# MICROFINANCE CENTRE

for Central and Eastern Europe and the New Independent States

Fall 2001


## Message from the Executive Director

***Greetings Everyone!***

*All over the region there have been numerous efforts to create country level networks or associations of MFIs. Some of those useful initiatives have encountered obstacles resulting in the failure of many a network to provide valuable services to members. What makes a network a successful one?*

*Strong networks have a clear vision, shared by all of the network members. Institutional targets correspond with the vision to ensure that the performance of a network can be measured effectively. The translation of the vision into action always requires a focused effort of the network leadership. It involves businesslike skills, and should be based on solid planning. Meeting member needs is essential to keep up membership. Network services should obviously respond to those needs, and be aimed at advancing microfinance industry in their respective countries. Strong networks have clearly defined members' roles and different mechanisms ensuring member involvement in the network. They also have developed efficient communication systems with their members.*

*Some networks face competition issues among members – networks should ensure fair sharing of information and other benefits to all members. Members' strengths and weaknesses can be used to the advantage of the whole network, if there is a mechanism allowing for mutual learning and information sharing. As in any MFI, adopting strict financial procedures and transparency standards is essential to being perceived as a professional institution.*

*Understanding the role of networks in the national and regional collaboration, MFC has recently engaged in creation of a program of network support. The MFC initiative will coincide with the SEEP Network Technical and Action Research Project (TAARP) for collaboration with national microfinance networks. The details of both projects will be soon disseminated among practitioners in the Region.*

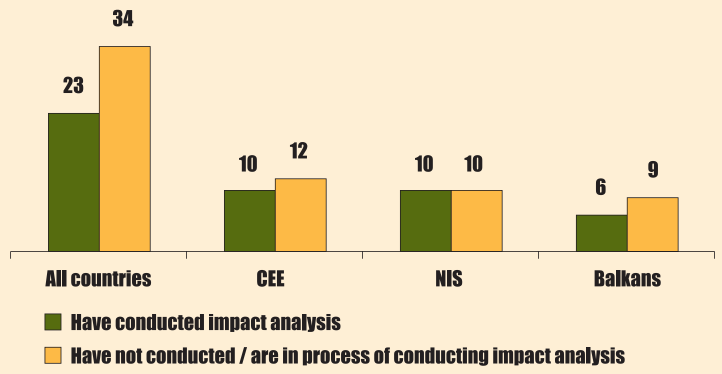
***Grzegorz Galusek, Executive Director***
***Microfinance Centre for CEE and the NIS***

## Impact Assessment in CEE and the NIS – Evidence from a MFI survey

Despite the relatively young nature of microfinance in Central & Eastern Europe (CEE) and the New Independent States (NIS), impact assessment ranks high on the agenda of MFIs in the region. This article summarises the results of a MFI survey in the region that was conducted in June and July 2001. A qualitative questionnaire was sent to 85 MFIs and completed by 57 MFIs. Five or more responses per country were received from MFIs in Bosnia and Herzegovina, Bulgaria, Romania, Slovakia and Ukraine. MFIs in Albania, Armenia and Poland completed three questionnaires per country. The remaining countries (Azerbaijan, Belarus, Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Russia, Tajikistan, Uzbekistan and Yugoslavia) were represented with 1-2 respondents each.

**The majority of the participating MFIs have been in operation for 2-5 years, have 11-20 employees, an average loan size of $1,000-$5,000 and over 1,000 active clients.** Most MFIs lend either to individuals or both individuals and groups, while only six MFIs provide group lending services exclusively. MFIs mainly lend to existing businesses in the production, trade and service sectors, with a relatively low focus on agriculture.

**Figure 1: State of impact analysis in CEE and the NIS**




Out of the 57 survey participants, only 23 MFIs stated that they have completed an impact study, of which 21 shared their results. Seven additional impact studies are currently in progress. Forty-four MFIs plan to conduct an impact assessment in the next 12 months. Asked about their objective in impact assessment, 29 MFIs intend to learn about program effectiveness, while 26 MFIs are primarily interested in researching the market and client needs, and 2 MFIs use impact analysis to efficiently allocate funds.

[ continued on page 3 ]

## In this issue

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## MISSION

The MFC is a membership-based network and provider of training and consulting services. Our mission is to promote the development of a strong and sustainable micro-finance sector in the region in order to:

- Increase access to financial services,
- Support micro-enterprise development,
- Create jobs, and
- Improve living standards and economic opportunities for low-income people.

The MFC fulfills this mission by providing high quality training, technical consulting services, mutual learning and exchange opportunities, research, and legal and policy advocacy.

## MFC SUPPORTERS

- The Consultative Group to Assist the Poorest (CGAP)
- USAID
- The Charles Stewart Mott Foundation
- The Ford Foundation

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- **Mariam Yesayan**, UMCOR/AREGAK Armenia
- **Caroline Tsilikounas**, DEMOS S&L Cooperative, Croatia

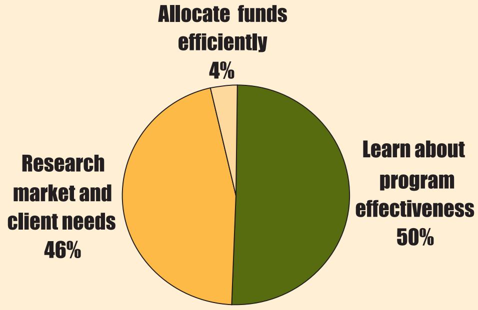
**Mariam Yesayan** is the Director of AREGAK program of United Methodist Committee On Relief (US NGO), managing micro credit project funded by USDA, US BPRM, UNHCR and USAID through six Service Centers throughout Armenia and Nagorno Karabakh. Prior to this she was Assistant Director of Small Enterprise Development Department, UMCOR. Mariam has worked as the World Bank consultant for the "Decentralization and Reform of the Health and Education Program", as Information Officer for the UN Department of Public Information and several US NGOs. She also has 10 years teaching experience at the Yerevan State University. She is a member of ECLOF Geneva Board, Director of the Board of ECLOF/Armenia National Committee and member of the Board of Trustees of "Aniv" Fund.

**Caroline Tsilikounas** is the Microfinance Technical Advisor for DEMOS, Savings and Loan Cooperative, which she founded in 1999. She has ten years of experience in development work with a particular focus on micro-finance, including work with UNIFEM, the World Bank, Cooperative Housing Foundation (CHF), UNHCR and ICMC, in Guatemala, the Philippines, Liberia, Bosnia and Mexico. Prior to joining the World Bank, Caroline worked in Mexico for a rural credit program for artisans. She holds a Master's Degree in International Affairs from Columbia University in New York with a specialization in economic development as well as a Business Degree.

# Impact Assessment in CEE and the NIS – Evidence from a MFI survey

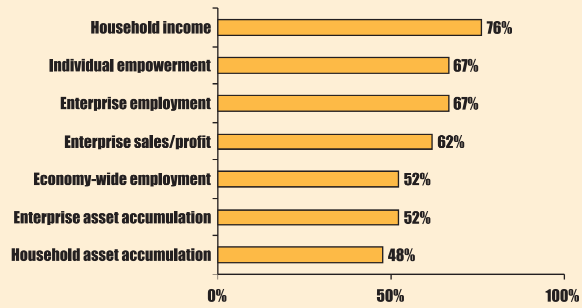
[ continued from page 1 ]

**Figure 2: Objectives of impact analysis in CEE and the NIS**




*Source: MFI survey*

**Figure 3: Top seven microfinance impact observations in CEE and NIS**




*Source: MFI survey*

Regarding the methodology for impact analysis, 27% of all respondents stated they use or would use quantitative methods, while 73% do or would use qualitative methods. MFIs in CEE are slightly more focused on quantitative methods, while MFIs in the Balkans and NIS showed a higher preference for qualitative methods. The majority of MFIs prefer to use surveys rather than focus groups in their qualitative approach. Regarding surveys, most respondents use or would use individual interviews rather than self-completed questionnaires. Four MFIs (those participating in the pilot phase for the MFC/AIMS impact project) used the AIMS tools for their impact analysis.

