



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

# MICROFINANCE

## in Central and Eastern Europe and the New Independent States

**10th MFC Conference: 31 May-2 June, 2007, Sofia, Bulgaria**

Mark this event on your calendar and do not miss a special opportunity to meet microfinance practitioners, investors, experts, policy makers and other microfinance stakeholders!

Information regarding registration, visa support and conference agenda will be soon posted on MFC's web site:  
[www.mfc.org.pl](http://www.mfc.org.pl)

### First Steps in Implementing SPM – Partner's Experience

**Adisa Mujkic, IS Manager**  
**Selma Jahic, Marketing Director**

"Partner is a mission-driven organization ... " This is the way we promote the institution and we have a good reason for doing so: The mission that exists has been born from an idea that actually moves staff. To help the poor and improve their lives and help them run micro business in 1997 – this was a challenge to all participants in the process, for our clients and our staff.

Nine years on, in a country where 3.8 million citizens are served by 55 MFIs and 30 banks and where several of them have a goal to partake in a market niche that has been served by MFIs only, Partner has not changed its mission and primary focus.

The success we have experienced in the past decade has helped us achieve significant growth in the number of clients that we serve, to expand our network and to continuously employ new staff. All of this would not have been possible without excellent financial results. At the same, the new Law on Microcredit organizations has been established, enabling MFIs to transform into either for-profit or non-profit organizations.

In addition, MFC has launched a project called "Social Performance Management". Partner realized that SPM would enable us to prove to ourselves that we are still working according to our mission. Second, we wanted to be able to demonstrate to a wider audience that we are making a positive impact not only on microcredit clients but also to local communities.

Given all this – a large network of field offices, a substantial number of talented staff and a highly competitive market – Partner wanted to take on a challenge and open up an honest discussion with staff regarding target clients and achieving and understanding the mission.

At the same time we wanted to find the best possible way to allow us to balance sound financial results with significant social impact.

After MFC's first training, Partner decided to go a step further and to adopt Social Performance Management as a business process within the organization. A multifunctional team of 10 people was created and their participation has been crucial to the overall process, especially in its initial phase.

All team members have a mutual understanding of the importance of the process itself, which will definitely help them to execute the process more smoothly. The team recognized that communication with staff is an extremely important factor in order to implement the process in the near future. In the meantime, we have provided all staff with information on SPM, why it is important, what role each of us play, and how our clients and potential clients can benefit from it. The reactions have been positive, first of all, in providing staff with an understanding of mission, and secondly, they see the implementation of SPM as a great help in terms of better serving our target clients.

Partner is currently involved in setting up indicators and targets that will take us to the next step, which is defining reporting formats and performing pilot tests in the coming months.

### New Law on micro credit organizations in Bosnia and Herzegovina

**Braco Erceg**  
**Assistant Director,**  
**Micro Credit Organization MIKROFIN, Banja Luka**

The new "Law on micro credit organizations" was adopted in the Republic of Srpska (RS) in June 2006 and in the Federation of Bosnia and Herzegovina (FB&H) a mere two months later. It is significant that the laws were adopted by both entities nearly

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MFC strategic partners and supporters:



## MFC Staff



### Grzegorz Galusek

*MFC Executive Director*

Grzegorz has been director of the MFC since 1999. Under his management MFC Network has grown to 103 member institutions (from 21 in 1997), the MFC capacity building programme trained over 3,000 microfinance specialists, MFC innovative research projects develop new solutions to reach the low-income people and the policy programme fosters improvement to the legal and regulatory frameworks for microfinance. Currently, the staff of MFC consists 19 professionals based in different countries of the region. Grzegorz also contributes to the work of various regional and global committees. Since 2006 he has been active in the UN Advisors Group on Inclusive Financial Sectors



### Katarzyna Pawlak

*Deputy Director and Research Manager*

Katarzyna is particularly actively involved in promoting Social Performance Management agenda in the region and the global microfinance industry through the MFC Social Performance Advancing Programme as well as representing the MFC in the Imp-Act Consortium and International Task Force for Social Performance. She is a co-author of the Imp-Act/MFC Social Performance Management Guidelines. She has also written or contributed to many other publications related to social performance, financial education, market research and impact assessment.



