

Annual Report 2015

Connecting
supporting
improving



MICROFINANCE CENTRE

About us

Mission & Strategy

Our mission is to contribute to poverty reduction and economic growth potential by promoting a socially-oriented and sustainable micro-finance system, providing adequate financial and non-financial services to a large number of entrepreneurs.

To achieve our mission and strategic objectives, we work with institutional partners across the value chain: policy-makers, networks, financial service providers and investors. Through our multi-prong strategy, we can affect positive and lasting change across the sector, ensuring institutional accountability, and positive outcomes for clients.

In selecting programs, we are guided by our mission, our analysis of market needs, as well as the gaps we see in the financial services currently addressed by other institutions.

Our work is organized under the following pillars:

Responsible finance: advancing responsible financial practices among our members

Access to finance: building governance and evidence-based access to finance

EU presence: advancing access to European Commission

Social innovation lab: testing new approaches to financial education for low-income people

Income generation: increasing income from micro-enterprises



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Our members

Our 105 members are committed to advancing our mission throughout Europe & 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 31 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.



"It is my great pleasure to present the 2015 Annual Report, which chronicles the successes and milestones we achieved with, and for, our members, partners and staff."

This year, we continued our work under five strategic pillars, launched the EMN (European Microfinance Network), welcomed over 440 new members, and held the first annual European Microfinance Day in partnership with the European Commission.

Our second annual Borrow Wisely campaign built on the success of the first (in partnership with our partners) the very real continuing need for further financial education in the EU, through further research on access to finance, the impact of microfinance (in partnership with EMN) on EU microfinance issues and opportunities.

Microfinance in the EU has been in the spotlight in recent years. Whether it's about entrepreneurship, sector sustainability is a question unless opening up the space for development organizations exiting the microfinance space in maturing the sector, social and commercial value, and whether microfinance will flourish will form the backbone of our discussions at our next annual conference.

On behalf of the MFC board and management I would like to thank you for your support and inspiration in creating a better microfinance sector. I would also like to wish you a happy new year.

>300K clients received
messages and more
our 2015 Borrow Wisely

Message from our Chair

EaSi Technical Assistance program (with the Frankfurt School of Finance & participants to the 18th MFC conference in the beautiful city of Prague, and Open Microfinance Network.

2014 event, and also underscored (through feedback of the clients and the region. We also expanded our technical and collaborative horizons on self-employment and job creation, and launching joint policy notes (in

le there is no doubting its potential to support self-employment and for personal loans. Concurrently, we also see some international g markets, leading us to question whether microfinance deliver both without profit-oriented investors. These are all sobering questions, and ce in Tirana.

our members, donors, partners and staff for their support, trust so like to congratulate all MFC staff for their excellent work this

– Cristian Jurma, Chair of the Board
General Manager, Vitas Romania

Reached with financial education money management tips during Now Wisely Campaign

Message from Management

The year 2015 was very fruitful for the MFC, during which we strengthened our technical capacity, sharpened our strategic direction, and solidified our position as a major player in the EU policy arena.

On a strategic level, our key concern is how to improve the quality of life and well-being of our members, acknowledging at the same time the limitations of the current approach to financial inclusion. We need to expand the conversation to other disciplines, especially community development economics, and help our members launch social responsibility initiatives at a community level to create new opportunities for the unemployed, promote savings and other responsible financial services, research (and others). As part of this, we will also explore how technology can support the microfinance sector.

Given persistent economic uncertainty, sluggish growth and high joblessness (especially among youth), our agenda was focused on the effectiveness of current EU job creation policies. This work, conducted by the European Commission, casts serious doubt on whether the micro-, small- and medium-enterprises (the so-called “engine of growth”) can really be relied on to solve the unemployment crisis. This is why we’re advocating for a fundamental MSMSE policy re-think, that takes a more nuanced approach to regulate, support, and financially include it. We’re also leveraging this research to help members (micro-enterprise development) to tailor their targeting, product design, and service delivery to reach the right people, the right way, and at the right stage in their development.

At a household level, borrowing is on the rise across Europe and Central Asia, bringing with it the risk of over-indebtedness. Thus, in 2015, we expanded our Borrow Wisely Campaign to encourage clients to be safe, savvy financial service users. We worked alongside 21 MFIs (predominantly MFC members) to reach over 300,000 people with targeted financial education messages. We also conducted groundbreaking research into issues of over-indebtedness among EU micro and small enterprises, and called for the development of methods for enterprise-level measures and standards to ensure that borrowing does not turn into over-borrowing.