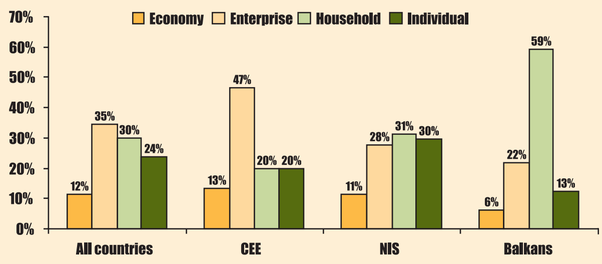
Asked about indicators they do or would use in a quantitative microfinance impact analysis, MFIs most frequently mentioned indicators at the enterprise level, followed by indicators at the household, economy and individual level (in this order). The high ranking of the enterprise as the preferred unit of impact analysis is consistent with fact that most survey participants defined their primary program objective as enterprise growth and job creation. In terms of indicators, respondents most frequently chose employment and GDP growth as impact indicators at the economy level. At the microenterprise level, employment and sales/profit ranked highest as preferred impact indicators. At the household level, income was by far the most frequently chosen impact indicator, followed by consumption expenditure and asset accumulation. At the level of the individual, empowerment was the preferred impact indicator, followed by education and health.

In terms of impact findings, changes in household income were the single most frequently observed positive effect of microfinance in the region, as stated by 16 MFIs or 76% of the 21 MFIs that specified their impact findings ("the impact group"). This result is surprising in light of MFI's stated primary objective of enterprise growth and job creation and could point to the fungibility of loan proceeds. In second place, 14 MFIs or 67% of the impact group quoted positive changes in enterprise employment and individual empowerment, followed by positive impact reported on enterprise sales/profits (62%), enterprise asset accumulation (52%), economy-wide employment (52%) and household asset accumulation (48%).

The survey reveals interesting differences by region. In CEE, MFIs most frequently quoted positive changes in indicators at the enterprise level. Relatively less impact observed at the household level can be explained by higher standards of living in CEE compared to the NIS and the Balkans, potentially reducing the problem of fungibility. In the NIS, on the other hand, MFIs most frequently quoted positive changes in indicators at the household and individual level, in line with a relatively stronger programmatic focus by MFIs on direct poverty alleviation and social improvements. MFIs in the Balkans observed the strongest impact on the household level by a large margin, possibly due to a higher degree of fungibility as a result of low standards of living.

91% of the 57 survey participants stated that their loan repayment rates within the maturity of the initial loan exceed 90%. This points to a strong repayment culture in the region, which could indicate that clients value access to microfinance services.

**Figure 4: Positive microfinance impact by units and regions**




*Source: MFI survey*

[ continued on page 8 ]

# Members' Corner

AGENCY FOR FINANCE IN KOSOVO
AGJENCIONI PËR FINANCIM NË KOSOVË
AGENCIJA ZA FINANSIRANJE NA KOSOVU

**The Agency for Finance in Kosovo** (formerly known as the Small Enterprise Development Program of Mercy Corps International) began in September 1999, with funding from the United Nations Development Program and the UK Department for International Development. Its initial purpose was to fulfill critical short-term needs for reconstruction materials and winter goods during the humanitarian emergency, while creating the foundation for a long-term financially viable economic development program by providing credit to small and medium-sized enterprises (SMEs) in the western region of Kosovo. During the first phase, loans up to $50,000 were made to producers of reconstruction materials and winter goods, as well as agricultural support and services, in the western part of Kosovo. Repayments of loan capital plus interest (18% annual flat rate) were made in goods produced and services, and distributed by MCI to vulnerable families and contributed to community projects in cooperation with a number of international and local NGOs and institutions.

Phase II began with additional $600,000 provided by UNDP (from the Dutch Government) in April 2000, allowing AFK to begin making loans on a cash repayment basis, with repayments going into a revolving loan fund. With this transition to Phase II, AFK also expanded its targeted businesses to include all types of production and services, and extended its geographical coverage. Mandatory business plan training has been offered to selected applicants, and over 200 people have attended the half-day training sessions.

Phase III began in November 2000, initializing the AFK's transition from the international NGO's program into a local finance institution. In order to become a fully nationalized institution within 2 years, the AFK is currently registered as a Non-Bank Financial Institution (NBFI), in accordance with the regulations of the Banking and Payments Authority of Kosovo (BPK). Mercy Corps provided the AFK with its sophisticated loan tracking and accounting systems, and keeps assisting it with management and fundraising activities in order to continue the development of the AFK's capacity. A local manager was appointed in December 2000. The Board of Directors consisting of representatives of the donors, local community and Mercy Corps is being formed to supervise AFK's activity and provide advisory assistance.

Currently, the AFK offers SME loans ranged from $2,500 to $25,000 at 24% per annum on declining balance, for the period up to 24 months. The loans are disbursed and repaid in German Marks. The AFK operates in 6 municipalities of Western Kosovo from its Peje office.

As of June 30, 2001, the AFK had disbursed over $1.7 million in 127 loans in total. Currently, the AFK's portfolio consists of 92 active loans, totaling $670,000. The portfolio concentration looks as follows: 25% wood processing, 36% other production, 18% food processing/agriculture and 21% services.

To help both local lending institutions and entrepreneurs in loan application processing and loan history building respectively, the AFK was an initiator and helped create the Kosovo Credit Information Service (credit information center) with other lending agencies in Kosovo, and has played a key role in coordination of economic development initiatives in Kosovo with representatives of international and local NGOs, UNMIK, donors and others.

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### LOCAL INITIATIVES PROJECT BOSNIA AND HERZEGOVINA

**The Local Initiatives Project** is a microcredit project that was designed to support business development, particularly among low-income entrepreneurs. It provides the capital required to help people create or expand small businesses and income-generating activities. This new access to capital allows people, and particularly women (such as war widows) who would not otherwise have the means, to earn a living from their own initiative and entrepreneurial skills.

The main objectives of the Local Initiative Project can be summarized as follows:

- to provide access to credit to the economically-disadvantaged and war-affected, specifically low-income microentrepreneurs who have no access to credit from the commercial banking sector;
- to facilitate the development of independent, financially viable microfinance institutions that will continue to provide credit to low income entrepreneurs over the long-term;
- to create an appropriate legal and regulatory environment for the provision of credit and savings services to low income entrepreneurs

Five years after the start of the LIP, the overall evaluation of the project is highly satisfactory. As of June 30 2001, five partner implementing agencies disbursed some 50.525 loans amounting to 70.389.817 EURO to micro entrepreneurs throughout the country helping to create or sustain jobs. Monthly disbursements support more than 3,000 new loans. Levels of repayment are very high at 98.5%, with only 1.21% of outstanding repayments

## Members' Corner

(30 days past due). On the ground, these numbers translate in improved living conditions and a renewed sense of hope and confidence for many of the poor. An independent Client Survey commissioned by the Local Initiative Department in 1999 found that 79% of borrowers considered that the loan had significantly improved their economic situation. Furthermore, some microfinance institutions have used microcredit as a tool to bring together people previously divided by the war.

