



MICROFINANCE CENTRE
for Central and Eastern Europe and the New Independent States

MICROFINANCE

in Central and Eastern Europe and the New Independent States

From the Director

Grzegorz Galusek

Welcome to the 10th anniversary conference edition of the MFC newsletter. It has been MFC practice to host the annual conference in a different MFC member country. For 2007 our hosts and partners are the Bulgarian Microfinance Alliance, a membership group promoting microfinance to policymakers, donors and the wider public. As a network organisation with a regional focus, the MFC is well aware of the important role such organisations play in today's microfinance environment.

From individual MFIs operating in mainly rural areas to alliances of microfinance actors, all benefit from network organisations. Microfinance within the Central Europe and Central Asian region has changed and grown significantly since the inception of the MFC in 1997. New players are entering the arena and more and more MFIs have become financially sustainable, allowing them to plan in the long term and achieve their goal of providing inclusive financial services on a sustainable basis. Country and regional regulations are forcing MFIs to change their status and in some cases, such as Bosnia and

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Book the dates for the MFC training courses in autumn 2007:

- **Operational Risk Management in MFIs. Internal Control and Audits** (Russian Language) UPDATED! 18-21 September, 2007, Kiev, Ukraine
- **Operational Risk Management in MFIs. Internal Control and Audits** (English Language) UPDATED! 9-12 October, 2007, Belgrade, Serbia
- **Financial Analysis for MFIs** (Russian Language) UPDATED! 23-26 October, 2007, Dushanbe, Tajikistan
- **New Product Development for MFIs** (English Language), 6-9 November, 2007, Dubrovnik, Croatia

If you would like to learn more about the MFC training program please visit MFC's website: www.mfc.org.pl or/and contact Aldona Rutkowska at aldona@mfc.org.pl.

Herzegovina or Armenia, transform into regulated non banking institutions. Such developments have a significant impact on MFIs operations and achieving their mission and network organisations, like the MFC, have a significant role in assisting MFIs develop and grow in a changing policy and market environment. Growing membership has provided the MFC with a strong basis on which to disseminate best practice, provide technical services and implement groundbreaking pilot projects, such as the current Social Performance Management (SPM) programme (an article on SPM tools appears in this issue).

The 10th anniversary of the founding of the MFC is an opportunity to look to the future and assess the role of the MFC within the region and beyond. The real strength of the MFC is its role as a catalyst; facilitating links and providing knowledge and support to MFIs delivering inclusive financial services. The MFC will continue to work for members in influencing policymakers, providing technical services and leading pioneering research, so that members are best equipped to face the challenges and opportunities of microfinance in this decade and beyond.

I hope that you continue to enjoy the practical aspect of articles appearing in the newsletter and that the new section '*Sharing Experience*' allows different MFIs to learn from others in the region. The MFC works for MFIs and microfinance players from across the board and welcomes any suggestions and contributions for forthcoming editions of the quarterly newsletter.

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Developing the Microcredit Market in Poland

Michał Matul, Researcher, MFC

Justyna Pytkowska, Researcher, MFC

Marcin Rataj, Project Assistant, MFC

In Poland almost 2 million low-income households need microcredit to finance their current micro-enterprises or realize their self-employment aspirations. Only 3% of them are currently served. The huge market gap raises several questions. Who needs microcredit and what is the market? How can effective demand be stimulated? Are current supply schemes scalable? How can market development be facilitated? MFC has conducted comprehensive demand and supply studies, which aimed to answer these questions and build strategies to bridge the enormous market gap.¹

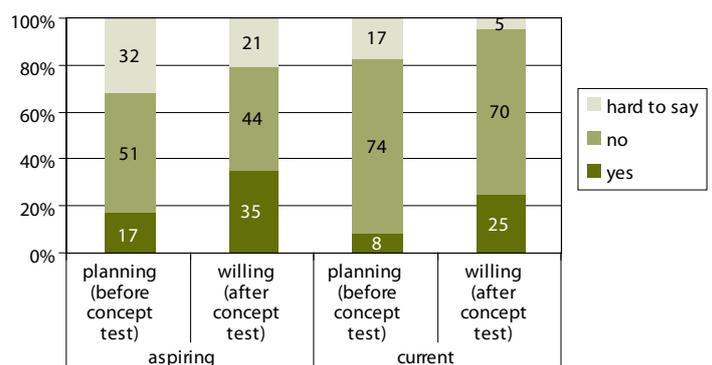
Who needs microcredit and what is the market?²

In Poland 6% of low-income households generate income from formally registered self-employment activities. It totals up to 400 000 existing enterprises. Another 28% of low-income households have members who have plans and/or potential to become self-employed.