In 2016, we will continue engaging MFC members around how to strengthen their capacity, shape our direction as a network, and expand our responsible finance and financial education programs. We would like to take this opportunity and thank our members, partners and sponsors for supporting our work. We look forward to continued collaboration with you!

Grzegorz Galusek and Katarzyna Pawlak

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441 practitioners united
for 3 days of debate and
networking at the 2015
Annual Conference
in Prague

Connecting & supp

Employment, Youth and Investment: What can Microfinance do?

In 2015, our Annual Conference brought over 440 participants to Prague from 40 countries across Europe, Asia and North America. Conference delegates debated looming challenges and that require collective attention and action during this period of economic, political and social turbulence. For the first time in our history, we also used “un-conference” sessions to tackle topics and questions suggested by the delegates themselves, such as “going green”, agri-microinsurance, and unique solutions to improve client satisfaction loyalty, and financial health.

2015

Annual Conference

Strategic Sponsors

International Finance Corporation (IFC), the MetLife

Foundation

Main Sponsors

European Union, European Fund for Southeast Europe,

European Investment Bank, European Investment

Bank Institute, responsAbility Social Investment

AG, Symbiotics SA

Technological Sponsor

Software Group

Other ASPEKT, Business & Finance

Consulting, Blue Orchard, CoopEst, Deutsche

Bank, Inclusive Finance Network, TCX, Triodos

Investment Management BV, Triple Jump

Conference Partners

The European Financial Inclusion Network, the

European Microfinance

Network (EMN)

The key to developing better housing microfinance products

Housing microfinance is a relatively recent arrival to the sector; with numerous MFIs launching new products and improving them as they go. Against this backdrop, we've developed an easy-to-use market research tool specifically for housing product improvement. It allows MFIs to quickly and effectively survey product users and non-users to identify “win” improvements, whether this is around product terms and conditions, marketing, positioning or articulating the ideal target market. The tool also delivers specific recommendations, for example: reshaping the slogan of the product to be more in line with client expectations of the product; extracting a sub-target group to be targeted with product for very specific housing needs in order to build the awareness of need; changing the loan maturity to better match clients' repayment capacity. Interested in using our research tool for your own institution? Contact us to learn more! (Ewa@mfc.org.pl)

Supporting practitioners

Creating a critical reflection space for industry leaders: The CEO Club

Competition, regulation, inflation. Sluggish productivity growth; massive movements of immigrants across continents. Political uncertainty. Donor flight. These are a few of the many challenges that keep MFI managers awake at night. Under increased daily pressure to keep their institutions strategically aligned and operationally afloat, CEOs rarely have time to step back, renew their skills, and discuss the big picture surrounding their work in a community of their peers.

For this reason, in 2014 the MFC launched its CEO Club to bring together MFI leaders in real-time conversation to share concerns and skills, and support each other to find solutions to pressing challenges. Each meeting tackles an issue around creating a sustainable social business model. We also facilitate peer-to-peer visits for more in-depth conversations between members, needs assessments to tailor executive coaching packages for each member, and technical workshops for senior managers (on topics such as risk management, human resources, and leadership).

Progress to date:
1 CEO Forum
3 technical training
1 coaching needs
survey

CEO Club 2015 Members

Albania NOA, BESA Fund
Bosnia and Herzegovina EKI,
Mi Bospo, Partner **Georgia**
Crystal **Kazakhstan**
KazMicroFinance, Arnur Credit
Kosovo Agency for Finance in
Kosovo, KEP Trust **Kyrgyzstan**
Kompanion, Bai Tushum &
Partners, Frontiers **Macedonia**
Moznosti **Moldova**
Microinvest **Romania** Patria
Credit **Tajikistan** IMON, OXUS

Supported by



European Bank
for Reconstruction and Development



First annual European Microfinance Day

“What if we could turn job seekers into job creators?” was the question posed by the first annual European Microfinance Day, held in October 2015. For this landmark event, the MFC joined forces with the European Microfinance Network (EMN) to raise awareness of microfinance as a tool to fight social exclusion and unemployment in Europe, and share the experience of our members as mission-driven players within the European microfinance space. For the opening ceremony, MFC Board member, Lucija Popovska, was joined on stage by Her Majesty the Queen of Belgium and the EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility.