### Rakhat Uraimova

*Training and Consulting Manager*

Rakhat's duties include managing the MFC capacity building program for financial institutions and other stakeholders working in microfinance sector; building and maintaining strategic partnerships and overseeing development and update of training courses.



### Olga Tomilova

*Central Asia Microfinance Center (CAC) Manager*

Olga manages the CAC, a joint initiative of MFC and CGAP, taking an active part in supporting activities of the local microfinance associations. She is currently working on Funder Survey in Central Asia and preparing a workshop for the National Bank of the Kyrgyz Republic. Olga participates in all key events in the microfinance sector in the Central Asia region.

## MFC Achievements 2006

### MFC Publications 2006

**ECA Microfinance Mapping.** This is an annual publication that tracks the developments of the microfinance industry in five sub-regions of Eastern Europe and Central Asia. It focuses on capturing the dynamic changes observed among various institutional types involved in providing financial services to low-income people and provides a comparative analysis of MFI performances in various economic settings.

- 2004 Microfinance Sector Development in Eastern Europe and Central Asia (ECA)
- 2005 State of the Microfinance Industry in Eastern Europe and Central Asia

### Directory of Donors and Investors Active in Europe and Central Asia (ECA).

This publication contains information about 21 investors and donors active in Europe and Central Asia. Each of the 21 institutions' descriptions is divided into eight groups as follows: coordinators, institutional types, general information about the institution, institutional goals, types of institutions funded, types of target population groups supported through funding for microfinance institutions, examples of institutions funded and eligibility criteria for applying microfinance institutions.

**Policy Monitor.** This is the only publication dedicated to policy and regulatory issues around the CEE/NIS region. It is issued twice a year in English and Russian. It is widely disseminated in the CEE/NIS region and worldwide to microfinance practitioners, central bankers, policy makers, funders and experts. This publication is supported by the Open Society Institute.

**MFC Newsletter.** This is a quarterly publication available in English, Russian and Bosnian/Serbian/Croatian discussing current MFC activities and happenings in the CEE/NIS region. It focuses especially on MFC member organizations and women-related projects. Each issue highlights a cutting-edge topic such as social performance management or the funding structure of the region.

**Spotlight Notes** are unique publications documenting MFC research studies results. They document cutting-edge concepts implemented by practitioners with the support of MFC, acting as a referral material for followers. They are published in English and Russian.

- **Towards a Sustainable Future: Financial Education for Low-Income People in Poland,** *MFC Spotlight Note # 15,* Michal Matul, Katarzyna Pawlak
- **Microfinance for Protecting the Vulnerable in Rural Uzbekistan:** Market Research Insights for Practitioners Based on a Case Study by MFP Barakot, *Spotlight Note # 16,* Michal Matul, Dorota Szubert

**In 2006 MFC translated eight CGAP publications** that were printed and disseminated among Russian-speaking microfinance stakeholders in the region and are available online both at MFC ([www.mfc.org.pl](http://www.mfc.org.pl)) and CGAP ([www.cgap.org](http://www.cgap.org)):

- **Aid Effectiveness in Microfinance: Evaluating Microcredit Projects of the World Bank and the United Nations Development Programme,** *Focus Note # 35,* CGAP, April 2006
- **Graduating the Poorest into Microfinance: Linking Safety Nets and Financial Services,** *Focus Note # 34,* CGAP, February 2006



- **Competition and Microcredit Interest Rates**, *Focus Note # 33*, CGAP, February 2006
- **Using Technology to Build Inclusive Financial Systems**, *Focus Note # 32*, CGAP, January 2006
- **Foreign Exchange Rate Risk in Microfinance: What Is It and How Can It be Managed?**, *CGAP Focus Note # 31*, CGAP, January 2006
- **Better Aid?**, *Portfolio # 4*, CGAP, July 2006
- **Protecting Microfinance Borrowers**, *Portfolio # 3*, CGAP, September 2005
- **Building Inclusive Financial Systems for the Poor – Donor Guidelines on Good Practice in Microfinance**, CGAP, December 2004