A lack of capital is an important challenge for almost 40% of current microentrepreneurs and those aspiring for self-employment. However, having a formal credit history for current microentrepreneurs is quite difficult. Only 21% of them have ever used any formal source of microcredit and 15% are now repaying it. Banks are a major source of business loans (94%).

Initially there is quite a low number of potential and current microentrepreneurs who consider external financing of their businesses from a formal source in the next 3 years. However, when we show the concept of a micro-loan the interest in enterprise financing is three times higher than previously declared plans.

Current microentrepreneurs reject the concept mostly because they do not need it (48%), they are afraid of borrowing (25%) and think it is too expensive (10%). It is very different for a vast group



¹ Funded by the European Investment Fund (Jeremie initiative) the studies were conducted in 2006 using MFC market development analysis toolkit and consulted with stakeholders. The supply study was done using a survey and an analysis of the secondary data. The demand study is based on 6 focus groups and two nationally representative surveys (1020 low-income households and an additional sample of 203 microentrepreneurs from low-income households). Low-income household in Poland has been defined as the one living below a median equivalized income (per capita) – 850 zloty (1 euro = 3.9 PLN), close to the social minimum poverty rate.

² Microcredit is defined as a development tool to empower economically low-income population, those in poverty or vulnerable to it. Considering this definition, only low-income households are the subject of this analysis. Microenterprises are all those economic activities that employ less than 10 people and are managed by low-income households.



of aspirers – they reject the concept mainly because of the fear of borrowing (31%) and price (20%), with only 10% expressing a lack of need.

Summing it up, the microcredit market in Poland accounts for 29% of low-income households and totals up to 1.98 million low-income microenterprises. 17% of the market are existing microenterprises and 83% are potential start-ups (low-income households aspiring for self-employment). Only 3% of them currently use microcredit. The rest of the low-income population falls within the natural limit, a group of households which is either not eligible for microcredit or they objectively do not need microcredit. The total value of the market, estimated on the basis of the average loan size of those micro entrepreneurs who are currently using it (18,250 zloty), is 36.08 billion zloty.

How to stimulate effective demand?

Three issues are important to create effective demand:

- *increase awareness about the financing options* – current and potential entrepreneurs know little about microcredit and are not aware of microenterprise finance providers. 24% of potential entrepreneurs are not able to mention any source of financing! Current micro entrepreneurs are only aware of a very narrow range of options, limited mostly to banks.
- *change negative attitudes towards borrowing* – one-third of those aspiring for self-employment and one-fourth of current microentrepreneurs are afraid of borrowing for cultural and not economic reasons.
- *provide a business development services and incentives for those aspiring for self-employment* – there is an evident need to increase knowledge and skills as well as promote entrepreneurial behaviour among the low-income population in Poland. Only half of those aspiring for self-employment have sufficient background information. Additionally, regulatory and administrative hurdles are still the biggest challenges microentrepreneurs and start-ups face in Poland. Poland is not much different to its neighbours but there are still many things that need to be improved to reach the level of more developed OECD countries.

Are current supply schemes scalable?

The supply analysis yields similar results as the demand study in terms of current use of microcredit by microenterprises. Current microcredit providers in Poland include commercial and cooperative banks, credit unions, specialized non-bank financial institutions, micro-loan programmes, and labour offices. The banks' market share is 98% (in terms of the value of loans).

Although banks seem to be the only significant player, they have an interest in the market segment and have sufficient infrastructure to physically reach the consumers, there are several constraints, which put their role in market development under question. Firstly, they have limited offers for start-ups younger than 2 years due to high requirements for business plans and guarantees. Secondly, they are not able to manage microenterprise lending risks, which are very different than for small and medium enterprises. Thirdly, they still do not understand the micro segment, apply SME lens during the interactions and do not take seriously low-scale and stagnant enterprises. This limits intervention of banks in the medium term only to those mature microenterprises (a small fraction of the total market).