These opening remarks addressed over 200 European economic and political decision-makers from the European Commission, the European Parliament, the European Investment Bank, the European Economic and Social Committee, and EU stakeholders in general. The following day, the MFC (again represented by Lucija Popovska) teamed with EMN and the European Investment Bank Institute (EIBI), to hold a workshop on regulations and laws for microfinance in the EU. Importantly, other events in the form of workshops, debates, exhibitions, and meetings took place at a local level all across the EU-28, in collaboration with the members of EMN and MFC.



The event was supported by:

- The Luxembourgish presidency of the EU
- The European Commission Directorate General for Employment, Social Affairs and Inclusion
- The EIB Group: European Investment Bank (EIB)
- The European Investment Fund (EIF)
- The European Investment Bank Institute (EIBI)
- The European Economic and Social Committee (EESC)

European microfinance

In 2015, the MFC teamed up with Frankfurt-based European Microfinance Network (EMN) to develop a set of good governance (including social systems, strategic planning, and risk management) to implement the European Code of Good Practice of self-regulation guidelines. In addition to these activities, this collaborative project included seminars, in order to disseminate best practices in European microfinance. The EaSI Technical Social Innovation (EaSI) Programme was also involved. Visit our website for details of further

74 MFIs & associations supported with training & funding

Promoting client protection across the EU

As part of our continuing aim to improve client protection, we were busy during 2015 delivering workshops and trainings across Europe. A total of 3 MFIs received off-site coaching to improve their policies and practises in line with the EU Code of Conduct. This included providing information around the certification process, the indicators, and conducting a needs assessment to highlight gaps in institutional procedures in relation to the Code. We also delivered 2 workshops to 29 leaders and staff on the EU Code of Conduct (in Poland and in Bulgaria), and 1 workshop for 29 MFC members in Prague entitled: “Establishing practical, effective two-way communication for feedback and transparency with clients”.



Project partners SIS Credit Bulgaria, Software Group, Rural Development Foundation, Poland, Opportunity Microcredit Romania, Farm Credit Armenia, KMF Kazakhstan, Vision Fund Albania, Mi-Bospo BiH, Local Enterprise of Heves Hungary, Kompanion Kyrgyzstan, Good.Bee Credit Romania, Business Finance Consulting Switzerland, KosInvest Kosovo, AgroInvest Serbia, Card AgroCredit Armenia, IMON Tajikistan, NOA Albania

Project funded by The European Commission

ce: More effective, more responsible

urt School of Finance & Management and the to build the capacity of EU MFIs in areas such al performance), management information management. MFC also supports MFIs to Conduct for Microcredit Provision, a new set n to these training, advisory and coaching udes a help desk, events, conferences, and st practice and increase awareness around al Assistance is part of the Employment and ich is an EU level financing instrument. Visit calls for applications.

Results to date Through the first call for applications, 25 MFIs from 11 countries were selected to receive technical assistance in 2016. These are: Vitas (Romania), SIS Credit (Bulgaria), good.bee Credit (Romania), Opportunity Microcredit Romania (OMRO, Romania), FAER IFN S.A. (Romania), RoCredit IFN S.A. (Romania).

Project funded by The European Commission in partnership with the European Investment Bank

Supporting

Flying the flag of wise borrowing across the ECA region

In 2015, the MFC partnered with 21 financial institutions to launch the second annual international Borrow Wisely Campaign. Over 31 days, field staff across 13 countries in Europe and Central Asia educated over 300,000 existing and potential microfinance clients on how to take on safe and responsible levels of debt.

Our Campaign partners sent field staff to talk to clients with key messages to help them understand how to borrow responsibly. Staff use posters, leaflets and brochures that provide the answers to five key 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?

This year, several campaign partners also want to educate their clients about the potential risk of borrowing in a foreign currency. To support this, the MFC teamed up with the European Fund for Southeast Europe (EFSE), which allowed Campaign partners to use their materials free of charge, and in some cases provided financial support for dissemination.



"I'm happy to see that my bank thinks that I am a human being, not just a number."

-- Milena, Mi-Bospo client

2015 Campaign partners: Farm Credit (Armenia); AzerCredit and Viator (Azerbaijan); and Parner (Bosnia and Herzegovina); (Georgia); AFK (Kosovo); Horizonti (Moldova); AgroInvest (Serbia and Montenegro); MDF, and Opportunity Bank (Serbia); (Tajikistan); and Hope (Ukraine)

ng clients

What did clients think about our Campaign?