On the operational and financial side, the LIP has been equally successful. Just three years after the project was initiated, microfinance institutions became operationally sustainable, meaning that they are able to cover their operating expenses from their operating income. Four of these institutions are financially sustainable, i.e., they can cover all expenses, including the cost of maintaining the value of their capital, as well as adjustments that fully account for subsidies and write-offs for non-recoverable loans. These results make microfinance institutions in Bosnia and Herzegovina high performers among such initiatives worldwide.

Unlike in the beginning of the Project when there was no legal framework for microcredit activities, microcredit organizations in Bosnia and Herzegovina now conduct their activities in accordance with Law on Microcredit organizations that was prepared within the project consulting both international and local legal advisers and adopted in both entities.

Building on the achievements of the first Local Initiative Project, the World Bank Board of Directors approved in July 2001 an IDA credit of US$ 20 million to finance a second LIP in Bosnia and Herzegovina. This project will address the urgent need to raise incomes, develop businesses and create jobs in Bosnia and Herzegovina through providing credit and other financial services to people with low-income. Specifically, it will finance the growth and institutional development of high-performing micro finance institutions to increase their outreach and quality of services to low-income clients and support the transition of the micro finance sector towards sustainable sources of financing. It is designed to ease a transition of the micro finance sector from dependence on World Bank and donor financing by focusing on further developing the legal and regulatory framework for micro finance. The second LIP will encourage micro finance institutions to pay more attention to client-level information for understanding program impacts and developing new products and services.

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**Prizma** (formerly named Project Enterprise) is now registered as a legally independent microcredit organization in Bosnia-Herzegovina. Prizma's recently launched low-income housing reconstruction loan facility-the first non-bank program of its kind in the country-its quick access credit facility to support families' basic needs, and its core enterprise lending reflect Prizma's expanding service provision and the Organization's commitment to wider needs of its poor and low-income clientele. Prizma's strong affiliation with its founder ICMC, including representation on Prizma's Board, will facilitate ongoing cooperation to serve vulnerable people. New financing is strengthening Prizma's breadth of outreach, while technical assistance from the Consultative Group to Assist the Poorest (CGAP) through 2002 promises to help strengthen Prizma's ability to serve large numbers of poor and low-income people in new ways more efficiently.

*Sean Kline, Executive Director*
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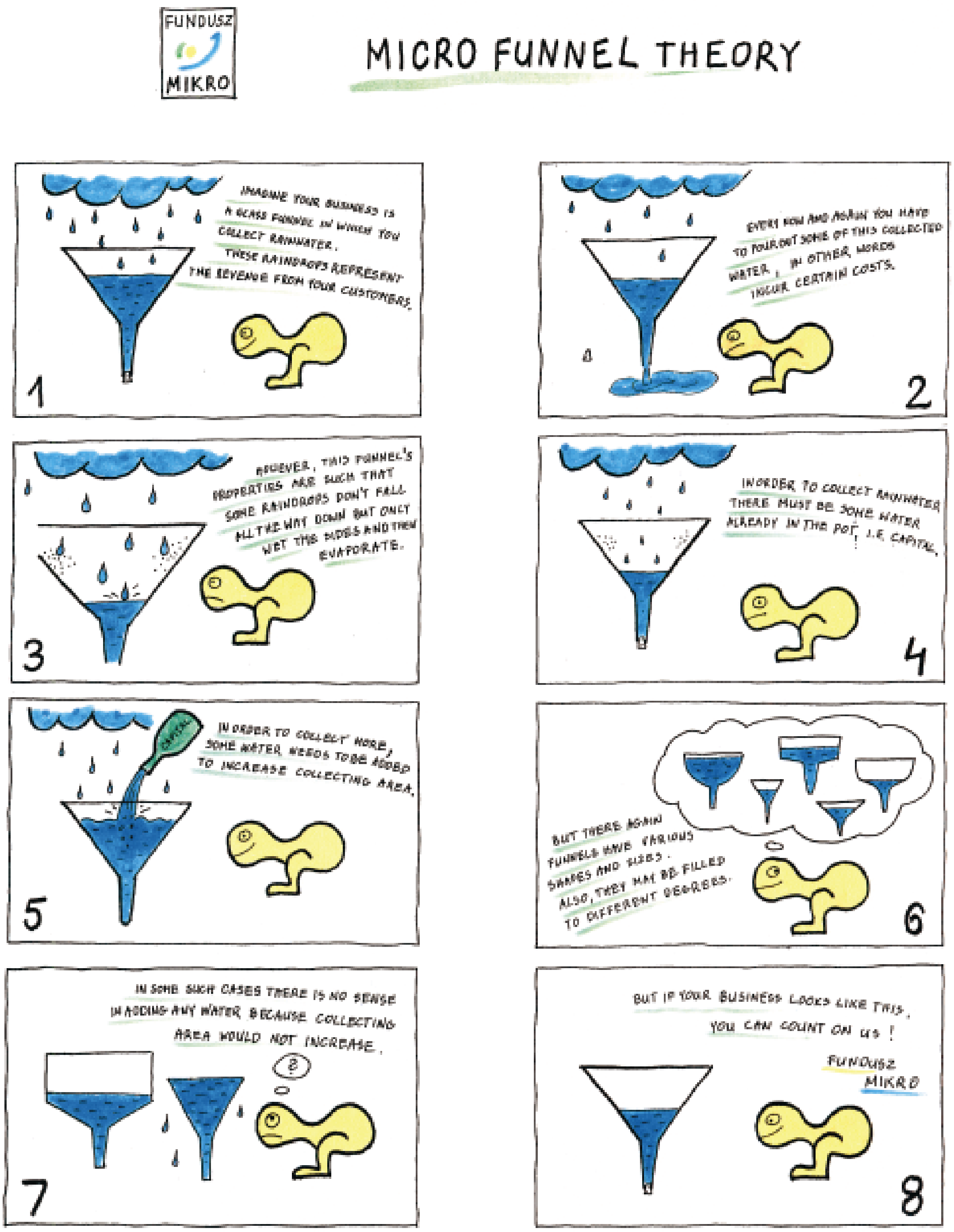
## New MFC Members

- **Mountain Areas Finance Fund, Albania**, established in 2000 provides credit for financially viable farms and rural enterprise development in the mountain areas of Albania.
- **Belarusian Fund For Financial Support of Entrepreneurs, Belarus**, established in 1992, offers financial support to SMEs by disbursing loans, microloans and leasing equipment. It also provides informational, consulting and training services.
- **Asian Credit Fund, Kazakhstan**, registered in 2001, its financial services are designed to promote small business development and growth in selected cities and villages throughout the country. Its purpose is to foster sustainable growth in small business sector leading to more family-wage jobs and greater individual financial security.
- **MikroFinS, Yugoslavia**, established in 2000, its mission is to empower and increase economic capacity of the poor and impoverished people through financial services delivery to vulnerable and marginalised groups.
- **Development Alternatives – BIZPRO Project** , its mission is to support and help develop microfinance industry in Ukraine.

# Introducing Fundusz Mikro's Micro Funnel Theory

During the last MFC Annual Conference Fundusz Mikro encouraged participants to take away small glass funnels, promising to explain their meaning in the nearest bulletin.