On the other hand, specialized non-bank financial institutions and micro-loan programmes have the market intelligence and know-how to work with disadvantaged groups. They also know

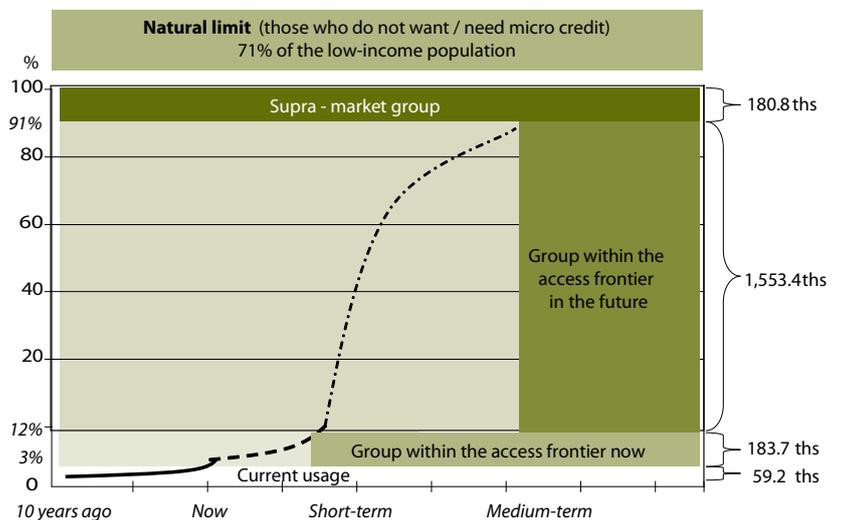
how to manage risks of working with start-ups and many of them integrate business development services to prepare their future clients. However, apart from Fundusz Mikro, these schemes have low-scale and are not scalable as their management systems are not adequate and most importantly they do not have ambitions to expand operations beyond local communities.

How to facilitate the market development?

As shown on the graph below there are three zones in the market, which will need specific market development strategies:

- *Market enablement zone* – this is a group that can be reached now (within the access frontier now) with new microcredit products that are demanded by enthusiastic consumers. Half of this zone is composed of current microentrepreneurs and half by those potential microentrepreneurs with the most advanced plans.
- *Market development zone* – this is a group within the access frontier that might be covered if the new products are well-adapted, effective marketing strategies are in place and there is an enabling environment. This also requires providing necessary incentives and conditions for low-income households to realize their aspirations for self-employment. This is the biggest share of the total market (79%) with a majority of start-ups.
- *Market redistribution zone* – this is a group defined as supra-market, a group of households who wish to take out a microcredit loan but cannot afford it. This is a task for the government to extend smart subsidies and adequate incentives for this group to be able to benefit from microcredit. The size of this groups is similar to the market enablement zone and is composed mostly of start-ups.

Apart from the above mentioned strategies to stimulate demand, the key issue for microcredit market development in Poland is to scale up the supply schemes. The analysis clearly indicates the need for linking specialized non-bank financial institutions with



commercial and cooperative banks and the network of guarantee schemes. This kind of partnership is a win-win solution that combines strengths of all key actors.

It seems as if the Polish example is not the only one in Europe. In our opinion the huge market gap does not show the failure of microcredit. It demonstrates a need to move from the experiment to the scaling up phase. It can be done only if there are delivery models, which are viable for all the stakeholders, and especially for commercial players.

From Mission to Action

Managing social and financial performance for a sustainable future

Ragnhild Liljeros, Project Assistant, MFC
Ewa Bańkowska, Project Coordinator, MFC

In the Microfinance world of today fast growth, transformation and stiff competition are all threatening realities. Therefore staying tuned to the initial mission, remembering the poor and remaining socially focused are a challenge. Microfinance institutions tend to handle competition and change by focusing solely on finance, forgetting they are social enterprises in which operations are initially led and inspired by a mission. That is why it is most important for an MFI to be able to *balance* social and financial performance – to achieve satisfying financial results while or rather in order to make a positive impact on the end-client life.

To strengthen the practices of managing social and financial performance, MFC has developed a guidelines series outlining the different tools that MFIs can use to operationalise their mission.

The **"From Mission to Action. Management Series for Microfinance Institutions"** provides practical insights for balanced management practices through the following tools:

1. "From Mission to Action. Strategic Management for Improved Social and Financial Performance" Toolkit
2. "Quality Assessment Tool for Social Performance"

The FMA (From Mission to Action) Management Series follows an approach which is practical and comprehensive because it focuses on doing; not doing by others but doing by the MFI itself. Therefore the toolkit is developed from a *use what you have* approach to take small sustainable and manageable steps towards change. This includes diagnosing the current situation (Quality Assessment Tool) and developing a roadmap for more effectively translating the mission into action based on the MFI's priorities (Strategic Management Toolkit).

