



20

years

Microfinance Centre
2016 Annual Report





20

Inclusive
Responsible
Sustainable

Celebrating 20 years of microfinance in the ECA region

About us

OUR MISSION & VISION

Our mission is to contribute to poverty reduction and the development of human potential by promoting a socially-oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large number of poor families and micro-entrepreneurs.

To achieve our mission and strategic objectives, we work with institutions across the microfinance value chain: policy-makers, networks, financial service providers and investors. Our hope is that by pursuing a multi-prong strategy, we can affect positive and lasting change across the industry, and improve both institutional accountability and positive outcomes for clients.

In selecting programs, we are guided by our mission, our analysis of market conditions, our members' needs, as well as the gaps we see in the financial inclusion agenda that aren't being addressed by other institutions.

OUR MEMBERS

Our 104 members are committed to advancing the mission of MFC throughout Europe and Central Asia. They represent a diverse range of institutional types along the microfinance value chain: from non-bank and bank service microfinance providers, support organizations (including national and international networks), investors and donors. Together, they work in 33 countries and deliver a portfolio of over €1.8 billion in financial services (mainly credit) to well over 1.5 million micro-entrepreneurs, small and medium enterprises or/and low income households.

OUR WORK

Our work is organized under the following pillars:

1. Responsible finance: advancing responsible finance practice among our members
2. Access to finance: building government capacity to develop evidence-based access to finance policies
3. EU presence: advancing access to finance in the EU in cooperation with the European Commission
4. Social innovation lab: testing new approaches to asset-building and financial education for low-income people
5. Income generation: increasing income from our services.

Messages from...

As we close another successful year for MFC, we'd like to celebrate the key moments with you. This report presents the outcomes of our continued work under our strategic pillars, as well as news of our work to expand our strong collaboration with the European Commission (by establishing our presence in Brussels). Our partnerships on EaSi Technical Assistance implementation have gone from strength to strength, as seen in its expansion to Albania, Macedonia, Montenegro, Serbia and Turkey. We again celebrated Borrow Wisely campaign and European Microfinance Day; we launched discussions around (and supported the release of) new EU-funded instruments for the sector. We're also proud to have expanded our research on the startup enterprise landscape across 3 countries in the region; additionally we launched a new initiative on digitalization — a trend that, as we look across the next twenty years, simply cannot be ignored.

This year MFC is celebrating its 20th anniversary. Over the past 2 decades, we have witnessed incredible development across the region, and indeed stood at the forefront of many of these developments by conceptualizing, leading and mobilizing members, resources and partners to explore and expand good practice. We journeyed far, we dreamed big, we innovated radically — and in the end we delivered solid outcomes to our clients, by giving them access to a landscape of new economic opportunities through financial inclusion. We weathered many storms, and never once lost our determination to seek out new ways, new ideas on how to do better at doing good for our clients.



Over the years, the MFC annual conference has provided an excellent forum for bringing the best minds around the toughest questions of our time; for debating key trends and for creating synergies to help us achieve our collective vision. As we mark this special anniversary, we encourage all our members to dream about what the next 20 years will bring, especially given the current challenges and uncertainties that we all face.

On behalf of the MFC board and management, I would like to acknowledge our founders, for their vision and determination to make MFC the most important regional microfinance network and a great institution. I also extend my warmest thanks to our members, donors, partners and staff for their support, trust and inspiration in creating a better microfinance sector. I would also like to congratulate all the MFC staff for completing another excellent year.

*Cristian Jurma, CEO, Vitas-Romania
Chair of the MFC Board*

We would like to share the 2016 report marking another successful year for the MFC. Our team completed numerous high-level programs and assignments that advanced the field and increased MFC's visibility, both within the EU and globally — while also delivering positive financial results.

In 2016, we strengthened our links with the European Commission around strategic cooperation in overcoming financial exclusion in the EU countries, provided technical support to microfinance institutions in Europe as part of the EU-funded EaSI TA program, worked with member CEOs and top management to discuss the future of microfinance, HR and risk management issues and engaged in many other operational programs in Europe and Central Asia. MFC's social performance program supported MFIs in Armenia, Kyrgyzstan and Azerbaijan in gathering information and publishing their very first social performance country reports, offering a thorough overview of their national microfinance sectors and the state of social performance systems and results therein. Last year, together with our members, we reached almost half a million microfinance clients during the third annual MFC Borrow Wisely Campaign!

