



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

# Microfinance

IN CENTRAL AND EASTERN EUROPE  
AND THE NEW INDEPENDENT STATES

## NEW!!! Standardized Social Performance Indicators

**The Social Performance Task Force (SPTF) has reached a consensus on a set of standard Social Performance Indicators to be reported by MFIs to the MIX.**



*Ewa Bańkowska, Project Coordinator, MFC*

The SPTF brings together the main global microfinance players who are pioneering Social Performance. The group includes: CGAP, MIX, The Ford Foundation, Grameen Foundation, donors, social investors, raters, networks, and practitioners from over the world. In June 2008, SPTF held its meeting in Paris, France, with the theme *Advancing Transparency in Social Performance*.

For the last few years the SPTF has been supervising work globally on developing a standard set of Social Performance Indicators, which have the aim of creating a global reporting system. The research covered discussions with experts and practitioners,<sup>1</sup> as well as a pilot test conducted with 60 MFIs throughout the world. Finally, during this year's June meeting, participants agreed on the final set of indicators to be used. Although there is still some work to be done on improving definitions, the indicators are expected to be available at MIX early in 2009.

The indicators cover both the results that an MFI achieves through its activities, as well as the process that leads to achieving those results. For example, the set covers number of female clients (result) as well as the assessment of social goals clear definition (process). The graph below presents the agreed set of indicators. The detailed draft definitions of indicators can be found at:

[http://www.microfinancegateway.org/resource\\_centers/socialperformance/article/resource\\_centers/socialperformance/article/49801](http://www.microfinancegateway.org/resource_centers/socialperformance/article/resource_centers/socialperformance/article/49801)

The pilot test of suggested indicators were divided into two groups, different in terms of their easiness to be used by practitioners. The first category of indicators – above the line<sup>2</sup> – can be adopted immediately – there was a broad consensus from the pilot test that they are

### IN THIS ISSUE:

- 1 Standardized Social Performance Indicators
- 2 MFC Highlights
- 3 2008-2009 MFI Funding Needs
- 4 Sharing Experience
- 6 MFC Members Corner

relevant, easy to obtain, verifiable, and MFIs are willing to report on them to the MIX.

The second category of indicators are those that need further work on defining and additionally they need tools to gather further information on them. This relates to issues such as Poverty Assessment, client retention or services for women's empowerment. There is also third category of indicators, which have not yet been developed, but are important, thus the work on this category continues. The indicators concerned are governance, employment generation and education.<sup>3</sup>

Although a consensus was reached, there is still some work to be done before the final launch at MIX. Firstly, the indicators need to be clearly defined. MFIs may use various formulas to calculate client retention or may understand social responsibility to the environment in different ways. For example, recycling in all MFI branches or refusing loans to businesses which threaten the environment are totally different from each other, but both are presented as responsibility to the environment by MFIs in different parts of the world. So how can their social performance be compared and assessed?

The difficulty in assessing the social part of an MFI performance is because MFIs all have different operating environments, such as the different missions they have, the different target groups, their different needs and different products that respond to those needs. Thus, a benchmark in social performance does not exist and comparisons between organizations are quite difficult. However, there is no doubt questions about social performance will appear more and more often. Consequently, using the name of a Microfinance Institution with a single story of a successful client will not be enough to successfully position yourself on the market.

It is worth reminding ourselves that the road to setting transparent standards in financial performance was not so easy. Today, few people remember that it took a few years to standardize information that in the early days it seemed impossible that such information could even be collected. However, today nobody questions financial benchmarks and ratings.

MFC is a member of the SPTF and leads the sub-committee responsible for definitions.

Stay tuned to be informed.