90% liked the look of our materials
94% said that the materials were easy to understand
80% thought that the campaign was useful
80% were able to state at least 1 of the 5 wise borrowing rules after the campaign
80% shared our materials with family members and friends



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" The Borrow Wisely Campaign has had a very positive impact on our clients, on our employees and on our image. All the key messages are really useful for our clients, and it clearly shows that we 'walk the talk' – we educate our clients because our goal is their success and long term cooperation.

- Milomir Dacic, Operations Manager, AgroInvest

t, Nor Horizon, ECLOF, (bajjan), EKI, Lider, MiBospo, SIS Credit (Bulgaria); Crystal (Macedonia); MicroInvest (Montenegro); Vitas (Romania); ; Bank Eskhata and Imon

What is the Borrow Wisely Campaign?

The Borrow Wisely promotes global client protection standards. This annual international Campaign is led by the MFC and its partners. We partner with any institution that is a responsible lender (complying with current global standards of client protection) working in the Europe and Central Asian region.



EUROPEAN FUND FOR SOUTHEAST EUROPE

Connecting & sup

Leading the global social performance agenda

The second round of the Ford Foundation-supported Social Performance Fund drew to a close in December 2015. This round aimed firstly to drive awareness around the Universal Standards, and identify MFIs ready to move from commitment to action. In the second instance, the Fund worked with a select group of MFIs to help them move from action to excellence in Universal Standards compliance, documenting good practice and demonstrating the utility of the Universal Standards in improved SPM practice.

Thanks to the SP Fund, we were able to document lessons learned in SPM promotion and implementation across 9 different countries. This gave us an eye on both the state of practice among MFIs and common challenges, as well as a deeper understanding of the role of networks in supporting SPM scale-up, and what support they need to fulfil this role effectively.



FORD
FOUNDATION



2015 SP Fu
11 networks received so
meeting in
3 cases published on t
networks and MFIs on
published in English,
Rus
2-day training for nation
promotion and
1-day training for U
SPI4 data colle
25 email newsletters
outputs sent to over 6,0
MFC members taking
AMFA (Azerbaijan),
AMFI (Kyrgyzstan), Kar
Nor Horizon, ECL
Good Credit, Ar



2015 results:
20 local trainers
certified
513 people trained
(99% women)

Bett
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Train

Supporting networks

Find Results

Scholarships for the SPTF
Cambodia

the lessons learned by
SPM implementation;
Spanish, French and
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AMFOT (Tajikistan),

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er budgeting, more
resilient households:
ing women in rural
Azerbaijan

January 2015 marked the mid-point of our three-year project with AMFA to empower rural Azerbaijani women to take control of their financial lives. This year, our newly-minted team of 20 local financial education trainers were certified; each had to deliver at least two trainings as part of this process. Afterwards, we held an evaluation meeting with our trainers to discuss their experiences, challenges and insights around the training materials. We also compared the results of pre- and post-training participant questionnaires; these looked at knowledge and attitudes around budgeting, saving and borrowing. Our 513 low-income trainees (mostly rural women) were keen to start tracking their income and expenses after the workshop; the majority who were interested in taking a future loan intended to calculate their repayment capacity before doing so, and using a repayment calendar. All of the women were satisfied with the training and 96% thought the skills they walked away with were both highly relevant and readily applicable. Funded by the EC.



Shining a spotlight on entrepreneurship in Georgia

In 2015, we teamed up with Polish Aid to strengthen micro-entrepreneurship in Georgia by promoting good practice and recognizing leaders in the field. To do so, we helped the Georgian Microfinance Association (GMA) organize a national competition to find the best micro-entrepreneur, and secure media and sponsors for the event. Our inspiration came from our involvement with the Kronenberg Foundation, which has been doing similar work in Poland since 2004 with our support. For this reason, we kicked off this project with a study visit for GMA representatives to come learn about the Polish experience. In November 2015, 10 Georgian micro-entrepreneurs were selected and awarded in a special Gala Ceremony in Tbilisi. From an initial pool of 66 applications, the evaluation committee selected the year's best micro-entrepreneur, best micro-entrepreneur, female micro-entrepreneur, most innovative micro-entrepreneur and most successful micro-entrepreneur. The Gala welcomed over 150 people, including the Georgian Minister of Economy, Business Ombudsman, the Polish Ambassador, representatives of local business, the microfinance sector and the media. Importantly, special videos profiling each winner will continue to inspire others to become micro-entrepreneurs.