## MFC-EMN Conference “Microfinance with a Mission: Learning Together” held on 7-9 June, 2006 in Budapest, Hungary

The conference was attended by 535 participants from 46 countries bringing together more than 60 speakers. It included plenary sessions, 30 workshops and a dinner cruise on the Danube river. The opening ceremony was held in the historical Hungarian Parliament building. The Conference Investors' Fair attracted 23 investment funds, commercial banks and donors.

## The Krakow III Policy Forum on Law and Regulation Governing Microfinance

It was a unique event gathering high-level policy makers that took place in Warsaw, Poland, on April 6-8, 2006. The event was organized by MFC in partnership with USAID, CGAP and ICCO.

The Forum brought together 34 carefully selected policy makers and top-ranking public officials from 9 NIS countries – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Uzbekistan as well as a small number of donor representatives and experts involved in microfinance and financial sector policy work. The event gathered 17 speakers and commentators from 8 countries and included plenary presentations, seminars as well as receptions to welcome the participants and facilitate networking.

## MFC Training Courses in 2006:

- 39 assignments completed (nine open-enrollment trainings, 30 in-house trainings, consulting and other assignments)
- 502 participants from 300 organizations
- Four new courses presented: “Essentials of Rural and Agricultural Microfinance” (developed by the MFC with support of the IFAD grant), “Making Microfinance Work: Managing for Improved Performance” (developed by International Labour Organization), “Building an Investment-Ready Microfinance Institution: Securing Debt Financing” (developed by Deborah Burand), “Financial Risk Management in MFIs” (developed and sponsored by Citigroup in partnership with Women's World Banking)
- Two courses updated: The CGAP's “Delinquency Management and Setting Sustainable Interest Rates for MFIs”, “Operational Risk Management for MFIs. Internal Control and Audit”
- Three new trainers introduced: Aram Ghukasyan (Armenia), Biserka Kljaic (Croatia) and David Alimbarashvili (Georgia)

## MFC Staff



**Justyna Pytkowska**  
*Researcher*

Justyna manages conventional research studies – she is the author of the annual publication on the state of microfinance industry in Eastern Europe and Central Asia and the directory of donors and investors updated every year. Justyna also works on several other projects, including ‘From Exclusion to Inclusion through Microfinance’ and ‘Market for Microinsurance’.



**Dorota Szubert**  
*Researcher*

Dorota manages several research projects focusing on double bottom line management. Dorota is the author of articles series on Social Performance Management as well as the publications on marketing research directed to microfinance practitioners.



**Michał Matul**  
*Researcher*

Michał manages the MFC Financial Education Program and is involved in various market research projects. Michał works currently on financial education in Poland, Bosnia, Russian Federation and the Caucasus. He is author of several publications on financial education, social performance, marketing and microinsurance markets.



**Ewa Bańkowska**  
*Research Project Assistant*

With marketing research background, Ewa participates in a long-term program Advancing Social Performance Management in the region. She was also engaged in projects on industry mapping and Combating Financial Exclusion (funded by the EU).



**Marcin Rataj**  
*Research Assistant*

Marcin's main tasks are professional and administrative support of the Research Unit. Marcin currently co-runs 3 projects which are: Plan Your Future – Financial Education in Russia, Microfinance demand study in Poland and Microinsurance demand study in Azerbaijan.



**Aram Ghukasyan**  
*Trainer-Consultant*

As Trainer-Consultant Aram delivers MFC training courses, consults the selected Microfinance Institutions and participates in updating course materials. He participates in MFC capacity building program for financial institutions.



**Agata Szostek**  
*Consultant*

Agata is responsible for training and consulting assignments for MFC Training Unit and Research Unit. Agata currently leads working group on Innovative Approaches and Products in Combating Financial Exclusion in the EU funded project. She also participates in Social Performance Management team works.



