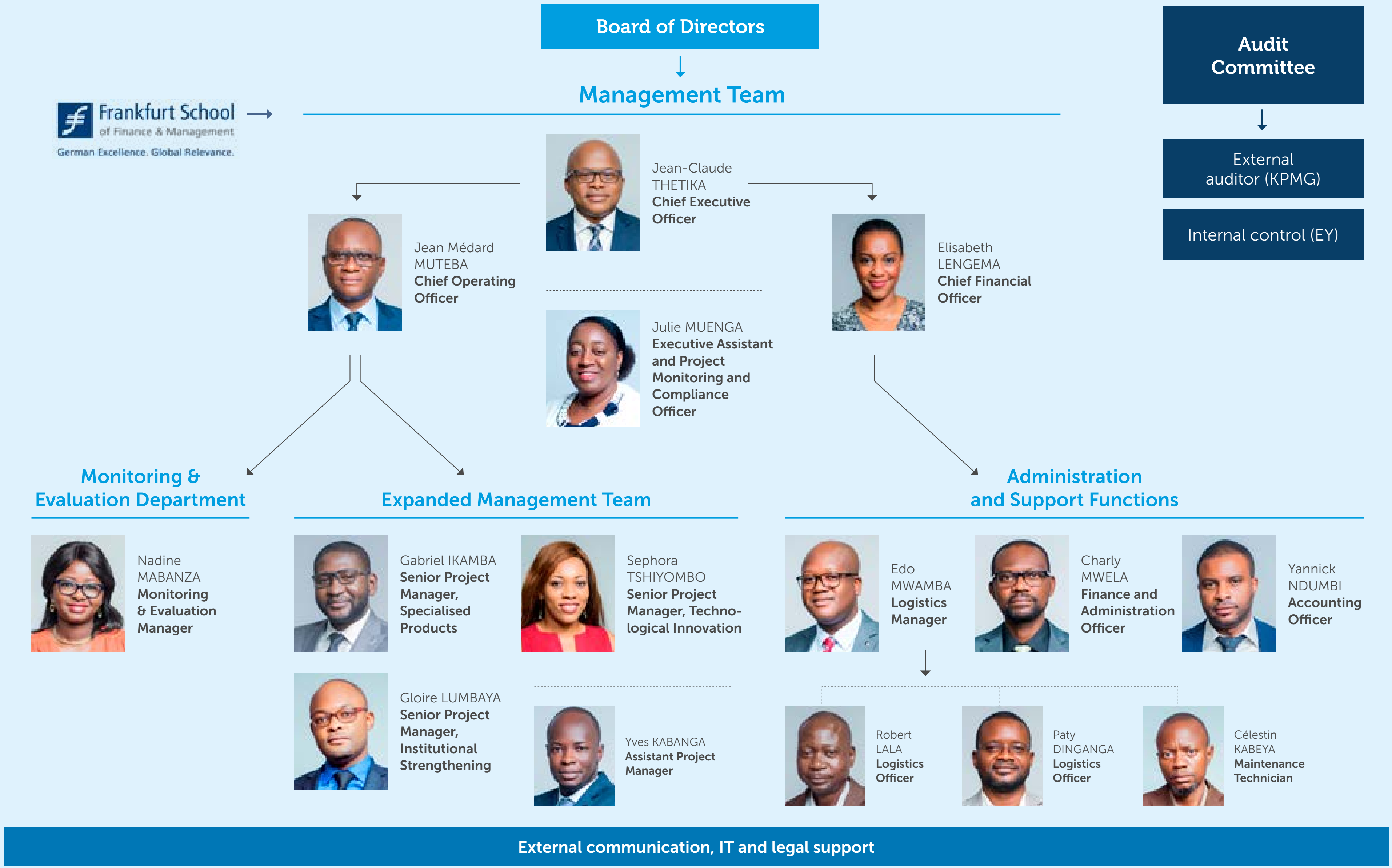
Day-to-day management

The Management Team handles day-to-day management matters. It consists of the Chief Executive Officer (CEO), the Chief Operating Officer (CEO) and the Chief Financial Officer (CFO). The Management Team is supported by an operations team comprising centre of expertise managers, a finance, administration and logistics team, and a monitoring and evaluation manager.

In 2019, all senior project managers were promoted to positions as heads of centres of expertise. Their responsibilities are as follows:

1. deploying an intervention approach specific to the areas under their responsibility
2. developing intervention norms and standards
3. keeping abreast of the latest technical developments in the financial inclusion sector
4. documenting and disseminating lessons learned in order to improve interventions with PFIs
5. conducting cross-cutting quality control on all projects in which their centre of expertise is involved
6. building their management skills in their role as head of their centre of expertise.

Figure 3 - FPM ASBL: Organisational and functional structure



04/ In focus 1 / Crisis technical assistance programme: building the resilience of partner financial institutions

The Covid-19 pandemic is a multi-sectoral crisis that has brought activities to a standstill across all sectors, with its many impacts reaching all parts of the economy. Given its role as the engine room of the economy and its inter-dependence with other sectors, the financial sector as a whole, and individual financial institutions, have gradually felt the consequences of the crisis, including: (i) shrinking loan and savings portfolios, (ii) a sharp rise in debt arrears (PAR 1 and 30 days) due to reduced repayment capacity, and (iii) general disruption of the short-term market.

In terms of their financial health, most institutions serving MSMEs are on much less solid ground than commercial banks (that serve corporate clients). In many cases, these institutions lack sufficient liquidity reserves, since their main source of financing is public savings, with conversion rates in the region of 80%. Likewise, the quality of their assets is often problematic given concerns around levels of equity (low capitalisation rate, often close to 1).

Generally speaking, the effects of the pandemic-induced crisis are being felt to some extent at all levels, with a drastic slump in interest and commission income undermining the profitability of financial institutions.

At FPM ASBL, we deployed a crisis technical assistance programme – including dedicated crisis management package tools – to help the financial sector weather the storm. The aim of this programme is to cushion the impact of the crisis on PFIs while building their resilience to future shocks, and to lay stable groundwork for a future recovery when circumstances allow.

Figure 4 - How FPM ASBL responded to the crisis: Crisis technical assistance programme

Strengthening of general crisis management framework:
business continuity plan and strategic management during a crisis,
management and supervision of human resources working remotely

Loan portfolio management during a crisis:
portfolio maintenance strategy, monitoring tools and preparation for post-crisis recovery

Support with management of financial risks during a crisis:
ALM risk management tools, scenario analysis and stress testing

Strengthening of alternative channels and adaptation of products and services:
interoperability of online electronic payments and cash collateral for food supplies

Financial data security and access to sensitive information:
IT hardware and servers for fallback sites and Covid-19 protection kits

Enhancement of internal and external communication strategy during a crisis:
relationships with clients and partners, informative webinars and blended learning training sessions

FPM ASBL's crisis technical assistance programme for partner financial institutions (PFIs) was rolled out in the second half of 2020. Some institutions will remain on the programme throughout the first half of 2021. The main results of the programme up to the end of 2020 are shown in the table opposite.

Tableau 2 - Crisis technical assistance programme: Results at end-2020

CRISIS INTERVENTIONS: RESULTS		PROJECTS	BUDGET($)	ACTIVITY COMPLETION RATE
Strengthening of general crisis management framework	• Business continuity plan up and running • Portfolio strategy optimised • Management dashboard in place • Training and dedicated support provided to managers and executives	7	267,419	71%
Support with management of financial risks during a crisis	• Liquidity and credit management tools deployed • Risk management function optimised • Risk management committees revitalised • Training and support delivered to dedicated staff	3	7,310	78%
Loan portfolio management during a crisis	• Business recovery strategy optimised • Debt recovery procedures and tools strengthened • Portfolio at risk reduced • Cash collateral (guarantee fund) in place	8	806,430	84%
Strengthening of alternative channels and adaptation of products and services	• Alternative channel diversification opportunities assessed • Digital transformation road map in place • Strategy testing under way	6	153,558	50%
Financial data security and access to sensitive information	• IT security audit completed • IT charter and procedural manual optimised • IT equipment subsidies received • Training and support delivered to dedicated staff	8	267,528	100%
Enhancement of internal and external communication strategy during a crisis	• Four webinars held • Seven certifying courses arranged, with crisis-specific content • Close to 400 participants trained • Report on impact of pandemic on MSMEs published	9	227,294	100%

05/ FPM SA: Strategy and governance

Investment and financing policy

Figure 5 - Investment policy

Equity capital → SOURCES OF FINANCE ← Loans

Refinancing products

Senior loans

1 to 5 years

$250,000 to $5 million

Fixed interest rate but declining subject to market conditions

Repayment on maturity or in instalments

Subordinated debt

5+ years

$250,000 to $5 million

Fixed interest rate but declining subject to market conditions

Repayment on maturity or in instalments

Investments

3 to 12 months

$250,000 to $5 million

Short-term liquidity product

Structural reinforcement of PFI deposits

Liquidity enhancement for FPM partners

BENEFICIARIES

- Banks
- MFIs
- SACCOs

- Micro-, small- and medium-sized enterprises
- Low-income working people

At FPM SA, we pursue a responsible financing policy based on a thorough assessment of the repayment capacity of PFIs and a detailed analysis of the inherent risks in their business.

Once our in-house team has completed this detailed assessment work, the fund's Adviser (Incofin IM) carries out second-line risk and compliance checks. The Credit Committee makes investment and divestment decisions at the proposal of the Chief Executive Officer (CEO). We apply rigorous post-disbursement monitoring and risk-management procedures.

Diversification of counterparties in our portfolio

A natural by-product of our investment strategy is that DRC-based financial institutions account for the lion's share of our portfolio. For this reason, our investment policy sets clear concentration limits. We seek to apply a prudent approach to credit-risk management in order to reduce operational risk while achieving reasonable returns.

Refinancing and support for PFIs: BIO-funded project

FPM SA and FPM ASBL signed a technical assistance agreement with BIO NV/SA, a Belgian company that invests in developing countries and is a shareholder of FPM SA. The aim of the agreement is to build the capacities of PFIs and to provide technical, financial, social and environmental support for their activities.

More specifically, the assistance covers three aspects:

(1) setting up a system for monitoring social and environmental standards

(2) better equipping partner institutions to provide reliable financial information in the recommended format and within the advised timescales

(3) creating a database of the Congolese financial sector.

To date, four partner institutions have undergone field assessments to determine their specific support requirements.

Governance of FPM SA

In 2020, FPM SA overhauled its governance structure. The revised arrangements were approved by the Central Bank of Congo, which in 2019 published a modification of Instruction no.21 on governance. In line with the modified instruction, FPM SA now has a governance structure that is commensurate with its size and structure, with the nature and complexity of its activities, and with the risk profile of its clients.

The revised governance structure is shown in Figure 6 on the next page and described in detail below:

"We seek to apply a prudent approach to credit-risk management in order to reduce operational risk while achieving reasonable returns."

Figure 6 - FPM SA: Governance structure

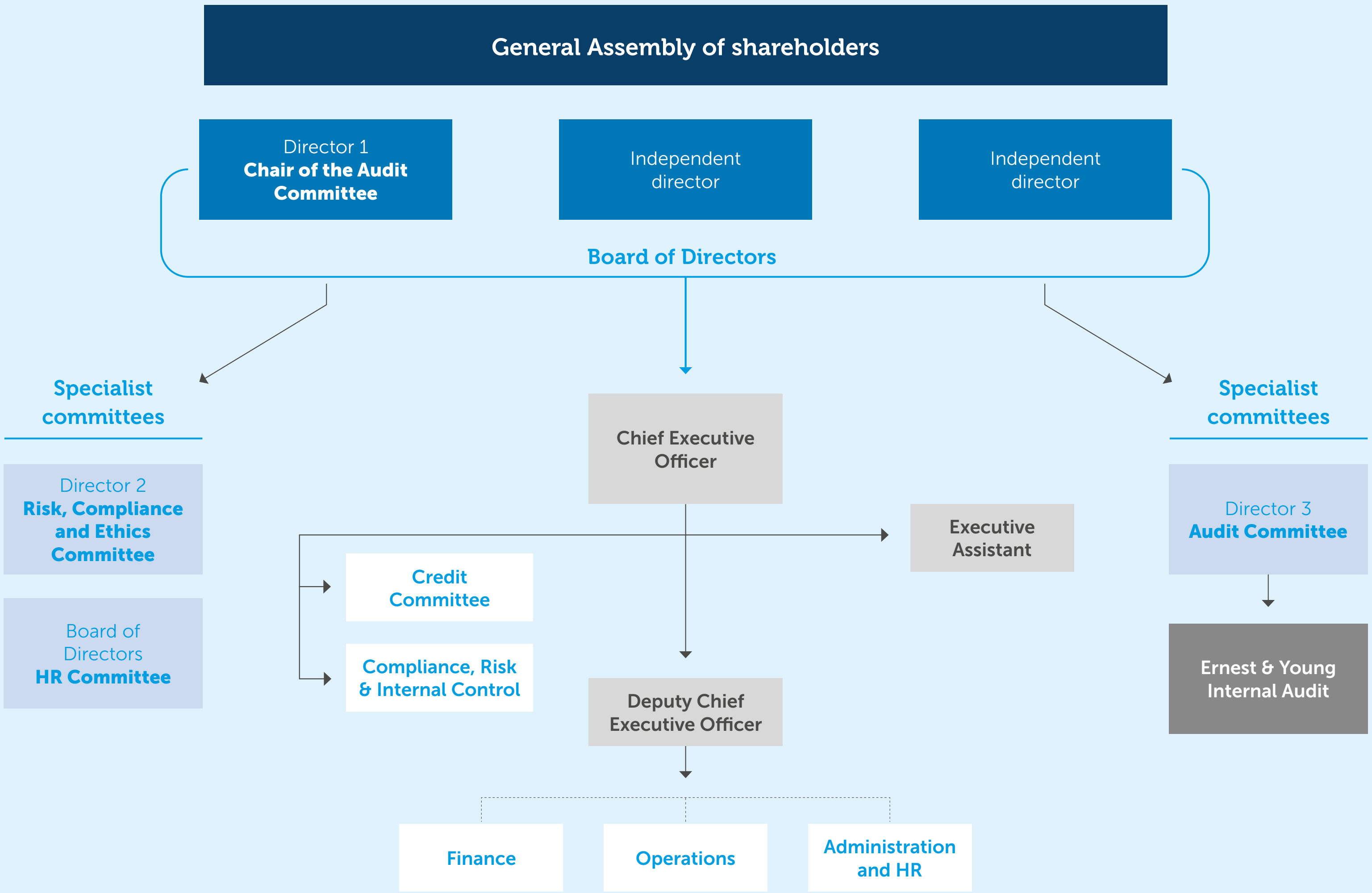


Figure 7 - FPM SA: Governance structure in focus

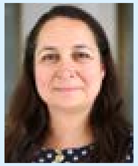
General Assembly of shareholders

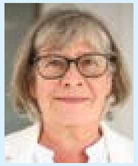
KFW · coopération allemande – Deutsche Zusammenarbeit · bio – Development through Investment · Cordaid · incofin cvso by Incofin IM

GOVERNANCE

Board of Directors


Claudia HUBER
Chair of the Board of Directors


Laure WESSEMIUS-CHIBRAC
Director


Michèle HUSSON
Director

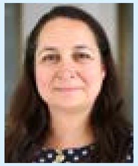
Credit Committee

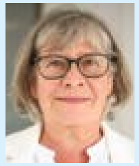

Claudia HUBER
Chair of the Credit Committee


Nicolas BLONDEAU
Member of the Credit Committee


Stéphane RYELANDT
Member of the Credit Committee

Audit Committee


Laure WESSEMIUS-CHIBRAC
Chair of the Audit Committee


Michèle HUSSON
Member of the Audit Committee

MANAGEMENT

Management Team: CEO, Deputy CEO


Carlos KALAMBAY
Chief Executive Officer


Patrick NKONGO
Deputy Chief Executive Officer

Adviser
incofin

Board of Directors

The Board of Directors is deliberately limited to just three members to ensure that it remains flexible and responsive. All three directors are firmly committed their role. In the interest of independence, the Board of Directors always includes at least one independent director.

