

PHILEA



2023 ANNUAL REPORT

Société Coopérative Philea International

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A word from the President



Dear friends, dear members and partners,
After several years of "stagnation" (see below), Philea has decided to return to a more positive dynamic. In December 2022, the Board of Directors was completely renewed, bringing new profiles and skills. One of the first activities of the Board of Directors was to redefine a new "raison d'être" for Philea, which consists of helping our members adapt to climate change.

It also updated operational procedures, cleared poor performing loans in the portfolio and stabilized the income statement by significantly reducing the payroll.

With the situation having been cleaned up, Philea is now ready to take off again. The year 2024 will be a test year and will allow us to verify whether this new strategic direction resonates with our members and partners.

François ROSSIER

Chairman of the Board of Directors

Findings & priorities

Founded in 1996, Philea could pride itself on being among the pioneers of popular financing by offering a simple and robust bank guarantee to agriculture producers cooperatives in the South who could thus obtain financing from local banks.

The guarantee was easy to implement, and the balance of the economic model was ensured by a 3% premium paid by the beneficiary and the remuneration of the guarantee funds which were invested in public bonds in Switzerland.

Thus, since its creation, more than 60 organizations in 15 countries have been supported and have been able to benefit from financing through guarantees or direct credits. Over time, Philea has woven a network of local organizations united within the cooperative and which mutualizes the risk.

In parallel with its financial activity, Philea has always considered that credit should be accompanied by a strengthening of the technical capacities of its members (governance, management, financial education of end beneficiaries, etc.). To finance this type of activities, it initially collaborated with the RAFAD Foundation, then joined the Geneva Federation of Cooperation (FGC) in 2018.

The 2008 crisis seriously unbalanced this economic model, Philea finding its salvation in granting direct loans to its members and by favoring microfinance institutions, considered less risky than producer cooperatives. This crisis was also accompanied by a more structural change in the ecosystem of social financing with the emergence of numerous microfinance funds that were able to compete directly with Philea on its ground.

From 2014, Philea entered a "recession" and was no longer able to refinance itself. The financial statements deteriorate and from 2014 to 2023, equity decreases by 54%, from CHF 2.9m to 1.3m, putting members' shares at risk for the first time.

As of December 31, 2023, Philea's portfolio includes 13 loans for a total net outstanding of CHF 1,262,968. At the same time, it manages three development projects financed by the FGC.

Adapting to climate change

Each year, the consequences of climate change are becoming more intense: irregular rainfall that disrupts agricultural calendars, repeated heatwaves, droughts and torrential rains, fires, etc. Our members will have to adapt their economic models in the medium and long term while managing the urgency of daily life that remains a priority.

Philea's new strategy aims to support the ecological and social transition of its members by offering them technical support and adapted financing.

This new strategic orientation has also made it possible to renew the mission and vision.

Mission

Philea's mission is to support the adaptation to climate change of its members and their beneficiaries.

Vision

Philea's vision is that of a world where all economic models will be socially just and ecologically sustainable.



Philea's portfolio

Philea's portfolio consists of 13 credits at the end of 2023 for an outstanding amount of CHF 1,262,969. Of these 13 credits, three members are in arrears. These are Burkina vert, ADISCO and COOPSAFRA. For Burkina vert and COOPSAFRA, the credits are guaranteed and for ADISCO, in agreement with our member, the credit will be written off at parity, ADISCO committing to repay USD 10'000 as final settlement.

These situations demonstrate the fragility of some of our members who operate in complex environments. Burkina vert, located in Ouahigouya in the north of the country, is facing growing insecurity, ADISCO in Burundi has suffered the repercussions of a significant change in the framework conditions of the coffee market imposed by the authorities and in Nicaragua, the political crisis has seriously disrupted the activities of some members.

