

# 2019

ANNUAL REPORT OF ACTIVITIES 2019  
ALBANIAN MICROFINANCE ASSOCIATION



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## MESSAGE FROM THE PRESIDENT

Dear reader,

It is my pleasure to share with you this publication, which presents the achievements of a sector with an ever-increasing importance such as microfinance. At the same time, I am proud to say that the year we left behind was one of the most successful for microfinance, as it was characterized by a significant increase in all indicators of the sector, accompanied by a qualitative improvement in the services provided and access to the customer.

The year 2019 was a challenging year for the Albanian economy, not only as a result of the slowdown in the world economy and the increase of uncertainty of political stability in the country, but also as a result of the shock experienced by natural forces that had their impact during the last quarter of the year we left behind. Due to two such events and the devastating effect on homes and businesses in the central area of Albania, the expected economic growth resulted in a decline, but still positive, respectively 2.2% versus 4.1% of the previous year.



Despite these challenges, the microfinance sector had positive results, and helped revitalize the economy and financial supply for the target market, individuals, farmers or small businesses, who do not have access to the banking system. Microfinance for 2019 expanded to 5.7% of the total credit of the economy against 94.3% represented by loans of the banking system. The active loan portfolio at the end of 2019 for microfinance institutions, members of the Albanian Microfinance Association, increased by 34%, as a result of not only the increase in lending, but also the increase of members in the ranks of the Association. Also during 2019, the geographical coverage with branches and loan officers increased, and also new innovative products were added, in accordance with the needs of the target clientele. At the end of 2019, the number of employees among the members of the association was 1,581 or 25% more than a year ago, which served a clientele composed of 178 thousand loans and 10 thousand active deposits.

Aware of the still untapped potential of lending to the economy, the microfinance sector also invested in strengthening the operational capacity to digitize financial services in order to reduce transaction costs, increase the speed of service delivery and financial inclusion of an as large as possible number of individuals and entrepreneurs, especially in rural or peri-urban areas. In this context, in cooperation with our partners in the region, 2 international regional conferences were organized with the participation of microfinance actors, Central Banks of the region and beyond, for the exchange of regulatory perspectives of digital financial services.

The micro-credit sector is not yet properly recognized by the Government, media, economic experts, and universities. Focusing on day-to-day field activity has hindered the proper promotion of microfinance over the years. In this logic, more communication is needed with key actors in the financial sector at the national level. Microfinance needs to be a real and audible voice of any consultation in the context of national development policymaking. To this end, a series of activities, roundtables and events were organized over the past year to raise awareness, and to serve the social mission of microfinance for job creation, gender equality and access to finance for every stratum of the population.

With the confidence and desire to strengthen the microfinance sector in Albania as one of the promoters of the economy and the pillar of financial support for thousands of individuals, farmers and small businesses, members of the Albanian Microfinance Association are making extraordinary efforts towards the qualitative growth of services provided to customers and the integration of innovative solutions to be at the highest levels of the financial industry. Even greater challenges await us in an environment in which technological, economic, social and consumer behavior changes are faster than ever before.

I wish you a pleasant reading!

Perlat Sulaj  
President – Albanian Microfinance Association

## MICROFINANCE SECTOR AND ITS DEVELOPMENTS. STRATEGIC PRIORITIES

The microfinance sector has already entered a new phase of its development. In line with the socio-economic developments of the country, as well as the growing market demands not only for products and services that serve to raise living standards for individuals and enable free enterprise for micro-businesses, but also to ensure sustainability in quality of life and consolidation of local business activity, especially family business.

Institutions operating in the microfinance sector are part of the group of non-bank financial institutions, which are supervised by the Bank of Albania. Non-bank financial institutions that are active in the field of lending and its alternative products (financial leasing or factoring) are a total of 25 and are divided into several categories: Non-bank financial institutions (NBFIs) microcredit providers (6 entities), NBFIs providers of all types of lending (8 entities), NBFIs providers of financial leasing products (10 entities) and SFJB providers of factoring products (8 entities). Some NBFIs are licensed for more than one type of financial activity, owning more than one license.

In addition to the group above, there are also financial cooperatives, or as they are called Savings and Loan Associations, which are a special form of organization where members registered in the company have the opportunity to offer their deposits and receive loans within the company where they are members. (or co-owners). These entities during 2019 amounted to 14 SLA and one SLA Union. During 2019, members of the Albanian Microfinance Association were 5 NBFIs (Agro & Social Fund, BESA Fund, IuteCredit Albania, Kredo Finance and NOA), as well as two SLAs (Fed Invest SLA and UniFin SLA).

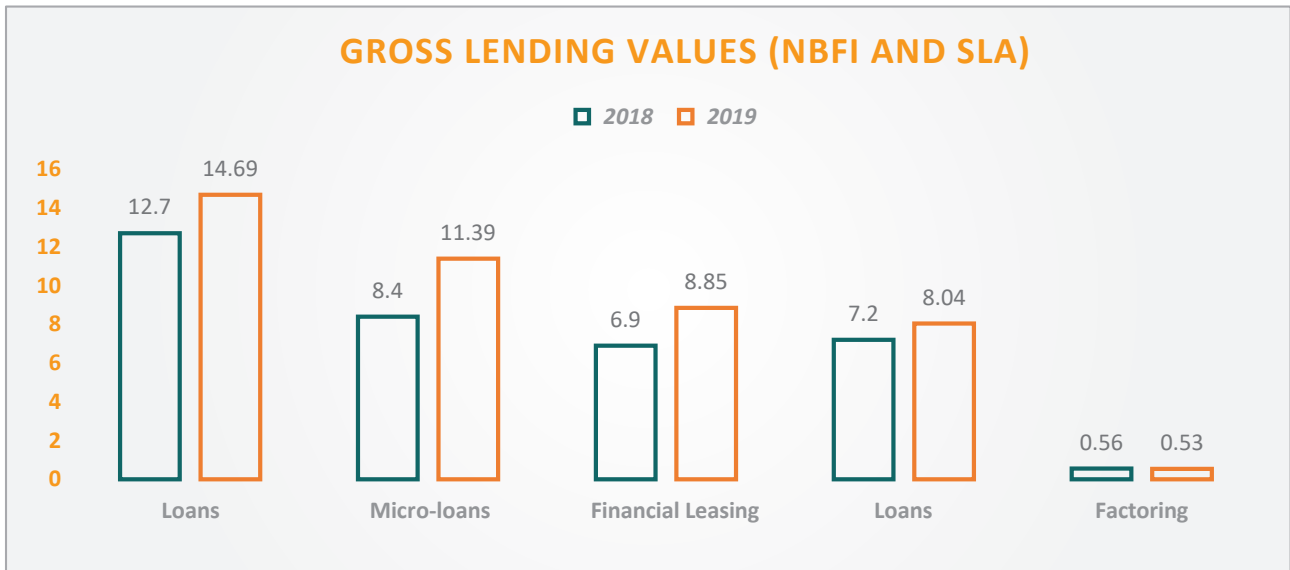
At the end of 2019, the gross loan portfolio of non-bank financial institutions reached ALL 35.5 billion<sup>1</sup>, recognizing an increase of about ALL 6.8 billion (or 23.7%) compared to the previous year. The biggest impact on this increase was given by the microcredit activity with ALL 2.95 billion<sup>2</sup>, while lending and financial leasing increased<sup>3</sup> by ALL 1.97 and ALL 1.93 billion, respectively. The factoring activity has decreased by ALL 61.3 million. In December 2019, the gross loan portfolio for SLAs reached the value of ALL 7.96 billion, increasing by about ALL 0.8 billion or 11.8% compared to a year ago (see table and graph below):