Polish aid



საქართველოს მიკროსაფინანსო ასოციაცია
Georgian Microfinance Association

Project results at a glance

- 1 study visit
- 66 initial applications
- 5 lucky competition winners
- 1 dedicated competition website
- 5 winner profile videos
- 150 people attending the Gala Ceremony
- 6 local competition sponsors
- 17 media outlets sharing the news to an audience of approximately 50,000 people.

Three in-country MFC members took part in this important project: Crystal, Credo, and MFO BIG. We couldn't have done it without them!



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Tbilisi. From an
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of Agriculture, the
nance sector, as well
o become successful



Increasing access to finance in rural Belarus

Financial services can be a lifeline to low-income people, when used correctly. In 2015, we headed to Belarus to build the capacity of the Republican Microfinance Centre to provide training on budget management and saving to low-income communities. Over the course of the year, our master trainer, Elena Amerova trained 39 new local trainers to deliver the MFC "Plan Your Future" module, 17 of whom went on to become certified that year (the rest will follow suit in 2016). For the former group, she also conducted post training-delivery feedback workshops with newly-minted trainers, to hear about their challenges and successes. Amerova also met with representatives of the National Bank, practitioners, international organizations, NGOs and other stakeholders, to promote the Plan your Future approach to building financial capacity within Belarus. This project was funded by USAID.

Project results at a glance

39 local trainers trained
18 certified in 2015
631 low-income rural people
trained



Supporting develop

Taking a value chain
approach to client
protection

MFC members involved:
Frontiers and AMFI (Kyrgyzstan)
Bovari va Hamkori and AMFOT (Tajikistan)

To effectively protect clients against the risk of over-indebtedness, we need the entire microfinance value chain to work together – service providers, clients, and investors. For this reason, we were thrilled to collaborate with investors in Kyrgyzstan and Tajikistan (Frontiers and Bovari, both MFC members). In both countries, we conducted feasibility studies in order to identify challenges in relation to market consolidation and as recommendations for improvement. In the case of Frontiers, we support it to upgrade its more line with international investor guidelines for protection, especially in terms of its relations with clients. We did the same with Bovari – focusing in particular on the process. We also trained Frontiers' in-house investees on client protection principles.



ment organizations

For this
with local
frontiers and
countries, we
identify key sector
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Following this, we
for each investor. In the
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particular on its due diligence
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Studying over- indebtedness in Lebanon

This year, we undertook research for the SANAD Fund for MSME, a capital investment fund for Middle East and North Africa, in order to assist key national stakeholders (including the national bank, regulator, and microfinance institutions) to address potential sector challenges. The Fund is managed by MFC member, Finance in Motion. Our work gathered robust empirical evidence on potential indebtedness and cross-borrowing levels, as well as the debt burden among low-income borrowers in Lebanon. To achieve this, we designed a methodology combining qualitative and quantitative research techniques, including interviewing industry stakeholders, conducting focus group discussions, analysing credit records from MFIs and the credit registry.



2 new financial education
courses for people with small &
irregular incomes developed
in 2015

Supporting regulators

Rethinking MSME policy in the EU

This year, we launched a provocative new policy paper on employment and Unemployed: Rethinking Micro-Enterprise and Small Business Policy. The complex relationship between firm size and job creation potential through self-employment and small business growth is the “policy” that doubts the need for urgent action to resuscitate the European economy of migrants entering the marketplace, whose best prospects for wealth are employment. However, our research points to the need to better understand business in job creation and job destruction – lest we prescribe the wrong economic malaise in question. This project was funded by the European Commission.

Small business over-indebtedness in the EU: New policy paper launched

This year, the MFC published a policy paper looking at SME over-indebtedness. The paper, entitled “Too Much Credit: Small Business Indebtedness in the EU”, reviews the potential reasons for small business indebtedness and proposes action steps to develop better understanding of the size and scope of the phenomenon in the EU. Access to finance for small businesses draws a lot of policy attention on the premise that small businesses face credit constraints more than larger firms. While this may be true for some types of small businesses, it is also true that small businesses over-borrow and over-invest which leads to business closures and bankruptcies. So far this aspect of small business borrowing has not attracted much attention. This project was funded by the European Commission.