On a policy level, as a follow-up to our research on EU job creation support policies, we engaged practitioners in a broad discussion around whether microfinance can be more effective in generating new jobs. We found out that the tools that microfinance practitioners use are not adequate to support enterprises with high-growth potential. Financing growth-oriented start-ups and enterprises would require MFIs to develop more effective means to identify and support the most promising enterprises and projects. This can be achieved, if we take advantage of guarantees for start-ups, micro-grants or other quasi-equity instruments, hybrid venture loans combined with longer grace periods, and equity investment. Governments should ensure that such instruments are available for those MFIs willing to support growth-oriented start-ups.

Given continued political and socio-economic uncertainty, as well high unemployment rates (especially among youth), many governments are pushing the self-employment agenda. Evidence points to the fact that the numbers of self-employed individuals is growing all over Europe, and that MFIs are being encouraged to satisfy their capital needs. However we think that, in some cases, it may be more economical to provide micro seed capital for self-employment in the form of grants, and to offer risk capital to those entrepreneurs who survive the initial stage and have potential to create economic growth and jobs in the economy.

The seed grants, which have been successfully applied by some countries in the EU, are less costly to manage and allow potential entrepreneurs to take more risk, therefore have a large chance of creating a more sustainable enterprise. Unlike microcredit, which must be repaid (with interest) and leaves the entrepreneur with little spare capital in the business, an initial seed grant provides instant equity in the business, laying the foundation for future larger investments. Such a strategy will allow MFIs to become sustainable based on larger loans with stronger borrowers, which does not seem to be feasible with very small loans for vulnerable clients.

As the MFC celebrates its 20th birthday, and we would like to thank our partners for their active engagement and confidence in MFC. We look forward to continued collaboration with you for many years to come.



*Grzegorz Galusek
Executive Director*



*Katarzyna Pawlak
Deputy Director*

Connecting & supporting

#MFC2016: “Microfinance in the Cloud”

The 2016 MFC Annual Conference in Tirana (Albania) considered the space that microfinance could occupy if it fully embraces new technology (or the detachment it will suffer if it does not). We asked whether it really is a simple binary choice between technology and tradition, or whether a “third way” exists that would help up maintain the unique value of microfinance within the digital world.

We were honored to welcome a number of important guests to our event, including:

- Ms. Milva Ekonomi, Minister of Economic Development, Tourism, Trade and Entrepreneurship, Albania
- Mr. Edmond Panariti, Minister of Agriculture, Rural Development and Water of Albania,
- Ms. Ann Branch, Head of Unit, DG Employment, Social Affairs & Inclusion, European Commission

MFC 2016 also played host to the signing ceremony between the European Investment Fund (EIF) and MFC member Fondi Besa (BESA), as they formalized the first guarantee agreement aimed at supporting micro-enterprises in Albania under the EaSI. Over 380 participants from 41 countries joined in this event, and members came together to elect a new MFC Board Director: Mrs. Sanavbar Sharipova (IMON International, Tajikistan).

Main Sponsors: European Fund for Southeast Europe (EFSE), European Investment Bank (EIB), European Investment Bank (EIB) Institute, European Investments Fund (EIF), fondiBESA, International Finance Corporation (IFC), NOA, responsAbility Social Investment AG, Symbiotics SA

Technological sponsor: Software Group

Promotional Sponsors: ASPEKT, Blue Orchard, Communication Progress, Frankfurt School of Finance & Management (Frankfurt School), Softgenic Systems, Triodos Investment Management BV, Triple Jump, Vodafone.al

Other Sponsors: Business & Finance Consulting (BFC), CoopEst, Deutsche Bank, fi-compass EaSI TA



Building on our success

Housing microfinance is a real backdrop, within the strategic product improvement. It allows terms and conditions, market of the product to be more in order to build the awareness of partner MFIs from ECA region

Supporting practitioners

The CEO Forum: A meeting of top industry minds

The MFI CEO Forum is an exclusive professional and business networking forum for senior executives of microfinance institutions and financial institutions involved in microfinance worldwide. All MFC members, and those MFIs supported by sponsors (such as the EBRD) are welcome to join the CEO Forum. Members benefit from regional CEO Forums and the Annual CEO Summit, collaboration and networking with other senior executives, problem-solving through peer support and executive coaching, and quarterly executive seminars on strategic management and leadership issues.

Our aim in creating the forum was to help our members to build business and professional relationships; find job candidates or search for new executive jobs; promote the art, science and practice of management by recognizing and honoring the works of leading management thinkers, authors, and executives; and to curate a library of the latest and best thinking on organizational management.