<i>Source: Bank of Albania</i>				<i>(Billion Lek)</i>
<b>Financial Activity</b>	<b>2018</b>	<b>2019</b>	<b>Diference</b>	<b>%</b>
Loans	12.7	14.69	1.99	16%
Microcredit Loans	8.4	11.39	2.99	36%
Financial Leasing	6.9	8.85	1.95	28%
Loans from saving units	7.2	8.04	0.84	12%
Factoring	0.56	0.53	-0.03	-5%
<b>Total Loans</b>	<b>35.76</b>	<b>43.5</b>	<b>7.74</b>	<b>22%</b>

1 Source: Bank of Albania, Supervisory Annual Report 2019

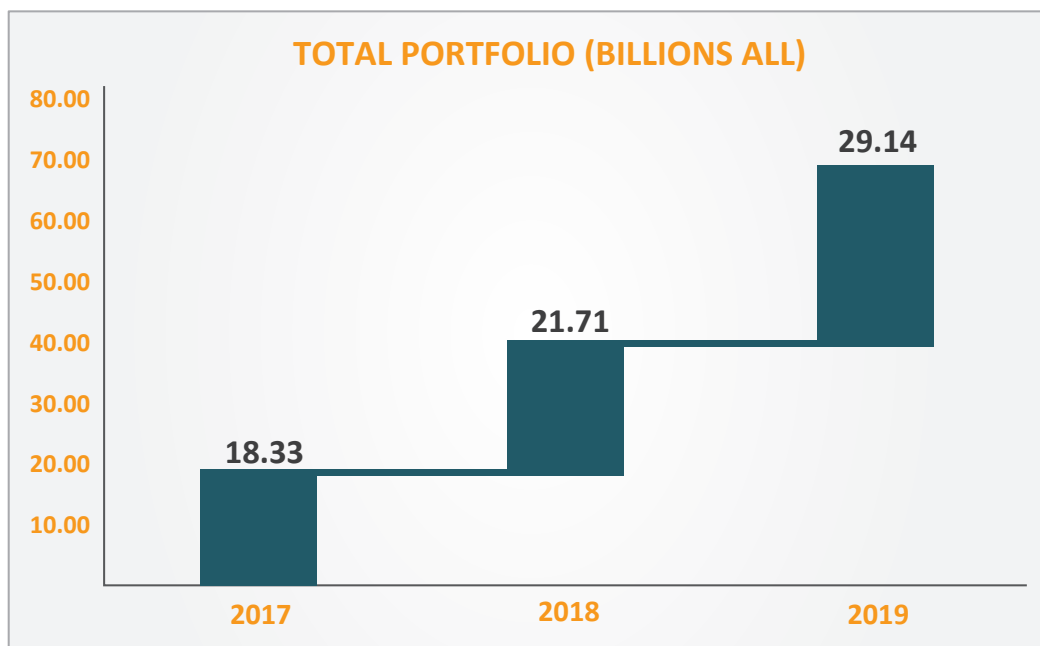
2 The microlending activity includes lending within the limit defined as micro-lending within the regulatory framework of the Bank of Albania, respectively 650 thousand Lek. Non-bank financial institutions that offer only micro-loans are identifiable as such.

3 Lending includes all types and amounts of lending by Non-Bank Financial Institutions, with the exception of micro-lending.



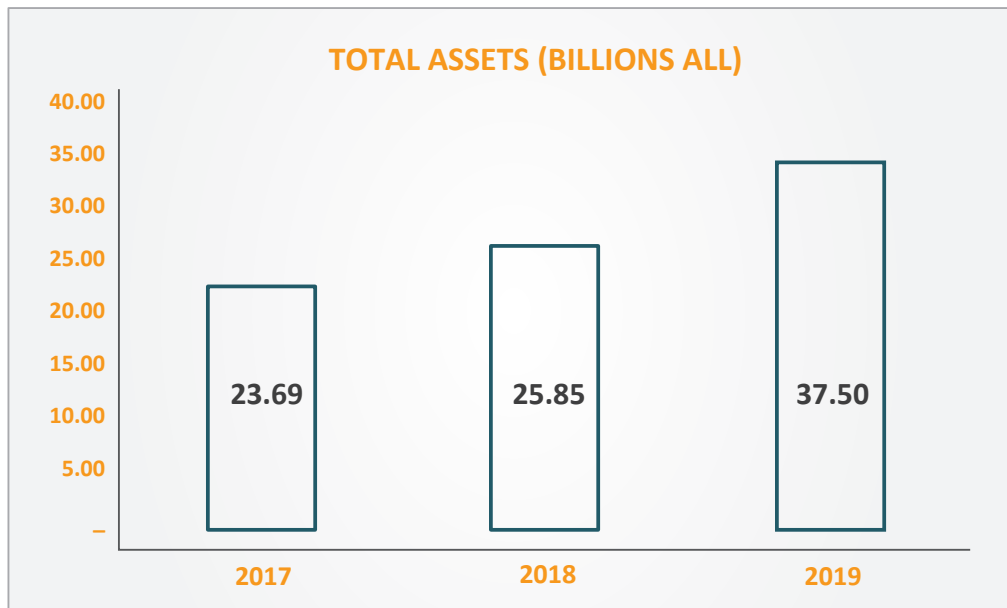
The portfolio of NBFIs and SLAs expanded to 5.7% of the total lending portfolio to the economy (including the banking system), from 3.9% of the previous year. This is an increase that is mainly due to the growth of microcredit portfolios.

Members of the Albanian Microfinance Association closed 2019 with a total gross loan portfolio of 29.2 billion Lek, recording an increase of 34% compared to a year ago (21.7 billion), and covering about 67% of the total loan portfolio of non-bank financial institutions and Savings and Lending Associations and their Unions.