Developing a roadmap for translating the mission into action is not difficult or complicated; the information you need is already available in the MFI. The toolkit **From Mission to Action. Strategic Management for Improved Social and Financial Performance** helps you to see your performance anew from another perspective. The toolkit offers a set of tools empowering your management to address, in a more balanced way, the challenges of social and

financial performance. It offers a participatory approach that will engage all your staff, from field officers to board members, in drafting your game plan for mission achievement. It is based on the Balanced Scorecard tools, which are widely used and recognized in other sectors, these tools provide a menu of comprehensive, practical and viewable ways for different levels of your organizations to translate your mission into operations and everyday tasks of your staff. It makes your mission driven strategy an ongoing process, where you respond timely to internal, external and environmental changes and progress as an organizational team, including all functional areas, towards one commonly agreed and understood direction.

Diagnosing your current situation allows the strengths of management system to be defend and to build on the gaps that must be addressed to move forward. **Quality Assessment Tool for Social Performance (QAT)** assesses the quality of management systems. It is designed specifically to review and improve the effectiveness of the management processes in order to align the mission and the organizational social performance objectives. The QAT reviews internal systems, assesses the status and effectiveness of them in relation to social performance management and identifies action areas where performance can be improved.

It can be used as a *rough and dirty* self-assessment tool, can be integrated into the organizational internal and external auditor's work or used by external parties to conduct objective assessments, including management processes assessment for a social rating.

Although embarking on the adventure of balancing social and financial performance requires firm conviction and dedication from top management the series has been developed to be bottom-up and participatory – the tools in the series are organizational driven, securing buy-in from all levels in the organization and, vitally for success, the MFI staff have ownership of the process. The series describes solutions that are scalable and flexible so that each MFI can adapt it to its own organizational settings. In addition to the processes the tools also offer actual examples from different regions, which make it possible to learn from others and to be inspired!

Special thanks to Clare Pearson for her assistance.

The FMA Management Series was developed through the ImpAct Social Performance Management project managed by the MFC. Imp-Act Consortium, Microfinance Opportunities, MicroSave and COPEME provided technical inputs and sat on the steering committee. The Toolkits were tested in 2005-06 by 6 MFIs in different part of the world: MDF Kamurj (Armenia), Prizma (Bosnia and Herzegovina), NGO Manuela Ramos (Peru), Genesis Empresarial (Guatemala), AgroInvest (Serbia and Montenegro), ASHI (Philippines).

MFC HIGHLIGHTS

Financial Education Program

Training of Trainers in Moscow, Russia

On March 12-16, MFC and RMC organized a training of trainers (ToT) for delivering financial education to low-income households. Funded by the Citigroup Foundation and Microfinance Opportunities this ToT was attended by 17 people from different regions of Russia: from St. Petersburg and Moscow to Chita and Irkutsk. The participants were representatives of credit cooperatives, development organizations, foundations, SME support agencies and local training companies, which were selected for dissemination partners in Russia during the tender process. All participants were very satisfied from the ToT and the majority indicated that it was a highly relevant topic for their organizations. During the coming months the organizations committed to pilot test the financial education workshop in the field.

Scaling up financial education workshop in Bosnia

During February-April Bosnian partners under the UNDP-MFC financial education project have delivered the financial education workshops to more than 250 low-income people in the Srebrenica area. The results will be presented at the conference on June 20 in Sarajevo.

2005 MFC Mapping Study

The 2005 mapping study report "2005 State of Microfinance Industry in Eastern Europe and Central Asia (ECA)" has been published and is available electronically at: www.mfc.org.pl/Publications. The study captures the developments of almost 6000 microfinance institutions in ECA serving over 4 million borrowers with a special focus on factors influencing performance of different institutional types across five sub-regions.

Performing in a new perspective

Micro Development Fund experiences in Social Performance Management (SPM)

Milena Gojkovic, CEO, MDF

Since its founding, MDF has been clear in its social dimension of the mission of targeting socially and economically excluded clients, offering them a chance for self-reliance rather than dependency on social aid, as well as chance for improved living standards rather than poverty.

While following its mission, MDF has paid much attention in achieving a sound financial performance, knowing that it is crucial for sustainable operations. Over the years, MDF was following trend results in financial performance, efficiency and profitability, comparing it to the benchmarks of the microfinance industry and making plans for new challenges. It brought us excellent results that were measurable and transparent.