This year's CEO summit focused on two hot topics: crisis management and future forecasting. The discussion included not only lessons learned from past crises, but also how to shift the narrative around crisis from "formidable challenge" to "opportunity for growth and improvement". Additionally, CEOs discussed the fine art of strategic foresight, exploring the key factors that may influence the development of microfinance industry in years to come.

In addition to its work with CEOs, MFC organized a peer exchange workshop for member MFIs' senior managers. This year's event brought together chief credit officers, and focused on credit scoring. Most MFIs are using some form of scoring, but often not in a rigorous, data-driven way. The workshop was a good opportunity for participants to systematically review different scoring methodologies available.



Results:

- Chief Credit Officers Peer Exchange Workshop, May 2016 (11 participants)
- CEO Summit, June 2016 (12 participants)
- Coaching for 6 CEOs

Successful strategic cooperation with Habitat International

relatively recent arrival to the sector; with numerous MFIs launching new products and improving them as they go along. Against this partnership with Habitat for Humanity International, we've developed a toolbox of easy-to-use market research tools specifically for housing MFIs to quickly and effectively survey product users and non-users to identify "quick win" improvements, whether this is around product positioning, positioning or articulating the ideal target market. The tools also deliver specific recommendations, for example: reshaping the slogan to align with clients' expectations of the product; extracting a sub-target group to be targeted with product for very specific housing needs in a particular region; changing the loan maturity to better match the clients' repayment capacity. This year, we continued to work with Habitat's four partner MFIs, and extended the work to two new partner MFIs from MENA region.



#EMD2016: Creating opportunity beyond microcredit

European Microfinance Day is designed to raise awareness across Europe about the existence and added value of the microfinance sector in its fight against social exclusion and unemployment. This year, 27 EMN and MFC members celebrated the 2nd annual European Microfinance Day. Campaign partners carried out 31 events in addition to a final central event held in Brussels. 61 representatives joined the Brussels event, including individuals from the European Microfinance sector, EU representatives and individuals from other social development sectors in Europe. This year, the Campaign even spread beyond Europe, with celebrations happening in Kazakhstan, Mongolia and Georgia.

MFC Members involved: Adie (France), AgroInvest (Serbia), CoopEst (Belgium), EKI Foundation (Bosnia and Herzegovina), good.bee Credit IFN SA (Romania), KEPA - The Business and Cultural Development Centre / microStars project (Greece), KMF (Kazakhstan), Local Enterprise Agency Heves County (HMVTA) (Hungary), Microfinance Organization BIG (Georgia), Mi-Bospo (Bosnia and Herzegovina), Opportunity Bank Serbia (Serbia), Partner (Bosnia and Herzegovina), Patria Credit / Patria Bank (Romania), Vitas (Romania), XacBank (Mongolia).

Funder: European Commission (within the four-year Framework Partnership Agreement)

Partner: European Microfinance Network (EMN)

Results:

- 31 events held: communication activities, educational events, events for entrepreneurs, discussions/debates
- 61 representatives joined the Brussels event
- 1,659 participants in local events
- 17,159 web site visitors reported by participants
- 7 participants gained coverage for EMD in local written and TV press.



First MFC Innovation Award launched

In 2016, the MFC launched its first ever Innovation Award. MFC's Innovation Award recognizes innovative projects in the ECA region that stand to significantly contribute to financial inclusion within the next two years. The winner of the Innovation Award: FINCA Bank Kyrgyzstan was awarded free Digital Field Application licenses and 20 tablets, generously provided by Software Group. MFC recognized five more companies for their creative projects and anticipated impact to financial inclusion: FINCA (Azerbaijan); FINCA (Kosovo), NOA (Albania), KMF (Kazakhstan), Good.bee Credit IFN (Romania).

MFC members involved: FINCA Bank (Kyrgyzstan), NOA (Albania), KMF (Kazakhstan), Good.bee Credit IFN (Romania)

Partner/Sponsor/MFC Member: Software Group



SPM at the Frankfurt Summer Academy

This year, the MFC delivered its fourth annual course at the Summer Academy of Frankfurt School of Management — an introductory workshop on social performance management and client protection. The interactive workshop was attended by microfinance stakeholders from Europe, Central Asia and Africa.



Frankfurt School of
Finance & Management
Bankakademie HfB



TA under the EU Programme for Employment and Social Innovation (EaSI)

The Microfinance Centre (in collaboration with the Frankfurt School of Finance & Management and the European Microfinance Network) is implementing capacity building for MFIs in areas such as good governance (including social performance), management information systems (MIS), strategic planning, and risk management. MFC also assists MFIs to implementation self-regulation guidelines in the form of the “European Code of Good Conduct for Microcredit Provision”. These training, advisory and coaching activities make up the operational support the project will be providing. The project also calls for the provision of horizontal support, in the form of a help desk, events, conferences, seminars, to share and disseminate best practices throughout the sector and to increase awareness of microfinance in Europe. EaSI technical assistance is available for microfinance institutions based in the EU and the pre-accession countries, also for those that have already benefited from the EaSI TA and would like to obtain additional technical support.