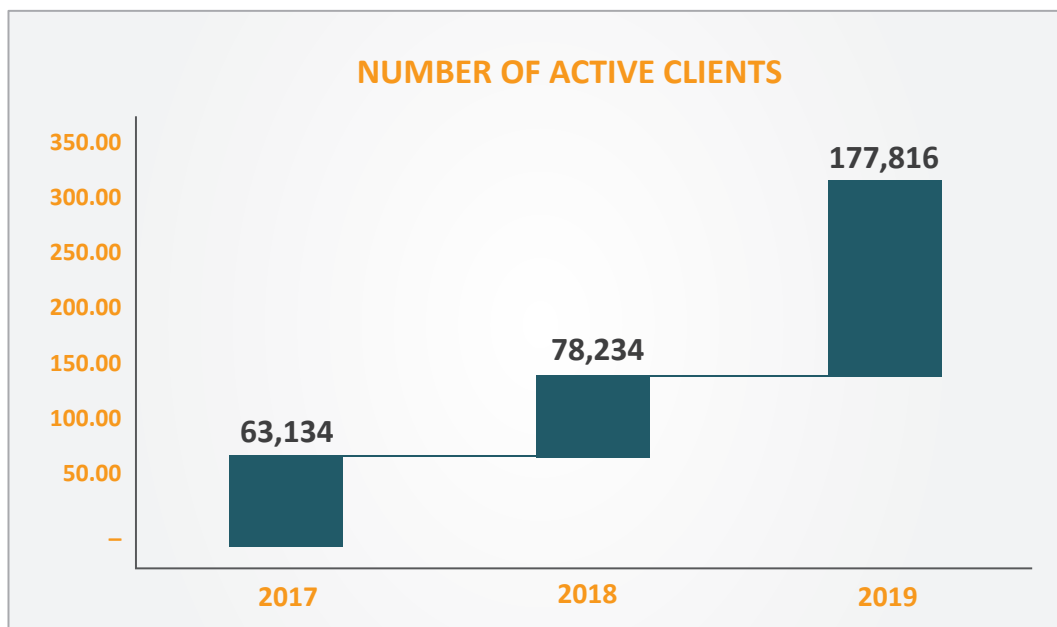


This proves once again the fact that the microfinance sector, with the flexibility, dynamism and operational ease that characterizes it, is growing rapidly, meeting the needs of customers, families, small businesses, and farmers.

Total assets of Members at the end of 2019 reached the figure of 37.5 billion Lek, or 45% increase compared to 2018. 25% of these funds were the company's own capital and 75% liabilities to third parties (investor financing line and banks, as well as deposits in the case of SLAs).



The number of active clients for the same period reached 177,816, and during 2019 a total of 286,193 loans were disbursed, in a total value of Lek 26.7 billion, an increase of 52% compared to the same period last year. The average portfolio quality indicator, measured as a portfolio at risk with more than 30 days overdue, was 8.4% for the end of 2019.



Certainly the marked increase in terms of total assets and loan portfolio given to the economy reflects the long-term commitment and strategy of supporting the population and micro-businesses that do not have access to the banking system, a target market which has responded to the financial offer of the microfinance sector and has been extremely active in a total of loan applications that in 2019 accounted for 68% of total loan applications, including the banking system.

4 The figures belong only to the members of the Albanian Microfinance Association.

Microfinance in Albania has evolved over the last decade offering a wide range of services and great opportunities for expansion. These services have a profound effect on creating opportunities for the development for family businesses, handicrafts, agriculture or other types of enterprises, especially for marginalized groups, who otherwise would not be given the opportunity to develop their business.

Microfinance institutions have supported their clients, individuals or small businesses, by offering a wide range of contact points, from on-site visits to business premises for farmers, micro-businesses and family businesses, a network of 267 branches Across the country, 881 loan officers as well as a fairly large number of payment service providers for repayment of installments, through the network of agents in addition to branch presence.

## BRANCH NETWORK OF AMA MEMBERS



Strategic priority has been given to the provision of services and products through digital platforms, and microfinance institutions have made every effort in terms of legal, regulatory, and operational framework to achieve a fully digital process. Customers will soon be able to complete the entire process from a SMART phone or tablet, following the latest developments in the provision of online payment services.

The application evaluation process is increasingly oriented by scoring systems, which not only provides an objective classification of loan applications, but above all ensures a fast process, even within minutes. The review of applications through scoring systems (scorecards) is a novelty in the Albanian market and is built on highly sophisticated parameters of behavior of a wide database of customers.

Throughout its existence, microfinance has been accompanied by its social mission — supporting the weakest without access to finance and without opportunities for financial development. In this context, all members have continued to work with customer awareness and increase the level of their financial education and have continuously increased the transparency with which financial services and products are provided. Three of our members, FedInvest, BESA Fund and NOA, were honored by the European Commission with the Certificate of Conformity with the Code of Conduct in Microcredit Activity, which were submitted during the event in the framework of the European Microfinance Day 2019, which took place in Brussels, on 17-18 October 2019.

## SUMMARY OF AMA ACTIVITIES DURING 2019

### Regional Conference - Digitalization of Microfinance Financial Services

In cooperation with the Alliance of Microfinance Organizations of Northern Macedonia, Kosovo, Bosnia and MFC, 2 very important international regional conferences were organized for all microfinance actors in the region and beyond. Representatives of AMA members and the Bank of Albania participated in both conferences.

- May 12-13, in Ohrid on “Readiness for Digitalization in Microfinance - Challenges and Trends in the Region”. This event had participants from microfinance institutions of Northern Macedonia, Albania, Bosnia and Herzegovina, Kosovo, Montenegro, and Greece, and served to share and learn from each other’s experiences and discuss the next steps in the digitalization of microfinance.
- September 5 - 6 in Skopje on “Regulation of Digital Financial Services - Regulation for the benefit of all”. This event was widely attended by microfinance institutions from the Balkan region and from the central banks of Estonia, Lithuania, Latvia, Albania, Serbia, Northern Macedonia, Croatia, and other representatives from the European Commission and organizations and businesses. other regional and international, with a focus on digitalized financial services.

Both events were characterized by a wonderful exchange of regulatory perspectives of the digitalized financial services of the European Union countries and the Western Balkan countries, in addition to the opportunities to establish direct links between different institutions and companies.



### Working Group Roundtable - “Microfinance of Tomorrow, Digitalization of Microfinance Institutions”

In cooperation with the Microfinance Center (MFC) and with the support of the European Union, the Albanian Microfinance Association held during 2019 three roundtables on the topic: “Microfinance of tomorrow, Digitalization of Microfinance Institutions”

In the context of global developments in the field of digitalization of financial services, and with the aim of providing Albanian consumers with high quality innovative services, the financial institutions members of the Albanian Microfinance Association are intensifying their efforts to not only be in the same line as with other sectors of financial services in the country, but also to be one step ahead. In this context, the three roundtables addressed issues, problems and challenges faced by Microfinance Institutions in orienting their services through digital platforms.



**The first** roundtable discussed issues related to compliance with the legal and regulatory framework, which is considered dynamic and is going through certain stages of change and adoption to accommodate the changes required by the market. These include but are not limited to the electronic identification of the client, the electronic signature, the electronic contract and whether it will be considered as a contract by the courts in this country, as well as the entire process of providing financial services and products on digital platforms, and what complexity this brings to the legal and regulatory framework.