## MFC Staff



### **Volodymyr Tounitsky** *Consultant*

Volodymyr participates in Social Performance Management team works as well as in the Central Asian Associations Capacity Building Program.



### **Margarita Lalayan** *Consultant*

Margarita works as a Technical Advisor and Master trainer for MFC Financial Education Program. She conducted various research, project evaluation and capacity building assignments in different countries of the CEE/NIS. She worked as operations manager at MDF-Kamurj, a leading microfinance institution in Armenia.



### **Aldona Rutkowska** *Client Relations Coordinator*

Aldona is responsible for the training courses advertising and logistics, client relations, marketing, planning and other administrative issues of the Training Unit.



### **Anna Wiśniewska** *Microfinance Policy Programme Coordinator*

Besides running the policy program and editing the Microfinance Policy Monitor, Anna works currently on several projects including Central Asian Associations Capacity Building Program. She also coordinates preparations to the 10<sup>th</sup> MFC Conference of Microfinance Institutions.



### **Agnieszka Talma** *Information Coordinator*

Agnieszka is responsible for the information flow and publications, edits the MFC Newsletter, coordinates the translation of CGAP publications into Russian, as well as the EU funded project "From Exclusion to Inclusion Through Microfinance".

## Poverty Assessment Tools Testing

MFC was among the USAID's partners to test globally the tools for assessing MFI client poverty levels. MFC tested the tool in the region together with partners KLF from Kazakhstan and Prizma from B&H. The tools have been incorporated into the USAID's toolkit for poverty assessment.

## Advancing Social Performance Management 2006-2008

To remain the social focus at the center of microfinance, MFC is promoting several tools for Social Performance Management. These are practical and cost-effective approaches that help MFIs better manage their double bottom line. The Toolkit includes:

- Social Performance Management Training, which has been delivered in cooperation with the *ImpAct* Consortium and tested in the region with 30 participants from 16 organizations in January 2006 with the support of IFAD (International Fund for Agricultural Development) and ICCO;
- Management Scorecard for Double Bottom Line developed based on the Balanced Scorecard methodology and tested with eight international and regional MFIs (Prizma, Partner, Zene-za-Zene: Bosnia and Herzegovina; Aregak, MDF Kamurj; Armenia, KEP: Kosovo; Genesis Impresarial, Guatemala; NGO Manuela Ramos, Peru) within the action research project sponsored by the Ford Foundation and a technical assistance programme financed by ICCO;
- Social Audit Tool, which is a self-evaluation helping MFIs identify strengths and weaknesses in their social-performance management systems and processes. The tool was tested with AgroInvest Serbia and Montenegro with the support of the Ford Foundation.

To support the tools development and pioneering efforts of MFIs in the area of good practice in Social Performance Management, the MFC has additionally:

- Established the SPM Working Group consisting of 14 MFIs and two national networks, which met in January and June to plan their SPM systems development and share experiences to date about institutionalizing them and continuing to work as a platform for information and experience exchange for pioneering MFIs in the region. The group includes: Agency for Finance (Kosovo); AgroInvest (Serbia and Montenegro); AMFA (Azerbaijan); AMIK (Kosovo); Aregak (Armenia); Demos (Croatia); KEP (Kosovo); KLF (Kazakhstan); MDF (Serbia and

## MFC MEMBERS CORNER

### **Foundation MCO Kyzylorda-kredit in Kazakhstan**

The foundation Kyzylorda-kredit joined the MFC network in October 2006. The organization's mission is to financially support and stimulate activities of small enterprises in towns as well in rural areas. Kyzylorda-kredit was founded as a subsidiary credit portfolio of the Foundation "AGRINAS" Agricultural International Assistance.

### **HOPE Ukraine Becomes a Formally Registered Finance Company**

*Andre Barkov, Program Operations Manager, Hope, Ukraine*

Since its inception in 1998, HOPE Ukraine has been operating as a non-profit organization in the form of a charitable fund for the

support of small businesses. Under Ukrainian legislation this was the only option for MFIs to operate other than through formal banking and credit unions.