Developing a national financial literacy strategy for Kyrgyzstan

We're proud to announce that in 2015, we worked on behalf (and with the financial support) of the National Bank of the Kyrgyz Republic (NBKR) to develop a national-level financial literacy strategy for the entire population of the country – a historical first for the Central Asian region! Our own expert consultant, Piotr Korynski, began the process with on-site discussions around international approaches in financial literacy strategies, face-to-face interviews with key stakeholders (including representatives from the NBKR, members of the national Financial Literacy Working Group, international donors, other government agencies and NGOs). Korynski then analyzed the findings of national survey data, with the support of the MFC's head of research, Justyna Pytkowska. Based on the visits and the survey, Korynski worked with a local consultant (Malik-Aidar Abakirov) to design and present the draft strategy for discussion to the Financial Literacy Working Group and NBKR Chairman. We have every hope that we'll hear news of the launch of the national strategy soon, following discussions between the NBKR and the government.



ors & policymakers

creation in the EU. "Of Mice
policies in the EU" tackles the
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2 ground-breaking policy papers on MSME access in the EU published in 2015

Studying financial health in Poland

Every two years, the Social Monitoring Council conducts an interdisciplinary "Social Diagnosis" research project in order to monitor and assess changes in the conditions and quality of life of Polish households. As part of this, we analyzed the financial health of Polish households using our new scorecard tool. The results showed that the majority of the Polish households have only short-term financial planning horizons, and are capable of meeting only their current financial needs. Only a small proportion of households ensure their long-term financial health, and many are unprepared for financial downturns. This is a worrying, given increasing instability of employment in Poland and the limited state pension protection. Our findings were also included in a new thematic report for the Ministry of Family, Labor and Social Policy entitled "Labor Market and Social Exclusion".

Project
funded by
Ministry of Labor and
Social Affairs, National
Bank of Poland, Warsaw
University of Finance
and Management,
Bank PKO BP.



microSTARS

Supporting members on EU advocacy

Introducing our financial inclusion ambassador toolkit

While financial inclusion is “in vogue” — it’s also quite a vague term. Do we really know what it means? Does everyone mean the same thing? Does access differ from inclusion? How do we ‘do’ inclusion? How do we measure inclusion? As more and more actors use the term — it’s time for clarity and consensus. This is why the MFC (with funding from the EU) has developed a new Financial Inclusion Ambassador Toolkit to help our members navigate the financial inclusion landscape and be more effective advocates for financial inclusion.

The Toolkit explains deeply the financial inclusion as a concept. It explains how it fits into EU policies and how the members, who want to contribute to it, can use EU infrastructure to achieve their goals more effectively. It provides the map of support available, as well as guides through ideas and messages helping to advocate for financial inclusion. During the 2015 MFC Annual Conference, three organizations were named official Financial Inclusion Ambassadors: Business and Cultural Development Center (KEPA), Greece TISE S.A., Poland, and the National Contact Point for Financial Instruments of the European Union Programmes, Poland.

Helping KEPA (Greece) invest in local businesses

Between a financial meltdown and a massive influx of migrants, Greece’s economy hangs in the balance this year. For this reason, in 2015 we helped build an effective and sustainable structure to provide business development services (BDS) in the cross border region between Greece and Macedonia. The MFC worked with KEPA to build the operational systems and processes needed to launch “MicroStars”, a new microcredit and business development institution that will work with self-employed people and small businesses. MicroStars will deliver improved access to finance, as well as appropriate business mentoring and training to improve productivity, profitability and competitiveness. Within this collaboration, we helped KEPA to develop an operational manual, business plan and financial model for their credit and BDS products. We developed a training course for start-ups, trained field staff, coached management on product launch, and worked with a local firm (Alpha Consulting) to develop a suite of online training courses for small businesses.

Members involved **Business and Cultural Development Centre (KEPA)** and **Microcredit Foundation Horizonti**

Project partner **Alpha Plan Consultants**

Project co-funded by the European Union under the Instrument for Pre-Accession Assistance (IPA).

Exploring ne

How can studying poor choices lead to better product design?

Our lab partners:

Partner & Mi-Bospo
(Bosnia & Herzegovina)
Azercredit (Azerbaijan)
XacBank (Mongolia)
Finca (Tajikistan)
BaiTushum (Kyrgyzstan)



We kicked off 2015 by asking a big question: in what ways would a deeper understanding of behavioral economics help MFIs become more responsible lenders? Put simply: we wanted to explore the link between psychology and typical irrational economic choices. We wanted to know: by anticipating those poor choices, can we tweak our products and procedures to improve the behavior of staff and clients, and make microfinance more effective for everyone? To achieve this, we gathered MFC members to team up with experts from Duke and Irrational Labs.