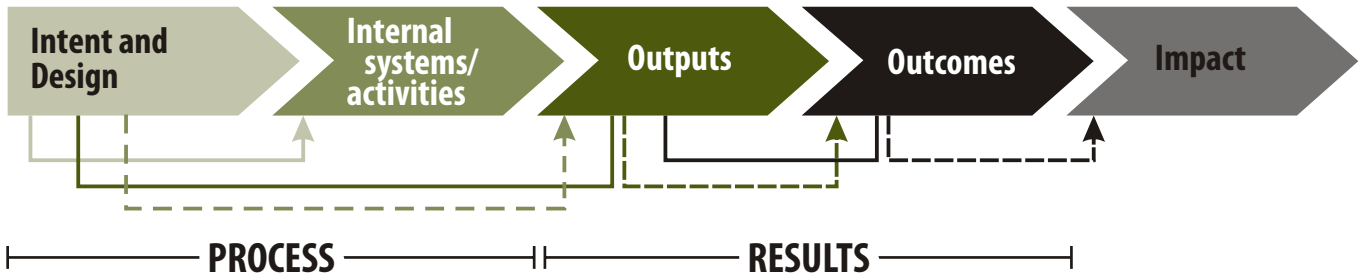
<sup>1</sup> The SPM Working Group, gathering practitioners from our region and facilitated by MFC, was involved in commenting the developed indicators, assessing their relevancy to the local context and easiness to collect. More about SPM WG at [http://www.mfc.org.pl/sp\\_6.html](http://www.mfc.org.pl/sp_6.html).

<sup>2</sup> Indicators marked on the graph as Q5, Q3, Q6, Q7, Q8, Q11, Q13, Q14, Q19.

<sup>3</sup> Indicators marked on the graph as A, B, C, D and E

➔ [continued from page 1]

**Social Performance Standard Indicators to be reported to MIX in 2009**



**Specific Indicators**

Intent	Strategies & Systems	Policies & compliance	Achievement of Social Goals
<p>Q5 – Mission &amp; social goals; value of social responsibility (SR)</p>	<p>Q3 – range of services Q6 – use of social info by Board of Directors &amp; Management Team Q7 - staff Incentives Q8 – training on mission Q11 – client Satisfaction</p> <hr/> <p>Q9 – poverty Assessment Q10 – services for Women’s Empowerment Q12 – client Retention</p>	<p>Q13 – SR to Clients Q14 – SR to Staff</p> <hr/> <p>Q15 – SR to Community Q16 – SR to Environment</p> <hr/> <p>A – member governance</p>	<p><b>Outputs</b></p> <p>Q19 – geography &amp; Women</p> <hr/> <p>Q22 – poor &amp; Very poor Q25 – client Exit Rate</p> <hr/> <p><b>Outcomes</b></p> <p>Q26 – client Retention Q27 – households above Poverty line Q27 – households below</p> <hr/> <p>C – hired &amp; Salaried Employees D – children in school B – socially mariginal communities E – women’s empowerment</p>

**MFC HIGHLIGHTS**

11th MFC Conference, 29-31 May 2008, Ulaanbaatar, Mongolia.



The event was organized in cooperation with XacBank and brought together 429 microfinance stakeholders from 41 countries.

The theme this year was “Clients and Institutions – Growing Together” and accordingly, the conference shared the latest news on best practices, cutting-edge innovations and burning issues in microfinance as well as providing many networking opportunities. For the first time the conference was webcasted live and a broad audience had a unique opportunity of attending the MFC

conference via the Internet.

During the conference, the **Investors’ Fair** provided an opportunity for regional MFIs to have more contact with existing commercial funders and other funding opportunities. 16 investors participated in the **Investors’ Fair** this year.

The conference supporters included the following institutions:

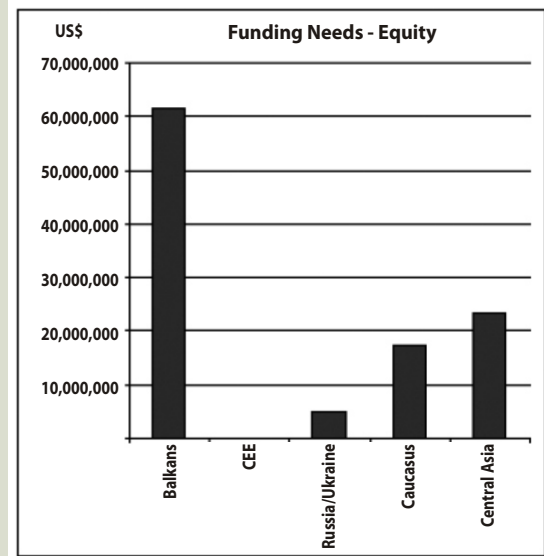
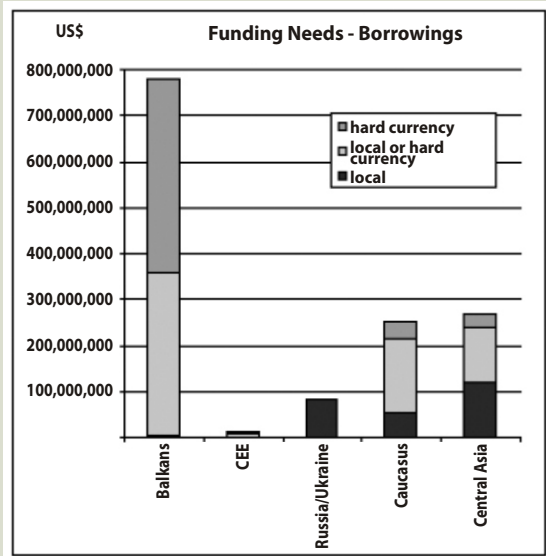
- International Finance Corporation (Principal Sponsor),
  - Blue Orchard and Mercy Corps (Platinum Sponsors),
  - UNDP Mongolia (Gold Sponsor),
  - ING, Deutsche Bank, Symbiotics, Credit Mongol, Cyrano Management, I-Flex, GTZ, Incofin and MDF (Silver Sponsors)
- as well as EBRD, Perfect Point Partners, Khan Bank, MobiCom, UniCredit Bank.
- Scholarships for attending the conference were provided by ICCO, Oxfam Novib, MDF and Oikocredit. Microfinance Insights was the conference media partner.

For more information regarding the event and to download the conference presentations, please visit the web site: [www.mfc.org.pl/conference2008](http://www.mfc.org.pl/conference2008)



## 2008-2009 MFI Funding Needs

The survey conducted by the MFC at the beginning of 2008 revealed that 84 reporting MFIs will need additional **US\$1.4 billion** in borrowings and **US\$ 0.1 billion** in equity to fund their operations in 2008-2009.h



The Balkans are in need of the largest sums: on average US\$52 million in borrowed funds and US\$8.8 in equity per MFI.

Central Asia is home to half of the MFIs that submitted their funding requests but given the small size of the majority of MFIs in the region their needs were on average the smallest among all sub-regions. An average Central Asian MFI needs US\$5.8 million in borrowed funds and US\$1.4 million in equity.

The currency analysis shows that Balkan MFIs are more eager to accept USD or Euro borrowings compared to other sub-regions where credit in local currency is more often requested than the hard currency ones.

Grants, for the total amount of US\$1.9 million are also sought, mostly by Central Asian MFIs.

### MFC New training courses:

- "Debt and Equity Financing" course (developed by SEEP Investment Readiness Group), 13-17 October 2008, Krakow, Poland.
- "Customer Service" course (developed by MFC), 25-28 November 2008, Warsaw, Poland.

### The MasterCard Foundation Scholars Program

Thanks to the MasterCard Foundation, the MFC is implementing a new scholarship programme for microfinance practitioners from the ECA region. The main objective of this programme is to provide access to in-house and open enrollment training courses to participants who would otherwise be unable to attend.

The MFC provides two categories of scholarships for participants from mature and emerging MFIs to attend MFC open enrollment and in-house courses. Scholarships are only available in 2008. For more details, please contact Aldona Rutkowska, MFC Training Coordinator, at [aldona@mfc.org.pl](mailto:aldona@mfc.org.pl)

### Microinsurance training in Mongolia



[continued on page 4] ➔



## SHARING EXPERIENCE

### Access to microfinance information opens doors for Bosnia's disadvantaged groups

Andrea Vujosevic, Regional Network Coordinator, World Vision MEER MED Team, Bosnia & Herzegovina



The Hasanovic family used an EKI housing repair loan to prepare their home for the winter.

Photo by John Schenk.

Access to information is a privilege and a right that disadvantaged Bosnians can now benefit from thanks to an upgraded microfinance website developed by World Vision's microfinance foundation, EKI.

The upgraded site - a first for MFIs in Bosnia and Herzegovina (B&H), conforms to EU standards for people with disabilities using the internet; 'eEurope 2002: Accessibility of Public Web Sites and their Content'.

EKI's website now opens the door for the inclusion of people with disabilities in the community. They are often denied the opportunities and rights that others expect and take for granted.