The Micro Funnel Theory is widely presented when meeting with Fundusz Mikro clients and has proved to be a good tool in explaining some basic characteristics of businesses. Fundusz Mikro has introduced the theory when they started partnership loans (initially called micro venture capital loans – see FM's Web Site for more information at: http://www.funduszmikro.com.pl). The Micro Funnel Theory not only helps the existing businesses to reflect at what stage they are and what their capital needs are, it is also very helpful for start-ups. The example of a funnel provides a simple explanation of what should be known when starting a business.




*Agata Szostek, International Relations Director, Fundusz Mikro, agata.szostek@funduszmikro.com.pl*

# Embracing Change: Increasing MFI Capacity and Resilience

Why Does It Take A Crisis? "Why is it that so often we have to experience a crisis – a real crisis – before we initiate major change?" This question is more relevant now than ever before for world leaders, captains of industry, organizations, societies and individuals. We each know this phenomenon from our own experience, or from the experiences of those around us:

- The man who has a heart attack before trying to lower his blood pressure,
- The drastic loss of market share that forces a company to re-examine its strategies,
- The woman with lung cancer who finally quits smoking,
- The threat of bankruptcy or foreclosure that leads to financial restructuring, or,
- The war and loss of life that force us to examine our deepest beliefs, and rise to our highest and best selves in the world.

**Do We Fear Change, Or Is There Too Much Already?** Is it too difficult? Are we too lazy, too complacent? Or are we already inundated with change, making it seem impossible to take on more? We may never know the answer to these questions, and yet we must make choices and decisions in the face of change every day. The Microfinance industry and microfinance institutions, particularly in Central and Eastern Europe and the Newly Independent States, operate on a constantly changing terrain. Shifting governmental and regulatory environments, fluctuating markets and economic conditions, and constant evolutions in technology make it difficult to set plans and execute them as we originally envisioned. Change is a given.

**How Do We Increase MFI Resilience and Capacity for Change?** As MFI leaders, our best approach in the face of ever-increasing change is to embrace it. There is no avoiding change and few signs indicating the pace of change will slow down any time soon. So how can we do better than just manage the change we encounter, reactively? Is it possible to actually cultivate change, proactively, in our organizations and in ourselves? If so, how can we 1) increase the **rate** at which we process change – our resilience, and 2) how can we increase the **amount** of change we can assimilate – our capacity for change?

Specifically, we each experience change from three sources. First, we experience change as individuals – getting married/divorced, having children, moving, getting an educational degree, experiencing the loss of a loved one, and getting sick. Second, we experience change in the organizations in which we participate (not just at work) – new product introductions, changes in policies and procedures, growth and/or decline, reorganizations, new people. Third, we experience change as a part of a larger constituency. Global political, environmental and economic events impact us as well.

The change we experience can be further characterized as desirable and undesirable. We experience an emotional cycle in response to both types of change. Sometimes we forget this, especially when the change is something we have initiated and desire such as moving into a newer, bigger office space. Even though we want to make the move, there will be a "letting go" of the old space (memories, habits, routines, and attachments), and an embracing of the new. The new space isn't exactly what we expected – not quite as big, not quite as perfect. The copier is in a different place – further away – and now that everyone has an office of his or her own, we aren't sharing as much information as we did before. Even though we may not be aware of it, desired change requires that we move through an emotional process before we can assimilate it. Undesirable change is accompanied by a different emotional cycle, but also requires intellectual, physical and emotional energy.

So how, then, do we cultivate MFI resilience in the face of change? There are several helpful organizational tools:

- Have a clear vision of what's ahead (whether it's desirable or undesirable) and communicate it widely. If the vision changes, communicate the change. This leads to a sense of control, and lowers the energetic toll it takes for people to accept it.
- Maintain a positive attitude and culture in your organization. Look for opportunity in change, not danger.
- Make it OK for people to go through the emotional cycles of change. Get familiar with these cycles and help others recognize when they are going through them.
- Expect that your organizational path will be filled with change and unexpected events – share this view with others. Changing environments, while not predictable, are "normal".
- Maintain a sense of humour!

And how can we increase MFI capacity for change? Cultivating resilience in your organization is the first step – increasing resilience lowers the energy needed to assimilate each change, making it possible to take on more. Becoming more mindful about how your organization is experiencing change will also help. As leaders and architects of change, ask yourselves:

- What **level** of change is appropriate and healthy for this organization now?
- Have we considered all the **sources** of change impacting our organization at this time?
- Have we left an allowance for **unexpected** change, or are we pushing ourselves to the limit of our ability to assimilate change?

( continued on page 8 ) ▶

# Embracing Change: Increasing MFI Capacity and Resilience

( continued from page 7 )

- **Where** will this particular change have its greatest impact?
- **Who** will be affected most by this change?
- How can we **prepare** those who will be most affected?
- **Should we proceed** with this change, and if so, what pace is most appropriate?

**Managing Resistance and Building MFI Commitment to Change**

Resistance is a natural and inevitable reaction to disrupted expectations and the status quo. Resistance always accompanies change, so get used to it – expect it. Open resistance is much healthier than suppressed resistance, so encourage it. Set up organized ways to surface resistance and respond to it as a part of the process. Setting realistic expectations and over-communicating the change will reduce, but not eliminate, resistance. Keep in mind that resistance to positive (desirable) change is just as common as resistance to negative (undesirable) change – both forms can be anticipated and managed. And above all, don't let the resistance surprise you! Surprises consume even more of your available energy and resources. Expect them as a normal part of the process. Remember that building commitment is a process. Many times, the way people are approached – rather than the change itself – is what makes the difference between resistance and commitment. Slow things down in order to allow changes to take hold effectively. Open up channels of communication, involve others, and foster empowerment in your organization.

Finally, it takes tremendous effort to create commitment to change – effort on your part and the part of everyone in your organization. This effort does not come without a price. Developing commitment to change is costly and complex, and requires thoughtful planning. Most organizations just "take it as it comes," adding one change initiative after another without considering the overall impact until it's too late. We know the signs of an organizational crisis: increasing levels of staff turnover, increasingly stressed-out employees, apathy, lower morale, decreasing performance, losing market share, and other signs. Such crises cause us as leaders to step back, re-evaluate our approach to change and take a more mindful path. So don't wait for a crisis to spur you into action – take the mindful path and learn to embrace change.

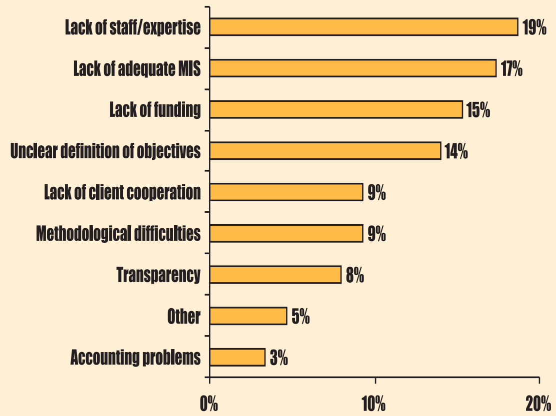
*Steve-Anna Stephens is the founder and principal consultant of The Catalina Center for Organizational Development, a strategy and organizational development practice based in the USA (sas@catalinacenter.com). Many of the ideas in this article can be found in Daryl Connor's book, Managing at the Speed of Change: How Resilient Managers Succeed and Prosper Where Others Fail, Random House, 1993, New York, USA.*

# Impact Assessment in CEEC and the NIS – Evidence from a MFI survey

( continued from page 3 )

The survey results provide encouraging indicative evidence of early successes of microfinance in CEEC and the NIS, in particular its effectiveness in enhancing microenterprise growth and improving household welfare. At the same time, the survey's representativeness, scale and data reliability is limited. While anecdotal evidence from eight available impact studies in the region confirms a positive impact of microfinance on microenterprise growth and employment (with varying degrees of confidence), it provides limited confirmation for a positive impact on household income and welfare. As a result, comprehensive further research is necessary to evaluate the effectiveness of microfinance in CEEC and the NIS with a higher degree of confidence, requiring larger scale quantitative studies based on longitudinal rather than recall data.

