

WHY AE & I STOPPED WORKING WITH KIVA

On its website, kiva.org published false information to explain the incidents occurred during the processing of transactions that Africa Emergence & Investissements (AE & I) made with this Organization.

To restore the facts AE & I in this publication gives the reasons for the termination of its operations with Kiva.

Emergence & Investments Africa has actually stopped its operations with kiva.org since January 2008. This decision was taken by mutual consent between the two parties following the failure of AE & I' information system (software). Unfortunately, Kiva has presented on its website false reasons to explain this cessation of operations. We have drawn kiva's attention on the presentation of the facts on their website that suggests that attempted fraud was the basis for the cessation of our activities with this organization. That is unacceptable.

To avoid confusion and to remove any doubt and discredit that kiva's presentation may throw on our microfinance institutions, we present below the facts as they occurred. Anyway, we have informed our main partners in particular, our shareholders AfriCap Microfinance Investment Company (Johannesburg, South Africa), I&P-Dev (Paris, France) OMNIFINANCE-ACCESS BANK (Abidjan, Cote d'Ivoire) and our partner - debt OIKOCREDIT francophone Africa (Abidjan) who have renewed their confidence.

THE FACTS:

We started our operations with kiva in April 2007. All operations were performed properly and without incident until 10 October 2007, when we changed the information system (software) from SAARI to new software developed by a local young engineer. Unfortunately, the system has encountered many bugs and caused a total disruption of our accounting and operational data from mid-November 2007.

To help us rebuild our operations, we have, from our own initiative, asked kiva to send to us an "kiva Fellow" (one / one student (e)) which would help us by working mainly on our "Loans kiva".

We received a young Californian graduate lady in mid-January 2008 to whom we have entrusted the task to work on our kiva outstanding loans in the recovery of our data from the big mess generated by the system failure.

The problems generated by the software failure and their impacts on our accounts and transactions processing were also immediately reported to our institutional shareholders AfriCap, I & P-Dev and the OMNIFINANCE-ACCESS BANK as well as our external auditor.

We even published on our MIXMARKET website the report of our External Auditor on our 31/12/2007 financial statements, highlighting the system failure and its impact on our operations and the recovery of our data during year 2007 closing. See the report on our Mixmarket link:
<http://www.mixmarket.org/en/demand/demand.show.profile.asp?token=&ett=2309>.

The "kiva fellow", who was making her first microfinance experience at AE & I could not really help us in the data recovery. The language barrier (she could not speak French, in a French speaking country) and the pressure of the work were additional factors that made her

task particularly difficult. By end January 2008, without reporting any noted issues to AE&I management, she sent an alarming email to kiva on certain loans that she thought they may be fraud cases. We immediately received a call from a Kiva Senior staff, who was at this time in business trip in Mali, saying that she has been requested by kiva head office to come to Abidjan

She arrived one day later and informed us that kiva in California requests immediate repayment of all the outstanding loans from AE & I. We were really disappointed by the way the request was made and the fact that any confirmation of the information was not requested from us or from an Independent Auditor to support any anomaly that may have been found. We did not receive from Kiva, till today, any specific item that could have justified their request. AE&I' management Committee decided to accept without hesitation to repay the outstanding amount of loan to Kiva: USD 150,025, the equivalent of CFA francs 63 million in three installments: March 31, April 30 and 31 May 2009. We made the first two payments early in March and April 2008 instead of the scheduled end of the months. On April 2008, AE & I started an active research for new Microfinance management software. For this purpose the Managing Director went to Nairobi in Kenya on the end of May 2008, to visit an IT Company named Craft Silicon ([http://www.craftsilicon . com /](http://www.craftsilicon.com/)), one of the leading African microfinance software company. During his absence, the last installment was not paid on due date (31 May 2008). We went an email to inform kiva on the reason of the delay. Finally the last installment was paid and our debt was cleaned up on June End 2008. At the same time we informed kiva that we want to postpone our operations with them till our software problems are fixed. We promised that we will be back after we stabilize our operations process with new software and we make a rating of our Institution by "PlaNet Rating".

In addition we shared with kiva our concerns that might make us not to work with them in the future: It is the fact that funds are received from kiva in hard currency (U.S. Dollar). This creates an enormous foreign exchange risk that our Institution is still very young to take especially in the case of a sharp appreciation of the US Dollar against the Euro or a devaluation of the CFA franc. In support of our concern we explained that the low exchange rate of the dollar against the Euros on June 2008 (€1 = U.S. \$ 1.57, or 418 CFA francs), may penalize our Institution in the medium or long term during the repayment if the US dollar rise against Euro. We insisted on the fact that many African Microfinance Institutions are not equipped enough to manage foreign exchange risk by themselves.

To our surprise, we found that kiva.org made a presentation of the incident occurred in our operations on its website which is likely to cast discredit on our Institution. We have drawn kiva's attention when we found this presentation and noticed that a blog had made comments based on their website presentation that may create confusion on the real facts. Kiva sent us an email to tell us that the comments made on the blog did not reflect their views. Despite this denegation we note that the presentation has not changed on kiva website so far.

We are therefore compelled to re-establish the facts as above to avoid any confusion and discredit on our Institution.

We also have the great pleasure to inform all stakeholders of microfinance that following our research of Microfinance management software, we have selected the software "BANKER REALM MFO" from the IT Company "CRAFT SILICON" in Kenya. The installation of this software was launched on 05 November 2008 in our Institution and has just ended on January 03, 2009. The implementation of the "POS" or "Post Of sale" of the software is scheduled for

late January 2009. We acquired this system thanks to a grant from the AfriCap Microfinance Investment Company technical assistance Fund.

With this grant, we have also strengthened our team with the recruitment of a new experienced CFO and we have set up a training plan for our key staff for 2009/2010.

We have deliberately set transparency and integrity as our first assets. And all our partners recognize us a leading Institution which promote transparency. We have never hid our technical, operational or financial weaknesses. This has enabled us to obtain support where required from our local and international Institutional partners.

AE&I is the unique Ivorian Microfinance Institution which has published its financial and operational data on the microfinance information platform, MIXMARKET since 2004.

AE&I was also ranked 16th among the Top 100 Microfinance Institutions in the "2007 MIX Global 100 Report" made by the Mixmarket for transparency for the year 2007. Read the report in 2007 MIX Global 100 - See Page 4.

Furthermore, Oikocredit has renewed its confidence in AE&I in 2008 and has refinanced our Institution for CFA francs 100 millions. In the mean time AE&I has been selected by MYC4.ORG for a partnership to start in February 2009 after we go live with our new software "Banker Real MFO".

We were honest and professional in managing this kiva incident beyond our control and we hope that kiva will restore facts as they were occurred on its website

Done at Abidjan on 05 December 2008

AE & I's Management Committee.