**The second** roundtable addressed operational issues of providing on-line services and products, such as integrated and open banking platforms, operational framework, data exchange and cyber security, closely related to the process of digital transformation of microfinance institutions. In this context, it was discussed about the challenges faced by Microfinance Institutions in creating a fully digital process of providing products and services in terms of integration with public and private platforms in order to automate lending processes, devise and create algorithms for automatic decision making in lending, the use of digital platforms for collecting loan installment payments through them (the so-called e-wallets), as well as the practical execution of distance transactions through electronic signature.

**In the third** roundtable discussion on digital transformation was discussed with the development of business based on on-line channels, through marketing and digital sales. The discussions started with a presentation of digital statistics for Albania, compiled and published by the two largest agencies in the world for digital marketing and social media, “wearesocial” and “Hootsuite”. The material brought a lot of useful information to the participants, as well as was treated as a basis for discussions on how these statistics can be used to design the most effective strategies and marketing and to design the most effective campaigns.

Participants also discussed the possibility of using digital and social media platforms in new dimensions, given the information that these platforms use and the endless possibilities for using this information. Afterwards, a summary of digital marketing concepts was presented, where participants discussed how they have adopted or are adopting these concepts in their daily work and how effective they have been.

These meetings were attended by representatives of all market players, from the Government, Regulators, Institutions responsible for cyber security, money laundering prevention, developers and applicants of electronic platforms and open banking, digital marketing companies and trend makers of electronic financial services, such as also representatives of microfinance institutions, members of the Albanian Microfinance Association.

The participants proposed solutions and changes, which, in the light of developments are also in the focus of the government and its strategic priorities, take on special importance in facilitating the process and enabling it on a larger scale. The discussions were judged to be quite fruitful by the participants, who outlined further steps to overcome these challenges and offer respective solutions.



## EUROPEAN MICROFINANCE DAY

### Albania, Tirana

On October 15, 2019, the Albanian Microfinance Association (AMA) organized the event “European Microfinance Day 2019”, with the participatoin and direct involvement of the European Microfinance Network and Microfinance Center (MFC). This event aimed to present the achievements of the microfinance industry at national and European level, with the objective of raising awareness about the social and economic impact of microfinance on the financial inclusion of the mases, poverty reduction and job creation.

The event was attended by representatives from the Government, the Bank of Albania, Business Agencies and Chambers of Commerce, microfinance industry support institutions and representatives of non-bank financial institutions that have as their object lending.

The event was opened with his greeting speech by the current President of AMA and at the same time the General Director of FedInvest, Mr. Perlat Sulaj, who focused on the achievements of microfinance over the years, success stories, but also the challenges that this industry has gone through in the 27 years of its existence. Afterwards, the floor was given to Mrs. Brunilda Isaj, General Secretary of AMA, who made an illustration in industry figures, citing lending volumes, market positioning, economic impact and quality of lending of non-bank financial institutions, members of AMA, and inviting also other institutions to join the association with the mission of creating a voice in the Albanian financial reality. Regarding the European developments in the microfinance industry, the respective opportunities and challenges, Mr. Nicola Benaglio, economics researcher at the European Microfinance Network, based in Brussels, Belgium.

The event was greeted by Mr. Deniz Deralla, Director of the Supervision Department at the Bank of Albania, who spoke about the strategy and measures taken by the Bank of Albania regarding the financial education of the measures, and the role that microfinance plays in this aspect. He drew attention in terms of responsible lending, transparency with customers and accurate approach to the legal and regulatory framework to ensure continuity of activity with a quality hop and value for the market.

Finally, a greeting speech was given by Mr. Alessandro Bragonzi, representative of the European Investment Bank and the European Investment Fund, who after speaking about the EIB Group and its activity, said that synergies to support the financial market in Albania are not lacking, and that the EIB Group considers the region as a potential for introducing financial schemes and instruments in support of the economy. The event closed with a cocktail for the guests.



## Europe, Brussels

European Microfinance Day 2019 included a myriad of international events. Organized in collaboration between the Microfinance Center and the European Microfinance Network, the event in Brussels brought together representatives of microfinance institutions and associations, who are constantly looking to improve their products and services. This continued commitment to excellence, in line with the changes and best service standards, was rewarded: MFC and EMN members were honored with the European Code of Conduct.

The event was opened with the opening speech by the European Investment Bank. Further, motivational information was presented regarding the measurement of the social impact of microfinance, brought by researchers from Microfinanza Srl, Università di Parma, and Rete Italiana Microfinanza, but also on good news: Ann Päivi Branch, Unit Director at the Branch of the European Commission officially announced the creation of the EaSI Financing Instrument, managed by the European Investment Fund, following other opportunities represented by the EaSi Program. The most beautiful part of the event was the ceremony that honored the winners of the European Code of Conduct for Microfinance Institutions. The members of the Albanian Microfinance Association who were honored with this award were FedInvest, Fondi BESA and NOA, who underwent a special audit regarding the fulfillment of the criteria set by the European Commission for this award.

**Shoqata  
Mikrofinansca  
Shqiptare**



**Albanian  
Microfinance  
Association**

# ACTIVITY OF THE MEMBERS OF THE ALBANIAN MICROFINANCE ASSOCIATION DURING 2019



# AGRO & SOCIAL FUND

By end of the second decade of activity, for more than three years under the administration of the new Partner, Agro & Social Fund is moving forward with a clear mission and ambitious objectives.

A team of 57 professionals and supporting staff served more than 2,500 clients and administered a portfolio of 643,621,577 ALL, by the end of 2019. Compared with the previous year, 2019 achieved an increase of 28% of the portfolio in value and increase by 14% of the number of active clienteles. The financial results achieved during 2019 have maintained the growing trend of the years after the change of the name of the institution, from Vision Fund to Agro & Social Fund (ASF).



Agro & Social Fund is increasingly identified in the market with an improved activity, consolidated procedures and standards, with a professional staff, strengthened management capacities and a positive team spirit, committed to meeting the objectives of the institution.



The year 2019, marked significant changes for the work of some departments in Agro & Social Fund. The Department of Risk Management, which was formerly a sector, was added. MIS system changed, from the beginning of 2019, Agro & Social Fund is working with a web-based credit system. The Internal Audit sector was added, which enables the increase of controls and the creation of a culture of self-responsibility from the staff. These developments are providing, and will help in the future, improving procedures, as well as increasing the efficiency and effectiveness of ASF's staff. Agro & Social Fund is increasingly identified in the market with an improved activity, consolidated procedures and standards, with a professional staff, strengthened management capacities and a positive team spirit, committed to meeting the objectives of the institution.

During 2019 ASF joined the awareness campaign "Borrow Wisely" in order to educate customers on prudent and wisely borrowing, as well as for good management of the household.

**28%**

Agro & Social Fund has an increase of 28% of this portfolio in value and an increase in the number of active clients by 14% in number.