As has always been the case in microfinance, we realized that, besides financial results we could do much more in tracking social performance goals. The inspiration for setting up Social Performance Management was the training sessions conducted by the MFC in January and June 2006. The idea was to set the Social Performance (SP) objectives, design the system for following up which ensures the MDF fulfils its social part of the mission by incorporating 3 of the core elements of the MDF SPM system:

- targeting poor and economically active clients
- meeting client needs
- measuring the change that our loans make on the clients' lives

MDF decided to incorporate simple, cost effective systems building on what we already have. The poverty measurement categories – poverty line for measuring the change was set as starting point. For each of the SP goals, MDF developed the strategy map, set the SMART objectives, drafted the alignment plan, made an action plan to reach the objectives² and communicated the SPM concept with all staff. During the implementation of the system, the MDF assessed available information from the MIS and introduced the new Exit Form (to learn from clients to what extent the MDFs diversified loan products meet client needs).

By including small changes in collecting information, MDF was ready to show the first SPM results, incorporated in the 2006 annual report. In terms of **reaching target clients**, MDF showed indi-

cators related to participation of marginal and vulnerable groups among refugees, former refugees who obtained citizenship and Internally Displaced People; as well as the number of poor clients measured by national poverty lines. Moreover, targeted clients were from areas of southern and central part of Serbia, considered the poorest areas in comparison with the rest of the country. The main indicator for **meeting client needs** was the client exit rate. Loans not meeting client needs were measured by delinquency.

The **change** was measured by business development indicators (such as % of increased business equity, new jobs created, increased profit etc.) as well as improved family living standards (like movement in poverty lines, including both, positive and negative effects)

Additionally, MDF social goals were measured through appropriate services like none-financial services measured by number of implemented Vocational Training courses.

The results were shared with all staff internally, during the staff meeting and externally with our donors. Some of the donors, expressed great interest in learning more about our SPM. The SPM results, incorporated into the reports of MDF, were shown as an additional opportunity for promotion, especially during the process of further fundraising with new donors. The whole process was neither costly nor difficult because a lot of information was already available. The cost of the whole process was predominantly in terms of time spent on designing system, introducing small changes in information collection and incorporating it into the reporting system.

In addition to SPM activity, a SPM working group has been formed that aims to encourage active participation of key staff who will continue to facilitate the SPM process in 2007. Building up staff awareness of social goals of the MDF is going to be a regular communication topic at the staff and management meetings, performance appraisal, reporting, sharing news and promotion. All activities help MDF staff to increase awareness of the social dimension of our mission while targeting clients, meeting their needs and offering services that make changes in clients lives.

Another step will be to further improve the technical capacities of the current MIS in order to enhance reporting. Although, the SP preparations and piloting require some time and resources, it is worth investing for long term effects. Incorporating SP in MDF systems will help MDF to make further plans and manage the goals set which are aligned to the mission.

¹ Milena Gojkovic is CEO of Micro Development Fund, located in Serbia. MDF is a sustainable institution with outstanding portfolio of 2,346,712 EUR and 2148 active clients. It offers loans and vocational trainings. More information you will find at www.mdf.org.yu.

² The tools used by MDF consist on the Toolkit „From Mission to Action. Strategic Management for Microfinance Institutions” developed by MFC and its partnering MFIs

From Exclusion to Inclusion Through Microfinance: Learning From East to West and West to East: reports published

The EU funded project led by the Microfinance Centre (MFC) with its partners: the European Microfinance Network (EMN) and the Community Development Finance Association (cdfa), U.K. went into its dissemination phase.

The project aimed to combine the various experiences of the three networks in overcoming social and financial exclusion in the East and West. The identification of key constraints and opportunities served as the basis for policy formulation and recommendations that will enable building more inclusive welfare and financial systems.

The Global Summary as well as four specific reports were published and are available to download from: www.mfc.org.pl.

Report 1: Social and Financial Exclusion Map

Report 2: Key constraints, challenges and policy recommendations

Report 3: Benchmarks and Performance Measurement

Report 4: Innovative approaches and products for combating financial exclusion

Microfinance Policy Monitor: new look for the 10th MFC anniversary

Thanks to a huge response to the readership survey, the Microfinance Policy Monitor will be relaunched and each future issue will focus on a particular policy topic in which its readers have expressed an interest. The articles will continue to draw on MFC's wide experience within the region but their scope will be expanded to include discussions of issues from across the globe. Contributions will be reviewed by the recently formed editorial board, headed by Lee Byrd, a Policy Advisory Consultant  CGAP.