All Board members have a wealth of expertise across various areas and act independently when making strategic decisions. Membership of the Board of Directors has remained unchanged since 2017, providing all-important stability in its function as the fund's strategic steering body. The members of the Board of Directors are as follows:

- Claudia Huber (chair)
- Michèle Husson (director)
- Laure Wessemius-Chibrac (director).

The Board of Directors' extensive mandate includes the power to set strategy and to appoint the CEO and members of its attached committees, which include the Credit Committee and the following specialist committees:

Specialist committees

- the Risk, Compliance and Ethics Committee (chaired by a director)
- the Audit Committee (chaired by a director other than the chair of the Risk, Compliance and Ethics Committee)
- the Human Resources Committee (which reports directly to the Board of Directors).

The Audit Committee comprises two members of the Board of Directors with experience in corporate management and institutional risk management. The Audit Committee is responsible for ensuring the integrity of the financial statements, verifying the level of risk, supervising and overseeing internal control mechanisms, and supervising the statutory auditors. The Audit Committee is supported by the internal audit function, which is currently outsourced to Ernst & Young. Despite the complex economic environment in which we operate, we recorded a substantial improvement in our risk mapping between 2016 and 2019. Risk management remains a top priority for FPM SA.

The members of the Audit Committee are:

- Laure Wessemius-Chibrac (chair)
- Michèle Husson (member).

Credit Committee

The Board of Directors has established a Credit Committee to consider applications for loans in line with FPM SA's strategy and investment policy. Its three members, all of whom have extensive experience in various aspects of impact investing, are as follows:

- Claudia Huber (chair)
- Nicolas Blondeau (independent member)
- Stéphane Ryelandt (independent member).

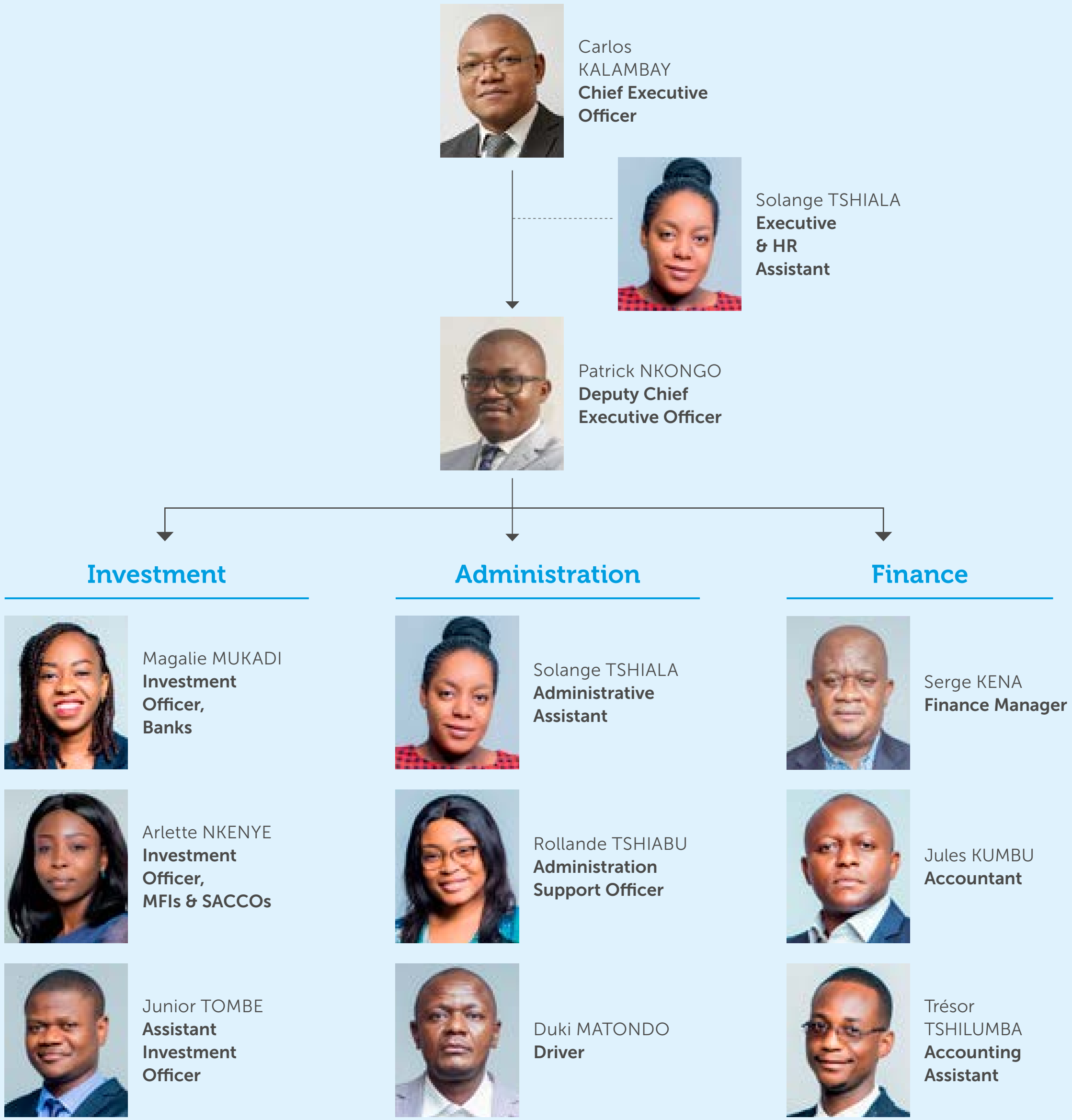
Management Team

The Management team consists of the Chief Executive Officer (CEO) and the Deputy CEO.

From an organisational perspective, the Operations Department and the Finance/Accounting Department report to the Deputy CEO. The Operations Department consists of two investment officers.

Other functions, such as legal assistance and internal audit, are outsourced (in this case, to a law firm and an international audit firm respectively). FPM SA shares a number of support functions (such as logistics and communication) with FPM ASBL.

Figure 8 - The FPM SA team



Internal control and risk management functions

Given FPM SA's small size and low level of operational risk, the Board of Directors has decided to combine the internal control and risk management functions for reasons of efficiency and effectiveness.

Operations Department

In 2020, we faced the challenge of securing the fund's future development while meeting the financing needs of the DRC's banking sector in the grip of a public-health crisis. This delicate balancing act required us take action on two fronts: making sure our partners could access the financing they needed, while at the same time considering the deteriorating risk profile of some financial institutions. As the Covid-19 crisis took hold, we deployed a general business continuity plan to contain the ensuing risks and to ensure we complied with the new legal framework on crisis management. A fuller description of FPM SA's Covid-19 investment and portfolio management framework can be found in the following chapter.

Introducing the new members of the FPM SA team:

Junior Tombe joined the investment team: Junior graduated in 2018 with a degree in economics and development (minor in finance, banking and insurance) from Université Catholique du Congo before embarking on month-long academic placements at CNSS, DGI and Sofibanque. He joined FPM SA in September 2019 as an intern in the investment department then secured a permanent position as Assistant Investment Officer in September 2020. Reflecting on his current role, Junior says:

"Working at FPM SA is a unique opportunity to help reduce poverty in the DRC through my day-to-day work. That's because I'm involved in arranging financing for MFIs and SACCOs, which are the key partners of MSMEs."

Rollande Tshiabu joined the administration team in 2020: After graduating from Université Pédagogique Nationale in Kinshasa with a degree in economics (minor in public economics), Rollande's first role was at Bralima, which she joined in 2016 as a client care officer before working as a receptionist in the client care department. In 2018, she was hired as an executive PA at an architecture firm. She joined FPM SA in July 2019 as an intern in the administration team and moved to a permanent role as Administration Support Officer in September 2020. Rollande says she is delighted to have joined the FPM SA team:

"I'm relishing the opportunity to work in the FPM SA administration department. I'm learning how to manage administrative tasks on the job and getting to grips with my new responsibilities."

Trésor Tshilumba joint the FPM SA accounting team in 2020: Trésor holds a degree in economics and development (minor in finance and development) from Université Catholique du Congo. He joined FPM SA in October 2019 and moved to his current role as Accounting Assistant in October 2020. Prior to that, he worked in the banking sector at Standard Bank Congo, which he joined in mid-2016 as a support officer in the retail and corporate loans department, later moving to a management information system support position.

"I'm pleased to be part of the finance, accounting and reporting team at FPM SA," he says. "It's given me the opportunity to brush up on my accounting, finance and accounting risk compliance skills."

06/ **In focus 2** / FPM SA: Covid-19 investment and portfolio management framework

1. Introduction

As the Covid-19 crisis took hold, FPM SA deployed a general business continuity plan to contain the ensuing risks and to ensure compliance with the new legal framework on crisis management. The key measures of this plan include:

- setting up a crisis management committee that meets weekly to take the necessary actions
- establishing a business continuity plan, including remote working for FPM SA staff, online management of the loan portfolio, and adjustment of key operational processes to bring them in line with the new working arrangements (including financing and administrative policies and procedures)
- assessing the impact of the public-health crisis on FPM SA's financial statements.

We introduced a new management framework for our financing policy and procedure to support our PFIs. This move demonstrates our determination to stand by our partners, even in difficult times, and to help them overcome the crisis and continue serving their hard-hit clients. It also underscores our commitment to being a responsive and responsible partner, and we expect our own partners to take the same approach to their clients and employees. At the same time, maintaining our own profitability and viability remains a top priority – which is why we are committed to leaving no stone unturned in our due diligence procedures, and using extra tools to help us do so. We will continue to focus on existing and potentially viable partners whose problems stem mainly from the crisis.

In keeping with our commitment to align with the highest standards in the sector throughout the crisis, we pledge to:

- proactively develop and maintain close ties with PFIs – by promoting constructive dialogue, listening to their needs and monitoring what is happening on the ground – in order to anticipate payment defaults and support post-crisis recovery
- focus first and foremost on PFIs that are viable and able to demonstrate their viability, but that require temporary support to shore up their liquidity position
- react to signs of financial distress among PFIs (such as breaches of covenant) with diligence and agility
- work closely with the donors and investors with whom we pool some of our risk on coordinating actions and measures to support PFIs and other stakeholders
- apply the principles of transparency, pragmatism and trust in our dealings with donors and investors, who are also exposed to our target market
- coordinate our efforts with FPM ASBL by sharing information and providing ad hoc support through our sister vehicle for PFIs in distress.

2. Process

We revised our financing process during the crisis to take account of remote working arrangements, the health and safety rules brought in to contain the spread of the virus, and the impact of the economic and financial measures imposed by the government and the regulator.

More specifically, we made the following changes:

- Existing partners take priority over new partners in order to lighten the workload for the Management Team and the Credit Committee.
- Applications are processed and reviewed (by the Adviser and the Credit Committee) more quickly than in the past.
- The due diligence process happens online rather than in the field.
- The Adviser issues an opinion for all applications that go before the Credit Committee (an arrangement that will remain in place throughout the crisis).
- A presentation of macroeconomic and financial trends, along with a brief analysis of key indicators, is given at every Credit Committee meeting.

3. FPM SA eligibility criteria

The eligibility criteria laid down in FPM SA's investment policy and procedures continue to apply, including the four rules on increasing the fund's exposure to beyond 10% of its commitments.

The Board of Directors expanded the mandate of the Credit Committee which, when deciding on an application, now considers the economic, social, political and regulatory environment, as well as wider trends in the financial sector during the crisis and the degree of resilience demonstrated by PFIs in the past. FPM SA had previously demonstrated its flexibility – and its commitment to supporting the financial sector – during the 2016–2018 political and economic crisis, when it waived some criteria (such as the PAR 30 + R + written-off rule).

In exceptional circumstances, the Credit Committee has the authority to waive certain eligibly criteria. These decisions are made after assessing the case in context and only when the application, taken as a whole, provides sufficient reassurance.

"The eligibility criteria laid down in FPM SA's investment policy and procedures continue to apply, including the four rules on increasing the fund's exposure to beyond 10% of its commitments."

4. Monitoring documents and reports

Aside from the working documents included in the investment procedure, the following reports are provided to the Credit Committee:

- A PFI liquidity and solvency stress test report based on the template developed by the Adviser (provided when each application is presented).
- An update on the public-health situation in the DRC, including a summary of the latest political, economic and regulatory decisions as relevant (provided at each Credit Committee meeting).
- A table summarising the 10 monitoring indicators (provided monthly based on scaled-up data collection from PFIs).
- An update on ongoing coordination and collaboration initiatives with other lenders and holding entities if the PFI is part of a network (provided as often as required).

5. Managing PFIs in distress

The Board of Directors has requested that the Management Team and the Credit Committee manage FPM SA's portfolio in a prudent and socially responsible manner throughout the crisis. The Board of Directors has authorised the Credit Committee to take the following measures, on a case-by-case basis and after a thorough risk assessment, in order to help PFIs that are considered viable weather the crisis:

- Refinancing: this option is only available for PFIs that pose no concerns in terms of financial viability (based on a risk assessment including a stress test).
- Rescheduling: PFIs can apply for an extension of up to 12 months on their loan with no additional interest charged.
- Grace period: under this measure, which applies exclusively to new loans, the first principal repayment can be delayed up to the anniversary date of the disbursement of the loan; in this case, the remaining interest is due under the agreed contractual terms.
- Waiver: PFIs can be granted a temporary waiver of existing covenants.
- Conversion: senior loans can be converted into fixed-term deposits.
- Workout procedure: this measure will be negotiated with other lenders, where applicable.

2

Results and contribution to financial inclusion

07/ In focus 3 / Overview of the international and domestic economic environment in 2020

In 2020, the Covid-19 pandemic prompted a public-health crisis with far-reaching social and economic impacts across the DRC. The drastic measures introduced to contain the spread of the virus and relieve pressure on already-stretched healthcare systems had dramatic consequences for economic growth. The International Monetary Fund (IMF) said that Covid-19 "has triggered a global crisis like no other – a global health crisis that, in addition to an enormous human toll, is leading to the deepest global recession since the Second World War".

Despite recent vaccine approvals offering a glimmer of hope, the emergence of new variants and the growing human cost of the pandemic continue to give cause for concern.