**Figure 5: Issues in microfinance impact analysis in CEE and the NIS**




*Source: MFI survey*

However, a number of obstacles need to be overcome in this respect. In the survey, MFIs quoted the lack of staff/expertise, lack of an adequate management information system and lack of funding as the three main issues preventing effective impact assessment in the region. In addition, unclear definitions of MFI objectives, methodological problems and lack of client cooperation were frequently cited problems. Additional human, financial and technological resources are therefore necessary to improve the impact analysis capabilities of MFIs in CEEC and the NIS.

The author would like to thank the participating MFIs for their cooperation in providing information for the survey.

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# Client Profile

### EKI-WVI Client: Verica Kajganiz

It's a bit of a rarity to find a client with six children, but Verica Kajganic is one of them. She, her husband and six children live in Stanari in their house with a large plot of land to cultivate. The oldest children and the father cut trees in the nearby woods and sell them in the village. Verica asked for a loan to start a pig breeding business in order to increase family income. In the beginning she had problems finding guarantors because no one believed she was capable of something like that.

Fortunately, everything went very well and Verica and her big family started the business. The wood exploitation, however, never stopped. In the meantime the family bought a combine and they started to provide services to the other farmers in the village.

Now they live much better than they did a year ago, and their favourite saying is "The more, the merrier!"

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### Counterpart Enterprise Fund: Solving Problems of Public Transportation in Khabarovsk

Public transportation in Khabarovsk is a nightmare. The city's population, numbering over 600,000 people, is suffocating without a sufficient number of public buses. The bus fleet inherited by the Local Municipality from Soviet times is completely worn out. In an attempt to solve the problem, the local administration imported several used buses from Korea. Unfortunately, this project failed, as the Korean buses could not endure the severe Russian winters. The City does not have the financial resources to purchase additionally needed buses.

The great demand for reliable, quality transportation opened the market to private entrepreneurs. Using smaller, 10 to 15 passenger vans, the entrepreneurs were better able to navigate the city's numerous traffic jams, leading to far greater passenger turnover and satisfaction than the municipality's two wagon-body giants.

At first, local authorities did not take the entrepreneurs seriously. However, a year later, it became obvious to all that the role of private entrepreneurs in public transportation was very important as they pose serious competition to municipal transport.

The Khabarovsk Administration, in an attempt to control the use of private buses, established a number of exclusionary rules, including the requirement of a special license for private entrepreneurs who deal in bus transportation. In order to obtain the license, private buses must be carefully inspected and meet numerous standards, such as date of manufacturing not later than 1994. As a result, about 50% of the entrepreneurs were not able to qualify for the permit, as the buses they used were too old.

Entrepreneurs who did qualify began searching for financing to increase their bus fleets. However, local banks turned almost all of them down because they did not have enough collateral or a sufficient credit history in order to secure bank loans.

Counterpart Enterprise Fund received its first "bus man" (actually a "bus woman") in March 2000. Svetlana Ziryanova wanted to bring a new bus directly from Nizhniy Novgorod where GAZ motorcar factory was located, thus cutting out the costs of a middleman. Svetlana is also the director of the Independent Bus Drivers Association. Together with three other bus operators, they formed a CEF business loan group and qualified for their first CEF group loan. All CEF staff kept their fingers crossed when she and her group went to Nizhniy to drive their new buses across Russia.

Word spread quickly and soon six more drivers from the Association came to CEF for loans to finance the purchase of buses. To date, CEF has financed 11 private entrepreneurs involved in the

transportation business. Half of them have already received follow-up loans and have enlarged their bus fleets to two or three buses. CEF has helped purchase 18 new buses in total. The Krai Administration has congratulated CEF for helping to solve the severe transportation problem in Khabarovsk.

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### PSHM: From One Goat to a Dairy Herd

Simon lives in the region of Shkoder and until recently he has been thinking of how to immigrate to another country. He saved some money for his immigration. Other than his savings, his only real possessions included a goat and the basic household items. Instead of leaving Albania, Simon decided to purchase some cows and begin to milk them. Early in his plans he met with the PSHM loan officer to seek a loan. Using his savings and a loan from PSHM, he began to build up his herd.

Simon has taken two additional loans from PSHM and become a long-term partner with PSHM. After working with PSHM for 3 cycles, he has traded in his goat, and has built a dairy herd of 20 cows. His repayments are excellent and he stops by the PSHM office each month after making his payment to the bank.

Not only has Simon traded in his goat, but he now also owns a colour television. He has fixed up his home and furnished it with better items. His life is improving. Simon no longer looks for ways to leave Albania. Rather he plans to stay and hopes to continue working with PSHM. As he develops his business he hopes to buy dairy processing machinery to produce cheese products. PSHM plans to continue to partner with Simon as his business continues to develop.

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# What banks may want to learn from you

**Introduction:**

*Co-operation with commercial banks is increasingly becoming an issue for Micro Finance Institutions (MFIs). To find a strategy for mutually beneficial co-operation, we have asked the German research and consulting company EVERS & JUNG, which has worked both for banks and MFIs to summarise their relevant experience. This is the first in a series of two articles.*

Banks are beginning to understand that they are in a strategic dilemma. Lending to small firms is not profitable enough to fulfil the increasing levels of shareholder demand, whereas big multinational firms need fewer loans due to more efficient markets and the issuing of their own bonds – a trend called demutualization. All major consulting firms have strongly recommended concentrating on medium-sized firms, but strong competition in that sector is resulting in narrow margins. Nevertheless, most banks have roughly segment their clients into these groups (size, not development potential, is the decisive factor, even if banks state differently in public). The seemingly only profitable segment is investment in new technologies, better and more advice and lower margin expectations. For the others, three alternative strategies are implemented: either clients are aggressively asked to look for a new (often public) bank, second, clients are forced to use services involving less personal customer relations (internet banking), third, the banks reduce their involvement very carefully waiting for clients' problems to provide an excuse to terminate business dealings, while at the same time they minimise lending to new small clients.

On the other hand, a few banks try to solve the problem differently by investing in the development of new relationship management systems to render dealing with small firms profitable. These new systems rely on account analysis, qualitative scoring, call centre filtering, routing clients' requests and developing the clients by training them in key areas to make them more profitable (upgrading).

If we assume that this development is a global banking trend and therefore signifies the future of banking in Central and Eastern Europe – which is the underlying thesis of this article – we can ask what the role of MFIs in this framework might be.

In a workshop held in co-operation with the British Banking Association, in which 11 European banks participated, it was the general opinion that there is room for strategic alliances between MFIs and banks. However, this view was driven by two very different viewpoints. Some saw it as a business matter to get rid of the unprofitable micro clients (even under the condition of subsidy) and at the same time remain involved and be able to pick and choose the micro clients with the most potential. The others were more driven by social obligations, mostly encouraged by governmental initiatives.