**"If you are poor and have a disability you are doubly discriminated against and will have very little likelihood of being able to access different social and financial information"**, stated Mrs. Sadina Bina, EKI Chief Executive Officer.

She added, "EKI, as a socially responsible organization, introduced this innovative website in order to reach all levels of the poor population in Bosnia and Herzegovina including people with disabilities."

During the web development phase EKI took into consideration all

users and their needs for accessing web content available on its website.

Special attention was given to the needs of people with disabilities but also to that segment of the population that has difficulty reading, those who cannot recognise colours or people with a poor internet connection.

All these constraints are now regulated by making the EKI website available in a format that is compatible for special browsers typically used by people with disabilities.

In other words, **all written content is translated into an audible voice, all pictures with text are described and translated into audio** and all colours have been adjusted in a certain order.

This is the first time in B&H that a MFI is giving equal 'informational' opportunity to people with disabilities and also those with other obstacles to access information that can improve their life and the lives of their children and family.

This development is just one part of EKI's ongoing drive to include vulnerable clients and continue to meet and exceed their target of at least 10% of clients from various vulnerable groups.

EKI is serving 46,000 clients with a US\$141 million loan portfolio. More details about EKI are available at: [www.eki.ba](http://www.eki.ba)

### Serbia and Montenegro reducing poverty through integration

World Vision Serbia/Montenegro's microfinance institution, AgroInvest was recently recognized for its original and innovative village association lending model, practical integration of microfinance and non-microfinance activities, and its commitment to social performance management (SPM).

The Award for Innovation was given by The Microfinance Centre (MFC) for Central and Eastern Europe and the New Independent States.

"We are honoured to receive this recognition for innovation in the field of microfinance. We believe poverty will not be eliminated by

[continued on page 5] ➔

The **"Creating microinsurance value for MFIs and their clients"** course took place in Ulaanbaatar, Mongolia on May 28, 2008. The course was given by Michael J. McCord, President of Microinsurance Centre. The one-day training course provided an introduction to microinsurance as one microfinance service for low-income people. The course attracted 16 participants from 14 organizations.

#### Feasibility Study

MFC in cooperation with Central Asia Microfinance Association and donors active in the region, will conduct the Feasibility Study in four Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan). The study will lead to the development and implementation of a new model for capacity building that would bring together quality, price effectiveness, down-market penetration and scale. The results of the study are expected at the end of 2008.

#### Social Performance Management (SPM) beyond the region

As an expert in SPM, MFC is supporting the Arab countries microfinance network Sanabel in advancing SPM in the MENA

region. MFC is helping the 27 Sanabel's members in SPM institutionalization and capacity building of local Sanabel trainers in the delivery of SPM training and social audit using the Quality Audit Tool. OxfamNovib sponsors the project.

Together with MCPI from the Philippines, MFC cooperates on new social audit training curricula development. Two training courses are being developed: social audit using Quality Audit Tool for Mentors (QAT - M) and for MFIs (QAT - MFI). The Training of Trainers (ToT) for mentors is a hands on experience type - it mixes traditional ToT in the classroom with practical experience in the field. It was successfully delivered in July, hosted by microfinance institution CARD and is sponsored by ICCO.

#### MFC supports Azerbaijan Micro-finance Association (AMFA)

MFC is supporting AMFA through a partnership in order to build the Azeri network capacity in supporting its members in Social Performance Management (SPM). The AMFA members attended SPM training courses and are supported in starting SPM institutionalization. Volunteer members may diagnose their

[continued on page 5] ➔

microfinance alone. MFIs need integration and partners that can address the non-economic dimensions of poverty if we are to ever succeed in defeating it", urged Kyhl Amosson, National Director of World Vision Serbia/Montenegro (WV S/M).

AgroInvest has helped more than 33,000 families living in poverty in Serbia and Montenegro, particularly in rural areas, by giving them access to quality financial services and helping them increase their incomes and raising their quality of life.

Furthermore, in 2004, World Vision introduced its social development programme, called Happy Child. Happy Child was conceived to directly serve children's educational and health needs in villages. Since 2004, around 25 000 children have been impacted by this WV S/M programme, through more than 400 projects, in over 200 villages in Serbia and in Montenegro.