2016 results:

- 16 MFIs received TA on the EU Code of Good Conduct (review of the self-assessment tool and preparation for the certification)
- 7 MFIs received TA on good governance, strategic planning, and risk management
- MFC representatives delivered sessions at 2 EaSI events and presented the EU Code of Good Conduct, including the self-assessment tool, TA process and main lessons learned from our experience with MFIs (in Skopje and Sofia)
- 2 EaSI workshops held at the 2015 MFC Annual Conference, on credit scoring and alternative financing models for MSME in the EU.

MFC Members involved: BESA Fund (Albania), KEPA (Greece), Mikrofond (Bulgaria), Vitas (Romania), SIS Credit (Bulgaria), good.bee Credit (Romania), Opportunity Microcredit Romania, FAER IFN S.A. (Romania), RoCredit IFN S.A. (Romania)

Funders: The European Commission (EC) in partnership with the European Investment Bank (EIB)

European start-ups and the role of microfinance

In a time of economic slow-down, the idea of financing start-up enterprises in the EU is quite alluring. As such, start-ups (entrepreneurship) has become a key element of the European Commission's agenda. In 2016, the MFC took a deep dive on how microfinance can support start-ups. We examined and analyzed the possible impact of microfinance institutions on start-ups. Our initial exploratory research was designed to identify the future potential role of microfinance vis-a-vis start-ups; and propose concrete and practical steps to bring about more research across Eastern and Western Europe in 2017. Three case studies were prepared to present the initial research findings and recommendations (Romania, Hungary, and Bulgaria). The cases can be downloaded from our website.

Members involved: Mikrofond (Bulgaria), SIS Credit (Bulgaria), USTOI (Bulgaria), Software Group (Bulgaria), 11235 LTD (Bulgaria), Local Enterprise Agency of Heves County (Hungary)

Funder: European Commission (within the four-year Framework Partnership Agreement)

Microfinance in the digital age

In the second half of 2016, the MFC launched a new Digitalization Working Group, whose goal is to bring MFC members together to discuss digitalization issues, opportunities, and risks involved. We would also like to reach a shared understanding of the opportunities that exist as far as digitalization, partnerships, and risks involved. MFC members discuss digitalization issues during virtual meetings organized once a month.

MFC Members involved: ADIE (France), EMN (Belgium), ILCU Ireland, Kamurj (Armenia), KEPA (Greece), MI-BOSPO (Bosnia and Herzegovina), OBS Serbia, Oradian (Croatia), Software Group (Bulgaria), USTO (Bulgaria), Vitas (Romania)

Funder: European Commission (within the four-year Framework Partnership Agreement)

Financial education in Greece and Macedonia

Successful clients are savvy clients: those who know their options, their rights and their responsibilities when it comes to taking out a loan. To help clients improve their financial literacy; this is especially true of loan officers, who interact with clients on a daily basis, we conducted interactive counselling sessions of up to 30 minutes. In 2016, we developed a set of 11 counselling session scenarios on a variety of topics, including credit, savings, and smart borrowing. Next, we trained 7 staff from 2 MFC members (KEPA and Horizonti) over 3 days, in a workshop that focused on financial education.

Members involved: KEPA (Greece), Horizonti (Macedonia)

Funders: co-funded by the European Union and by National Funds of the Participating Countries under the IPA Cross-Border Program

Financial education partnership with the IFC

This year, MFC continued to support IFC partners in providing financial education. One of the goals of IFC engagement into the region is to increase awareness on the role of financial infrastructure, to increase education and consumer awareness through outreach to clients with financial literacy campaigns. Based on our 2015 work in Kosovo, the MFC delivered financial education training of trainers to MFI staff. The training was delivered through workshops and delivering financial education counselling to clients. The topics covered household budget management, savings and credit. This was a second event of this type in Kosovo, delivered by MFC. The 23 participants appreciated not only that the new tools will help them manage their money away a lot for their own household budget management. Funded by the World Bank and IFC. Four MFC members benefitted from this

prises in early stages of development, generally less than 2 years old) are high on existing practices in the marketplace, defined good practice and, most importantly, identify current good practice among microfinance service providers serving start-ups; provide support for start-ups. It was conducted in three countries, and we plan to continue our analysis on the start-up enterprise landscape in Europe (in particular: Romania,

,good.be (Romania), Vitas (Romania), Rocredit (Romania), Opportunity Microcredit



er to debate the ways new that technology can be sensibly embraced by digitalization is concerned, MFI needs related to new technology, strategies,

a loan, or setting aside savings for a rainy day. MFIs are well-positioned to identify and can spot financial literacy gaps and address them through quick delivery of financial education topics, ranging from financial planning, savings and investment. The project included hands-on practice with financial education counseling.