Country	Partners	Legal form	Financed activity	Loan outstanding (CHF)
Burkina Faso	APMR	Association	Peanut marketing	CHF 54'742
Burkina Faso	BURKINA VERT	NGO	Vegetable production	CHF 39'802
Burundi	ADISCO	NGO	Rural development	CHF 16'562
Equateur	COACSAC	Cooperative	Savings-credit	CHF 124' 060
Guatemala	RENACIMIENTO	Cooperative	Coffee production	CHF 124' 060
Nicaragua	COOPEFACSA	Cooperative	Savings-credit	CHF 124' 060
Nicaragua	COOPSAFRA	Cooperative	Milk and cheese production	CHF 121'580
Peru	CAFÉ PERÚ	LLC	Coffee production	CHF 82'706
Peru	COOPECAN	Cooperative	Alpaca wool production	CHF 74'436
Peru	COOPECAN	Cooperative	Alpaca wool production	CHF 138'903
Peru	Tocache	Cooperative	Cocoa production	CHF 61'203
Peru	Tocache	Cooperative	Cocoa production	CHF 218'148
San Salvador	CONFIANZA	LLC	Savings-credit	CHF 82'706
TOTAL				CHF 1'262'968



Focus on our members & activities

APMR in Burkina

Since 2004, the Association Promo Monde Rural (APMR) has been supporting producer groups in rural areas of the Ziro province in Burkina Faso. It has more than 6'300 members, including 3'700 women. Among its activities, it organizes the harvest, storage, processing and marketing of the groups agricultural products (soubala, peanut

paste, corn flour, shea butter, rice).

In 2023, Philea granted a loan of EUR 60'000 to pre-finance the purchase of 70 tons of peanuts from its members to resell them to a wholesaler based in Ouagadougou. Thanks to the margins made by group sales, the 680 small producers, including 502 women, have seen their income increase significantly. On the environmental level, members are faced with land degradation linked to the use of pesticides and the APMR aims to train its members in agroecological production techniques.

The Solidarity Credit Fund in Burundi

Philea has several partners in Burundi, but foreign exchange controls and the difficulty of repatriating interest limits investment possibilities. To get around this obstacle, Philea and its members in Burundi have set up a Solidarity Credit Fund (SCF) with an initial capital of CHF 62'000, including a contribution of CHF 27'000 from Philea. This SCF has a local credit committee and will be responsible for financing community development projects submitted to it. This initiative also aims to involve local partners in financing their development.



Market Study on Social Enterprises in Western Switzerland

To explore the possibilities of developing an Social Enterprise portfolio in French-speaking Switzerland, Philea conducted a market study among APRES-GE¹ members. Although the results were not conclusive, this initial exploration provided a better understanding of the Social Enterprise ecosystem and did not undermine the desire to continue exploring this avenue with APRES-GE and other partners.

¹ APRES-GE Chamber of the social Economy of Geneva.

Burundi, projet PARECOOP



With a GDP of only \$269 per capita and nearly 90% of the population dependent on subsistence agriculture, Burundi is one of the poorest countries.

Despite their efforts, agricultural cooperatives are struggling to generate stable income. The project to Improve Income and Employment in Cooperatives in the Kirimiro Region, led by our member ADISCO, aims to professionalize producers and cooperatives, particularly women and young people, in the value chains of corn, soybeans, plums, passion fruit, pineapples, rabbits, chickens and pigs. By working with 33 cooperatives bringing together 2,000 farmers organized into hill unions, the project aims to diversify agricultural production and improve supply, processing and marketing systems. In addition, particular attention is paid to empowering women and young people in these specific sectors.

By providing training, access to quality inputs, and supporting the establishment of efficient marketing systems, the project aims to strengthen the empowerment of the supported cooperatives and aspires to create a positive and sustainable impact, thus improving the living conditions of the most vulnerable populations in the Kirimiro region. This project is funded by the Fédération Genevoise de Coopération (FGC) and started in July 2023 for a period of 3 years.

Burkina Faso, INCLUFIN project

The project *Financial inclusion of women in Burkina Faso: towards poverty reduction and shared prosperity* is implemented by the NGO I-RAD, which supports 3'000 members (90% are women) of four farmers' organizations to form Savings and Credit Groups.