IRRAT
IRRATION



How can we support
youth transition
indep

Helping delinquent youth successfully transition from foster care into independent adult life means equipping them with the personal money management skills they need to move into their first apartment. We provide valuable “book learning” that foster care centres successfully deliver to beneficiaries, serious training to improve their ability to transfer more practical, day-to-day skills typically acquired socially (from relatives, friends, etc.). Cooking, shopping, and budgeting. As a consequence, vulnerable youth entering independent adult life often lack the skills required to run a financially-healthy household.

In February 2015, the MFC teamed up with Habitat for Humanity Poland and delinquent youth in Warsaw, to understand landscape of knowledge gaps and training opportunities surrounding money management skills among vulnerable youth. As a result, we developed and piloted an innovative program that is practical, fun and age-appropriate. The course uses stories, competitions, role plays, challenges to help kids learn to read and pay utility bills, use financial services, plan and prepare a budget, and choose and use household appliances so they economize on costly electricity.



OBYWATELE
DLA DEMOKRACJI

new concepts

What does microfinance have to learn from the co-operative movement?



This year, we started exploring the world of cooperatives, in order to see how they affordably satisfy their members' basic needs (food, shelter, work, education, health, etc). This work emerged as a result of work we've done since 2014, providing ad-hoc legal and accounting advice, and meeting space, to a Warsaw-based food cooperative. Recently, it has expanded its interest to include housing cooperatives and joined the informal group "Cooperatives for Warsaw" as well as Coalition for Affordable Housing hosted by Habitat for Humanity International, Poland. Cooperatives are unique because their members are stakeholders at different levels. For example, workers have a direct stake in worker co-operatives, producers in producers or retailers' cooperatives, and users in cooperatives of users (consumer cooperatives, housing cooperatives, cooperative banks, etc.). This leads to more collaborative, long-term ways of engaging in business.

...t vulnerable
...on to a fully
...pendent life?

...eans equipping
...nt. Despite the
...gaps remain in
...tives), such as
...adulthood often

...centres across
...nding financial
...tive, interactive
...s and personal
...e meals within a

Results to date:

- Over 67 youth trained
- 13 workshops delivered
- 17 new trainers trained
- 6 youth centers involved



New skills for a new life: Developing a financial education curriculum for former sex-workers



COOPERATION >

New life skills are often the key to a new life altogether – and we were honoured to take part in a multi-year, multi-country Aids Fonds project called "Step up, step out". The project helped former vulnerable women transition out of the sex work industry and into new careers – for example as hairdressers, waitresses, or seamstresses. A key challenge in this was the women's lack of personal money management skills – often stemming from poor educational levels, or even the mental trauma and physical violence they had experienced on the job.

Our role was to design a financial education curriculum that is not only sensitive to these unique educational and psychological needs, but that also takes into account the women's unpredictable cash-flow and housing situations, as well as the reality (and financial demands) of substance addictions. We started forming a picture of the lifestyle and household financial management practices of these women by reviewing available data and talking to local experts in the context of Africa and Asia. Based on this, we drafted a 3-day workshop, and tested it in Ethiopia and Indonesia – each time with a dozen young street sex workers (mostly female). Our innovative approach helps the women, with short planning horizons and poor numeracy skills, to divide their earned income into different "savings pots" to manage their money intuitively, without needing detailed planning and tracking. Importantly, our training gives the women skills they can start using as soon as they go home - and use every day – as they step into their new lives.



Our team

Board

Cristian Jurma (Chair): General Manager, SC VITAS Institute Financiară Nebancară S.A., Romania

Armen Gabrielyan (Director): CEO, Farm Credit Armenia UCO CC, Armenia

Aieti Kukava (Director): Chief Executive Officer, Alliance Group Holding, Georgia

Izabela Norek (Treasurer): Manager, CoopEst, Belgium

Lucija Popovska (Director): Program Director, Habitat for Humanity International

Kalin Radev (Director): CEO, Software Group, Bulgaria

Management

Grzegorz Galusek: Executive Director

Katarzyna Pawlak: Deputy Director

Staff

Ewa Bankowska: Responsible Finance Expert

Kinga Dabrowska: Responsible Finance Project Manager

Liliya Peskova: Project Coordinator

Aldona Rutkowska: Capacity Building Program Manager

Justyna Pytkowska: Access to Finance Program Manager

Katherine Knotts: Communications Advisor

Julia Chumachenko: Communication Coordinator

Ewa Romanowska: Finance & Administrative Manager

Consultants

Elena Amerova: Financial education

Piotr Korynski: Policy, research, financial education, capacity building

John Mayshak: Capacity building

Wojciech Tworkowski: Financial education

Volodymyr Tounitsky: Capacity building, social performance management, financial education

Our best wishes to Mr. Aieti Kukava as he transitions off of the board.