Figure 9 - Number of Covid-19 cases (confirmed by positive test results)

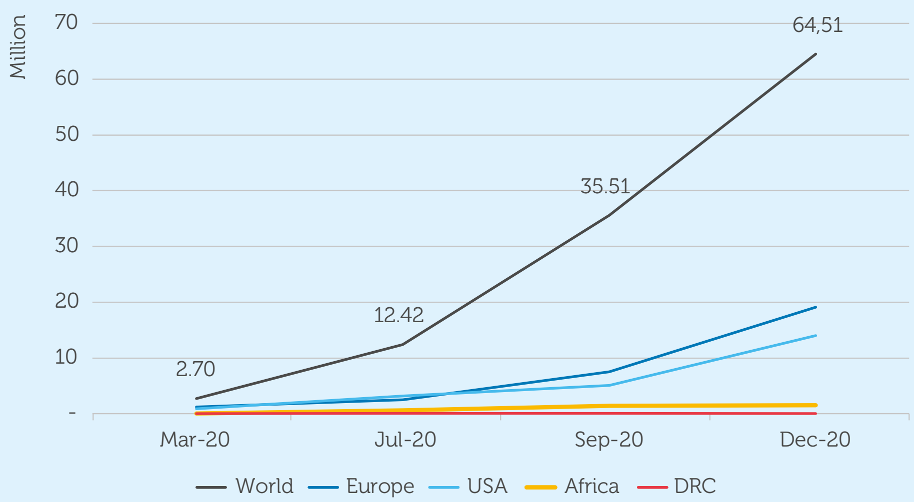
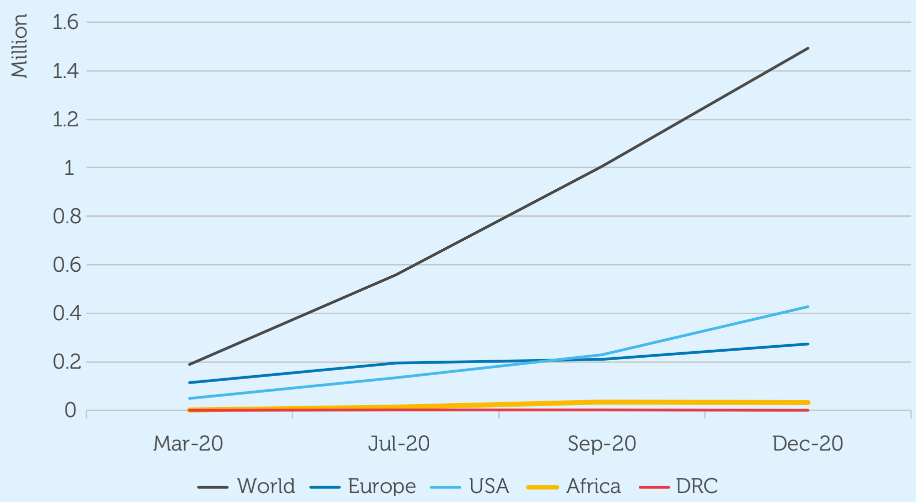
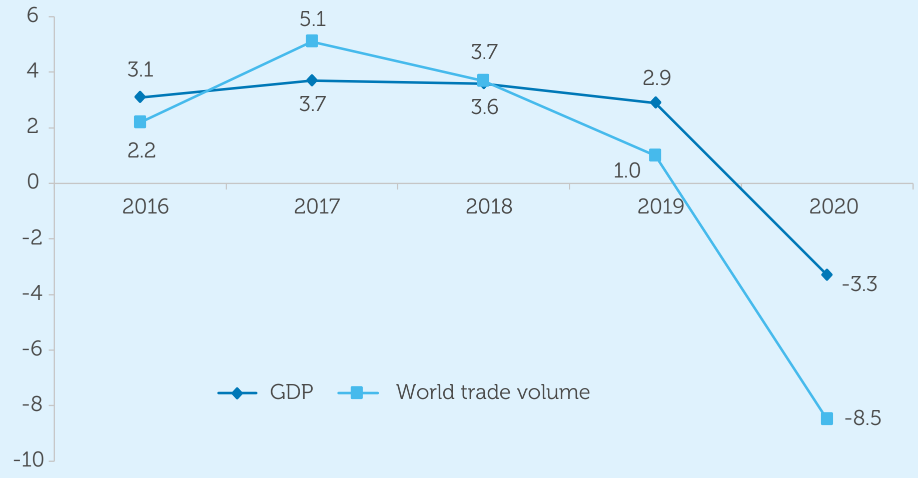


Figure 10 - Number of Covid-19-related deaths



Source: nCoV19 – **https://ncov2019.live/data/world** is a website that provides impartial data and information on Covid-19 in a user-friendly format.

Figure 11 - Real GDP and global trade growth trends (%)



Source: IMF (April 2021)

Between mid-March and early July 2020, global infection rates soared by a staggering 195%. The pandemic quickly worsened in several emerging and developing economies, leading to the imposition of strict lockdowns that caused greater-than-anticipated disruption to economic activity. Other countries, especially in Africa, have reported much lower confirmed case and death rates relative to their population, although much uncertainty remains over the future trajectory of the pandemic due to limited testing capacity. Many advanced nations saw sharp rises in new cases and hospital admissions before the figures began falling gradually after months of lockdown and social distancing.

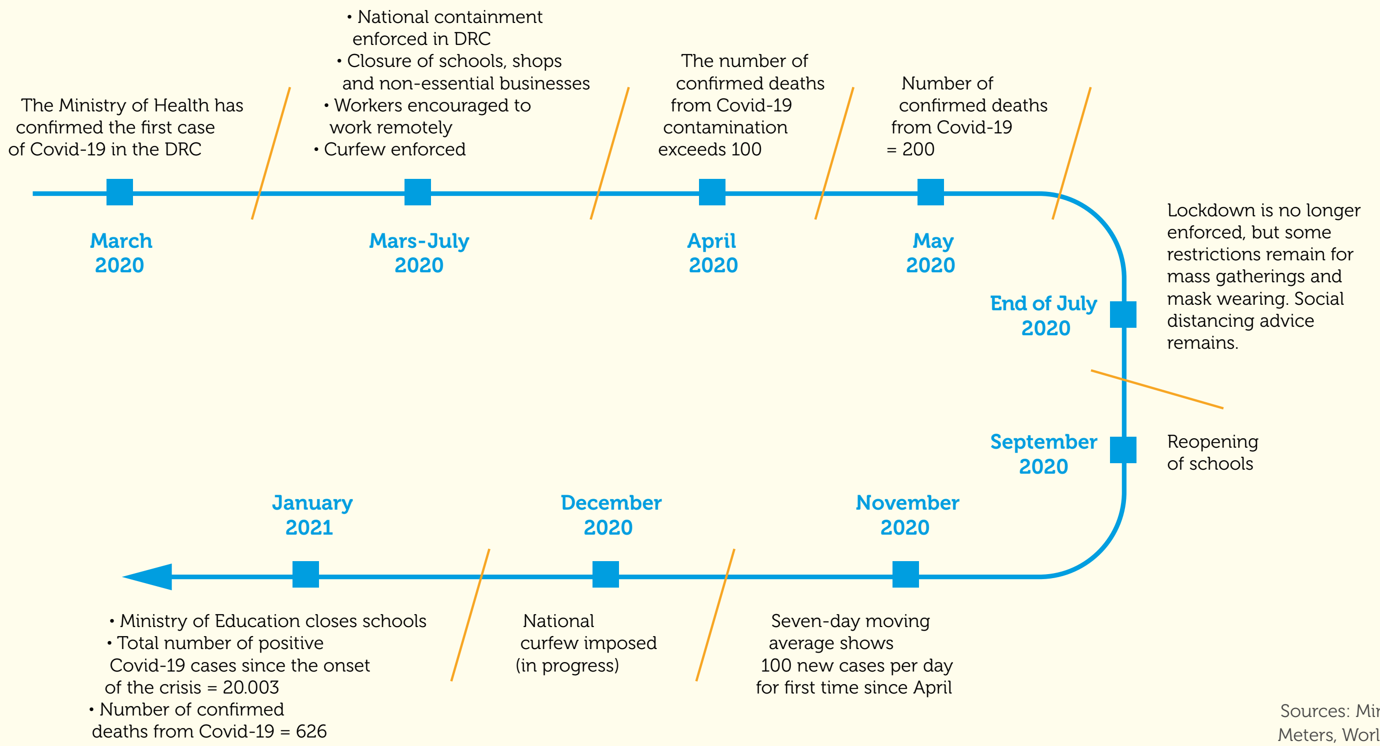
Africa has experienced the pandemic differently, with relatively low infection rates compared with other regions of the world. According to the WHO, this situation could be the result of demographic and lifestyle factors. Yet several studies have suggested that asymptomatic infections could be much higher than the figures indicate (Africa Center for Strategic Studies).

The Covid-19 pandemic has caused a global economic shock on an unprecedented scale, triggering deep recessions in many countries despite intensive government interventions. As the virus spread quickly in the first half of 2020, governments acted to contain the disease by closing borders, imposing full and partial lockdowns, limiting travel between cities, recommending that all but essential staff work remotely, bringing in social distancing rules, and more. In the hardest-hit parts of the globe, these measures had the effect of slowing down trade, restricting consumer spending and bringing production to a standstill.

The pandemic led to a sharp downgrade of the global economic outlook for 2020, at a time when the economy was still feeling the effects of the 2008–2009 financial crisis and when US-China trade tensions were rising. According to the IMF (April 2021), the global economy contracted by 3.3% in 2020. This contraction was 1.1 percentage points less than projected in October 2020, reflecting higher-than-expected growth in the second half of the year for most regions after lockdowns were eased and the economy had adapted to new ways of working.

"According to the IMF (April 2021), the global economy contracted by 3.3% in 2020."

Figure 12 - Main events related to Covid-19 in the DRC



Sources: Ministry of Health, World Meters, World Health Organization

Sub-Saharan Africa experienced its largest ever contraction (down 1.9%) – a decline in output that saw real per-capita income shrink by 5.3%, bringing it close to 2013 levels (IMF, October 2020). Growth is expected to rebound to 3.4% in 2021, which is significantly lower than the 6% anticipated before the pandemic because of weaknesses in vaccine supply and limited public finances to support crisis response and economic recovery.

Last year proved extremely challenging for the DRC which, like every other country in the world, paid a heavy social and economic price for the pandemic. The effects of the public-health crisis hit the country especially hard because of its fragile political and security situation, its dependence on imports and exports, its limited diversification and its underlying structural problems. The authorities introduced a series of restrictions in late March in an effort to limit the spread of the virus, including locking down the commune of Gobe in Kinshasa (which at the time was the epicentre of the pandemic), closing schools and universities, banning gatherings of more than 20 people, shutting down air travel, restricting movement between provinces and bringing in social distancing rules.

As the crisis wore on, the government rolled out a raft of measures to contain its impact on the DRC's economy. These measures fall into three headline categories: public finance measures, economy and investment measures, and specific tax measures:

- Public finance measures: The government revised its fiscal policy and introduced social measures to reallocate public resources to fixed and priority expenditures (wages, and health care and economic recovery respectively). The authorities also opened talks with partners on matters such as rescheduling external debt, mobilising budgetary support (from the World Bank, the IMF, the African Development Bank (AfDB), Afrexim and others) and the balance of payments.

- Real economy and investment measures: The government introduced a temporary, six-month waiver of all taxes, duties and charges on the import and sale of pharmaceutical supplies and products and on medical devices and equipment, while businesses could access interest-free financing through the Industry Promotion Fund (FPI).

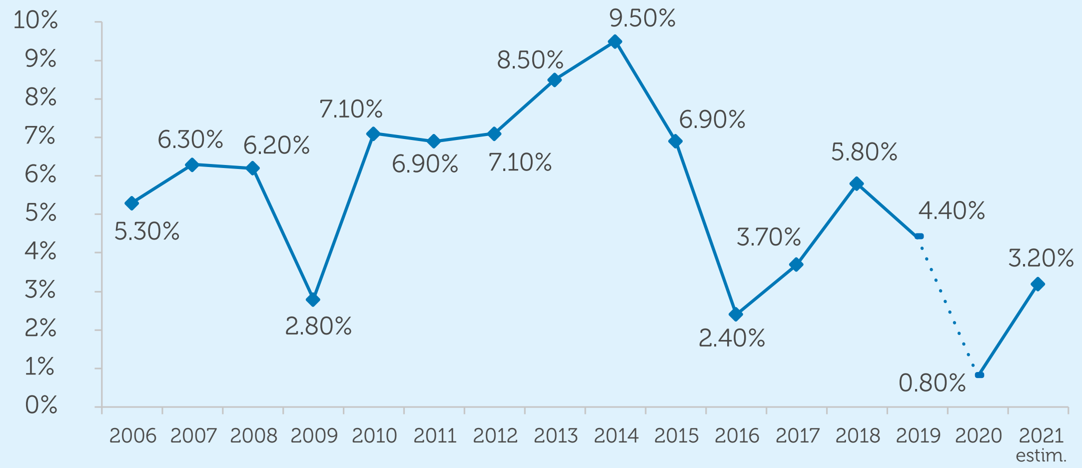
- Specific tax measures: The government suspended domestic VAT on the production and sale of essential goods for three months, halted the recovery of tax arrears, and brought in a three-month suspension of corporate tax, parafiscal and financial investigations.

Another component of the government's crisis response package was a National Preparedness and Response Plan on Covid-19, with a total budget of $135 million. In addition, a multi-sectoral emergency mitigation programme for Covid-19 was launched in June 2020 – a nine-month programme with an estimated budget of close to $2.6 billion, funded to the tune of 18% by the state.

Travel and economic activity gradually picked up again after the government began easing restrictions in July, halting the decline in the economic situation.

According to Central Bank of Congo statistics, the DRC's economy grew by 0.8% in 2020 (whereas IMF figures from April 2021 suggest a 0.1% contraction). This was well below the initial forecast of 5.8% growth, which pre-dated the Covid-19 pandemic. As a result of this pandemic-induced slow-down in economic activity, per-capita income fell from $308 to $301.

Figure 13 - DRC growth rate trends



Source: Central Bank of Congo

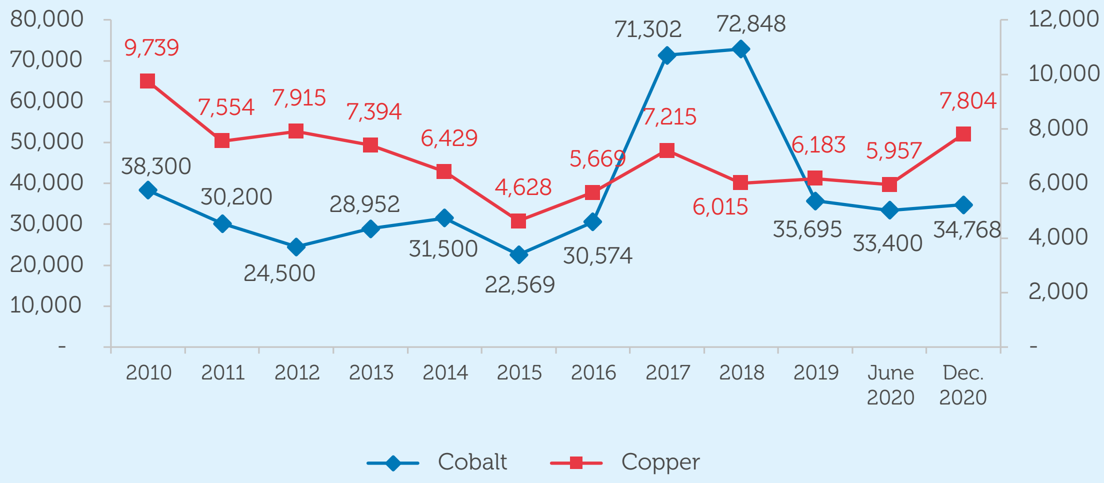
The Central Bank of Congo forecasts GDP growth of around 3.2% on the back of rising commodity prices, strong mining product prices and effective coordination of monetary and fiscal policy that should contain inflation and increase public investment.

The prices of the DRC's key export commodities rose sharply in the second half of 2020, putting them well above first-half levels as the global economy recovered. This increase was mainly triggered by the strength of the Chinese economy, which is the world's number-one consumer of commodities. Copper was selling for $7,804 per tonne at end-December 2020, a 26% year-on-year increase driven by the second-half recovery in China – where demand for the metal and other commodities is particularly strong. The price of cobalt fell by 2.6% in 2020 under the effect of the sharp downturn in activity in the first half of the year.

The Congolese franc sustained heavy losses against the US dollar in the first seven months of 2020. However, the foreign-exchange and goods and services markets entered a less volatile period from August onwards, after the government and the Central Bank of Congo signed a macroeconomic stability pact and following interventions in the foreign exchange market. Year-on-year inflation jumped from 3.9% in 2019 to 20.7% in 2020 as the Covid-19 crisis took its toll on the economy. On the foreign exchange market, the Congolese franc lost 17% of its value against the US dollar in 2020, compared with a devaluation of 3% in 2019. This slide was caused by a mismatch between supply and demand on the goods and services market, driven in part by lower import volumes.