**643,621,577 ALL**

A team of 57 professionals and supporting staff served more than 2,500 clients and administered a portfolio of 643,621,577 ALL

**2,500 clients**

Served more than 2,500 clients

#### **AGRO & SOCIAL OPPORTUNITIES AND GOALS FOR 2020 IN THE FRAMEWORK OF FULFILLING THE MISSION AND TO GROW AND DEVELOP IN THE MARKET:**

- ASF intends to expand geographical extent to cover with financial services other rural, urban and semi-urban areas of Albania. For this reason, an expansion strategy for 2020 has been designed for the opening of new offices and the coverage of existing offices with full capacity of Credit Officer employees.
- ASF aims to achieve the ratio of over 50% of female clients in relation to active clients and over 60% of active clients to be clients of rural areas.
- ASF aims to perfect the range of products starting with the launch of products "Rural Woman" and "Young Entrepreneurs", which are thought to be closer to the needs of the unserved clientele.
- ASF aims to impact and improve directly and indirectly the life of over 4000 children; increase the extension among vulnerable groups in order to improve their quality of life; as well as assist in sustaining and creating new jobs.
- Participating in the "Borrow Wisely 2020" campaign, receiving the "Code of Good Conduct", achieving a positive "Financial Rating" and benefiting from the "Technical Assistance" from the Microfinance Centre.

Agro & Social Fund feels confident that 2020 will be full of challenges and achievements, new partnerships and collaborations in order to achieve the highest ethical standards of lending, through a unified series of best practices in the sector, and trainings to meet the challenges of securing long-term financing.

# FEDINVEST SHKK

The year 2019 in FED invest was marked by full realization of the foreseen objectives, a qualitative development of the corporate governance system and operational and financial consolidation, prudent risk management and implementation of supervisory norms, an expansion and strengthening of strategic partnerships, improved level of services to the membership, as well as a qualitative transformation of the central information system and computer park in the whole institution.

FED invest has for years been a trustworthy partner for all its members: Solid and multifaceted expertise allows it to be close to and support members, in their life projects, not only by funding but also by advising them throughout the investment period, to implement profitable and sustainable projects with all members.



FED invest is a promoter of development and entrepreneurship not only in the rural area, but throughout the country, serving a wide range of clients, from the segments that were excluded the most from access to finance to successful SMEs.



Currently we are the largest financial cooperative in the whole country, with about 70 thousand members, with an asset value of 6 billion ALL and a wide range of financial and non-financial services in both rural and urban areas. All performance indicators are increasing, the deposit portfolio reaches the value of ALL 4.3 billion and the loan portfolio ALL 4.2 billion, consolidating the financial and operational position. During 2019, about 6000 entrepreneurs were funded in various economic sectors but mostly in agriculture, agro-processing, livestock and services.

**70  
thousand**

the largest financial cooperative in the whole country

**4.3 billion ALL**

The deposit portfolio reaches the value of ALL 4.3 billion and the loan portfolio

**4.2 billion ALL**

During 2019, about 6000 entrepreneurs were funded in various economic sectors but mostly in agriculture, agro-processing, livestock and services.



Strongly positioned in the microfinance market, FED invest as part of the medium-term strategy and in cooperation with our strategic partners, this year launched a series of major projects aimed at increasing financial inclusion, providing non-financial services and especially expertise in the agricultural field, financial education and digital solutions, fast and low cost for our members. In the face of a rapid development of the economic and technological environment, FED invest again this year showed the dynamics of its members, demonstrating the capacity to anticipate developments and to continuously adapt to the Digitalization of financial and non-financial services.

For 2020, FED invest aims to expand the range of financial and non-financial services, including digitized payment and financial services, farmer assistance and advisory services throughout Albania. The construction of ABA Center - Agro Business Assistance is well underway as well as the platform [abaonline.al](http://abaonline.al), which will be the Voice of Albanian Farmers in the future.

Member at the Center: Strengthening the social impact with members at the center of every activity. FED invest will continue to provide quality service with the aim of continuously increasing the membership loyalty and satisfaction by providing access to finance for individuals underserved by the banking sector in order to increase employment, reduce emigration and increase income, especially in rural areas. This is a marked year for us because the European Commission, based on evaluations, has awarded the certificate of compliance with the European Code of Good Conduct in Microfinance to FED invest, which meets all the European standards of microfinance lending.

Social responsibility emanates from the heart of his governance model, ensuring the delivery of the best technological practices and a motivated, competent and responsible staff in customer relations. SOCIAL FINANCE is ALWAYS the motto that has been accompanying us for several years now thanks to our mission to increase financial inclusion and alleviate poverty building on a unique governance system in Albania which is based on the principles of financial cooperation.

# FONDI BESA

After 25 successful years and continuous institutional development, today Fondi Besa is among the most important MFI's in the Albania.

From the very start this institution has always been on the side of its clients, both individuals and businesses, by supporting their new development ideas and the expansion of existing activities while providing products and services tailored to their needs and requirements. This in return has enabled Fondi Besa to enrich its products and services portfolio and grow its activity.



With nearly 227,000 granted loans, for a total ALL 81.6 billion, Fondi Besa is proudly ranked among the institutions that has had a big contribution on the development of small and medium business, job creation, improvement of the overall economic, health and education status of thousands of families living in both urban and rural areas.



The year 2019 provided an economic environment that was negatively affected by the catastrophic November earthquake, which caused significant economic damage and losses, thus reducing economic growth to 2.2%, compared to the level of 4.1% recorded in 2018, and economic losses estimated at 7.5% of GDP.

Despite these difficulties, Fondi Besa has made significant progress in achieving its annual strategic objectives, by consolidating even more its position in the market as a reliable and professional partner for its clients. This comes together with an overall increase in business activity and as well with improvements in key financial indicators such as equity, risk control and shareholders profit. This highlights the fact that Fondi Besa is based on solid foundations that will continue to support a safe growth into the future.

## 15.6%

a significant increase in the loan portfolio compared to 2018

## 32,000

### active customers

a visible progress in the realisation of strategic objectives of 2019

## 34.6%

At the end of 2019, the total assets amount at ALL 18.2 billion, an increase of 34.6% from previous year.

Nearly 32,000 active customers, over 18,800 loans granted and a significant increase in the loan portfolio, by 15.6% compared to 2018, highlights Fondi Besa efforts to serve to a growing customer base by fulfilling the needs of its target market segment.

At the end of 2019, the total assets amount at ALL 18.2 billion, an increase of 34.6% from previous year. The total capital is ALL 3.3 billion, an increase of 11.5% compared to 2018. In terms of profitability indicators, at the end of 2019 Fondi Besa had a Return on Assets of 3%, while Return on Equity was 16% and the capital adequacy ratio was 33.28%. Also, at the end of 2019, Fondi Besa counts 82 offices that provide for a wide and stable coverage all over the country. The number of employees increased slightly to 576 from 549. With regard to improving staff professional capacities Fondi Besa has conducted 80 training sessions over 94 days where a total of 1,104 employees were trained. This means that on average every employee has received more than one training.