Members save regularly within the groups, then take turns distributing credits to each other, allowing them to develop income-generating activities that guarantee them greater socio-economic autonomy.

The groups are trained in financial education, gender issues and environmental protection.

Burundi, RAFIDESTIM project

This project led by ADIP (Association Pour la Dignité Paysanne) aims to improve the quality of life of 650 small farmers in the Kirimiro region.

Organized into savings groups, they are supported by agronomists to set up improvement plans for their family farms. These plans are financed both by the savings collected in the groups and by the matching of these by the project.

The objective is the adoption of crops and livestock within these farms that best contribute to ensuring the continuity of food, income and soil fertility. The project also includes an advocacy dimension to promote these financing mechanisms with local authorities.

Burundi, International workshop for sharing experiences on rural finance

Philea co-organized with ADISCO, the Food Sovereignty Platform of the Geneva Cooperation Federation and IRED, an experience sharing workshop which was held in September 2023 in Gitega, Burundi

Around forty participants, representatives of NGOs, producer cooperatives, microfinance institutions and banks involved in promoting savings and credit in rural areas from 8 countries in East and West Africa, exchanged their approaches and methods and discussed ways to improve their actions to promote access to credit for family farms.

At the end of the workshop, the participants drafted a series of recommendations for credits for family farms and rural finance stakeholders in Africa, particularly aimed at better coordination of their interventions.



Procedures update

Credit file: The credit file has been reviewed and consolidated to present a succession of chronological steps allowing all the steps to be included in a document (pre-analysis, documentation, credit committee decision, etc.).

Risks & provisions: The risk assessment methodology has been reviewed as well as the scale of provisions. The objective was to simplify the assessment of risks and to calculate a provision reflecting them.

The portfolio tool: It allows the preparation of forecast and actual financial projections and facilitates cash flow management. It also allows the rapid summary of disbursement, interest payment and principal repayment operations. It is updated monthly.

Activities planned for 2024

New website: In early 2024, Philea will update its website to better communicate about its activities.

New strategy 2026: This new strategy will clearly align Philea's activities and will also define expected results for 2026.

Partnership agreement with the MAIN network: Philea will sign a partnership agreement with the MAIN network (Microfinance African Institution Network), which brings together 133 members in 26 countries. MAIN, which has

placed the Ecological and Social Transition (TES) at the heart of its strategy, is interested in collaborating with Philea to strengthen support for its members in the context of climate change.

2023 Financial Statements

Balance sheet (CHF)

ASSETS	31.12.2021	31.12.2022	31.12.2023
Cash & banks	170'991	465'366	340'469
Short term assets	40'041	53'924	58'958
Gross portfolio	1'905'948	1'655'510	1'262'969
Loan loss provision	-441'584	-457'780	-59'772
Net portfolio	1'464'363	1'197'730	1'203'197
Fixed assets	0	156'339	139'756
TOTAL ASSETS	1'675'395	1'873'359	1'742'381
EQUITY & LIABILITIES			
Short term liabilities	20'564	19'867	40'188
Long term borrowing	0	250'000	250'000
Funds affected for projects	25'618	86'297	139'967
Total debts	46'182	356'164	430'155
Member's shares	1'422'800	1'369'000	1'318'600
Retained earnings & reserves	650'631	206'413	148'195
Annual results	-444'218	-58'218	-154'569
Total Equity	1'629'213	1'517'195	1'312'226
TOTAL EQUITY & LIABILITIES	1'675'396	1'873'359	1'742'381

The balance sheet

The portfolio decreases between 2021 and 2023 following the write-off of the loan granted to Prestanic and the non-renewal of some loans. In terms of liabilities, in 2022 Philea receives an interest-free loan of CHF 250'000 from one of its members. In terms of equity, due to the impact of the exchange rate loss, Philea finds itself with equity slightly lower than the value of the cooperative's share capital. This unprecedented situation should be corrected in 2024 with a forecast profit of CHF 4'336.