"The year-on-year increase in the copper price was driven by the second-half recovery in China – where demand for the metal and other commodities is particularly strong."

Figure 14 - Cobalt and copper price trends



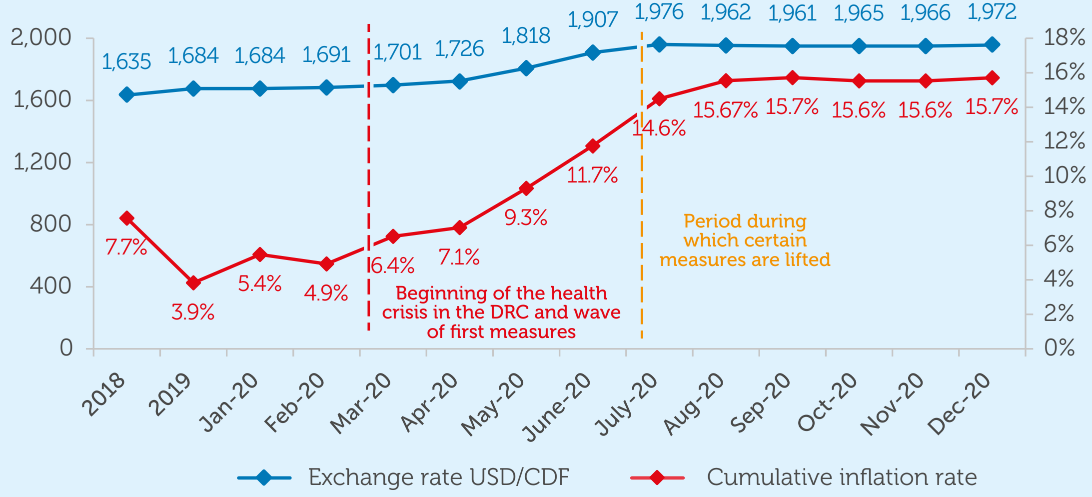
Sources: Central Bank of Congo and Bourse – Les Echos

On the monetary policy front, the Central Bank of Congo revised its benchmark interest rate twice in 2020, cutting it from 9% to 7.5% in March before raising it to 18.5% in August.[1] However, the fact that the DRC has a heavily dollarised economy (over 85%) limits the scope and reach of the central bank's monetary policy, since the currency over which it has influence is not widely used. Similarly, the central bank's benchmark rate has little to no influence on the rates used by commercial banks.

Foreign currency reserves stand at $708.89 million, which represents import coverage of 2.5 weeks. The volume of currency reserves has been declining since May 2020, casting doubt on the credibility and sustainability of the central bank's stabilisation measures. The government will need to work towards building up reserves to a level that covers three months of imports (or 12 weeks) as required under international standards.

1 The Central Bank of Congo has revised its rate twice more since the start of 2021, cutting it from 18.5% to 15.5% in March and again to 10.5% in April.

Figure 15 - Exchange rate and inflation trends



Source: Central Bank of Congo

08/ In focus 4 / Overview of the financial environment in 2020

The DRC's financial sector felt the full force of the Covid-19 crisis in 2020. The measures introduced to contain the spread of the virus (see "In focus 1") severely slowed economic activity and put immense strain on the sector. Financial institutions began to feel the effects of the crisis when China, the country's main trading partner, closed its borders. The situation worsened in March 2020 when the DRC reported its first case, which led to the government introducing a raft of measures that restricted economic activity. The extent of the impact varied across financial institutions, depending on their ability to anticipate the effects, their financial resilience and the mitigation measures they put in place.

The crisis affected the entire financial sector, albeit with differences according to target clientele and geography. Some institutions successfully seized the opportunities presented by the crisis and saw their business grow. The following conclusions are based on our analysis:[1]

- All PFIs were affected by the crisis in March and April 2020, but the shock reached peak intensity in the first half of April. The effects on deposits were most pronounced in the east of the country (where there was an average decrease of over 10% between March and June 2020) due to a record of past failures in the region. However, activity picked up again from July 2020 onwards for some financial institutions the west of the country, primarily following the lifting of the state of health emergency and the resumption of activity.

- Financial institutions in the east of the country were hit harder than those in the west due to heavy dependence on cross-border trade and on the transit of goods through neighbouring countries (Uganda, Burundi, Rwanda and Tanzania). The disruption to cross-border movements affected the supplies of many clients of financial institutions, especially those working in general trade. This situation undermined the ability of clients to meet their commitments (loan repayments) and to build up savings.

- Financial institutions with only a single branch were hit harder than those with locations in multiple towns and cities, which benefited from the uneven spread of the impact. Institutions with digital distribution channels and services were less severely affected by the travel restrictions. Banks applied the legal cap of $10,000 on cash withdrawals – a form of rationing that resulted in a scarcity of foreign currency (US dollars). This situation affected several MFIs and SACCOs in the east of the country. They were unable to meet high demand for withdrawals from their clients because their funds were tied up in bank accounts, and had to limit withdrawals to Congolese francs only (even for accounts denominated in dollars).

Overall, MFIs were hit harder by the consequences of the crisis than banks. The most severe effects were felt by MFIs and SACCOs serving particularly vulnerable clients.

Starting in March 2020, the Central Bank of Congo introduced a series of measures in order to mitigate the adverse impact of the Covid-19 pandemic on the financial sector. They aimed to protect economic activity, guarantee the continuity of financial services and keep money circulating in the DRC. Among other measures, the Central Bank of Congo:

- Cut the benchmark interest rate from 9% to 7.5% in order to reduce the cost of borrowing.

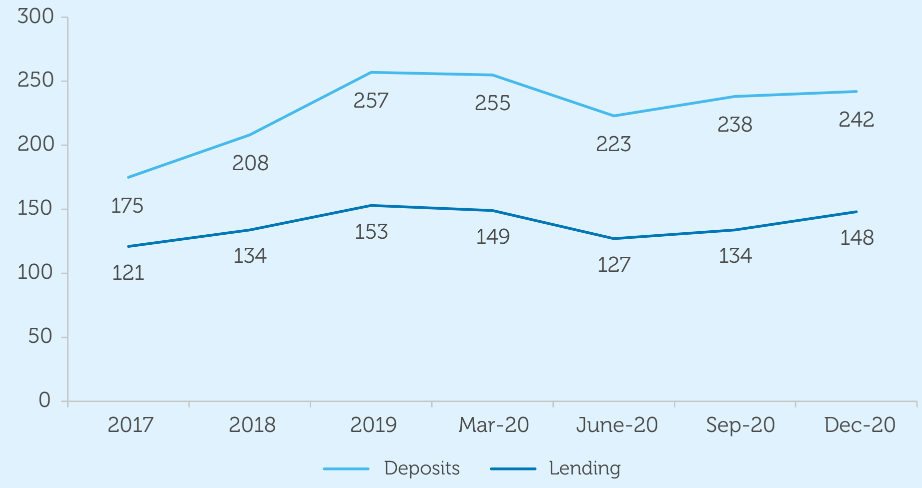
- Reduced the statutory reserve ratio on demand deposits denominated in Congolese francs from 2% to 0% in order to free up liquidity for banks.

- Postponed the entry into force of the new, higher minimum capital requirement for banks, SACCOs and MFIs until 2022 in order to reduce pressure on these financial institutions.

- Froze the loan classification rules to allow financial institutions to temporarily wave late-payment penalties on outstanding receivables during the crisis (in order to reduce provisions and losses).

1 Analysis based on indicators provided by FPM's PFIs.

Figure 16 - Deposit and lending trends: microfinance sector ($ m)



Source: Central Bank of Congo

- Temporarily abolished fees for e-money transactions of less than 2,500,000 Congolese francs in the RTGS[1] and ACH[2] systems until the end of December 2020.

- Increased the daily e-money transaction limit to $2,500 and removed the monthly cap on electronic transactions.

There was also a move to promote bilateral interoperability, both between e-money providers and with financial institutions, as a way to facilitate transfers and payments in the small-scale trade sector.

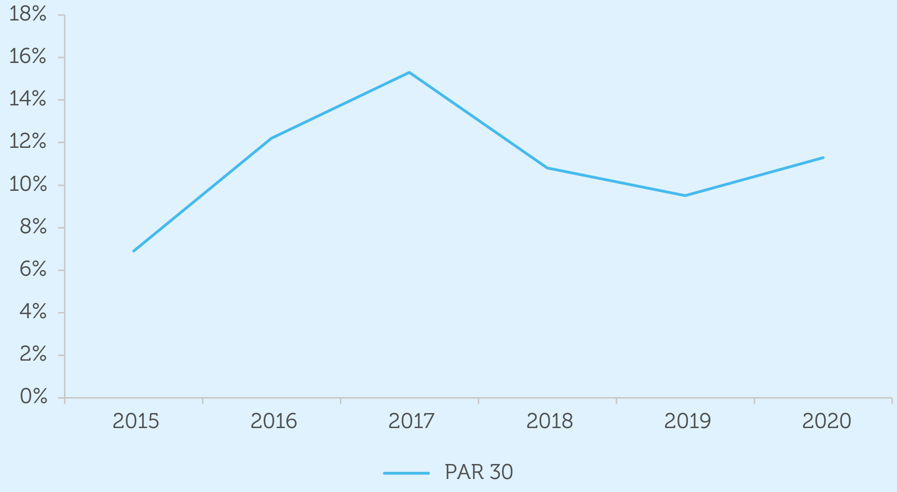
Sector-wide, loan portfolios and total deposits stood at $148 million and $242 million, down 3.3% and 5.8% respectively on the December 2019 figures. The contraction in lending activity was evidenced through declining disbursement volumes from around April 2020. From July 2020 onwards, the government took a series of measures including lifting the state of emergency, opening the borders and allowing activities involving larger gatherings to take place. These steps, coupled with the measures taken by technical partners, helped to cushion the impact of Covid-19 and paved the way for a return to growth (in both loans and savings) from September.

Another impact of the crisis was an increase in credit risk. Across the microfinance sector, the PAR 30 ratio jumped from 9.5% in 2019 to 11.3% in 2020, a deterioration of 19% in relative terms. Breaking down the ratio by institution type shows that SACCOs were the worst affected, with a PAR 30 of 13.5% (compared with 10.6% for MFIs). Note that the PAR 30 ratio does not include restructured loans, which accounted for close to 7% of the total portfolio on average and represented a particularly high share for some MFIs.

1 RTGS stands for Real Time Gross Settlement, a fund transfer system that allows for the instantaneous and continuous settlement of individual transactions.

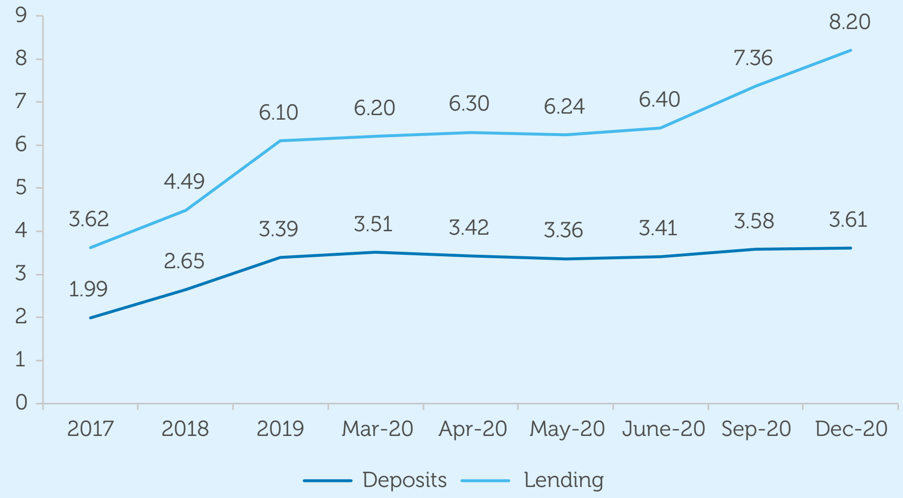
2 ACH stands for Automated Clearing House.

Figure 17 - PAR 30 trends: microfinance sector



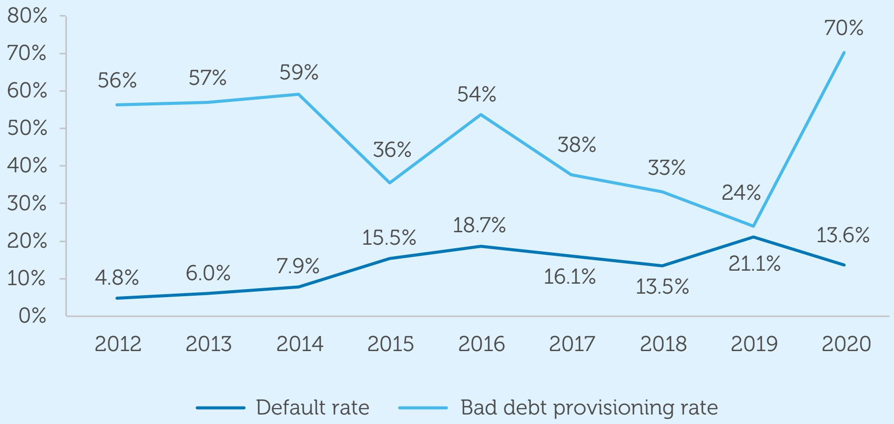
Source: Central Bank of Congo

Figure 18 - Deposit and lending trends: banks ($ bn)



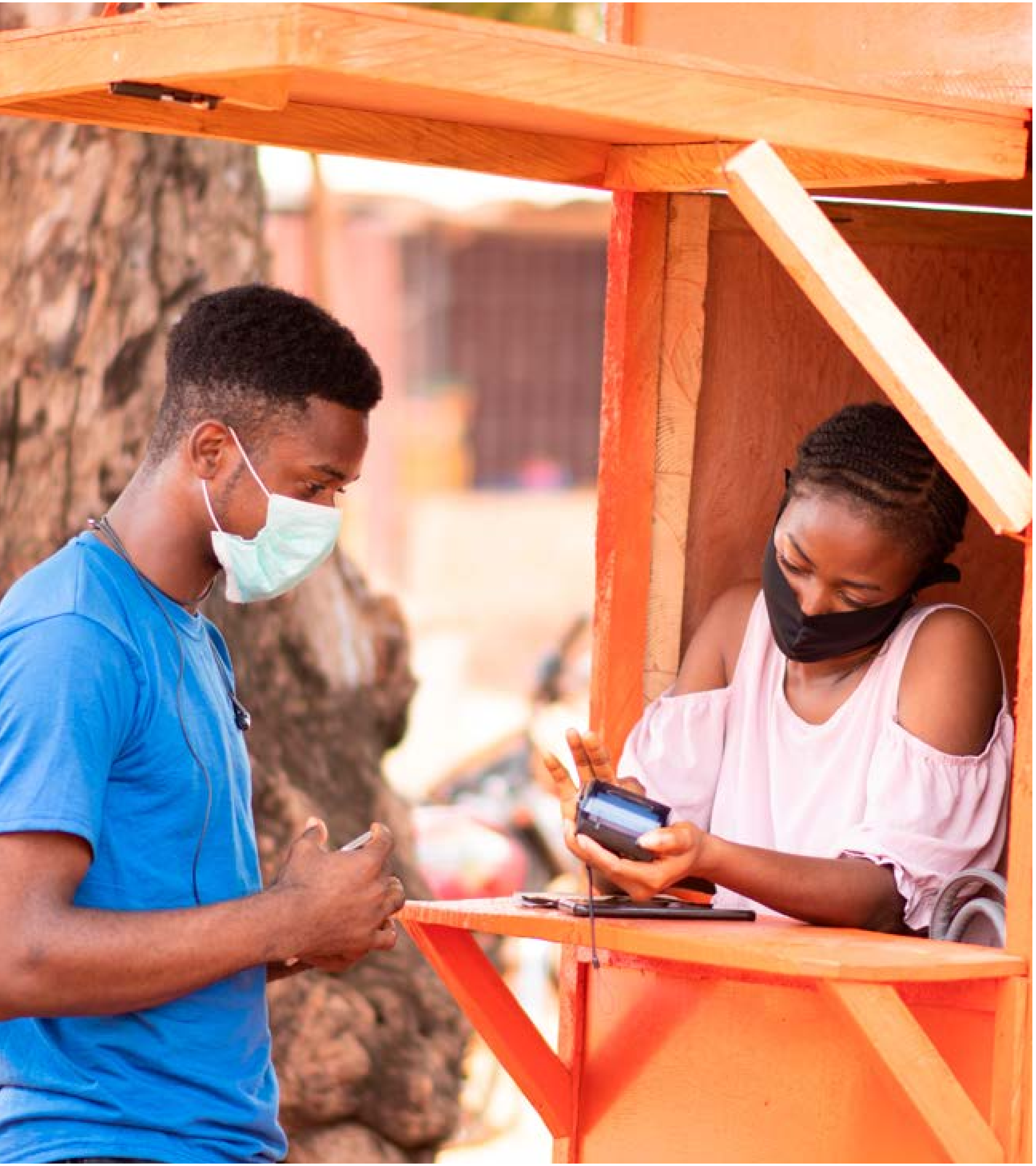
Source: Central Bank of Congo

Figure 19 - Portfolio quality trends



Source: Central Bank of Congo

"The banking sector proved more resilient to the Covid-19 crisis than the microfinance sector."