The workshop participants saw three strategic choices as possible for strategic alliances:

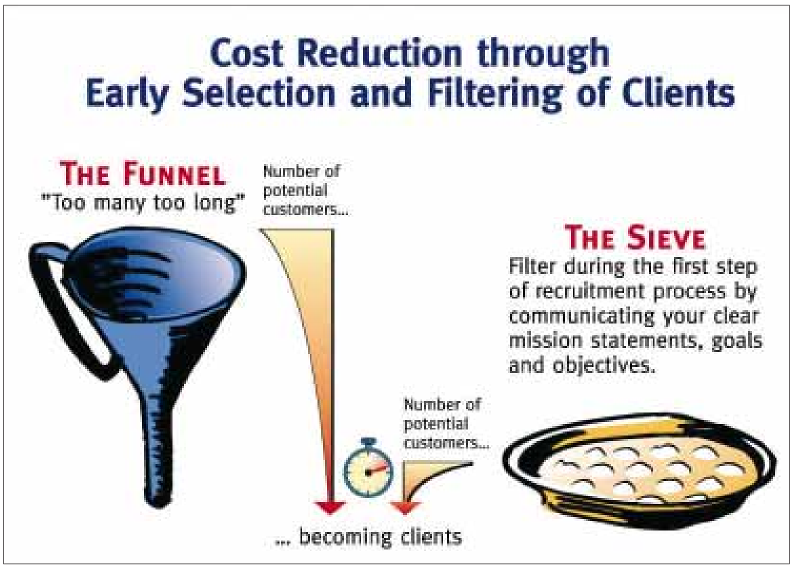
- OUTSOURCING: setting up a separate micro-lending organisation, subsidised by the bank but operating at arm's length from it.
- CO-OPERATION: Co-operating with micro-lending organisations in a variety of ways to increase their capacity and effectiveness.
- INTERNAL LEARNING: Developing the ability to lend directly to micro-entrepreneurs by employing some of the techniques used by micro-lenders.

MFIs could benefit from each of these strategic choices, but certainly they gain the most from co-operation. That is why we are preparing a special article on that issue, which will follow in one of the next newsletters. Internal Learning could mean a chance for MFIs to sell consulting services to banks.

For all these issues it is important to understand what the competitive edge of MFIs is, in other words, what banks can learn from MFIs. These arguments may not at all seem new, but they are the micro-lending features that impress bankers most (and are technically new to them as well). We have grouped the main messages around challenges for banks: *efficiency in selecting clients, a micro-firm adapted credit worthiness evaluation and way of financing and the adjustment of financing during the client-bank-relationship.*

**Efficiency in selecting clients**

- *Policy of actively acquiring clients*: While banks wait for the perfect client coming through the door, some MFIs have developed acquisition strategies that aim at raising the quality of the first contact. Often they rely on the help and the internal knowledge of current clients.
- *Group counselling*: Most MFIs hold information sessions on a regular basis to explain the credit products and procedures to groups of interested potential clients. This takes less time than individual sessions, and the quality of advice given is enhanced, as groups ask more questions, rendering the information more comprehensible.
- *Co-operating partners*: Micro-lenders that focus on business start-ups co-operate with government-subsidised initiatives, which, for example, provide or revise business plans. That way a better basis for the first counselling is achieved.




### A micro-firm adapted credit worthiness evaluation

*Evaluation of character by interviewing key persons*: Applicants are asked to provide references from landlords, neighbours or business partners. The credit administrator contacts these individuals in order to receive statements as to the reliability of the applicants.

*Pre-selection with guarantors*: The technique of co-signing is widespread. The applicants are asked to provide a number of guarantees, which are limited when there are high credit volumes. Entrepreneurs or people in steady, full-time employment are usually accepted as guarantors, whereas relatives or members of the household of the applicant are rejected. The main aim is to implement a filtering system and to overcome asymmetric information by gaining access to informal information. This is something new to banks that regard guarantees as just a form of security.

*Criteria and their weighing*: MFIs have different criteria of evaluation. For example, it is much more focused on character. However, the most impressive fact for bankers is that in some MFIs the weighing of criteria changes with loan size. Character or motivation becomes less important, turnover or business viability more.

*High rates of acceptance*: The credit worthiness investigation means a workload of several hours. When a credit application has to be turned down there is no profit to cover the expense. That is why applicants who are not credit-worthy have to be identified at as early stage as possible. For banks it is striking that many micro-lenders have to turn down only very few credits after the credit standing investigation is completed – rates go down to 10% while banks have 50 to 80%. The reason for the high rate of approval in micro lending is that a very high level of transparency concerning the whole credit process enables businessmen to evaluate their credit worthiness themselves.

### A micro-firm adapted way of financing

*Minimise size*: The size of the credit is established differently than in banking practice, as is the way of financing. The main goal is to minimise the credit sum when issuing the first loans. This is to minimise the risk both for the borrower and lender. The question is not, how much is needed for the start or extension of a business, but what is the minimum sum to secure a step of development. This is combined with short credit terms and the prospect of a new credit in the case of punctual repayment.

*Annuity method*: To ensure the most transparency for clients, almost all micro-lenders make use of the method of annuities in which the borrower has to pay the same amount of money every month. The amount of the credit and the length of term can be determined on the basis of what repayment instalments are affordable for the borrower.

*Stepping*: The most impressive feature of micro-lending methods for banks is this: If the borrower repays the loan promptly, he may take out a new credit exceeding the amount of the old by up to 50%, if the development of the business allows for this. The borrower has an incentive to act in the interest of the lender.

### Support systems and the adjustment of financing

Banks see the stepping finance product as a potential tool for better adjusted financing, as the finance volume changes coherently with business development. However, they are irritated that repayment timing is so short and it is crucial to explain to them that no long-term investments are accepted for step loans.

Banks are also interested in efficient support systems because they are much criticised for not sufficiently supporting start-ups and businesses in crisis. In our opinion the following five key words could be used to sell micro-lending practice in this respect: zoning, causes for contact, on-the-job training, crisis intervening and productive failure.

*Zoning* is the regional splitting of the area where an organisation is working into zones that are looked after by a particular credit administrator. The aim is to enable the credit administrator to develop a high level of knowledge on local economy and other local issues. Frequent contacts in the local area establish an information network that helps investigating the credit worthiness and acquiring new clients. Additionally the administrator can visit his clients more often, as valuable time on far-distance travelling is saved and therefore support and monitoring levels are high.

*On-the-job Training*: Regular training is too expensive and not popular with entrepreneurs. Further education can be introduced in conjunction with step credits modelled on the on-the-job basis. Different steps of credit are associated with different levels of com-

[ continued on page 12 ]

## What banks may want to learn from you

[ continued from page 11 ]

petence. For example, regular cash flow planning is demanded from the borrower from the third credit step onwards.

- *Standardised causes for contact* to ensure regular counselling and reviewing. One of the models is the contact manager, who establishes contact with the clients in regular intervals. The results are recorded in a contact form to which the actual credit administrator also has access. (In modern banking such models of information collection through client live time are discussed in the context of Customer Relationship Management (CRM) Systems)
- *Crisis intervention*: Frequent contacts are used to try to identify a crisis and the micro-lenders encourage the borrowers not to hide a crisis. It is explained that announced problems are dealt with in a flexible way, whereas delays in repayment without prior announcement are penalised. In case the instruments prove unsuccessful, that is a repayment instalment is not paid, the organisations get in contact with the borrowers very quickly. The radical "one day late is too late" policies implemented by micro-lenders are impressive to banks. The information systems in banks would allow the same, but credit administrators regularly fail to get in touch in time. The method of intervention itself is marked by a principle that can be labelled 'tough but fair'. The major differences to bank practise are the following: because all rules are explained transparently before the borrower receives the loan, he is unlikely to have the impression of being treated unfairly. Moreover the borrower knows that it is advantageous to act in accordance with the interests of the lender at all times because measures steadily increase in severity and at the same time a positive scenario is presented to the borrower.
- *Productive failure*: In case of a business failure the borrower is still motivated to repay, because he then may receive a new loan for a 'fresh start'. A number of organisations attempt to create the atmosphere of "productive failure". Borrowers whose business failed are invited as trainers for new founders of businesses. Experience of starting a business (also bad experience) is valued more highly than the theory demonstrated in business plans.