Programme “Greece – the FYR Macedonia 2007–2013”

The topic of financial education is to raise awareness through training modules and broad information. The project covered two modules: providing short-term loans and wise borrowing. This hands-on training allowed them to work with their clients – they also took part in the project.



Supporting clients...

Borrow Wisely Financial Education Campaign

The Borrow Wisely Campaign promotes global client protection standards. This annual international Campaign is led by the MFC partners. We partner with any institution that is a responsible lender (complying with current global standards of client protection) in the Europe and Central Asian region. The campaign partners delivered key messages around how to borrow safely, how to harness the power of loans and how to avoid the pitfalls of too much debt. Partners used posters, leaflets, seminars, brochures, SMS, social websites, and local media. For the first time ever, partners also used short videos to strengthen the effectiveness of their education. The campaign helped clients think through give question questions:

- How can I figure out much can I afford to borrow?
- Do I know how much I will pay?
- Do I fully understand the contract?
- What should I do if I am not satisfied with my bank?
- How can I control my debt levels?

The following organizations participated:

MFC members: Farm Credit, Nor Horizon, and Finca (Armenia), AzerCredit (Azerbaijan), EKI, Lider, MiBospo, and Partner (Bosnia and Herzegovina), SIS Credit (Bulgaria), Adie (France), Crystal (Georgia), Kepa (Greece), AFK (Kosovo), Horizonti (Macedonia), MFC (Moldova), AgroInvest (Serbia and Montenegro), Vitas (Romania), Hope (Ukraine) and Imon (Tajikistan). Non-members: Ucora (Armenia)

Results of the 2016 Campaign:

- 473,660 of clients reached (vs. 300,888 in 2015)
- 83% of survey respondents found campaign useful (vs. 79% in 2015)
- 67% of respondents remembered at least 1 borrowing rule 1 month later (vs. 65% in 2015)
- 91% of participants liked the look of our campaign materials (vs 87% in 2015)

Funders: this is a self-funded activity by MFC Members, co-funding for regional support is provided by the EC (within the four-year Framework Partnership Agreement) and MetLife Foundation (within a core grant to the MFC)



"We are satisfied how both clients and loan officers are thinking about loans, asking more questions, looking for details. That's the way we want to keep ourselves on that road..." Dragana Lukic, marketing manager (Mi-Bospo, BiH)

"This campaign is a good opportunity to increase awareness, and alert our customers to the risk of credit, not just the opportunity. It's a good opportunity to increase awareness, and alert our customers to the risk of credit, not just the opportunity." Operation Director (Adie, France).

"Each year we participate in the Campaign, and strive to boost the image of the microfinance sector among the population. We want to help clients to avoid too much debt, to avoid over-indebtedness of our clients, to improve clients' household budgeting skills and teach them the importance of responsible borrowing." Gulbakhor Makhkamova, General Director (Imon, Tajikistan)

Promoting entrepreneurship...

The Microentrepreneur of the Year Competition

The Microentrepreneur of the Year Competition is the only small business competition in Poland dedicated to promote innovative and traditional micro-enterprises and encourage people to set up new businesses. It provides a network to discuss future business opportunities, promote entrepreneurship locally and discuss challenges and barriers to entrepreneurship. The Competition is open to all registered micro-enterprises in Poland that employ fewer than 10 people, and not do exceed annual sales of €2 million. Micro-enterprises nominate themselves to the Competition, or be nominated by a public institution supporting entrepreneurship. To date, 2,542 micro-enterprises competed within the competition in Poland over the last 11 years, with 111 prizes awarded.

While we have partnered with this initiative in the past, in 2016 we stepped into the leadership role, and will organize the 2017 award ceremony in Warsaw. As we lead this worthwhile initiative, one of our objectives is to focus the attention of the CMA Committee on young entrepreneurs (by creating a special "under 30" category). We'll also created a new award for female-run microbusinesses. Finally, the contest will also recognize outstanding MFIs and/or other micro-entrepreneurship support organizations.