Speaking with one voice

Ewa Bańkowska, Project Coordinator, MFC

Make competitors work together in improving their business – impossible? Yes, unless you are an association of microfinance institutions.

The microfinance sector in our region has been developing from the grassroots for more or less the last 10 years. Sometime during the middle of this period, MFIs identified a need to have a common representative.

The rationale for establishing country level associations of microfinance institutions was to have one entity, that will have enough power to lobby for favourable regulations and attract donors to the country. Individual MFIs, coping with daily operations struggle to perform at country level politics and on the global funding market. There is much more to share among competitors, then the definition seems to offer.

The role of an association is all about representing and making a louder noise as a members representative then single members can on their own. Successful cases of advocacy can be quoted; AMIK from Kosovo managed to influence the Central Bank to establish a Task Force for regulatory changes.

In addition to their external role, an association empowers its network internally. It assists MFIs in capacity building through providing training services, making it more cost-effective thanks to the advantages of scale. Country and regional presence enables associations to look at microfinance from a broader perspective, bringing global experience to their countries, as well as sharing best local practices.

All associations acknowledge that their influence is across the microfinance spectrum; policy makers, MFIs, investors, rating agencies. An association offers a set of services; information on the state of the microfinance market in their region, the regulatory framework and information about MFIs themselves.

AMFA from Azerbaijan organize conferences and events enabling stakeholders to meet together. They provide regular information on their members' performance and allow members to take part in global benchmarks.

The added value of an association at a country level, together with their presence increases with the association development. In almost every country of the region there is an association established, however, they have not all developed to the same level.

Almost all associations were first established by local MFIs, who then became association members. Initial activities have been sponsored by member fees, with some associations managing to develop a strong position as an important market player and slipping into the role of market facilitator. The majority of associations attempt to address the current needs of their members in the field through capacity building and experience gathering. In countries where regulations inhibit such activities, the work of associations is even more difficult and their work is on a more informal basis. In addition there are associations, or rather ideas of them, which are still trying to gain more interest and willingness from their members.

The golden rule of association performance is to balance the wants of various stakeholders. They have to manoeuvre between various needs and requirements, balancing interests and avoiding being the representative of the most influential member.

Although the benefits of having an association are diversified, little awareness of their importance exists. One of an associations biggest challenges is their own capacity, as members fees are not sufficient to address all the needs of various stakeholders knocking on their doors. Only a few association funders realize that the local vision for the market is essential and have expressed a willingness to support chosen associations. Hardly any associations have a long term strategy due to a short term focus; they struggle to answer the needs of short term funders and some of them do not even have a one year business plan in place with 'long term strategy' seemingly an unused phrase.

Following the initial boom in associations' activities, it is now time to take a more strategic position and think about their future. Small attempts to work on developing the long-term strategy for their performance are already in place. The majority of associations see their future as being member representatives. However, this gives rise to the question of whether this is really enough for the local microfinance sector. Shouldn't associations have a wider mandate to comprehensively serve a wider group of stakeholders?

No one can see the critical role the associations better than a regional microfinance network such as MFC. Cooperation with country level associations is an important part of MFC strategy for the coming years.

*Special thanks to: Blerta Qerimi, AMIK,
Jhale Hajiyeva, AMFA*

Sharing experience

AgroInvest Azerbaijan – Decentralizing services

AgroInvest Credit Union, Azerbaijan have been developing a new design to their products. In order to reduce operational costs and increase access for existing and potential members, AgroInvest has implemented a strategy of decentralising their operations. The decision to decentralise is taken when there is a sufficiently high number of potential members in one village. A branch is opened in a larger village so that surrounding villagers also have access to the local branch.

In Azerbaijan it is not usual practice to open village branches, so the AgroInvest strategy is a new concept. AgroInvest have seen a number of advantages in this strategy, since opening a small branch office in January 2007:

- Reduction in operational costs by 50% is passed on to clients through a reduction in the interest rate charged.
- Twofold increase in member numbers.
- Rise in the repayment rate.
- Positive member feedback who enjoy the time gain by using a local branch office.

AgroInvest plans to roll out their decentralisation strategy during 2007 and beyond.

Promotional activity of LOKmicro, Bosnia and Herzegovina

LOKmicro will celebrate its 10th anniversary of microfinance operations in 2007. Since its foundation LOKmicro has succeeded in supporting the establishment of micro and small businesses.