The banking sector proved more resilient to the Covid-19 crisis than the microfinance sector, although bank deposits and loans grew at a slower rate in 2020 than in 2019. In absolute terms, deposit growth increased year on year over the period.

Sector-wide, loan portfolios and total deposits stood at $3.61 billion and $8.02 billion, up 6.5% and 31% respectively on the December 2019 figures (compared with growth of 28% and 36% in the previous year). The loan provisioning rate also increased sharply (193%) as banks continued to set aside provisions despite the bank instruction allowing financial institutions to freeze the loan classification rules. However, the share of outstanding receivables fell in 2020 as banks restructured loans in line with the Central Bank of Congo recommendation for prudent restructuring of outstanding receivables for sectors directly affected by the crisis (rescheduling, moratorium agreements and/or grace periods, etc.).

09/ FPM SA loan portfolio: composition and changes

Figure 20 - FPM SA portfolio at end-2020

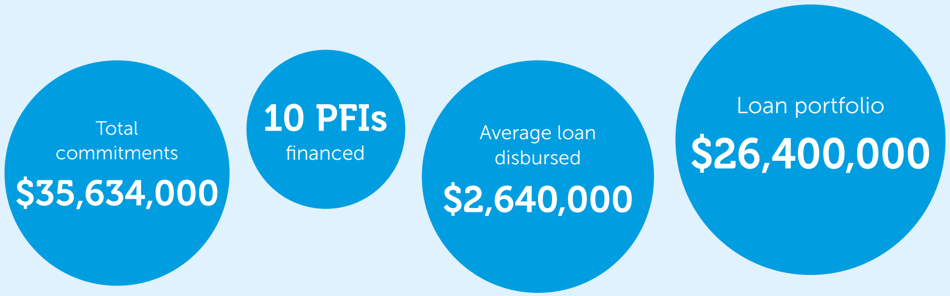


Figure 21 - Composition of the FPM SA loan portfolio by maturity (volume)

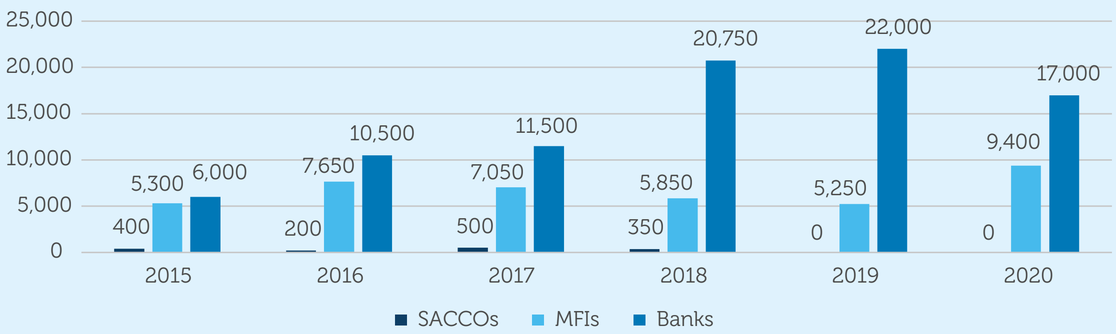
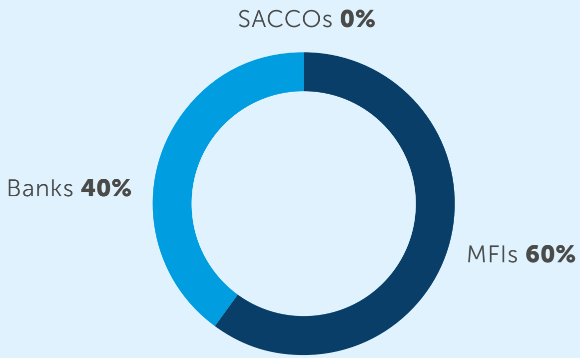


Figure 22 - Composition of the FPM SA loan portfolio by PFI type (number)



10/ FPM ASBL technical assistance project portfolio: composition and changes

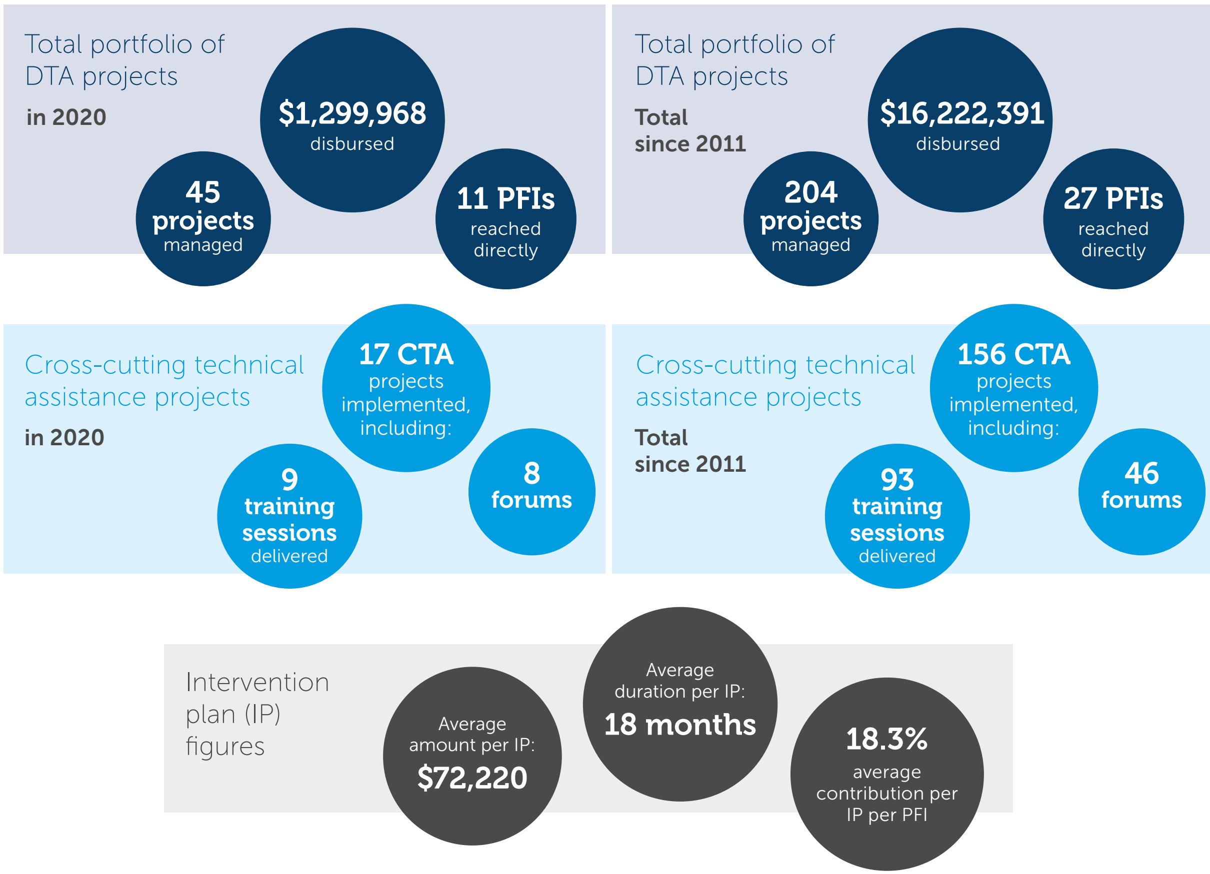
Changes in the technical assistance project portfolio

In 2020, the adverse effects of the Covid-19 pandemic were felt across the financial sector as a whole. At FPM ASBL, we responded to the crisis with tailored technical assistance for our partners. As part of this reconfigured programme – known as crisis technical assistance – the Board of Directors approved crisis intervention plans (IPs) for nine PFIs, representing 90% of the 11 PFIs in the FPM ASBL portfolio. The plans were deployed in the third quarter of 2020 and continued through to the end of the year.

In 2020, FPM managed a total of 62 technical assistance projects, including 42 new projects launched during the year. This figure represents a 24% increase on 2019, when we managed 50 projects. Of the 62 projects, 45 were direct technical assistance (DTA) projects. The remainder included nine training sessions and eight forums.

Since October 2011, FPM ASBL has implemented 360 technical assistance projects, including 204 DTA projects (for 27 PFIs), 93 certifying training sessions (attended by 2,296 people, around 40% of whom were women), 46 forums and 17 published market studies.

Figure 23 - 2020 technical assistance portfolio: key indicators and trends



In terms of volume, technical assistance budget disbursements amounted to $1.9 million in 2020, up from $1.4 million in 2019, while the share of the budget allocated to DTA and cross-cutting technical assistance (CTA) stood at 82.2% and 17.8% respectively. Overall, technical assistance activities increased by 48% last year relative to 2019 levels, due primarily to the deployment of crisis IPs for three SACCOs (Akiba Yetu, Cahi and CAMEC Mbanza-Ngungu) and six MFIs (FINCA, Hekima, IFOD, SMICO, Tujenge Pamoja and VisionFund). The aim of these crisis IPs is to stabilise PFIs and then to cushion the impacts of the crisis. Specific crisis management package tools (described in detail earlier in this report) were prepared and approved by FPM ASBL's decision-making bodies in order to consolidate and build the resilience of institutions and ensure they could keep providing services to their clients (i.e. the population) during the crisis.

In 2020, the average budget per DTA project stood at $72,220 (up from $66,190 in 2019), while the average project duration increased from 15 months to 18 months over the same period, largely due to the fact that most IPs were suspended for seven months during the state of emergency, when the country was in lockdown.

FPM ASBL also carries out cross-cutting interventions (forums, training sessions and market studies) whose aims include building the capacities of financial institution employees, improving their performance and enabling them to expand their geographical footprint with new branches in under-served areas.

We held nine training sessions 2020, which were attended by 320 people. All of the sessions were delivered online because of the public-health crisis.

Since the first training session was held in August 2012, a total of 2,296 people have attended our programmes – managers and staff of PFIs mainly based in Kinshasa, Bukavu, Goma and Lubumbashi. We have also delivered sessions in Boma, Kananga, Kikwit, Kisangani and Mbanza-Ngungu.

Last year, we held eight forums in total, including four webinars with the following titles: (1) How the Covid-19 crisis is affecting the financial sector and how FPM is responding; (2) Digital financial services: An absolute must for financial institutions in 2020 and beyond; (3) Financial risk management in the post-crisis world; and (4) Insurance: Impact of the Covid-19 crisis and growth opportunities. At least 426 people attended these webinars. We also held four in-person forums to coincide with World Savings Day in Bukavu, Goma, Mbanza-Ngungu and Kisangani.

"Since the first training session was held in August 2012, a total of 2,296 people – managers and staff of PFIs – have attended our programmes."

Distribution of the technical assistance budget by market segment and area of intervention

The crisis had a profound effect on the distribution of the technical assistant budget by market segment in 2020. The share of the DTA budget allocated to MFIs was 71% (up from 59% in 2019), while SACCOs accounted for 23% (up from 21%). Conversely, the share allocated to DTA to banks fell last year to 6% (down from 20% in 2019) as MFIs and SACCOs saw their shares increase. This was because MSMEs – the core market served by SACCOs and MFIs – bore the brunt of the public-health crisis and the ensuing lockdowns in the DRC and around the world, and these financial institutions suffered the knock-on effects. This situation also explains why FPM's crisis technical assistance projects focused primarily on these two segments. Banks, meanwhile, have more diversified portfolios and were better able to absorb the shock to their MSME clients.

The distribution of the DTA budget by area of intervention clearly shows that, in 2020, a large share of FPM ASBL's work focused on crisis management projects, including the management of savings and loan products, which accounted for 44%. This area of intervention mainly consists of projects involving the crisis management products that FPM provided for PFIs to help them weather the effects of the pandemic. Acceleration of technological innovation accounted for the second-highest DTA budget share, at 31%. Importantly, the crisis has underscored the need for financial institutions to develop basic digital products and services that their clients can access more safely. Our other areas of intervention – management information system, governance and risk management – represented 8%, 6% and 5% of the budget respectively. These low figures reflect the fact that, during this period, FPM made stabilising the operations of its PFIs a top priority.