This initiative is funded by Citi Foundation.

Citi Foundation



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Connecting and supporting

Increasing Access to Finance for Rural Population in Belarus

Financial services can be a lifeline to low-income people, when used correctly. In 2016, we trained 18 RMC trainers to provide training on debt management to low-income communities (using the MFC "Debt Management" Module) and certified 39 trainers who taught upwards of 1,200 low-income people on budget management and savings skills (using the MFC "Plan Your Future" module). A financial education trainers' club was also established to facilitate regular meetings between trainers, and serve as a platform to share their knowledge and experience.

Key results:

- 1 training of trainers workshop
- 18 local financial literacy trainers trained
- 1,216 low-income people educated by the team of local trainers



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FROM THE AMERICAN PEOPLE



Supporting networks...



Promoting Women's Entrepreneurship in Rural Azerbaijan

The three-year project addressing the issue of female participation in microfinance, and more generally, women's employment in rural areas came to an end. We captured key lessons in a case study, which you can download from our website. This case describes the process and considers key challenges that arose along the way, namely reaching women in more conservative regions and helping women to overcome obstacles to starting their own business. Importantly, it tells the stories of change of the women themselves, which were documented not only to support project's monitoring and evaluation, but to share with a broader audience of local women and the organizations that support them. It also contains vital insights and recommendations to inform future work on women's financial and entrepreneurship education in the region.

Overall, 1,808 women received training, including:

- 1,496 rural women trained in financial literacy
- 233 women participated in "Start and Improve Your Business" trainings
- 73 women were trained as loan officers
- 22 local trainers were trained and certified to provide financial education trainings for rural women

Partner/MFC Member: Azerbaijan Microfinance Association (AMFA)

Funder: The European Commission (project implemented within the program "Support to local initiatives on Regional and rural development in Azerbaijan")



The Social Performance Fund

The Social Performance Fund provides financial and non-financial support (distance mentoring, online trainings) to various stakeholders within microfinance industry, including microfinance associations, MFIs, investors. Our ultimate objective is to accelerate the rate of adoption of the Universal Standards for Social Performance Management, which ensure a common language for, and promote systematic integration of, a management approach to ensure responsible and inclusive finance. This is being achieved by promoting SPI4 as a standard tool aligning SP data collection and its information use among MFIs, networks, investors, etc.

MFC has been managing the SP Fund for five years, as part of our efforts to create a more transparent and effective double bottom-line industry. In 2016, we continued our work by supporting microfinance associations (in Armenia, Azerbaijan and Kyrgyzstan) in gathering information and drafting their first ever social performance country reports. We also helped to develop new functions within the existing SPI4 tool, and supported efforts to update the tool to be in line with the industry standards. We also offered a range of workshops and trainings on the SPI4 tool and SPM; 310 people participated in those events in total.

Results:

- 9 national associations supported to develop SP country report including associations from Armenia, Azerbaijan and Kyrgyzstan
- 16 MFIs awarded grant to co-finance their SPI4 audit
- 6 scholarships provided to attend SPTF annual meeting in Morocco in June 2016
- 11 thematic webinars focused on operational areas such as marketing, HR, operations, finance, internal audit or specific SPM topics such as green microfinance or SP reporting
- 13 trainings (conducted in collaboration with CERISE) on how to use SPI4 tool and use SP data.
- Developed (in cooperation with CERISE) new functions to SPI4 tool (filtering option by operations, and external report on selected SP indicators for national associations).

Member National Associations involved: AMFA (Azerbaijan), AMFI (Kyrgyzstan)

Member microfinance institutions involved: VF AzerCredit, Viator Microcredit (Azerbaijan); Aregak, Ecluf, Finca, Farm Credit Armenia, Card AgroCredit, Good Credit, and Nor Horizon (Armenia); Finca Bank, Kompanion Bank (Kyrgyzstan)

Funder: Ford Foundation

Partner: CERISE

CERISE

FORD FOUNDATION



The MFC is actively engaged in a number of international networks and industry bodies, including: the European Microfinance Network (EMN), the European Financial Inclusion Network (EFIN) and the European Microfinance Platform (e-MFP).

We also sit on the Board of the Directors of the European Financial Inclusion Network (EFIN) and the International Social Performance Task Force (SPTF).

Partnership for financial education in Poland

Poland is plagued by low levels of financial education, yet it is not a priority for the government; the country lacks a financial education strategy, and no government programs exist to tackle the problem. Disparate efforts to deliver financial education, mostly led by NGOs, vary in size, quality and consistency. Without national coordination, supply of existing financial education does not line up with demand, across communities and regions.