The former legal framework was a poor match for HOPE Ukraine's activities as charitable funds are supposed to provide grants and charitable assistance to a certain focus group – small business owners in HOPE's case. As a result, finding a more appropriate legal framework has always been a high priority for HOPE Ukraine.

Because Ukrainian laws do not directly regulate finance companies, the process of legal transformation was an extremely long and burdensome venture. Having accomplished this important step, HOPE Ukraine hopes to more easily attract new funding and significantly expand its activities.

Currently HOPE Ukraine works in eight regions in Ukraine through 20 branch offices serving nearly 3,500 active clients. HOPE's loan portfolio is approximately USD \$2.2 million with an average loan amount of \$940.

Montenegro); MikroPlus (Croatia); Partner (BiH); SEF (Armenia); WV Azer Credit (Azerbaijan); WV Credo (Georgia); Women for Women International (BiH);

- Involved some of the working group's members in its technical assistance missions to allow for learning through observation and participation in peer MFI Management Scorecard systems development.

MFC has been active regionally and globally in promoting regional pioneering experience in SPM through:

- Participation in task force meetings in Rome (April 2006) and Halifax (November 2006), resulting in development of a common definition of social performance, declaration of principles and draft social performance reporting framework;
- Together with five other organizations (Freedom from Hunger, US; IDS, UK, IDEAS, US; MCPI/CARD, Philippines and EDA Rural, India) it created an *ImpAct* Consortium that has committed to the development and dissemination of SPM training, technical assistance, capacity building and experience sharing and documentation to mainstream social performance management in microfinance;
- Contributing to the development and pilot testing of a global Social Performance Management Training that is currently available as an open source material for any organization that would like to engage in training on SPM or implementing it in its own institution;
- Bringing together national networks to a roundtable discussion at the MFC annual conference to discuss ways to promote social performance assessment and management in the region;
- Delivering a number of workshops on social performance management, assessment and social rating at MFC's annual conference to focus the attention of the regional industry on this globally emerging concept.

## European Union funded project "From Exclusion to Inclusion Through Microfinance: Learning From East to West and West to East"

MFC project partners are: European Microfinance Network and Community Development Finance Association, U.K. The methodology of work is based on four working groups addressing the following issues: Social and Financial Exclusion Map (WG1), Key Constraints, Challenges and Policy Recommendations (WG2),

## MFC Staff



### **Alicja Krzeszewska**

*Office Coordinator*

Alicja is responsible for the MFC data base, secretariat, office administration, and is also involved in the MFC membership issues such as registration of new members, monitoring fee payment as well as in organization of annual MFC conferences including participants' registration.



### **Kinga Pawłowska**

*Conference Assistant*

Kinga is involved in the preparations to the 10th MFC Conference of Microfinance Institutions as well as is responsible for certain marketing tasks. Previously, she assisted in the logistic and organizational issues of the MFC training courses.



### **Maciej Jaroszczyk**

*Chief Accountant*

Maciej is responsible for managing MFC accounting, payroll, payments as well as financial controlling of MFC operations and financial reporting. Maciej is responsible also for certain logistic projects. Currently Maciej administrates all MFC activity from accounting side and supervises accounting department's work.



### **Ewa Romanowska**

*Accounting Assistant*

Ewa assists in the accounting tasks like book-keeping, preparing accounting documents, expenses reports, creation of various accounting reports, performs other general accounting activity.



### **Katarzyna Gromulska**

*Grant Administration Assistant*

Katarzyna supports various projects in terms of accounting: Central Asia Center office and the EU funded project "From Exclusion to Inclusion through Microfinance". She prepares financial reports indicating expenditure of grants in accordance with the grant agreements. ■

## Inicjatywa Mikro celebrates 10th anniversary

Inicjatywa Mikro, Poland, celebrated its 10<sup>th</sup> anniversary on March 2, 2006. Inicjatywa Mikro is a microfinance organization established in 1996 with the help of Opportunity International to support enterprise development and job creation in southern Poland. To realize its goals, Inicjatywa Mikro enables access to capital to very small companies that do not qualify for bank loans.