During 2019, the Fondi Besa continues to own 100% of the shares of the Microfinance Institution "Agro & Social Fund".

The good financial performance will enable the Fondi Besa to increase its activity by reaching more clients, expand its area of influence, enrich its range of products, improve internal processes efficiency, optimize usage of funds, with the final aim to better position itself in dealing with future challenges and the overall reduction of the risk levels.

Fondi Besa has built a business strategy which is based on the strengths of its business model. This institution aims to achieve its objectives by being efficient, keeping risk at minimum while being well-capitalized and transparent.

Fondi Besa strategy is to strengthen its position in the market by supporting its clients through the offering of quality products and related services. The goal is to focus institutional resources into those market segments and sectors where demand exists. Markets do change over time, so does the customer behavior and preferences. Therefore, Fondi Besa is in constant evolution and in adaption to market demands. The development of new products and the improvement of existing ones is essential to support the fulfillment of the objectives of this fund.

Fond Besa strategy in support of the micro, small and medium business sector aims at an increase by 6.34% of related number of active clients and an increase of 7.64% of the related portfolio in 2020. Increasing customer satisfaction through product and service offerings tailored to customer needs and in a responsible, transparent, cost effective and a manner that exceeds their expectations is another and a continuous top priority.

In terms of professional capacity, Fondi Besa is guided by the principle of being an institution that brings together the best values of a committed, inclusive workforce that encourages a high level of performance. In this regard, Fondi Besa will continue to invest in increasing the capacities of its staff through advanced training programs for both existing employees and new ones.

Besa Fund executives are optimistic that 2020 will be a successful year, building on the progress made in 2019, as they are aware of the difficulties and inevitable effects of the consequences of November 2019 earthquake and the COVID-19 on the economy and on the Fund daily activity. Their priorities are clear and well defined. Their strength lies in the most valuable asset, the human capital, as well as on the strong financial position. BESA Fund will rely on these two elements in order to face the challenges posed by the current year's situation.

Main Business and Financial Indicators	December 2019
Active Loans	31,733
Gross loan portfolio <sup>5</sup>	13,227,823,567
Number of disbursements / year	18,808
Volume of disbursements / year	9,812,687,604
Cummulative number of loans	226,843
Cummulative volume of disbursements	81,648,053,575

# IUTECREDIT ALBANIA

IuteCredit Albania, licensed by the Central Bank of Albania with license no. 32, dated 31.03.2015 as a Non-Banking Financial Institution of Microcredit started its activity by offering consumer loans in April 2015. The mission of IuteCredit Albania sh.a. is to create an extraordinary experience in personal finance, exceeding customer expectations.

The goal is to improve the standard of living of everyone, giving them the opportunity to use modern technology and access to the digital economy. IuteCredit helps all customers with loan products, which are consumer loans without guarantee, with a maturity of 1 to 36 months. IuteCredit also offers guaranteed car loans with a maturity of up to 60 months.



Important for 2019 is the issuance for the first time of a 2-year bond with private offers. IuteCredit offered local investors an investment opportunity, making it possible for them to use their money in the lending business and paying the annual interest in two installments.



2019 was a good year for most customers, for most employees and for IuteCredit investors.

IuteCredit Albania offers the service to customers through about 1,050 points of sale for cash loans and 1,070 points of sale for goods and services. The number of branches increased to 15. IuteCredit Albania has served 107,731 clients with a value of 6.25 Billion Lek disbursed, which were spent mainly in the Albanian economy.

IuteCredit Albania started the 2019 with 78 employees, and increased during this year by 50%, closing it with 117 employees.

## 78%

They achieved a 78% increase in the loan portfolio.

### 6.25 Billion Lek disbursed

IuteCredit Albania has served 107,731 clients with a value of 6.25 Billion Lek disbursed, which were spent mainly in the Albanian economy.

### 22.6 million EUR

IuteCredit Albania contributed to increasing the turnover of the domestic economy by 22.6 million EUR in revenues from goods and services that were sold with our loan through our business partners.

During 2019 we achieved a 78% increase in the loan portfolio. With loans disbursed during 2019, luteCredit Albania contributed to increasing the turnover of the domestic economy by 22.6 million EUR in revenues from goods and services that were sold with our loan through our business partners.

Another direct contribution that goes to the benefit of the state budget are the payment of taxes and contributions for social and health insurance worth about 1.57 million EUR.

89% of loans disbursed according to CPI (Customer Performance Index) were repaid. CPI is a unique index developed by luteCredit, which measures customer repayments versus expected repayments, according to the repayment schedule in loan agreements. During 2019, more than 89% of the expected loan repayments were made under loan agreements, or with a maximum delay of 30 days. 11% which were not repaid on time went through predetermined processes for tracking overdue loans, where over 70% of the principal was recovered within the year.

Important for 2019 is the issuance for the first time of a 2-year bond with private offers. luteCredit offered local investors an investment opportunity, making it possible for them to use their money in the lending business and paying the annual interest in two installments.

Even this year, luteCredit Albania was involved in donation activities. In June, in cooperation with the “Fundjave Ndryshe” foundation, it enabled the support of a family living in extreme poverty, contributing to the reconstruction of their house. Another contribution of luteCredit Albania was the solidarity of helping the families affected during the state of emergency caused by the earthquake. We donated an amount of 7000 Euros, as well as relieved more than 100 active clients affected by the earthquake from fines and late fees, including the forgiveness of loans for those who lost their lives due to the earthquake.

# KREDO FINANCE

KREDO FINANCE as an innovative company FinTech, from the first day of its establishment and also during 2019 has managed to apply the highest professional standards to provide a quick and easy solution for micro-lending to individuals.

During 2019, Kredo Finance successfully accomplished its mission: To offer the fastest and most accessible microloan in the market, being the first option that every individual would choose. They are also proud of the successful realization of their vision: to digitize, simplify and accelerate customer service and lending, in order to increase access, inclusion and financial inclusion.



Speed of service, competitive offers, transparency, information, are strong points of the work of Kredo Finance and the guarantee of a correct, transparent and efficient relationship between KREDO.al and the citizens.



During 2019 it consolidated the promise to its customers to create new standards every day which enable: speed, wide presence, and perfect customer service.

The philosophy of Kredo Finance has made the citizens not only to be considered as customers, but also daily collaborators and partners.

Speed of service, competitive offers, transparency, information, are strong points of Kredo Finance's work and guarantee a correct, transparent and efficient relationship between Kredo Finance and citizens.

## 3X

During 2019 it managed to triple the number of loans issued.

## 270, 85%

↑ The number of Kredo Finance branches throughout Albania is 56, while the number of its employees is 270, 85%

## CCIT Awards

↑ The Company with the Best Microfinance Service from the CCIT Awards.

And exactly this vision, this mission, this philosophy and these standards made Kredo Finance to be announced for 2019, the Company with the Best Microfinance Service from the CCIT Awards.

During 2019 it managed to triple the number of loans issued. The number of Kredo Finance branches throughout Albania is 56, while the number of its employees is 270, 85% of whom are in the age group 21-34.