Recognizing the importance of financial education as one of the crucial skills in the 21st century, the MFC launched a new partnership to increase access and quality of financial education delivery across Poland. The partnership is founded on the belief that financial education should be universal, and aligned with the educational needs of the beneficiaries. The Partnership identifies the knowledge-sharing, cooperation and coordination of stakeholders as driving factors to achieve its vision.

This informal network is not the first initiative to try to bring together in dialogue the diverse range of actors involved in financial education across Poland, but is definitely the most successful so far. To date, we have created a platform for different actors to share information and experience about their respective financial education initiatives, as well as share insights around challenges and find opportunities for creating synergies between different efforts. Understanding also the need to create a national strategy, the partnership also engaged national-level stakeholders to raise awareness, share information and discuss next steps. These meetings succeeded in raising interest for our work among the Ministry of Finance, the Civil Rights Spokesman, and the Financial Rights Spokesman.

In future, we hope that our members can working together and producing tangible outcomes such as the standards of work of financial education trainers and educators, the draft version of financial education competencies for different age groups, as well as a desk review of reports on financial literacy in Poland. The cooperation will continue in 2017, and we have every hope that this partnership will unite the sector of financial education in Poland in order to achieve greater scale of better quality intervention for various target groups. Funded by MetLife and Mazovia.

Members involved: Rural Development Foundation

Funders: MetLife Foundation (within its core grant to MFC), Mazovia

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PARTNERSTWO
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FINANSOWEJ

Supporting regulators

Strategic advice for launching a Financial Literacy Center in Kosovo

In 2016, the MFC wrapped up a successful collaboration with the Central Bank of Kosovo which aimed at developing country-wide financial education. As part of this project, we conducted a feasibility study (including interviews with financial institutions and staff of the Central Bank) to develop a concept and business plan for a proposed new Financial Literacy Centre. We also provided recommendations on how to structure and deliver financial literacy activities within the Central Bank. We envision the Financial Literacy Centre as a public-private partnership between the Central Bank (with support from international donors), financial institutions and other non-financial sponsors. It will implement two primary programs:

- Support to financial institutions on responsible lending: Integrating elements of financial education in their sales process, including educational kiosks in branches, training of sales staff, providing in-branch counseling and information
- Support to clients on responsible borrowing: Raising public awareness, delivering targeted workshops to vulnerable groups, and training financial industry experts to work on financial education with the general public.

We also envision the development of a “common brand” to be applied to financial education efforts across the country by different institutions to increase visibility, credibility and trust — and so that different efforts all serve to reinforce each other.

Partner: Central Bank of Kosovo

Members involved: Four MFC members benefitted from this project

Funder: EFSE

Joining forces to map the microfinance sector

This year, the EMN and MFC joined forces to carry out a comprehensive mapping exercise of the microfinance sector in Europe. Instead of each network studying trends among its own members only, this joined survey captured the developments in the sector in 2014 and 2015 among both networks' members, in terms of institutional characteristics, loan portfolio, and social goals. The report gives a sound overview of the sector's heterogeneity relating to the institutional model, the size and the social goals pursued by microfinance institutions (MFIs) are also diverse, while showing a primary focus on financial inclusion.

The report highlights an increase of the scale of the sector both in terms of the total volume and the number of MFIs surveyed. In 2015, MFIs surveyed disbursed a total of 552,834 loans (+12% compared to 2014) with a total volume of almost €1.5 billion. Microfinance services emerge as a key element of microfinance provision in Europe. In fact, more than half of the MFIs surveyed are providing microfinance services, allowing for the provision of financial products (primarily business and personal microloans, savings and business development services). According to the Report, last year the MFIs canvassed reached 205,943 clients with their non-financial services (primarily business development services). As regards the promotion of entrepreneurship and job creation, the MFIs surveyed supported 10,000 microenterprises, start-ups, social enterprises and self-employed people. In 2015, the number of active borrowers reached a total of 402,365 (+8%).

Cristian Jurma, MFC President, notes that “This data shows that microfinance in Europe is gradually being recognized as a key policy for the promotion of self-employment, microenterprise support and the fight against social and financial exclusion. There are in fact men and women who are willing to take control of their futures with the help of microfinance.”