By December 31, 2005 Inicjatywa Mikro made 4,748 loans totaling 52.8 million zlotys (€13.7 million). The average loan amount was 12,800 zlotys (€3,300) and average payback term 19 months. There is no lower limit on loan size as the amount depends on the needs and level of development of the business. As for borrowers 50% are traders, 42% are service providers, and 8% are small manufacturers. The number of service providers among borrowers has continually increased.

## EBRD provides Bai Tushum with \$1 million guarantee for small-business on-lending

This EBRD guarantee is the first of its kind under the Non-bank Microfinance Institutions Framework II for Early Transition Countries (ETC) and this new product is expected to be in great demand. The facility will also be signed by two to three leading banks in the Kyrgyz Republic.

Established in 1997, Bai Tushum has become a leading microfinance institution in the Kyrgyz Republic and boasts a strong rural focus. The institution offers a range of agricultural loan products for crop production, livestock and agro-processing. The bulk of its portfolio is outside the capital Bishkek and Bai Tushum has more than 5,000 clients. Forty percent of all outstanding loans are less than \$1,000. ■

## MFC Training Program 2007 (Open Enrollment Courses)

IF THE COURSE THAT YOU ARE INTERESTED IN IS NOT INCLUDED TO THIS COURSE CALENDAR, YOU MAY **ORDER IT FOR YOUR ORGANIZATION INDIVIDUALLY** OR IN COOPERATION WITH OTHER ORGANIZATIONS FROM YOUR REGION

6-9 February, 2007

**Staff Incentive Systems for MFIs  
(Russian Language)**  
Bishkek, Kyrgyzstan

20-23 February, 2007

**Essentials of Rural and Agricultural Microfinance  
(English Language) NEW COURSE**  
Krakow, Poland

13-16 March, 2007

**Delinquency Management and Setting  
Sustainable Interest Rates in MFIs  
(Russian Language) UPDATED**  
Bishkek, Kyrgyzstan

17-20 April, 2007

**Staff Incentive Systems for MFIs  
(English Language)**  
Sarajevo, B&H

24-27 April, 2007

**Essentials of Rural and Agricultural Microfinance  
(Russian Language)**  
Tashkent, Uzbekistan

18-21 September, 2007

**Operational Risk Management in MFIs. Internal  
Control and Audits (Russian Language) UPDATED**  
Kiev, Ukraine

9-12 October, 2007

**Operational Risk Management in MFIs. Internal  
Control and Audits (English Language) UPDATED**  
Belgrade, Serbia

23-26 October, 2007

**Financial Analysis for MFIs  
(Russian Language) UPDATED**  
Dushanbe, Tajikistan

6-9 November, 2007

**New Product Development for MFIs  
(English Language)**  
Dubrovnik, Croatia

Benchmarks and Performance Measurement (WG3), and Innovative Approaches and Products in Combating Financial Exclusion (WG4).

In 2006 each group organized three separate meetings and finalized their draft reports. In addition, two joint meetings of all the project participants were held and a second year extension was approved.

### Financial Education

The MFC has launched the Financial Education Program aimed at raising awareness and building the skills of local development organizations and financial service providers to increase the financial literacy levels of low-income households in the countries of Eastern Europe and Central Asia. In 2006, the following was achieved:

**Publication of "Plan Your Future" – A Toolkit to Enhance Financial Literacy Levels of Low-income Households in Transition Settings of Eastern Europe and Central Asia.** The "Plan Your Future" toolkit is now available in English, Russian, Bosnian/Serbian/Croatian and Polish thanks to the support of Citigroup Foundation and the UNDP *Srebrenica Regional Recovery Programme*.

**Enhancing financial literacy levels in Poland** – MFC and its partners (from non-governmental and banking sectors) established a Consortium – ([www.edufin.org.pl](http://www.edufin.org.pl)), which seeks to increase the financial literacy of 5 million low-income households in Poland by 2015.