Its strategy of success is to use direct marketing and have recognisable LOKmicro offices. LOKmicro sees a potentially unpenetrated market, which can be tapped into using a series of client oriented strategies:

- Honouring 'lucky' clients through a series of draws, in which clients can win a car or a computer.
- A specific period of time dedicated to rewarding existing clients who attract 5 new clients. Rewards are mobile telephones.
- Building on direct marketing already in use by promoting the client campaign through the main media channels.

The aim of the campaigns are to bring new clients to LOKmicro, who may previously not been aware of the microfinance services they provide.

Azerbaijan Microfinance Association (AMFA) steps into a leadership role

Still a young network organisation AMFA has seen a doubling of its membership since it was established three years ago. To strengthen its role as a network organisation, AMFA has identified three strategic pillars to drive it forward in the coming years:

- Industry expertise – including developing an intern and certification programme.
- Continuing education – ensuring access to international microfinance experience for AMFA members.
- Innovative products and services – focusing on income generating products and services, as well as developing demand driven products and services.

AMFA believes that the creation and implementation of a clear results driven strategic plan will be beneficial to managing AMFA's daily business.

Unique Energy Efficiency Loans for rural population

Andrea Vujosevic, World Vision MEER

EKI, created in 1996 with the aim of reducing the economic causes of poverty, is now offering a new microcredit loan *loans for warm housing*. This type of loan is in alliance with world environmental standards to reduce gas emissions and EKI is the first Bosnian MFI to offer such a type of loan.

The loan targets rural poor population with some significant advantages:

- Clients reduce energy use in their homes.
- Environmental condition in BiH improve.
- Clients homes are better insulated, have more efficient windows and better heating.
- Energy bills will be lower.

Promoting these loans has a double impact, firstly it assists in educating the population in environmental issues and how their own lives can change positively and secondly EKI is able to promote the loan itself.

EKI is able to offer this new *environmentally friendly* loan product as a result of a loan contract between EKI and IFC.

MFC MEMBERS CORNER

ACDI /VOCA Azerbaijan

ACDI / VOCA began its operations 10 years ago with its Farmer-Farmer programme and has been working in both rural areas and Baku. Their role in assisting microenterprise development has mainly been through their food preservation and processing project. Through the Azerbaijan Rural Credit Project, ACDI / VOCA founded CredAgro LLC, which is one of the few MFIs working predominantly in rural areas.

ALDI, Bosnia and Herzegovina

A winner of one of the 2006 CGAP transparency awards, ALDI was founded in 2000 with the aim of providing financial services to the economically active population. ALDI uses a mixture of individual and group lending methods to provide credit within the agricultural, service, trade and production sectors. As a result of their activities ALDI's vision is to create an environment for developing an economically independent population.

MEER, Bosnia and Herzegovina

A relatively new MFI, MEER was established in 2003. MEER is developing a regional network of professional MFIs who are committed to transforming and impacting the lives of the economically disenfranchised. As a World Vision member, MEER actively promotes World Vision values amongst its members.

Women and Development, Georgia

This is quite a new MFI which was founded at the end of 2004, focussing on protecting the rights of poor women in Georgia. Women and development use their microlending services, as well as provide training and consultancy to enlighten poor women economically to overcome their poverty and improve their own economic conditions.

ShoreBank International Ltd., USA

ShoreBank focuses on providing hands-on consulting services to provide demand driven market specific solutions with regards to microfinance upscaling and banks downscaling. Its mission is to assist MFIs to build sustainable institutions, using long term financial modelling and new product development. For MFIs wanting to pursue the transformation model, ShoreBank assists in developing business plans and helping MFIs to manage growth. ShoreBank services aim to achieve a positive economic impact in clients service areas.

AVODA, Ukraine

This is a small and young MFI, having been founded in December 2005. AVODA was established with the aim of creating and supporting small businesses. An additional service it operates is assisting clients with job placements. AVODA serves clients in eastern Ukraine, operating from its base in Dnepropetrovsk. ■



Client Responsive Marketing Demands: A look at the Women's Market and SHE Wants Better Service

Mayada El-Zoghbi
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The subject of women's entrepreneurship has often provoked traditional and knee-jerk responses. Feminist positions have focused on the inequities that exist in the marketplace between men and women, whether this is outright discriminatory practice or traditional legal and societal factors that prevent women from fully operating as equals in business. They argue that financial institutions should serve women based on a need to redress long-standing inequality. More conventional attitudes explain these inequalities as appropriate due to biological differences and societal priorities, including those of women themselves. They argue that there is no need to treat women differently and that this is actually the more just approach.