Last year, World Vision launched the Youth Bible Curriculum, as part of its integrated approach to development. By taking a holistic approach to fighting poverty in its broadest sense, over 20 000 children will benefit from this supportive program in primary schools over the next few years.

AgroInvest's model, described as an "original, inventive and replicable village association lending model" according to the MFC representative, is child-focused, community-based and 100% self-funded from revenue generated by the microfinance institution.

AgroInvest has been a member, since 2006, of the MFC SPM Working Group and the SPM Task Force. The SPM Task Force is the network gathering all socially responsible MFIs worldwide who are willing to work transparently to put their organizational missions into the practice. ■

management systems through the Quality Audit Tool, with the support of AMFA staff trained by MFC. The lessons learnt from the project sponsored by ICCO will be disseminated in the end of the year.

#### Four Central Asian microfinance associations develop their strategies

Four Central Asia microfinance associations (AMFI, AMFOK, AMFOT and NAMOCU) have boosted their development and increased the quality of local microfinance market support. They have just finished the comprehensive exercise of a strategy and operational plan development, based on the Balanced ScoreCard (BSC) methodology adapted to the microfinance industry by MFC. Within the scope of the project sponsored by ICCO and facilitated by MFC, the associations successfully defined their visions and created clear guidelines for fulfilling them.

#### Financial Education Program

The MFC Financial Education Program promotes an important social change – improving financial capabilities and encouraging proactive financial behaviour of low-income households in Eastern Europe and Central Asia. During the second quarter of the following events took place:

- The MFC finished the first stage of the Partnership Delivery Model for Sustainable Financial Education in Poland project. Evaluation meetings took place at the beginning of July. The project funded by Levi Strauss Foundation aims to develop a partnership delivery model, which will provide high quality financial education to a large number of vulnerable households in a cost-effective and sustainable manner. ■

- The Financial Education for the Poor and Women - a project implemented by the MFC as a part of UNDP Upper Drina Regional Recovery Programme (Bosnia and Herzegovina) - has so far reached out to over 2000 low income households in the region. The evaluation meeting took place at the end of July. A new module on debt management is being developed and will be tested in Bosnia during the second half of the year.
- A new demand study funded by Open Society Institute was conducted in Hungary at the end of July. A goal of the study was to identify key gaps in financial education of the Roma population in Hungary.

#### The MFC Board update



Jhale Hajiyeva



Gagik Vardanyan

During the MFC membership meeting that took place on 28 May 2008 in Mongolia, Jhale Hajiyeva (Executive Director of Azerbaijan Micro-finance Association, AMFA) was elected to the MFC Board. Jhale replaced another board member, Kenan Crnkic (Executive Director of PRIZMA, Bosnia & Herzegovina), whose term on the Board came to an end this year.

At the same time, Gagik Vardanyan (Executive Director, KAMURJ, Armenia) was reelected as an MFC Board member. Gagik is also an MFC Treasurer.

We would like to congratulate Jhale and Gagik and to wish them well in their challenging positions.

The current composition of the MFC Board:

- **Gert van Maanen**, Chair of the MFC Board, formerly General Manager, Oikocredit, Netherlands
- **Maria Nowak**, Chairman, ADIE, France
- **Monique Cohen**, President, Microfinance Opportunities, USA
- **Zhanna Zhakupova**, Chairperson of the Management Board, Asian Credit Fund, Kazakhstan
- **Ganhuyag Ch. Hutagt**, Chief Executive Officer, XacBank, Mongolia
- **Gagik Vardanyan**, Executive Director, Microenterprise Development Fund KAMURJ, Armenia
- **Jhale Hajiyeva**, Executive Director, Azerbaijan Micro-finance Association (AMFA) ■



## MFC MEMBERS CORNER

As of August 10, 2008: **106** members of the MFC network. As of the end of December 2007 the gross portfolio of MFC members in total was **\$ 1,759,342,491** and the total number of clients was **736510**.

### NEW MFC MEMBERS:

**VisionFund NBFi, Mongolia** was established in 2004. Its mission is to reduce poverty in Mongolia through offering sustainable and professional financial services to poor entrepreneurs.