Kredo Finance closed 2019 with a Total Asset of 1,519,961,000 Leke (Year 2018: 443,087,000), while maintaining a good portfolio quality within the market average for unsecured consumer loans.

2019 was a successful year for Kredo Finance, as during this year it managed to consolidate and develop the innovation introduced by them, the online lending process, reducing the time for reviewing the loan application of the individual, and of course strictly maintaining important standard for them, such as that of personal data storage. There is still a challenge for next year, the finalization of the online process up to the final step of disbursement.

Kredo Finance has already become an actor and a key factor for Financial Education in Albania. During 2019, he managed to sign several agreements with the Universities in Albania for Financial Education, agreements which were followed by the organization of lectures for students by the representatives of this company.

Kredo Finance funded a very important study on Financial Education and the economic situation in Albania, which was presented and shared with the public widely in the media, helping to set up a longer-term strategy of Financial Education in Albania.

# NOA

For more than 21 years, NOA has been committed to constantly serving any finance need of businesses, farmers and Albanian families, wherever they are and at any stage of their investment.

This ongoing commitment has resulted in thousands of satisfied clients and in a relatively high recycling level compared to the financial sector. The figures of 2019 speak for themselves:



Creating and protecting jobs in a challenging environment, has remained our main objective throughout 2019 considering the country's overall situation. 65% of our loan portfolio is composed of businesses spread out all over the country.



Creating and protecting jobs in a challenging environment, has remained our main objective throughout 2019 considering the country's overall situation. 65% of our loan portfolio is composed of businesses spread out all over the country, and 22% is made of farmers and agro-processors of different categories. 13% of our loan portfolio is composed of families and individuals, who have experienced increased living standards, thanks to our financing.

## 6%

Gross loan portfolio is increased with 6%, which contributed in surpassing the symbolic value of 5 billion All

## 3.9%

Loan Portfolio quality has remained in very satisfactory levels, with PAR 30+ at 3.9%

## 3,426 bilion lek

Total yearly disbursement reached at 3.4 billion All



At NOA, faithful to our microfinance institutional history, all of our staff remain highly committed in providing advisory and necessary support to every client so they can succeed in their investments. Their business plans, the ambitions to further grow their enterprises or farms, similarly like the ambitions of Albanian families for better living standards, everything in the social environment surrounding us, are proofs of the socio-economic potential and of the development focus of the Albanian micro economy. It is in this spirit that NOA has launched various consulting tours with farmers and young entrepreneurs, with the objective to have an impact on our country's economic development.

Our cooperation with EU Challenge Fund and the awareness raising national tour organised in collaboration with the Swedish Embassy was within the same spirit as it focused mainly on young entrepreneurs aiming to launch innovative start up activities.

In total, during 2019, there were 7,643 entrepreneurs, farmers and individuals (average age 40-45 years old), who have trusted NOA to accomplish their ambitions. Within the loan portfolio disbursed in 2019, we are proud having financed 27% to female clients, while 29.45% has supported rural clientele.

Beyond the figures, the institutional slogan we have set to represent our 2019 ambitions, #ReinventingMicrofinance, reflected NOA's willingness to preserve its leading technological position within the microfinance sector, its diversified business products and a business strategy that improves constantly in providing better services to our clients. Regardless of the context, let it be on the business or the social side, NOA's remains committed to ensure that this slogan will always remain coherent, in order for every individual NOA beneficiary, to get the best offered from the Albanian financial market.

# UNIFIN SHKK

At UniFin, 2019 was a successful year in terms of Institutional development towards achieving financial and operational objectives. The organization around risk management increased qualitatively by keeping the bad credit portfolio under control.

UniFin also reports with satisfaction that this year has marked an increase in the number of members, deposits and annual balance.



During 2019, thanks to effective work and proper setting of priorities, the range of UniFin products was expanded, mainly in the field of Business and Agriculture, making the borrowing process more flexible and consequently with more advantages over the domestic market and our members.



Members remain the focus of the Savings and Credit Society in service and commitment to each specific case. An extensive survey on member satisfaction, conducted by Marketing specialists this year, shows that over 96% of our members report that they are equally satisfied with both the products and the branch services and that they find a reliable partner at UniFin. The most commonly used phrase during the answers to this study was: UniFin provides solutions!

The above would not have been possible without giving priority to Social Responsibility, a basic commitment of the UniFin SLA. Thus, even for 2019, in addition to the needy, UniFin has been a reference point for both men and women, where the latter account for 51% of total borrowers.

For the next year, UniFin aims to increase its range of services to business operators through a series of organizational and promotional measures. It also aims to improve the information technology infrastructure to speed up the internal processes for providing loans to members, as well as in terms of quality communication with members.

**96%**

of their members report that they are equally satisfied with both the products and the branch services

**51%**

of borrowers in UniFin are female.

## Financial Education

### **Borrow Wisely Campaign - Agro & Social Fund**

On October 1, 2019, Agro & Social Fund officially announced the start of the “BORROW WISELY” campaign on its official website as well as on social networks. During the educational and awareness campaign “BORROW WISELY”, the staff of Agro & Social Fund was committed to address existing and potential clients with presentation materials created by the Microfinance Center, the social microfinance network based in Poland, which also includes Albanian Microfinance Association.

The “BORROW WISELY” campaign summarizes a list of simple questions that all clients should ask themselves before taking out a loan, in order to ensure that they are getting a loan at a safe and accountable level. During the 1-month period, Agro & Social Fund staff managed to convey the campaign to its clients with a wide range of materials, including posters, brochures and leaflets. They also contacted more than 1,000 potential clients from regional and local activities in various cities, introduced the campaign to over 200 students, and managed to reach about 28,000 readers on Facebook and about 40,000 readers of the Tirana Times.

### **Kredo Finance**

Financial Education has always been one of the main pillars of Kredo Finance’s activity and one of its main commitments. For this purpose Kredo Finance has signed a memorandum of cooperation with several Private universities in the country (European University of Tirana, Mediterranean University, Marin Barleti University and Luarasi University) to hold open lectures with all interested students who want to improve their financial education. Kredo Finance has precisely chosen the students to act as they constitute the economic future of the country and are the ones who will decide exactly whether the future will be more financially viable than the present.

### **Participation in the Albanian Network for Financial Education (ANFE)**

The Albanian Microfinance Association is a member of the Albanian Network for Financial Education (ANFE), which is an organization established on 29.06.2018, and its focus is Financial Education and promotion of markets, financial, banking and non -banking products and services. In addition to AMA, part of ANFE are also the Financial Supervision Authority, National Employment Service, Albanian Banking Association, Albanian Insurers Association, Albanian Securities Exchange ALSE, Partners in Albania for Change and Development, Junior Achievement Albania, Albanian Association Securities Trading in Albania (ASTA), Association of Voluntary Pensions and Investment Funds.