Figure 24 - Allocation of DTA budget per market segment at end-2020

PFI SEGMENT/ CATEGORY	PFIS	AMOUNT ($)	PERCENTAGE
SACCOs	Akiba Yetu, CAMEC Mbanza-Ngungu, Cahi	305.44	23%
Local and international MFIs	FINCA, Hekima, IFOD, SMICO, Tujenge Pamoja, VisionFund	918.61	71%
Full-service banks targeting MSMEs	Afriland, Equity Bank	76.62	6%
TOTAL		**1,299**	**100%**

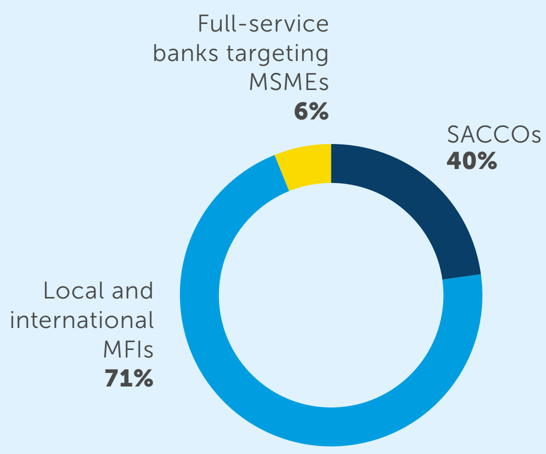
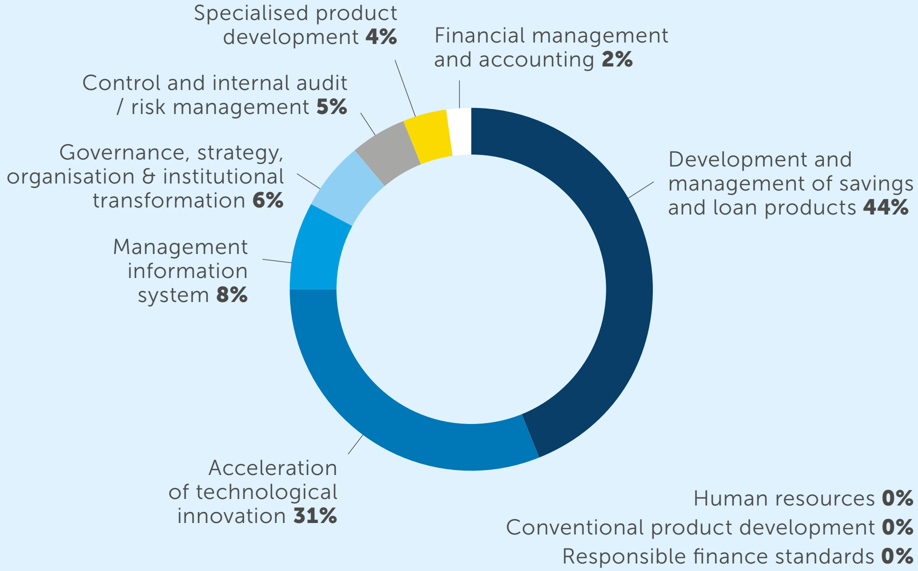


Figure 25 - Allocation of DTA budget by area of intervention at end-2020

AREA OF INTERVENTION	AMOUNT ($)	PERCENTAGE
Governance, strategy, organisation and institutional transformation	75,508	6%
Human resources	-	0%
Control, internal audit and risk management	59,661	5%
Financial management and accounting	30,697	2%
Development and management of savings and loan products	566,575	44%
Conventional product development	-	0%
Management information system	108,615	8%
Responsible finance standards	-	0%
Specialised product development	53,520	4%
Acceleration of technological innovation	405,391	31%
TOTAL	**1,299,968**	**100%**



11/ FPM's contribution to financial inclusion

At FPM, we believe that our work to help PFIs extend their reach and increase their loan and deposit volumes is one of the ways in which we contribute to financial inclusion in the DRC. We make no claim to be in the driving seat of these changes, however for our partners, we make an important contribution.

Our PFIs financed 126,317 MSMEs in 2020, a slight dip (down 7%) from the 2019 figure of 135,187 due to the slow-down in economic activities caused by the pandemic in the first half of the year. At end-2020, the loan portfolio totalled $517 million, again down 7% on 2019, when it stood at $558 million. Savings volumes also trended slightly downwards over the period, from $1,150 million in 2019 to $1,101 million in 2020. Conversely, PFIs served 1,162,117 savers in 2020, up from 1,158,591 in 2019. This slight increase in the number of MSMEs saving with PFIs (up 0.3%) is testament to their continued confidence in these institutions despite the public-health crisis. Overall, the figures show that PFIs are holding on to their MSME clients – a trend that underscores the key role that FPM plays by providing technical and financial support to PFIs and, indirectly, to MSMEs and low-income working people.

Figure 26 - Indicators showing the reach of FPM's PFIs

Our cross-cutting technical assistance activities (forums, training sessions and market studies) also help to increase the reach of PFIs, by equipping their staff with new knowledge and skills, boosting their performance, encouraging them to set up operations in under-served areas and more generally raising the profile of the MSME financing sector. Since the first training session was held 2012, a total of 2,296 PFI managers and staff have gained new skills through our programmes.

12/ In focus 5 / Highlights of 2020

FPM ASBL welcomes the French Development Agency as a new donor

On 28 July 2020, FPM ASBL signed a financing agreement with the French Development Agency (AFD) and the French Embassy in the DRC to support the vehicle's activities to the tune of €5 million. The agreement was signed by H.E. François Pujolas (Ambassador of France to the DRC), Gianni Sartena (Deputy Director of the AFD in the DRC) and Jean-Claude Thetika (CEO of FPM ASBL), in the presence of Mamie Kalonda (President of the National Association of Microfinance Institutions, ANIMF).

As a new FPM ASBL donor, the AFD intends to support the vehicle's 2020–2023 programme of work, with a particular emphasis on women and youth entrepreneurship and technological innovation for financial institutions.

The AFD joins FPM ASBL's existing donors: KfW, BIO and UNDP/UNCDF.

Left to right: Jean-Claude Thetika, CEO of FPM ASBL; H.E. François Pujolas, Ambassador of France to the DRC; Gianni Sartena, Deputy Director of the French Development Agency (AFD) in the DRC.

Summary of crisis technical assistance agreements signed with PFIs in 2020

In 2020, the Covid-19 crisis and the ensuing measures to contain the spread of the virus brought financial activity to an almost complete standstill. At FPM ASBL, we responded by deploying a tailored support programme to meet the needs of financial institutions in these unprecedented times.

We implemented eight crisis intervention plans (IPs) in total: three for SACCOs (Akiba Yetu, CAHI and CAMEC Mbanza-Ngungu) and five for MFIs (FINCA, Hekima, IFOD, SMICO and Tujenge Pamoja).

The agreement with Akiba Yetu marked the beginning of our partnership with this organisation, while the other seven built on existing relationships. The institutions and the nature of our agreements with them are detailed below:

- **Akiba Yetu** is a savings and credit cooperative organisation (SACCO) based in Goma. It has been active in the DRC's financial sector since May 2008. The agreement covers support in four areas: setting up a risk management framework, managing credit risk, making financial and accounting information more reliable, and evaluating the management information system.

- **CAHI** is a SACCO founded in 1976 and one of the oldest cooperatives in South Kivu. The organisation is based in Bukavu and is currently the largest institution in the province. The agreement covers support in the following areas: developing a strategy to boost the loan portfolio and bring down the PAR ratio, and enhancing risk management, including through the use of digital technology.

- **CAMEC Mbanza-Ngungu** is a SACCO based in Kongo Central province. The agreement covers support in the following areas: providing general coaching for managers and directors on crisis management, assisting with PAR management, adopting digital technology for deposits and loan payments, and working on responsible finance standards.

- **FINCA:** FINCA, founded in 2003, is the leading microfinance institution in the DRC with a 47% market share in 2019, as well as a pioneer in technological innovation. FPM ASBL teamed up with Élan RDC to support this institution.

Left to right: Lucine Le Moal, CEO of Élan RDC; Jean-Claude Thetika, CEO of FPM ASBL; Mamie Kalonda, CEO of FINCA RDC.

Left to right: Jean-Claude Thetika, CEO of FPM ASBL; Laurent-Daddy Yamba, CEO of Hekima.

The agreement covers support in the following areas: (1) providing crisis technical assistance (through FPM ASBL), with a focus on optimising lending activities, supporting deployment of the digital strategy and taking urgent measures relating to responsible finance, and (2) providing financial assistance (through FPM ASBL and Élan RDC) to help the institution promote its new line of loans for MSMEs in key sectors such as food processing and personal protective equipment.

- **Hekima** is an MFI operating in North Kivu and South Kivu provinces. It was founded as an NGO in 2003 by World Relief, with financial support from USAID. The agreement, signed in October 2020, covers support in the following areas: setting up a crisis management framework and strengthening credit risk management procedures.

- **IFOD's** Chief Executive signed a crisis technical assistance agreement with FPM ASBL in 2020. The agreement covers support in the following areas: setting up a risk management and operational efficiency framework, strengthening credit risk management, enhancing IT security, and conducting a preliminary assessment for future deployment of a digital finance strategy.

- **Tujenge Pamoja** is an MFI operating in Goma, where it enjoys a strong reputation. The institution was founded in 2007 as a SACCO by Caritas Goma. In 2019, it became an MFI – a legal form that more closely aligns with its business model – with FPM ASBL's support. The agreement, signed in 2020, covers support in the following areas: strengthening the risk management framework, analysing the institution's digital strategy, enhancing IT security and taking urgent measures relating to responsible finance.

- **SMICO** is an MFI founded in December 2019 by a group of former bankers from the DRC and Belgium with a strong attachment to the region and a determination to support the development of local communities in Kivu and the east of the DRC. The agreement covers support in the following areas: providing loan support, strengthening digital solutions and implementing crisis management systems and processes.

Left to right: Pacifique Ndagano, CEO of SMICO SA; Jean-Claude Thetika, CEO of FPM ASBL.

A look back at our 2020 forums

As well as putting the brakes on the economy, the measures introduced to contain the spread of the virus meant that we had to move our cross-cutting technical assistance forums to a hybrid format, with some taking place online (as webinars) and others going ahead in person (in smaller groups).

In 2020, we held four webinars, plus four in-person forums (to coincide with World Savings Day) in Mbanza-Ngungu, Bukavu, Goma and Kisangani.

Online forums (webinars)

The main aim of the online forums (webinars) we organised in 2020 was to build personal connections between FPM and the DRC's financial sector (and financial institutions in particular). The sessions gave attendees an opportunity to talk about their experiences of the pandemic. The four webinars held last year were as follows:

- How the Covid-19 crisis is affecting the financial sector and how FPM is responding
- Digital financial services: An absolute must for financial institutions in 2020 and beyond
- Financial risk management in the post-crisis world
- Insurance: Impact of the Covid-19 crisis and growth opportunities

The webinars drew a total of 426 attendees from a wide variety of backgrounds, including the financial sector, the insurance industry, and current and potential donors.

13/ In focus 6 / The view from FPM's development partners

The French Development Agency (AFD)

The AFD Group is a public institution that implements France's policy in the areas of development and international solidarity. Its mission is to contribute to the economic, social and environmental progress of low and middle-income countries.

In practical terms, this mission is carried out by providing loans, grants, expertise or technical assistance. These forms of assistance are granted to states, local authorities, companies, foundations or NGOs and are used to complete projects in many different fields including climate, biodiversity, energy, education, urban planning and health. The AFD Group comprises the AFD and its subsidiary Proparco, which is dedicated to financing private-sector stakeholders. The AFD Group finances and monitors over 4,000 development projects and programmes, which are having a major social and environmental impact in 115 countries and French overseas departments, contributing to the commitment of France and the French people to the Sustainable Development Goals (SDGs).

The AFD has been present in the DRC since the mid-1970s. The main focus of its current financing in the country is to promote access to basic services (such as health, education, water and sanitation), to strengthen administrative and financial governance, and to protect the environment (sustainable forest management).

The AFD's interventions in the DRC's financial inclusion sector date back to the late 2000s, when the agency assisted with the drafting of the microfinance law and provided financing directly to MFIs and banks, as well as to MSMEs through the risk-pooling mechanism with banks and MFIs.

For MSMEs and individuals in the DRC, accessing credit remains just as difficult today as it was back then – even though credit plays an important role in diversifying the economy and creating jobs, especially for young people. Financial institutions also struggle to develop products and services that meet the diverse needs of clients across the

Didier Grebert, Director of the French Development Agency (AFD) in the DRC.

country. Likewise, fewer than 20% of people over the age of 15 have an account with a formal financial institution. Yet the ever-growing mobile penetration rate – currently around 40% of the population – is opening up new opportunities for financial inclusion through payment services, money transfers and access to savings and loans in a country whose size and underdeveloped infrastructure make it impossible for local financial institutions to develop extensive physical branch networks.

As such, there remains considerable room for improving financial inclusion in the DRC – and for leveraging its impact on growth and resilience, especially for the most vulnerable members of society. Yet such improvements will remain piecemeal without close support from financial institutions operating in the sector.

This is precisely what FPM ASBL has been doing for over a decade: providing technical assistance to financial institutions working with MSMEs and low-income working people, with a view to improving access to longer-term sources of financing – and, in doing so, stimulating economic diversification and helping to reduce social inequalities.

With these considerations in mind, and building on its past experience, the AFD decided to further its commitment to financial inclusion through a €5 million grant to FPM ASBL, which was agreed in late 2019 and formally signed in mid-2020. The money, which comes on top of contributions from KfW, BIO, UNDP/UNCDF and other partners, will support the fund's 2020–2023 programme of work. More specifically, the grant will be put towards: (I) developing a pool of skilled human resources, (II) promoting technological innovation in financial institutions, (III) helping these institutions expand the footprint of their operations in the DRC, and (IV) supporting responsible finance within these institutions, with a particular emphasis on female entrepreneurship.

"The recent Covid-19 pandemic, which has swept across the globe and affected the DRC's economy, has underscored the persistent vulnerability of many financial institutions and their clients. With stronger risk management frameworks, governance practices and other fundamentals, financial institutions will be equipped to grow their business while weathering the crises that are weakening the financial sector and having knock-on effects on their clients and on the economy more generally."

Incofin cvso

Incofin cvso, a cooperative company with a social purpose under Belgian law, holds the largest stake of FPM SA's four shareholders. It has been a shareholder since the vehicle's inception in 2014, when Incofin Investment Management (Incofin IM, for short) – which is 30% owned by Incofin cvso – was selected as FPM SA's Adviser. At the time, FPM SA shareholders were keen for the Adviser to demonstrate its commitment by acquiring an equity stake. Since Incofin IM was not an investor in its own right, it acquired the stake through its own shareholder Incofin cvso, which is an investment vehicle.

Incofin cvso was founded in 1992 by a savings bank and two Belgian NGOs. At a time when thinking was dominated by "development aid", the innovative concept behind Incofin cvso – "impact investing" – was largely unknown. Incofin cvso has forged a reputation as a pioneer in the socially responsible investing sector. One of its stand-out achievements was to develop and disseminate a tool for measuring the social performance of businesses, which went on to become an international standard.

Incofin cvso raises capital from private investors, which it then reinvests in profitable businesses that make a difference to society through their work. The company aims to make a financial return on its investments while at the same time achieving a positive social impact. In principle, it distributes an annual dividend to its shareholders as well as allocating annual budgets to technical assistance interventions, which it calls a "social dividend".

Incofin cvso has over 2,500 shareholders, most of whom are private individuals who allocate a portion of their savings to sustainable and equitable investments that promote financial inclusion for low-income people in emerging economies. The shareholders receive regular updates on the company's activities and are invited to attend the annual general meeting in person. Incofin cvso also extends an invitation to the managers of one of the MFIs in which it invests. FPM's CEO Carlos Kalambay was the invited guest at the company's 2016 annual general meeting, where he shared his insights into the DRC's financial sector and talked about FPM SA's role in front of an audience of hundreds of shareholders.

Incofin cvso has built a highly diversified €75 million investment portfolio spanning partners in 27 countries across Africa, Latin America and Asia. It targets financial institutions serving MSMEs and is willing to accept a high degree of risk provided that the investment represents good value in terms of impact. For instance, it holds an equity stake in a financial institution in Haiti, one of the world's most fragile economies.

FPM SA is the only entity in which Incofin cvso has invested in the DRC – a high-risk country on account of the many political and economic crises it has experienced since the company acquired its stake in 2014. The recent Covid-19 pandemic is just the latest in a long series of challenges that FPM SA has faced. But the vehicle weathered the storm and stayed the course in 2020, managing to expand its portfolio while achieving highly satisfactory levels of profitability. Incofin cvso has been impressed with the professionalism shown by the Board of Directors, the Credit Committee and the Management Team (supported by the Adviser), which have successfully navigated FPM SA through choppy waters.

Through FPM SA's diversified portfolio of 10 DRC-based PFIs, Incofin cvso indirectly reaches 165,000 clients (as at end-2020). In light of its strong focus on social impact, Incofin cvso attaches particular importance to its investment in FPM SA, which has become a key player in the DRC's inclusive finance landscape. The DRC has one of the lowest rates of financial inclusion in Africa: according to the World Bank, only 12% of adults in the country have a bank account, while 54% of the adult population is excluded from the financial system altogether. The DRC has a population of 90 million people: a figure that, under current demographic trends, is expected to double by 2050. For this reason, it is vital to invest in an inclusive system that gives everyone access to financial services – services that are designed to foster sustainable economic growth and pave the way for better living standards for the community.