### Improve and prepare yourself

At the same time it is important to see where MFIs have potentials for improvement, either by learning from banks for their own operations or to prepare for working with banks. Topics could be:

- Understanding at what point of the client's life cycle the MFI products become inappropriate and a product gap exists for financing long-term investments.
- Developing a technical infrastructure to analyse one of the biggest information assets: the bank account data of clients – with or without the bank's co-operation. (i.e. by supporting the client in using online-banking with a software appropriate for financial controlling)
- Using the vision and software behind banks' CRM-systems to increase efficient information management as the central tool for lending decisions and risk management.
- Preparing clients on relationships with banks by introducing them to bank requests and procedure: financial planning, their product range and appropriateness,
- Designing loan products that would suit at least the smallest 10% of the clients of a local bank. They then can become future clients after an outsourcing co-operation through the bank.

However, in different countries cooperation with banks will vary widely. Most of the experience building the backbone of this article comes from working with West European and American banks and MFIs. Some of the topics may be less relevant for some East European countries. One of the biggest problems there seems to be that the banking sector is less developed and banks feel even less motivated to lend to small firms due to less developed relationship systems and technology. However, this may change rapidly as acquisitions by western banks in the East continue (i.e. ING Bank bought a local Polish bank last month). In any case, it is important to prepare for negotiating with banks by understanding how they view you. We hope this article helps.

*Contact jan.evers@eversjung.de for comments. For more information visit the website www.eversjung.de.*

*Further literature:*
*Whyley/Kempson/Evers: Banks and Micro-Lending – Support, Co-operation and Learning, Hamburg/Bristol 2000.*
*Evers/Jack/Loeff/Siewertsen: Reducing cost and Managing Risk in Lending to Micro Enterprises, third edition Hamburg 2001.*

## Special Thanks

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# ACDI/VOCA Rural Credit Cooperative System in Azerbaijan

ACDI/VOCA has established a rural credit cooperative system consisting of a non-banking limited liability credit organization ("CredAgro"), a central credit cooperative and six branch credit cooperatives in Azerbaijan. Targeted regions for the credit system include Masalli, Gelilabad, Lenkoran, Ismaili, Zaqatala, Guba, Khachmaz, Sheki, Gakh and Absheron Peninsula.

ACDI/VOCA's proposed Rural Credit Cooperative Program falls under USAID/BAKU's Strategic Objective 1.3: Accelerated development and growth of private enterprises. The proposed Rural Credit Cooperative Program has two programmatic objectives that support Objective 1.3:

1. Create a rural credit cooperative system to provide small and medium size loans to agricultural enterprises on a sustainable basis.
2. Increase the economic viability and sustainability of private agricultural enterprises.

Results expected at the conclusion of the Azerbaijan Rural Credit Cooperative Program are:

1. Establishment of a viable rural credit system serving Azerbaijan's private agricultural sector.
2. Azerbaijan private agribusinesses and enterprises increase productivity, income levels, and employment opportunities.
3. Supplemental loan capital attracted from outside sources to both grow and sustain the rural credit system.
4. Formal linkages are established between service organizations in business planning, loan origination, and technology improvement and marketing in the private agricultural sector.
5. Regional linkages are established in rural credit/finance systems tied to regional marketing and trade.

Activities planned for establishing the credit system are organized under three program activity components:

- *Lending Activities* which include creating credit cooperatives, providing loan capital, and making/servicing/collecting loans.
- *Business Development and Technology Support Activities* which includes improving (production/processing) technology utilized by the borrowers, training in business/financial management, marketing, supply sourcing, quality assurance/quality control, production efficiency audits, and agricultural extension.
- *Legislative Efforts* to maintain the legal integrity of the system and attract government support of the system.

## Establishing the Central Credit Cooperative: CredAgro

ACDI/VOCA-Azerbaijan established a central management, oversight and funding mechanism for its credit system. This institution (CredAgro) is registered as a non-banking credit institution allocating loan capital funds to individual credit cooperatives throughout Azerbaijan, which in turn issue individual and group loans to the borrowers.

CredAgro has a President, Vice President and a Chief Accountant responsible for implementation and monitoring of the credit operations and relations with the individual credit cooperatives. CredAgro is supported by other Project staff including credit specialist, loan officers, accountant, lawyer and others. In addition to managing and directing the flow of loan capital to individual credit cooperatives, CredAgro's role will also be to source and secure additional loan capital funds to grow the credit system over time.

As each new credit cooperative is established, ACDI/VOCA will provide start-up resources to set up an office and cover 100% of first-year operating costs. During the second year of operation, only 50% of a pre-approved operating budget for the cooperative will be supported by the project and the balance of operating costs (including salaries) will be covered by interest income from lending activities.

Credit cooperatives collect and submit loan capital back to CredAgro which retains the capital for future lending purposes only. After using a portion of the capital for overhead and personnel expenses, the funds net of taxes will be added to loan capital and loss reserves. For as long as there is overhead and human resource support to CredAgro through ACDI/VOCA, all interest income net of taxes will be added to loan capital and loss reserves. Credit cooperatives will use similar loan capital management structure.

Loans are channeled through CredAgro, although control of the loan capital will be retained by ACDI/VOCA. ACDI/VOCA will provide oversight of the entire system.

First loans went out on May 1, 2001. As of September 30, 2001--within 150 calendar days--CredAgro disbursed 103 loans to 120 borrowers. Total value of loans disbursed by the six branches combined has reached USD $483,000. Out of all loans approved, $294,630 is for livestock, $91,770 for agricultural production, $48,300 for food processing and $48,300 for agricultural trade.

Loan periods very between six months for agricultural trade and crop harvest and 18 months for livestock and fruit/vegetable processing. All loans with the exception of agricultural trade carry 18% interest rate per annum, while the interest on trade loans go as high as 25% per annum. Based on the individual loan applications and specifics of each business, the grace period prior to repaying interest and principle varies between 90 and 120 days.

[ continued on page 15 ]

# MFC Highlights

*Conference in Bratislava*

*Policy Forum in Krakow*

*FA in Tbilisi*

*FA in Dubrovnik*

## May

■ **The Fourth Annual Conference of Microlending Institutions – "Microfinanance Challenges in the Region"** – was organized by the MFC in Bratislava, Slovakia on 18-19 May 2001. Over 200 microfinance practitioners, donors, investors and policy makers took part in plenary sessions and workshops. The conference materials are now available in electronic format the MFC web site at www.mfc.org.pl/network/conferences.html

## June

■ **The NIS Policy Forum** took place on 20-23 June in Krakow, Poland. The event, organised by the MFC, USAID, OSI and Day, Berry & Howard Foundation with additional support from Weidemann Associates (US), gathered nearly 100 participants. They represented national delegations of top-ranking public officials and other policy makers, as well as microfinance practitioners from ten NIS countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine and Uzbekistan). The delegations worked with technical specialists in financial sector law and regulation to formulate an agenda for legal and regulatory reform in each of the targeted countries. Materials are available on the MFC web page: www.mfc.org.pl/PolicyWork/PolicyForum.html

## July

■ The training of trainers for **the new course "Information Systems for Microfinance"** took place in Warsaw. The team of CGAP specialists worked with the MFC trainers and EDA trainers from India on preparing the course for the delivery. After making some adjustments to the training, the module will be offered in 2002.