The institution offers both solidarity group and individual loan products. As of the end of 2007 VisionFund NBFi, had almost 4 thousand people as active borrowers. More information available at: [www.worldvisionmongolia.org](http://www.worldvisionmongolia.org)

**"Microfinance Consulting" LLC, Kyrgyzstan** was founded in 2005 as Microfinance Rating. In 2008 its name changed to Microfinance Consulting, after a rebranding exercise.

The organization's mission is to assist the development of microfinance on the territory of Eastern Europe and Central Asia by rendering highly professional consultative services to all members of the microfinance industry. Through rendering consultants, providing training courses and offering mutual collaboration, it aims to establish high professional standards in microfinance.

Microfinance Consulting specializes in consulting services provided to microfinance institutions, such as legal support, assessment of legal and tax risks, appraisal of microfinance institutions, development of transformation and commercialization plans and pre-rating assistance. The company provides legal opinions on credit agreements with potential investors and creditors.

**The European Microfinance Platform (e-MFP), Luxembourg** was formally founded in 2006. The main objective of the European Microfinance Platform is to facilitate the exchange of information and to promote cooperation among various European actors involved in microfinance in developing countries.

Each year e-MFP organizes its annual conference, this year it will be held from 12th – 14th November 2008 in Luxembourg. e-MFP has a membership of nearly 90 European institutions and it provides various services to them. E-MFP members share the vision that everyone on this globe should have access to financial services and that microfinance can contribute to the development of this vision. For more information please visit [www.microfinance-platform.eu](http://www.microfinance-platform.eu)

### How to become a member

If you are interested in becoming an MFC member, please fill out the application documents available to download from: [www.mfc.org.pl/membership](http://www.mfc.org.pl/membership) and send them back to MFC by e-mail to: [alicja@mfc.org.pl](mailto:alicja@mfc.org.pl)

### NEWS FROM MEMBERS:

#### Foundation for the Development of Polish Agriculture (FDPA), Poland

In June 2008, FDPA organized a conference "Rural Poland 2008 from the perspective of FDPA's 20 years experience". The conference's target was to launch the Rural Poland 2008 Report, presenting the most recent data about the situation in Polish rural areas. During the meeting the authors of the report presented data and the outcomes of their research, as well as a description of the rural society.

**MFC team would like to cordially congratulate FDPA on the 20th anniversary of its activity!**

#### Microcredit Foundation Prizma, Bosnia & Herzegovina

On 14 May 2008, the Ministry of Justice allowed Prizma (a Microcredit Organisation in Bosnia and Herzegovina) to register in the Microcredit Foundation Registry in the Federation of Bosnia and Herzegovina. As a result, Prizma officially changed its legal status and finalized a reregistration process.

The act of the registration into the Court Registry in the relevant Ministry is the finalization of the successful reregistration process that was initiated in August 2007 after Prizma, pursuant to the new Law on Microcredit Organizations, received a working licence from the Banking Agency of the Federation of Bosnia and Herzegovina as its new supervisor.

#### Association of Microfinance Organizations of Kazakhstan (AMFOK)

USAID awarded AMFOK for its "fruitful work and valuable contribution into the development and strengthening of microfinance in the Republic of Kazakhstan". The award was presented by the Ambassador of the United States of America in the Republic of Kazakhstan with an expression of gratitude for AMFOK's outstanding contribution to USAID programmes.

The USAID award is a recognition of AMFOK achievements and hard work aimed at sector development and support and strengthening MFIs in Kazakhstan.

#### JSC Bank Constanta, Georgia

On 3 July 2008 the National Bank of Georgia has signed an agreement, which enables JSC Constanta to carry out commercial banking operations. JSC Constanta is the 23rd commercial bank in Georgia, which will provide customers with variety of financial services.

The company has more than 10 years successful operations in the Georgian financial market. At its outset, the company operated as a foundation.

"We underwent a set of serious preparation steps prior to our entering the Georgian banking sector. It's important that our activity is not starting off from a blank page. We are simply continuing our business under a new status - JSC Constanta Bank. (...) I do hope we will contribute to the development of not only the banking sector but the whole economy of the country." - commented Levan Lebanidze, director of JSC Constanta Bank.

MFC strategic partners and supporters:



If you would like to share information on the microfinance in C&EE and the NIS or you would like to subscribe for this Newsletter, please contact **Agnieszka Białek (Talma):** [agnieszkat@mfc.org.pl](mailto:agnieszkat@mfc.org.pl)