And yet while these discussions are heard in the background ad nausea, the world moves on and reality has made these arguments moot. In a publication entitled "What Women Want in Financial Services" the Boston Consulting Group argues that it is only due to good business that financial providers start focusing on the women's market, not for any ideological reasons but purely in light of the numbers. For those serving the higher-income market, it is estimated that by 2030 women will control 2/3 of all wealth in the United States. At the lower end of the market, those in microfinance are well aware that women represent the vast majority of the global poor. Women globally are assuming increasingly larger numbers in the workforce and are increasingly owning and operating a larger number of enterprises. Women own and operate approximately one third of all enterprises in the APEC countries, 38% of US-based enterprises, and similar levels in other European and developing countries. Ignoring this market segment seems odd, if not outright irresponsible, for institutions that have a profit motive.

But should any of this matter? Does serving a female clientele require different products or practices by financial institutions? Are women really a distinct market segment? In a study conducted by Banyan Global on behalf of the International Finance Corporation's Gender Entrepreneurship Markets (GEM), these questions were put to the test. We scoured the globe looking at financial institutions -- NGO-MFIs, greenfield banks, non-bank financial institutions, fully-licensed banks -- that serve all business sizes from micro to corporate to see if indeed there are changes that are needed to serve a women's market. What we found is not that surprising but in its simplicity it is immensely illuminating.

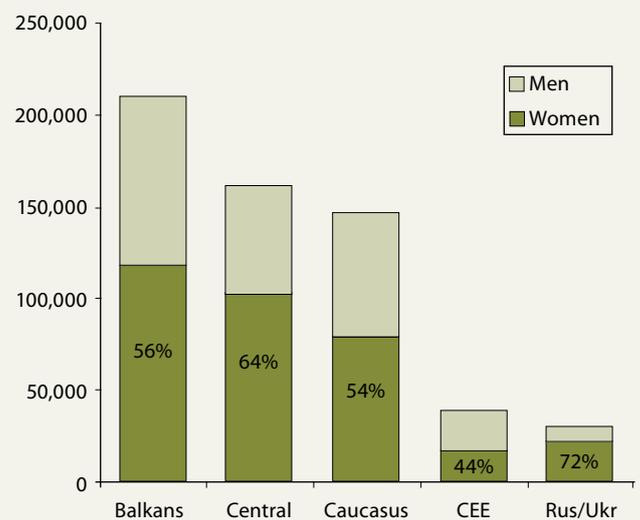
Making It Happen Takes Commitment. Serving this important and growing market segment does not just happen automatically. Traditional financial service practices do not meet women's needs. Organizations must make a commitment to serving this market segment and this must be accompanied by operational changes. Successful institutions show that staff sensitization, hiring women in appropriate positions depending on the culture and type of work, and appropriate customer service are key to successful outreach to women. Staff training and sensitization to work with women as a

distinct market niche is also important. Other operational changes needed to serve the women's market depend on the client's business size. The smaller the business, the more important it is for financial institutions to tailor their products to women's needs and to engage in direct targeting, such as door-step banking. As businesses grow, banks perceive more responsive feedback from their clients through tailored customer service, innovative marketing campaigns or tools and networking initiatives. Ensuring this all happens internally often requires internal champions. Some financial providers set up women's business units to serve this internal champion function, while others may rely on specific individuals.

"But it is different here" is the other recorded message we often hear. While these demographic trends are happening across the globe, often faster in Central and Eastern Europe than elsewhere, there is still a perception that time stands still. In fact, our research found very few successful cases of financial institutions serving the women's market in Central and Eastern Europe. Yet the importance of this market segment has been recognized and translated into profitable practices for many banks in the UK, Australia, Canada and the US, not to mention many MFIs in Asia, Latin America and Africa. If you still believe that globalization is not happening and that your society is not affected, that economic development can occur utilizing only 50% of the population and that your financial institution can become or remain profitable without addressing market changes, then perhaps you will get lucky. But I wouldn't bet on it, nor would I risk my investment in your institution.

MFC's Mapping Study Statistics

The results of MFC's mapping study of microfinance sector in 2005 show that women constitute 58% of all loan clients of NGOs and non-bank MFIs and the biggest number of them is served in the Balkans. The highest female to male borrowers ratio have MFIs in Russia and Ukraine.



Source: 2005 State of Microfinance in Eastern Europe and Central Asia (ECA), MFC, December 2006

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