A warm welcome to Mr. Armen Gabrielyan & Mr. Kalin Radev as they join the board.



Our me



Members



Russian Federation
FINCA
Bryansk Microloan Fund
City Sberkassa

Georgia
Crystal
CREDO
Alliance Group Ltd.
FinAgro
Business Investment Group
Credit Plus Georgia
MicroFin

Kazakhstan
Association of Microfinance Organizations of Kazakhstan
Bereke
Arnur Credit
KazMicroFinance
Asian Credit Fund

Mongolia
Micro-Finance Development Fund
XacBank
Credit Mongol
Mongolian NBFI Association

Kyrgyzstan
Association of Microfinance Institutions
FINCA
Frontiers
Kompanion Financial Group
Bai Tushum & Partners

Uzbekistan
Birokreditbank
Bio-Economic Development Centre "SABR"
Bankorbank

Tajikistan
Association of Micro-Finance Organizations in Tajikistan
Bovari va Hamkori
IMON International
Jovid
OXUS Micro Finance
Bank Eskhata

Fundacja "Microfinance Centre"

Consolidated Statement of Financial Position as of 31 December 2015

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

	2015	2014
	1 USD = 3,9011 PLN 1 EUR = 4,2615 PLN	1 USD = 3,5072 PLN 1 EUR = 4,2622 PLN
ASSETS		
Non-current assets	11 499	3 186
Current Assets		
- Cash and cash equivalents	11 219 547	10 648 014
- Accounts receivable	1 971 713	422 112
Total current assets	13 191 260	11 070 126
TOTAL ASSETS	13 202 759	11 073 312
EQUITY & LIABILITIES		
Own Funds	10 692 407	9 562 263
Accounts Payable and Accruals	2 510 352	1 511 049
TOTAL EQUITY & LIABILITIES	13 202 759	11 073 312



ncials

72 PLN
23 PLN

Fundacja "Microfinance Centre" Consolidated Statement of Comprehensive Income for the year ending 31 December 2015 (All amounts are stated in PLN rounded to the nearest zloty)

	2015	2014
	1 USD = 3,9011 PLN 1 EUR = 4,2615 PLN	1 USD = 3,5072 PLN 1 EUR = 4,2623 PLN
EARNED REVENUE		
Membership fees	159 200	167 133
Program revenue	3 094 223	2 800 122
Other operating income	33 715	43 710
TOTAL REVENUE	3 287 138	3 010 965
PROGRAM & ADMINISTRATIVE EXPENSES		
Program expenses	1 685 779	2 215 925
Administrative expenses	686 077	691 058
Other operating expenses	12 202	30 105
TOTAL EXPENSES	2 384 058	2 937 088
Result from operating activities	903 080	73 877
Net financial income	415 005	579 230
Profit before income tax	1 318 085	653 107
Income tax expense	187 941	87 782
Net result after tax	1 130 144	565 325
TOTAL COMPREHENSIVE INCOME	1 130 144	565 325

PHOTO CREDITS

1 Agroinvest (Serbia), Asian Credit Fund (Kazakhstan); 2 XacBank (Mongolia)
9 KAMURJ (Armenia); 10 EMN (Belgium), Bai Tushum (Kyrgyzstan), Asian Credit
Fund (Kazakhstan); 11 Opportunity Microcredit (Romania); 13 AFK (Kosovo),
Nadiya Ukrainy (Ukraine), SIS Credit (Bulgaria); 14 AMFA (Azerbaijan);
16 Georgian Microfinance Association; 17 Bai Tushum (Kyrgyzstan); 18 Bai
Tushum (Kyrgyzstan); 21 Mi-Bospo (Bosnia & Herzegovina), KosInvest
(Kosovo); 22 Bai Tushum (Kyrgyzstan); 24, 25 Habitat for Humanity
International; 30 Asian Credit Fund (Kazakhstan)

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