The main objectives of ANFE are related to increasing the level of financial education of individuals and businesses in Albania. Members coordinate their activities in line with the main objective and share their results in periodic meetings of the Network, agreeing on an action plan to improve the level of financial education.

The Albanian Microfinance Association is a very active member of ANFE. She contributes regularly through studies, presentations, articles, and a dedicated calendar of her activities related to financial education and financial inclusion, which are among the priorities of the Association and its members.



ALBANIAN NETWORK OF FINANCIAL EDUCATION  
RRJETI SHQIPTAR PËR EDUKIMIN FINANCIAR

## Research and Publications

### Study on microfinance activity and the level of financial education in Albania

On October 23, 2019, the Albanian Microfinance Association (AMA) organized a meeting with journalists, where it presented and made public the results of a survey conducted with the initiative of Kredo Finance regarding the microfinance industry and financial education in Albania.

The meeting was attended by leaders of microfinance institutions, well-known experts in the field of economics, researchers, representatives of print and electronic media and representatives of stakeholders. The results of the survey conducted by the research company IDRA, were presented by the Board Member of the Albanian Microfinance Association, and at the same time the General Director of Kredo Finance, Mrs. Arlinda Muja. Muja also presented some important data related to the study conducted on the industry of Non-bank Financial Institutions, which have undergone significant achievements over the past three years.



#### The survey

The survey was conducted in September 2019, with 500 respondents over the age of 18. The survey consists of three main chapters: People and their Income, Non-bank Loans and Financial Education.

Main results from the Survey shows that 50% of respondents are male and 50% female. 55% of them are residents in rural areas and about 47% of respondents are from the central regions of the country, Durrës-Elbasan and Tirana. The margin of error in this survey is 4.3%.

#### Survey Results

##### Individuals and their income

- The results of the survey show that 41% of respondents have salaries from private institutions as their main income.
- 27% of respondents admit that they barely end the month and do not have enough money for food. This ranks Albania in the worst position in the region.
- 46% of respondents admit that they have enough money for food, but have difficulty buying clothes and household appliances such as refrigerators and televisions.
- 64% of respondents admit that they are not able to save money from their salaries, while in rural areas this figure goes to 71%.

When survey participants were asked how long they could live on their savings if they lost their job, about 48% of them admitted they had no savings. Particularly respondents who live in rural areas, 57% of them admitted that they have no savings. Only 3% of them said they can afford living expenses for only one year in case they lose their job.

## Non-Bank Loans

Most respondents admitted that they have not used financial services in the last three years to cover expenses. Mostly respondents over the age of 54, about 80% of them admitted that they have not used financial services.

Only 9% of respondents, most of whom belong to the age group of 35-54 and are residents of urban areas stated that they have received non-bank loans, while 50% of them did not express an opinion about the non-bank loan industry and services. 31% of respondents expressed a neutral and very positive assessment of the microfinance industry.

- The two main reasons people use non-bank loans are: The speed and ease of providing information and understanding the lending process.
- 
- The main reasons for spending money according to the survey results are for the purchase of mobile phones and household appliances, home repair and urgent expenses such as health care.
- 
- According to the survey results, citizens do not prefer to borrow from banks because they are very complicated and because the bank does not offer small amounts in their loans.

## Financial Education

49% of respondents admit that their knowledge in terms of financial education is average or low, especially respondents aged 35-54 and those aged 18-34. 21% of respondents admitted that they did not pay attention to this issue.

## Survey Conclusions

- Përfshirja Financiare është bërë e mundur falë institucioneve financiare jo-bankare
- Nevoja për Edukimin Financiar është ekzistente dhe hapat për promovimin e produkteve dhe shërbimeve financiare duhen hedhur të shpejta dhe te sigurt



## Membership of the Albanian Microfinance Association in international networks

### Membership at the Microfinance Center

The Albanian Microfinance Association has been part of the Microfinance Center (MFC) since 2016. MFC is a social finance network that promotes transparent, comprehensive, accountable and equal services for all. The network brings together 113 organizations operating in the microfinance sector (of which 77 are microfinance institutions), in 36 different countries in Europe, Central Asia and beyond, which provide responsible financing services to more than 2,000,000 clients in the poverty line.

As part of the MFC, the Albanian Microfinance Association shares with it the principles of gender equality, financial inclusion, equal treatment for all and ethics in the provision of products and services. We recognize and apply these principles, sharing the same values of MFC in empowering the masses, vision of the future and being responsible.

### European Microfinance Network (EMN)

The European Microfinance Network (EMN) is a member-based non-profit organization based in Brussels, which promotes microfinance as a means of combating social and financial exclusion in Europe through self-employment and the creation of micro-enterprises. It is the mission of the network to enable capacity building and advocacy on behalf of the sector.

The core membership of EMN consists of microfinance practitioners. These are organisations with a social purpose that provide financial services to the underserved or facilitating access to such services. The work of the network is also supported by partners and corporate members; organisations such as national networks, academia, service providers to the sector or banks that are involved in European microfinance issues and that support the development of microfinance in Europe.

The Albanian Microfinance Association participates in the activities developed by EMN, as well as is acquainted with the studies and research of this network at the international level. The European Microfinance Network is supported by European Union funds in the framework of a series of Cooperation Agreements in the field of microfinance and financing of social enterprises.



## Increasing the professional capacities of the Members

### Study Tour to Northern Macedonia

In order to continuously promote the microfinance sector and support regional cooperation, the Alliance of Microfinance Organizations in Northern Macedonia organized a series of two-day activities in Skopje, on May 9 and 10, 2019. The Albanian Microfinance Association participated in this activity with its representatives from member institutions, Agro & Social Fund, FedInvest, BESA Fund, Kreda Finance and NOA, while local institutions were represented by Mozhnosti, FULM and Horizon. Representatives of the Bank of Albania also participated in this experience exchange visit.

During the consecutive meetings, interesting topics were discussed, such as digitalization, innovative projects, the need for a dedicated and accommodating law on microfinance such as social entrepreneurship, financial education, lobbying and advocacy of microfinance, activities at the regional level, as well as digital marketing and presence on social networks.

This activity was supported by the USAID office in Northern Macedonia.

### Study Tour to Banca Ettica, Padua, Italy

With the support of the Microfinance Center (MFC), the Albanian Microfinance Association participated in an experience exchange visit with Banca Ettica, a financial institution active in financing agriculture and agro-processing, with headquarters in Padua, Italy.

During the two-day visit on 12 and 13 November 2019, the participants held meetings with representatives of Banca Ettica, to get acquainted with the way of operation, bank organization, operational processes, how to target the market and the provision of products and services, as well as the innovations that this bank has introduced in the market in terms of digital transformation. Also, on the second day of the activity, a visit took place to one of the bank's clients, with activity in viticulture and wine production.

The visit for exchange of experience was quite successful and set the stage for further cooperation with the members of the Microfinance Center, in terms of developing other similar activities of a research nature.

**Shoqata  
Mikrofinanca  
Shqiptare**



**Albanian  
Microfinance  
Association**