Philea's financial statements remain fragile but the portfolio has been cleaned up and the income statement has been stabilized. This situation allows it to prepare for the future with confidence and the deployment of the new strategy should consolidate the current situation.

Profit & loss (CHF)

	Résultat 2021	Résultat 2022	Résultat 2023
Portfolio income	106'562	115'948	97'454
Other income	27'168	27'770	40'567
TOTAL INCOME	133'730	143'718	139'948
Financial expenses	-7'190	-803	-3'598
Loan loss provision	-379'708	0	0
Loan loss recovery	0	13'701	32'744
Total financial expenses	-386'898	12'898	29'145
GROSS MARGIN	-253'168	156'616	167'166
Salary expenses	-238'241	-183'974	-114'294
Administrative expenses	-27'835	-27'674	-24'873
Total operational expenses	-266'076	-211'648	-139'167
OPERATIONAL RESULT	-519'244	-55'032	27'999
Non-operational income	13'641	16'347	254
FX Gain/loss	62'752	-14'045	-174'146
Non-operational expenses	-1'367	0	-3'027
RÉSULTS BEFORE TAX	-444'218	-52'730	-148'919
Profit tax	0	-5'488	-5'650
NET RESULT	-444'218	-58'218	-154'569

The profit & loss

In 2021, Philea made a provision to clean up its portfolio related to credit granted to MFI Prestanic in Nicaragua, contributing to a negative annual result alongside high salary costs.

In 2022, the gross margin turned positive, but the operating result remained negative despite a CHF 54'267 reduction in salary costs after dismissing the communications director. Additionally, Philea lost its profit tax exemption as its services were deemed to benefit only members, disqualifying it from public utility status.

In 2023, further salary reductions and subletting office space led to cost savings, resulting in a positive operating result of CHF 27'999. FX rate fluctuations impacted financial results, with a gain of CHF 100'000 as of March 31, 2024. However, exchange risks persist if members withdraw their shares.

By the end of 2023, restructuring efforts successfully led to a positive operating result, strengthening equity.

The Board of directors

Président : François Rossier (Switzerland)

Members : Aude Bax de Keating – (Switzerland) - Pedro Joaquin Castillo (Nicaragua) - Sergio Cortez Valvida (Pérou) Ytalo Espejo (Pérou) - Daniele E. Fino (Switzerland) - Dominique Lesaffre (France) - Deogratias Niyonkuru (Burundi)- Jean-Luc Virchaux (Switzerland)

Le Siège à Genève

Alain Vergeylen, Director

Local Correspondants

Jamir Contreras (Central America), Sergio Cortez Valvida (Peru), Jean-Paul Kiendrebeogo (West Africa), Oscar Rwasa (Burundi), Javier Vaca Espin (Ecuador).

Philea's members

MEMBER'S SHARES (CHF)	AMOUNT (CHF)	%	MEMBERS	NUMBER	%
Europe	772'400	69%	Individuals	65	50%
Africa	309'200	23%	Legal entities (North)	18	14%
South America	237'000	18%	Legal entities (South)	47	36%
TOTAL	1'318'600		TOTAL	130	

No major changes to the membership in 2023 and one of the challenges of the new strategy will be to significantly strengthen the membership and the outstanding amount of Philea's shares in order to reflect the members' support for the new strategy..

Philea's partners

After-GE, Geneva Federation of Cooperation (FGC), Food Sovereignty Platform of FGC Member Organizations (PSA), SENBUMO, Terra Equitas

For the INCLUFIN project: City of Geneva, City of Carouge, State of Geneva, Municipality of Puplinge, Directorate for Development and Cooperation (DDC) and the local partner I-RAD.

For the RAFIDESTIM project: Municipality of Chêne-Bougeries, Municipality of Corsier, Municipality of Meinier, Directorate for Development and Cooperation (DDC) and the local partner ADIP.

For the PARECOOP project: City of Lancy, Directorate for Development and Cooperation (DDC) and the local partner ADISCO.

For the Workshop project in Burundi: Directorate for Development and Cooperation (DDC) and the local partner ADISCO.