■ **A "Financial Analysis for MFIs" training course** was delivered in Russian in Tbilisi, Georgia on 11-15 June 2001. This was the second FA course organized in Asia in recent months and demand far exceeded the number of spots available. Overall, 21 organizations were represented by 26 participants. For the first time the course had been extended for one more day during which the participants worked individually on the data provided by their own MFIs.

## September

■ **A "Financial Management" training course** was organized for 16 directors, chief accountants and loan officers from the hubs of the FORA Fund, Russia. It took place near St. Petersburg in Russia. The course combined the issues of financial analysis and delinquency management with setting sustainable interest rates.

■ **A "Financial Analysis for MFIs" course** in Russian took place in Kiev, Ukraine. It was a customised training for financial managers and directors of Ukrainian credit unions. The course was coordinated and funded by DAI/BIZPRO.

■ **A "Financial Analysis for MFIs"** course in English language was delivered in Dubrovnik, Croatia. The participants – 26 MFI practitioners came from 7 countries, chiefly from the Balkans.

■ **"Delinquency Management and Interest Rates Setting"** course in Russian took place in Almaty. Eighteen participants from 5 countries (Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan and Moldova) were present at the training. The Eurasia Foundation financially supported the participation of some small NGOs from Kazakhstan and Kyrgyzstan.

# ACDI/VOCA Rural Credit Cooperative System in Azerbaijan

( continued from page 13 )

### Executive Summary Loan Policy

| | |
|---|---|
| **Interest Rates** | 18% per annum<br>**Exceptions:** 25% for trade in agricultural produce |
| **Term** | 12-18 months for crops, livestock, production businesses<br>**Exceptions:** 6 months for trade in agricultural inputs and produce |
| **Loan Amount** | $500 minimum<br>No set Maximum<br>**Exceptions:** Larger amounts may be given in Absheron, subject to discussion with the Country Representative and Credit Specialist |
| **Collateral** | Not less than 200% of the loan amount during year 1<br>At "Liquidation Sale" prices-assessed by branch Managers and confirmed by Monitors |
| **Collateral Items** | **Acceptable:** Agricultural machinery, motor vehicles, commercial and agricultural real estate, gold, jewelry, residential property in Baku<br>**Marginal:** Registered livestock, residential property regional centers, furniture, house hold items/ effects<br>**Unacceptable:** Residential property in villages; unregistered machinery/vehicles/livestock; leased property and land<br>Acceptable at zero value Agricultural land. |
| **Required Documentation** | Applicant's Business Plan<br>A Cash Flow Spreadsheet<br>A complete, dated Loan Application that has been signed by both the Applicant and the Branch Manager<br>A site visit report signed by the Branch Manager/ Assistant<br>A site visit report signed by the Loan Officer<br>A site visit report by the Monitor, including collateral appraisal |

ACDI/VOCA/CredAgro developed a standard repayment schedule for various loan types (see table below) subject to change due to changes in regulations, business environment, individual credit rating, etc.

| Type | Average Size (in thousand, USD) | Term (in months) | Interest (%) | Repayment |
|---|---|---|---|---|
| Crops | 3-5 | 12 | 18 | Interest-monthly Principle-end of loan term |
| Livestock | 3-4 | 12-18 | 18 | Interest-monthly Principle-quarterly |
| Ag. Trade | 1-2 | 6-9 | 25 | Interest-monthly Principle-quarterly |
| Processing Equipment | NA in year 1 | NA in year 1 | 18 | Interest-monthly Principle-quarterly |

Grace period is to vary between 2-4 months.

*David Sulaberidze, CredAgro President*
*dsulaberidze@acdivoca.atoo.az*

# Calendar of the MFC Open Enrollment 2002 Courses

### February
- **Accounting for Managers in Microfinance**
  *Russian*

### March
- **Business Planning and Financial Modelling**
  *Russian*

### April
- **Management Information Systems for Microfinance**
  *English*

### May
- **MFC Annual Conference**
- **Introduction to Client Assessment for Microfinance Practitioners**
  *English*

### June
- **Delinquency Management and Setting Sustainable Interest Rates**
  *English*
- **Operational Risk Management in Microfinance**
  *English*

### July
- **Incentive Systems for Loan Officers in Microfinance**
  *English*

### September
- **Financial Analysis**
  *English*

### October
- **Financial Analysis for MFIs**
  *Russian*

### November
- **Accounting for Managers in Microfinance**
  *English*

### December
- **New Product Development in Microfinance**
  *English*

*The MFC also offers customised in-house training courses of all the above modules as well as the Training for Loan Officers module. The course curriculum and topics are focused on satisfying the learning needs of the clients' staff. For detailed information on the course content please refer to the MFC web page* **www.mfc.org.pl** *or contact us directly at* **microfinance@mfc.org.pl**.

## AFFILIATED MEMBER ORGANIZATIONS (62 members as of September 21, 2001)

| | | |
|---|---|---|
| **ALBANIA** | BESA Foundation | fku@ngo.org.al |
| | For the Future Foundation | fff@albaniaonline.net |
| | Mountain Areas Finance Fund | ffzm@icc-al.org |
| | Partneri Shqiptar ne Mikrokredi (PSHM) | pshm@pshm.icc-al.org |
| | Rural Finance Fund | ffrural@albaniaonline.net |
| **ARMENIA** | Microenterprise Development Fund Kamurj | vgagik@arminco.com |
| | Shen NGO | shen@acc.am |
| | Small Enterprise Fund International (SEF International) | wvarm@arminco.com |
| | United Methodist Committee on Relief UMCOR/ AREGAK | umcor@umcor.am |
| **AUSTRIA** | Opportunity International – Eastern Europe | kvanderweele@compuserve.com |
| **AZERBAIJAN** | International Rescue Committee (IRC) – Azerbaijan | office@irchq.baku.az |
| **BELARUS** | Belarusian Fund for Financial Support of Entrepreneurs (BFFSE) | admin@fund.belpak.minsk.by |
| | UNDP SME and Microcredit Project in Belarus | sme@un.minsk.by |
| **BOSNIA & HERZEGOVINA** | Citizen Association MIKROFIN Banja Luka | mfbl@inecco.net |
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| | Microcredit Organization “Mikro AMK” | mikro-amk@tel.net.ba |
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| | MKO BosVita | bv@delta.com.ba |
| | PARTNER Mikrokreditna Organizacija | partner@partner.ba |
| | PRIZMA | info@projectenterprise.ba |
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| **FRANCE** | ADIE – Association pour le Droit à l’Initiative Économique | adie@adie.org |
| **GEORGIA** | Constanta Foundation | constanta@gol.ge |
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| **MOLDOVA** | Moldovan Microfinance Alliance | mma@mma.dnt.md |
| **POLAND** | Foundation for Development of Polish Agriculture (FDPA) | fdpa@fdpa.org.pl |
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| **RUSSIA** | FORA, Fund for Support of Small Enterpreneurship | opport@kis.ru |
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| | The Integra Foundation | integra@integra.sk |
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| | CREDO Association for Entrepreneurship and Development | credo@utel.net.ua |
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