The vast disparity between urban and rural areas is another challenge facing both the DRC and FPM. The fund's founders, including Incofin cvso, have always promoted geographical diversification as a way to ensure that its activities reach as much of the country as possible. That is why FPM currently has a presence in 23 of the DRC's 26 provinces. Its portfolio includes not only bank-like financial institutions, but also SACCOs and smaller MFIs – the very institutions that are best placed to serve people in the most remote and hard-to-reach areas of the country.

Unlike most international investment funds, FPM SA's operations are managed by an in-country team. This approach means the fund has its ear to the ground and is better able to keep pace with market developments. FPM has become the go-to institution for international "impact" investors seeking to enter the Congolese market, who maintain regular contact with the fund's team to keep abreast of the situation on the ground.

In short, Incofin cvso is delighted to be a shareholder of FPM, a company that is working to foster greater financial inclusion in the DRC. Given the country's enormous capacity and potential for growth, FPM has a bright future ahead of it. And Incofin cvso is proud to be a part of that future.

incofin cvso
by Incofin IM

14/ In focus 7 / The view from FPM's partner financial institutions (banks, SACCOs, MFIs and some of their clients)

Testimonials from clients of two institutions that have received loans from FPM SA

Using funds donated by KfW, FPM SA has supported the growth of DRC-based MSMEs via two banks and one MFI. Here, the businesses that received these funds talk about their journey and explain how they managed to stay afloat through the pandemic.

Esther Kitenga has managed an orphanage in Lemba, a commune of Kinshasa, for 20 years. In 2019, she applied for a loan to fund new income-generating activities to help the orphanage meet its needs. She secured an initial $5,000, which she used to buy pigs for her pigsty. Esther also started other activities such as selling *maboké* (a typical Congolese dish) and second-hand clothes, and growing cassava. With the income from these diverse sources, she was comfortably able to meet her loan repayments.

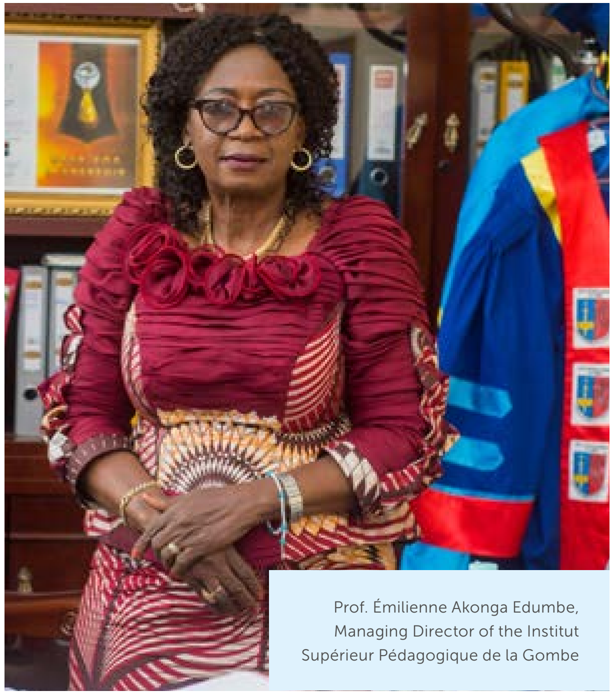
The Covid-19 outbreak arrived shortly after she had secured a further $10,000 loan, bringing a whole new set of challenges. *"I'd started raising chickens and ducks. I lost them all when the lockdown happened because nobody was able to go and feed them. I've been fortunate to get support from VisionFund. They come to see me without an appointment, sometimes when I'm busy at work. That's encouraged me to keep going in these difficult times. Thanks to their advice, we've managed to weather the storm. In my view, it's a really supportive way of working."*

Professor Émilienne Akonga Edumbe holds a PhD in philosophy and literature and is Managing Director of Institut Supérieur Pédagogique de la Gombe (ISP Gombe). She reveals that high-quality client care is what she looks for first and foremost in a bank, and she explains that things are going well for her organisation.

The institute chose to work with its current bank after a competitive bidding process. ISP Gombe now uses the bank for all its financial services needs. And according to Émilienne, both sides are currently adhering to the terms of their agreement. The bank collects students' tuition and accommodation fees.

Esther Kitenga, orphanage manager and trader

The bank suspended repayments during the Covid-19 crisis, giving ISP Gombe enough time to get back on its feet before the repayments resumed. *"We're currently repaying our loans without any problems. As a result, we've managed to secure another loan to complete the work on our beautiful building. We've called it the '50th anniversary building' because construction began when ISP Gombe was 50 years old."*



Prof. Émilienne Akonga Edumbe, Managing Director of the Institut Supérieur Pédagogique de la Gombe

Testimonials from PFIs of FPM ASBL and FPM SA

Fabien Ndosimau manages a cold store and is a client of our partner, Baobab RDC.

"Baobab RDC's support helped my business survive the Covid-19 crisis. Getting a loan was easy, even though income from my cold store was falling. Luckily, Baobab RDC's procedures are relatively straightforward, and they offered all borrowers a two-month grace period. As a result, I was comfortably able to repay the loan while securing much-needed working capital for my business.

I've worked in the fresh food sector for 15 years now. It hasn't always been easy, but having a supportive partner like Baobab RDC by my side has really helped me to grow. In the medium to longer term, I'd like to be able to buy some equipment and add a new building to expand my operations. I'll definitely continue working with Baobab RDC because I firmly believe that a loan, if used properly, can really help your business grow. It's important to spend the money on things that will deliver a return. You have to invest wisely."

Fabien Ndosimau, cold store manager

Françoise Kataka Katungu is a trader and a client of Hekima.

Françoise has been trading oil for so long that she cannot remember when it all started. She has been a client of Hekima for three years, after learning about the MFI from other traders who were obtaining loans from the institution. She's delighted with the service she receives, mainly because the loan repayment rates are affordable. She also gets ongoing support and advice from Hekima's staff, who make sure that the money she borrows is used in the right way to help her business grow.

"The pressure was off and I was easily able to repay everything I'd borrowed."

Left to right: Françoise Kataka Katungu, trader; Mamie Mbona Meli, manager of Septième Tempête.

"I didn't find the lockdown especially challenging because I sell food products, so it was business as usual in terms of orders and sales. In fact, things were made even easier by the flexible loan repayment measures that were introduced. The pressure was off and I was easily able to repay everything I'd borrowed." She adds that thanks to the support and advice she received from Hekima, she was able to grow her business and better manage her operations. Françoise's dream is to secure a larger loan so she can buy a building on the main road to give her business more exposure.

Mamie Mbona Meli is the manager of Septième Tempête and a client of CAMEC Mbanza-Ngungu.

"Thanks to the support of CAMEC Mbanza-Ngungu, I was able to open a second store in 2020," she says.

"The loans I obtained from CAMEC allowed me to continue trading throughout the Covid-19 crisis. I like how simple their procedures are, and how quickly they get the funds to you. I hope to be able to secure larger amounts in the near future."

When asked what she appreciates most about CAMEC, Mamie has no hesitation: *"The best thing about CAMEC is the support they provide. They don't just lend money: they also offer training and advice for their members. The training sessions are accessible and practical. You get to talk about the everyday challenges you face in your business, and the facilitator works through possible solutions with you. I'd love CAMEC to offer more of this kind of training."*

John Ababuru Cimoro is trader based in Goma and a client of SACCO Akiba Yetu.

The Covid-19 pandemic hit just as John was in the middle of repaying a loan. For him, like everyone else around the world, it was an unwelcome surprise. But his initial concerns soon eased when his financial institution introduced flexible repayment terms to help its clients through the crisis, such as waiving late-payment interest and extending loan repayments beyond the initial term. This support proved invaluable.

John says his business could not have thrived without the support he received from Akiba Yetu: *"In the early days, I used to travel to Dubai to pick up supplies twice a year. Now, I make four or five of these trips every year. And that's all thanks to the ongoing support and advice I've had from my financial institution."*

John hopes that Akiba Yetu will develop new products that meet his new ambitions, which include buying a house now that his business is prospering. So he would like to see his bank introduce a line of mortgage loans for interested members, as well as a scholarship programme so he can complete his degree.

John Ababuru Cimoro, trader

"John Ababuru says his business could not have thrived without the support he received from Akiba Yetu."

3

Financial statements of FPM ASBL

15/ Independent auditor's report

on the annual financial statements of FPM ASBL for the financial year ending 31 December 2020 (in $)

Kinshasa / Gombe,

1. Opinion

We have performed the audit of the enclosed financial statements of FPM ASBL as of 31 December 2020, comprising the balance sheet, the income statement, the cash flow statement for the financial year ending on the same date, and the notes to the financial statements.

In our opinion, the annual financial statements, in all material respects, give a true image of the financial situation of FPM ASBL as at 31 December 2020, and of its financial performance and cash flow for the financial year ending on the same date, in accordance with the accounting principles generally accepted in the Democratic Republic of Congo.

2. Basis of the opinion

We performed our audit in accordance with the International Standards on Auditing (ISA). The responsibilities incumbent upon us under these standards are described more fully in the section "Responsibilities of the independent auditor relative to the audit of the financial statements" in this report. We are independent of FPM ASBL in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, and we have satisfied other ethical responsibilities to which we are subject according to these rules.

We consider that the evidence we have obtained is a sufficient and appropriate basis for our audit opinion.

3. Responsibilities of management and those in charge of governance relative to the financial statements

Management is responsible for the preparation and truthful presentation of the financial statements in accordance with the rules and accounting methods laid down by the OHADA Uniform Act on Accounting Law and Financial Information, as well as for the internal audit that it considers necessary to enable the preparation of financial statements that do not contain material misstatements, whether these result from fraud or from error.

When preparing the financial statements, it is incumbent upon Management to assess the ability of the Non-Profit Organisation to continue operating, to supply, where applicable, information relative to its ability to continue as a going concern, and to apply the going concern basis, unless Management intends for the Non-Profit Organisation to cease operating or if there is no other realistic alternative solution open to it.

It is incumbent upon those in charge of governance to monitor the process of preparing the Non-Profit Organisation's financial information.

4. Responsibilities of the independent auditor relative to the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole do not contain material misstatements, whether these result from fraud or from error, and to issue an audit report containing our opinion.

Reasonable assurance corresponds to a high level of assurance. However, this does not guarantee that an audit performed to "ISA" standards will always enable any material misstatement that exists to be detected. Misstatements may result from fraud or from error and are considered material if it is reasonable to expect that, taken individually or collectively, they could influence the economic decisions that users of the financial statements take on the basis of those statements.

Our responsibilities relative to the audit of the financial statements are described in more detail in the appendix to this audit report.

Appendix - Responsibilities of the independent auditor relative to the audit of the financial statements

As part of an audit carried out in accordance with ISA standards, we exercise our professional judgement and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatements in the financial statements, whether resulting from fraud or from error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from error, as fraud may involve collusion, falsification, voluntary omissions, false declarations or circumvention of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We assess whether the chosen accounting methods are appropriate and whether the accounting estimates made by management, along with the related information provided by management, are reasonable.

- We evaluate the overall presentation, structure and content of the financial statements, including the information contained in the notes to the financial statements, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- We gather sufficient and appropriate evidence showing that the events occurring between the date of the financial statements and the date of our report, requiring an adjustment of the financial statements or information to be provided in them, have been handled appropriately in the financial statements in accordance with the relevant accounting framework.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the supporting evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related information in the financial statements or, if such information is inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our report.

- We communicate to those in charge of governance matters including the scope and timings of the audit work and our major observations, including any significant failing in internal control that we may have identified during our audit.

- We have a duty of professional secrecy with regard to all facts, acts and information of which we are aware.

11 May 2021
PricewaterhouseCoopers RDC SAS

16/ # Balance sheet

(in $)

ASSETS – FPM ASBL	GROSS	AMORT./PROV.	2020 NET	2019 NET
FIXED ASSETS				
Intangible fixed assets	**20,892**	**7,008**	**13,884**	**-**
Research and development costs	-	-	-	-
Patents, licences and software	20,892	7,008	13,884	-
Goodwill and lease premium	-	-	-	-
Other intangible fixed assets	-	-	-	-
Tangible fixed assets	378,546	272,670	105,877	85,172
Land	-	-	-	-
Buildings	-	-	-	-
Building fixtures and fittings	-	-	-	-
Equipment, furniture and biological assets	154,756	128,616	26,140	42,380
Transport equipment	223,790	144,053	79,737	42,792
Payments on account on fixed assets	-	-	-	-
Financial fixed assets	65,760	2,100	63,660	63,660
Equity interests	-	-	-	-
Other financial fixed assets	65,760	2,100	63,660	63,660
Total fixed assets	**465,198**	**281,777**	**183,421**	**148,832**
CURRENT ASSETS				
Current assets excluding ordinary activities	**-**	**-**	**-**	**-**
Inventory and work in progress	**-**	**-**	**-**	**-**
Goods for resale	-	-	-	-
Raw materials and other consumables	-	-	-	-
Work in progress	-	-	-	-
Manufactured products	-	-	-	-
Debts receivable and related accounts	3,380,561	902,779	2,477,782	495,840
Suppliers, payments on account made	32,993	-	32,993	28,508
Clients	2,030,602	902,779	1,127,823	363,677
Other receivables	1,316,966		1,316,966	103,655
Total current assets	**3,380,561**	**902,779**	**2,477,782**	**495,840**
CASH – ASSETS				
Investment securities	-	-	-	-
Financial instruments for collection	-	-	-	-
Banks, postal cheques, cash in hand and similar	2,255,411	-	2,255,411	3,082,048
Total cash – assets	**2,255,411**	**-**	**2,255,411**	**3,082,048**
Conversion adjustment – assets	-	-	-	-
TOTAL	**6,101,170**	**1,184,556**	**4,916,614**	**3,726,720**

LIABILITIES – FPM ASBL	2020	2019
EQUITY CAPITAL AND RELATED RESOURCES		
Capital	**3,000,000**	**2,800,000**
Contributors, non-called-up capital	-	-
Premiums and reserves	**-**	**-**
Premiums on share capital	-	-
Revaluation difference	-	-
Unavailable reserves	-	-
Free reserves	-	-
Carried forward + or -	-1,208,669	-585,653
Net profit or loss for the financial year	**382,760**	**-623,016**
Investment subsidy	110,828	63,200
Regulated provisions	-	-
Total equity capital and related resources	**2,284,919**	**1,654,531**
FINANCIAL DEBTS AND RELATED RESOURCES		
Sundry loans and financial debts	**-**	**-**
Capital lease liabilities	-	-
Financial provisions for liabilities and charges	-	-
Total financial debts and related resources	**-**	**-**
Total stable resources	**2,284,919**	**1,654,531**
CURRENT LIABILITIES		
Current liabilities excluding ordinary activities and related resources	**-**	**-**
Current liabilities from ordinary activities and related resources	**2,631,695**	**2,072,189**
Clients, payments on account taken	-	-
Accounts payable	213,780	194,447
Tax and social security liabilities	128,399	106,515
Other debts	2,260,747	1,742,459
Provisions for short-term risks	28,769	28,769
Total current liabilities	**2,631,695**	**2,072,189**
CASH – LIABILITIES		
Banks, discount credits	-	-
Banks, financial institutions and cash credits	-	-
Total cash – liabilities	**-**	**-**
Conversion adjustment – liabilities	-	-
TOTAL	**4,916,614**	**3,726,720**

17/
Income statement

for the financial years ending 31 December 2020 and 2019 (in $)