Partner: EMN

Funder: European Commission (within the four-year Framework Partnership Agreement)

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New policy paper: Start-ups and job creation

Employment creation is a common objective of MFIs in Europe, as well as the stated goal of employment policies of the EU and national governments. So what is the link between the two? In 2016, we launched a new policy paper on the role of microfinance in job creation through self-employment and microenterprise. Despite high expectations from policy-makers, microenterprises have a generally limited (but socially-important) contribution to job creation. It is necessary to distinguish between growth-oriented young firms that have a potential to create jobs and self-employment and microenterprises which remain small. If microfinance focuses on the latter group, its impact on job creation will remain small. It may be more economical to reposition microfinance to become a more flexible micro-venture instrument that will fund job creators while expanding support for self-employment and microenterprises to include social programs, such as e.g. seed capital grant funds.

Funder: European Commission (within the four-year Framework Partnership Agreement)

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New concepts...

My Home, My Responsibility

Teaching vulnerable kids to be both money smart and energy smart – this is how we'd describe our year-long partnership with Habitat for Humanity Poland and the Delinquent Youth Center of Orione Convent. Our project aimed to give kids the knowledge and skills they needed to transition from care to independent living. To do so, we created innovative financial education program based on “gamification” (applying game-design thinking to non-game education to make it engaging and fun). We wanted help these young adults create positive attitudes and behaviors around managing their homes and finances within a budget.

Our curriculum included nearly 25 hours of exercises, games, contests, brainstorming sessions and peer-to-peer learning. In total, 17 staff from 6 youth delinquent centers worked with 67 delinquent girls and boys aged 16 to 19. The training covered: personal money management, using financial services, monthly food budgeting, energy efficiency and household management. Everyone enjoyed the dynamic and interactive teaching methods, especially the mini-competitions that we designed. Over a 6-month period, we observed profound changes in participants: they set saving goals, started regularly saving money, created weekly spending limits (and stuck to them), turned off lights and to save energy, and turned off heaters when they weren't needed. They also started to limit their consumption of sweets and cigarettes (usually their biggest expenses) in order to save towards more important financial goals. Our youth also gained important new knowledge: how to choose household equipment that represents the best value-for-money, how to borrow wisely (if at all), and why it's important to have a monthly plan and budget for food.

In our view, the strongest value of the curriculum is that uses interactive teaching methods based on practical real-life examples. Staff were amazed how interested and engaged participants were, despite being viewed as “problem students” in more traditional educational settings. This project allowed MFC to achieve two key goals: first, to integrate energy efficiency topics into our financial education program, and second to test a new curriculum for vulnerable and low-income youth.

Partners: Habitat for Humanity Poland, Delinquent Youth Center of Orione Convent

Funder: The project was supported by Obywatele dla Demokracji Program, financed by EOG grants.ĭ



Our team

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OXUS Micro Finance
Bank Eshkata

Financial statement

Fundacja "Microfinance Centre"

Consolidated Statement of Financial Position as of 31 December 2016

(All amounts are stated in PLN rounded to the nearest zloty)

	2016	2015
	1 USD = 4,1793 PLN 1 EUR = 4,4240 PLN	1 USD = 3,9011 PLN 1 EUR = 4,2615 PLN
ASSETS		
Non-current assets	482	11 499
Current Assets		
- Cash and cash equivalents	13 529 217	11 219 547
- Accounts receivable	1 705 442	1 971 713
Total current assets	15 234 659	13 191 260
TOTAL ASSETS	11 073 312	13 202 759
EQUITY & LIABILITIES		
Own Funds	11 924 056	10 692 407
Accounts Payable and Accruals	3 311 085	2 510 352
TOTAL EQUITY & LIABILITIES	15 235 141	13 202 759

Fundacja "Microfinance Centre"
 Consolidated Statement of Comprehensive Income for the year
 ending 31 December 2016
 (All amounts are stated in PLN rounded to the nearest zloty)

	2016	2015
	1 USD = 4,1793 PLN 1 EUR = 4,4240 PLN	1 USD = 3,9011 PLN 1 EUR = 4,2615 PLN
EARNED REVENUE		
Membership fees	156 339	159 200
Program revenue	3 800 172	3 094 223
Other operating income	25 870	33 715
TOTAL REVENUE	3 982 381	3 287 138
PROGRAM & ADMINISTRATIVE EXPENSES		
Program expenses	2 280 768	1 685 779
Administrative expenses	759 591	686 077
Other operating expenses	7 872	12 202
TOTAL EXPENSES	3 048 231	2 384 058
Result from operating activities	934 150	903 080
Net financial income	505 164	415 005
Profit before income tax	1 439 314	1 318 085
Income tax expense	207 665	187 941
Net result after tax	1 231 649	1 130 144
TOTAL COMPREHENSIVE INCOME	1 231 649	1 130 144



Acknowledgements

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Artur Munteanu: Capacity building

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