**Strategic partnership with Microfinance Opportunities** – In the field of financial education, MFC has signed a strategic partnership with MFO – [www.microfinanceopportunities.org](http://www.microfinanceopportunities.org) – a leader in client-focused solutions for microfinance.

**Launching financial education activities in Russia and Bosnia & Herzegovina.** We seek to build the capacities of pioneering local organizations, working very closely with them to develop and implement country-wide strategies for enhancing financial education. In cooperation with the Russian Microfinance Centre, MFC has organized a country-wide awareness raising event in Russia. In Bosnia a training of trainers was conducted for 19 participants from six local organizations. These activities were funded by Citigroup Foundation and UNDP.

### Market Studies

MFC is preparing a toolbox to inform microfinance stakeholders about the low-income portion of the market for microfinance. The market studies are comprehensive and use both qualitative tools and surveys on a national representative sample. They clarify the needs for microfinance, current usage, financial behaviors and attitudes of low-income households. They also provide market segmentation and market development projections for various microfinance products. In 2006, MFC completed the following studies using the toolbox:

- "Market for Microinsurance – Low-Income Households Needs and Market Development Projections" in Ukraine, Romania and Azerbaijan funded by KfW and the Microinsurance Centre;
- "Microenterprises, Low-Income Households' Aspirations for Self-Employment and the Microcredit Market in Poland" funded by the European Investment Fund.

### WAM Training on Negotiating Skills

In cooperation with Women Advancing Microfinance CEE/NIS, the MFC organized a workshop on Negotiating Skills, run by New York specialist Anne Miller. The workshop aimed to improve



negotiating skills so frequently required both in business and private life. It was held in Budapest (at MFC annual conference) and attracted 19 female and one male participant.

### Central Asia Microfinance Center

The Central Asia Microfinance Center has become a focal point of donor/funder coordination, and has made significant contributions toward microfinance's ongoing support of programs by the UNDP, World Bank, USAID and others.

In the area of financial transparency of the microfinance sector, the current number of institutions listed in the MIX has grown to 35 (11 profiles have yet to be processed), compared to 13 as of December 2005 – all as a result of massive transparency promotion activities of CA Center.

On the policy level, productive contacts have been established with the main policy makers in all the countries of the region. Among specific achievements, a round table for Tajik policy makers should be noted, after which the Tajik government decided to adjust its strategy in the area of MF to comply with international best practices.

### Central Asia Microfinance Associations meeting, 23-24 November 2006, Bishkek, Kyrgyzstan

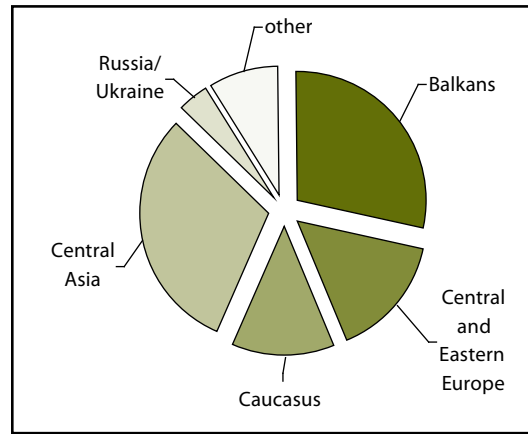
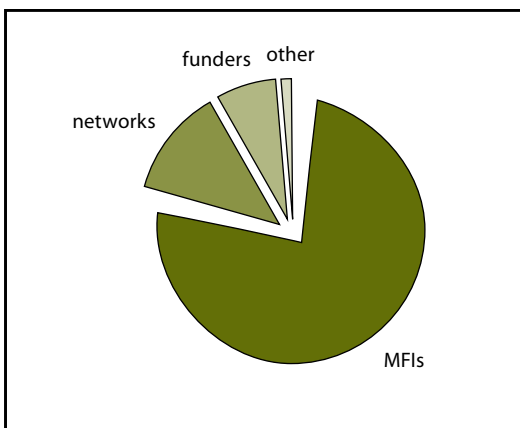
This meeting was attended by executive directors of microfinance associations of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and representatives of donor and sector development organizations including ICCO, GTZ, MFC and CAMFA.