REF.	DESCRIPTION	2020	2019
TA	Sales of goods	-	-
RA	Purchases of goods	-	-
RB	Change in inventory	-	-
XA	**Commercial margin (sum of TA to RB)**	**-**	**-**
TB	Sale of manufactured products	-	-
TC	Works, services sold	238,425	216,200
TD	Miscellaneous income	-	21,600
XB	**Revenue (A+B+C+D)**	**238,425**	**237,800**
TE	Inventoried production (or reduction in inventory)	-	-
TF	Capitalised production	-	-
TG	Operating subsidies	2,865,317	2,311,702
TH	Other income	129,099	241,104
TI	Transfers of operating expenses	-	-
RC	Purchases of raw materials and related supplies	-	-
RD	Change in inventory of raw materials and related supplies	-	-
RE	Other purchases	59,328	51,535
RF	Changes in other supplies	-	-
RG	Transport	3,572	7,643
RH	External services	1,717,225	2,290,677
RI	Taxes and related expenses	-	-
RJ	Other expenses	127,995	267,335
XC	**Value added (XB+RA+RB) + (sum of TE to RJ)**	**1,324,721**	**173,416**
RK	Wages and salaries	1,012,933	833,225
XD	**Gross operating surplus (XC+RK)**	**311,788**	**(659,809)**
TJ	Write-backs of amortisations, provisions and depreciation	26,945	3,974
RL	Allocation to amortisations, provisions and depreciation	40,934	20,086
XE	**Operating profit or loss (XD+TJ+RL)**	**297,799**	**(675,922)**
TK	Financial and similar income	85,978	28,199
TL	Write-backs of financial provisions and depreciation	-	-
TM	Transfers of financial expenses	-	-
RM	Financial and similar expenses	1,017	1,893
RN	Allocations to financial provisions and depreciation	-	-
XF	**Financial profit or loss (sum of TK to RN)**	**84,961**	**26,306**
XG	**Profit or loss from ordinary activities (XE+XF)**	**382,760**	**(649,616)**
TN	Income from disposals of fixed assets	-	26,600
TO	Other income excluding ordinary activities	-	-
RO	Accounting values of disposals of fixed assets	-	-
RP	Other expenses excluding ordinary activities	-	-
XH	**Profit or loss excluding ordinary activities (sum of TN to RP)**	**-**	**26,600**
RQ	Employee profit-sharing	-	-
RS	Income tax	-	-
XI	**Net profit or loss (XG+XH+RQ+RS)**	**382,760**	**(623,016)**

18/ Cash flow statement

for the financial years ending 31 December 2020 and 2019 (in $)

REF.	DESCRIPTION	2020	2019
ZA	**Net cash at 1 January (cash assets for previous period - cash liabilities for previous period)**	**3,082,048**	**2,311,718**
	CASH FLOW FROM OPERATIONS		
FA	Global self-financing capacity	396,749	(633,503)
FB	- Change in current assets excluding ordinary activities*	-	-
FC	- Change in inventory	-	-
FD	- Change in receivables	1,981,943	(101,616)
FE	+ Change in current liabilities *	559,505	1,072,381
	Change in financing requirements linked to operations (FB+FC+FD+FE)	**(1,422,437)**	**1,173,997**
ZB	**Cash flow from operations (sum of FA to FE)**	**(1,025,688)**	**540,494**
	CASH FLOW FROM INVESTING ACTIVITIES		
FF	- Cash outflow for acquisition of intangible fixed assets	13,884	-
FG	- Cash outflow for acquisition of tangible fixed assets	61,638	49,619
FH	- Cash outflow for acquisition of financial fixed assets	-	-
FI	+ Cash inflow from disposals of intangible and tangible fixed assets	-	26,600
FJ	+ Cash inflow from disposals of financial fixed assets	-	-
ZC	**Cash flow from investing activities (sum of FF to FJ)**	**(75,522)**	**(23,019)**
	CASH FLOW FROM EQUITY FINANCING		
FK	+ Capital increases from new contributions	200,000	200,000
FL	+ Investment subsidies received	74,573	52,855
FM	- Reductions in capital	-	-
FN	- Dividends paid	-	-
ZD	**Cash flow from equity (sum of FK to FN)**	**274,573**	**252,855**
	CASH FLOW FROM FINANCING BY FOREIGN CAPITAL		
FO	+ Loans	-	-
FP	+ Other financial debts	-	-
FQ	- Repayments of loans and other financial debts	-	-
ZE	**Cash flow from foreign capital (sum of FO to FQ)**	**-**	**-**
ZF	**Cash flow from financing activities (D+E)**	**274,573**	**252,855**
ZG	**Change in net cash for the period (B+C+F)**	**(826,637)**	**770,330**
ZH	**NET CASH AT 31 DECEMBER (G+A)** Control: Cash assets for the period - Cash liabilities for the period	**2,255,411**	**3,082,048**

* excluding changes in receivables and debts linked to investing activities (changes in receivables linked to disposals of fixed assets and debts linked to acquisition or production of fixed assets) and financing activities (e.g. change in receivables linked to investment subsidies received)

4

Financial statements of FPM SA

19/ Independent auditor's report

on the financial statements of FPM SA for the financial year ending 31 December 2020 (in $)

Kinshasa / Gombe,
To the general meeting of shareholders of FPM SA

1. Opinion

We have performed the audit of the enclosed financial statements of FPM SA as of 31 December 2020, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement for the financial year ending on the same date, and the summary of the main accounting methods and other explanatory information.

In our opinion, the annual financial statements, in all material respects, give a true image of the financial situation of FPM SA as at 31 December 2020, and of its financial performance and cash flow for the financial year ending on the same date, in accordance with the accounting principles generally accepted in the Democratic Republic of Congo and with the instructions and directives of the Central Bank of Congo.

2. Basis of the opinion

We performed our audit in accordance with the International Standards on Auditing (ISA). The responsibilities incumbent upon us under these standards are described more fully in the section "Responsibilities of the independent auditor relative to the audit of the financial statements" in this report. We are independent of FPM SA in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, and we have satisfied other ethical responsibilities to which we are subject according to these rules.

We consider that the evidence we have obtained is a sufficient and appropriate basis for our audit opinion.

3. Note

The financial statements appended to this report were prepared in a foreign currency (US dollars), which is inconsistent with the accounting principles generally accepted in the Democratic Republic of Congo and with the instructions and directives of the Central Bank of Congo. The statements were prepared in this manner in order provide an economically realistic picture for shareholders. The statements prepared in Congolese francs (in accordance with the accounting principles generally accepted in the Democratic Republic of Congo and with the instructions and directives of the Central Bank of Congo) were certified and approved by the general meeting of shareholders in late March 2021.

4. Responsibilities of management and those in charge of governance relative to the annual financial statements

Management is responsible for the preparation and truthful presentation of the financial statements in accordance with the accounting principles generally accepted in the Democratic Republic of Congo and with the instructions and directives of the Central Bank of Congo, as well as for the internal audit that it considers necessary to enable the preparation of financial statements that do not contain material misstatements, whether these result from fraud or from error.

When preparing the financial statements, it is incumbent upon Management to assess the ability of the company to continue trading, to supply, where applicable, information relative to its ability to continue as a going concern, and to apply the going concern basis, unless Management intends for the company to cease trading or if there is no other realistic alternative solution open to it.

It is incumbent upon those in charge of governance to monitor the process of preparing the company's financial information.

5. Responsibilities of the independent auditor relative to the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole do not contain material misstatements, whether these result from fraud or from error, and to issue an audit report containing our opinion.

Reasonable assurance corresponds to a high level of assurance. However, this does not guarantee that an audit performed to "ISA" standards will always enable any material misstatement that exists to be detected. Misstatements may result from fraud or from error and are considered material if it is reasonable to expect that, taken individually or collectively, they could influence the economic decisions that users of the financial statements take on the basis of those statements.

Our responsibilities relative to the audit of the financial statements are described in more detail in the appendix to this audit report.

Appendix - Responsibilities of the independent auditor relative to the audit of the financial statements

As part of an audit carried out in accordance with ISA standards, we exercise our professional judgement and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatements in the financial statements, whether resulting from fraud or from error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from error, as fraud may involve collusion, falsification, voluntary omissions, false declarations or circumvention of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We assess whether the chosen accounting methods are appropriate and whether the accounting estimates made by management, along with the related information provided by management, are reasonable.

- We evaluate the overall presentation, structure and content of the financial statements, including the information contained in the notes to the financial statements, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- We gather sufficient and appropriate evidence showing that the events occurring between the date of the financial statements and the date of our report, requiring an adjustment of the financial statements or information to be provided in them, have been handled appropriately in the financial statements in accordance with the relevant accounting framework.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the supporting evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related information in the financial statements or, if such information is inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our report.

- We communicate to those in charge of governance matters including the scope and timings of the audit work and our major observations, including any significant failing in internal control that we may have identified during our audit.

- We have a duty of professional secrecy with regard to all facts, acts and information of which we are aware.

09 June 2021
PricewaterhouseCoopers RDC SAS

20/ Balance sheet

(in $)

ASSETS – FPM SA	2020	2019
CASH AND INTERBANK TRANSACTIONS		
Cash in hand and Central Bank of Congo	506	214
Ordinary correspondents – on demand	3,250,703	2,250,443
Ordinary correspondents – term	7,946,908	7,372,635
	11,198,117	**9,623,292**
TRANSACTIONS WITH CLIENTS		
Loans to clients	26,591,845	27,445,133
Debts owed by lending institutions	-	-
	26,591,845	**27,445,133**
THIRD-PARTY AND ACCRUALS ACCOUNTS		
Subscribed capital – not paid up	-	-
Miscellaneous assets	152,421	42,419
Asset accruals accounts	44,835	53,918
	197,256	**96,337**
CAPITALISED ASSETS		
Intangible fixed assets	35,554	116,771
Tangible fixed assets	106,767	95,452
	142,321	**212,223**
TOTAL ASSETS	**38,129,539**	**37,376,985**

LIABILITIES – FPM SA	2020	2019
CASH AND INTERBANK TRANSACTIONS		
Ordinary correspondents – Overdrafts	-	-
TRANSACTIONS WITH CLIENTS		
Client deposits – on demand	-	-
Term deposits and savings accounts	-	-
THIRD-PARTY AND ACCRUALS ACCOUNTS		
Miscellaneous liabilities	404,838	490,857
Accruals accounts – liabilities	192,153	111,334
	596,991	**602,191**
LONG-TERM EQUITY		
Equity capital		
Share capital	23,432,100	23,432,100
Carried forward + or -	664,303	112,274
Profit or loss for the financial year	612,704	552,029
Capital gain on revaluation	-	-
Provisions for reconstitution of share capital	-	-
	24,709,107	**24,096,403**
General provisions (for healthy receivables)	264	272,5
Provisions for risks, charges and losses	91,536	31,68
Long-term and medium-term loans	12,467,905	12,374,211
	12,823,441	**12,678,391**
Long-term equity	37,532,548	36,774,794
TOTAL LIABILITIES	**38,129,539**	**37,376,985**

21/ Income statement

for the financial years ending 31 December 2020 and 2019 (in $)

INCOME STATEMENT – FPM SA	2020	2019
Income from cash and interbank transactions	408,041	425,876
Income from transactions with clients	1,803,875	1,854,150
Expenses linked to cash and interbank transactions	-	-
Expenses linked to transactions with clients	(25,890)	(27,428)
Intermediation margin	**2,186,026**	**2,252,598**
Income from miscellaneous banking transactions	8,816	1,007
Expenses linked to miscellaneous banking transactions	(124,050)	(124,211)
Net banking income	**2,070,792**	**2,129,394**
Miscellaneous income	-	-
General operating costs	(670,279)	(665,756)
Wages and salaries	(638,424)	(591,001)
Taxes and related expenses	(1,743)	(1,075)
Gross operating profit or loss	**760,346**	**871,562**
Allocations to depreciation	(125,346)	(193,665)
Extraordinary profit or loss before tax	**635,000**	**677,897**
Allocations and losses on receivables	(56,320)	572
Extraordinary profit or loss	54,480	12,200
Capital gains or losses on disposals of assets	-	-
Profit or loss on ordinary activities before tax	**633,160**	**690,669**
Corporation and income tax	(20,456)	(138,640)
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	**612,704**	**552,029**

22/ Statement of changes in equity

as at 31 December 2020 (in $)

	Share capital	Provisions for reconstitution of capital	Profit/loss carried forward	Profit/loss for the current financial year	Capital gain on revaluation	TOTAL
Balance at 1 January 2020	**23,432,100**	**-**	**112,274**	**552,029**	**-**	**24,096,403**
Increase	-	-	-	612,704	-	612,704
Reduction	-	-	-	-	-	-
Transfers between items	-	-	552,029	(552,029)	-	-
BALANCE AT 31 DECEMBER 2020	**23,432,100**	**-**	**664,303**	**612,704**	**-**	**24,709,107**

Cash flow statement

for the 2020 and 2019 financial years (in $)

CASH FLOW STATEMENT – FPM SA	2020	2019
OPERATIONS		
Banking operating income collected	2,481,546	2,342,917
Banking operating expenses disbursed	(56,958)	(45,062)
Deposits/withdrawal of deposits from other banking and financial institutions	-	-
Loans and advances / reimbursement of loans and advances to clients	-	-
Deposits / withdrawal of deposits by clients	-	-
Investment securities	-	-
Sums paid to staff and miscellaneous creditors	(1,027,463)	(1,153,269)
Other cash flow from operations	(455,172)	(131,280)
Corporation and income tax	(138,269)	(208,122)
Net cash flow from operations	**803,684**	**805,184**
INVESTMENT ACTIVITIES		
Interest and dividends collected from investment portfolio	-	-
Acquisitions/sales in investment portfolios	850,000	(300,000)
Acquisitions/sales in fixed assets	(55,444)	-
Net cash flow from investment activities	**794,556**	**(300,000)**
FINANCING ACTIVITIES		
Share issues	-	-
Bond issues	-	-
Debt reimbursement	(30,356)	(30,356)
Capital increase/decrease	-	-
Net cash flow from financing activities	**(30,356)**	**(30,356)**
Impact of exchange rate changes on cash and cash equivalents	6,941	(1,170)
Net variation in cash and cash equivalents during the year	**1,574,825**	**473,658**
Cash and cash equivalents at start of year	9,623,292	9,149,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11,198,117**	**9,623,292**

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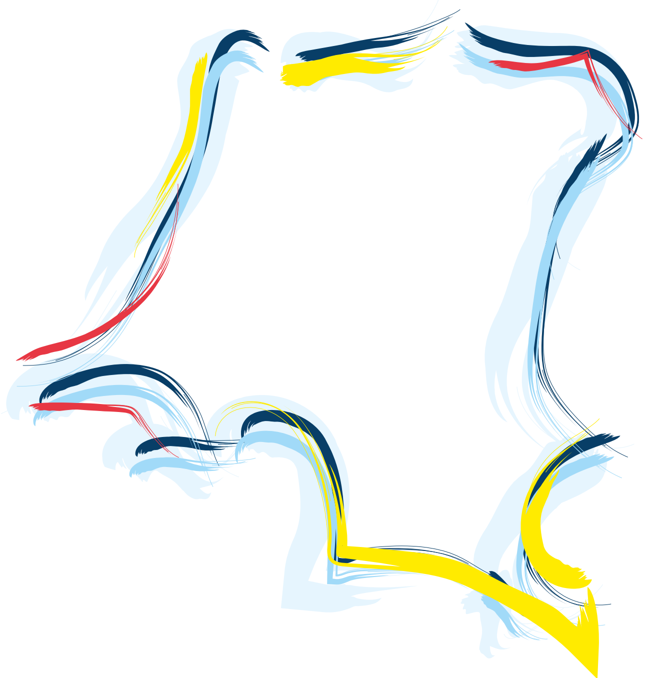

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