Meeting participants discussed the current state of development of microfinance associations, their long- and short-term goals and needs as well as donor and sector development organizations' capacities and priorities in supporting the further development of microfinance associations. By the end of the meeting participants determined areas of possible cooperation as well as points of optimal fit between association goals and the needs of donor and sector development organizations' capacities.

### 101 members in MFC network as of December 2006

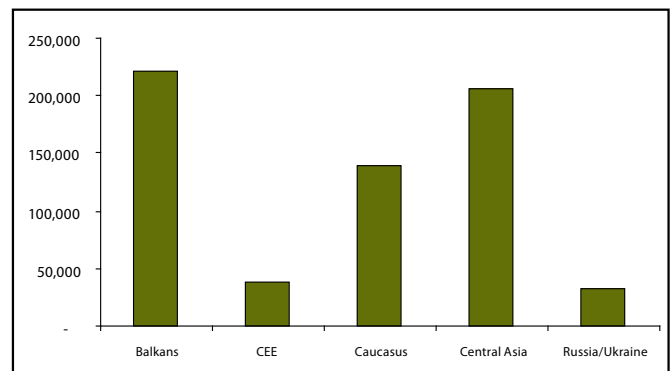
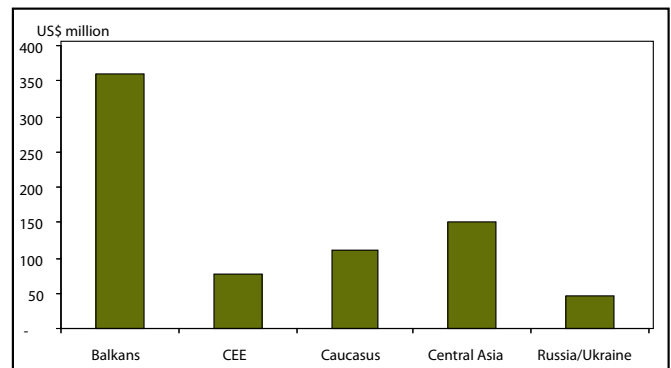
Microfinance's membership base spans 27 countries in five ECA sub-regions. Among 101 members the majority of institutions are microfinance providers, predominantly non-governmental organizations and non-bank financial institutions.

#### Distribution of MFC members by type and sub-region



Altogether, MFC members had 636,000 active borrowers at the end of 2005 and managed a loan portfolio of US\$746 million, an amount that has doubled in the past two years.

#### Distribution of gross loan portfolio and active borrowers of MFC members by sub-region



MFC membership has the largest coverage among NGOs and NBFIs, where MFC members serve more than 80 percent of active clients.

MFC members employ more than 7,000 gender-balanced staff. A similar balance is observed among borrowers where 51 percent constitute female clients.

Almost all of MFC's members are operationally self-sustainable and generate an average adjusted return on assets of 1.7 percent. Already over half of microfinance providers use commercial sources of funds. The total value of commercial funding utilized by MFC members at the end of 2005 reached US\$225 million, twice the level of donor funding.



➔ [continued from page 1]

simultaneously. The new law will be applied six months after coming into force (effective January-March 2007). During this period, the Entity Banking Agencies are required to adopt and publish the aforementioned regulation.\*

*The new law on micro credit organizations introduces some important changes to the sector:*

- All existing MCOs will need to transform either into nonprofit micro-credit foundations or into for-profit micro-credit companies with a clear ownership structure. Transformation has to be completed by mid-July/September 2007 depending on MCO location (FB&H/RS).
- The new law will not introduce any limits on loan terms/conditions or interest rates. The only limit will be a maximum loan size of BAM 10,000 (approximately EURO 5,000) for micro-credit foundations and BAM 50,000 (approximately EURO 25,000) for micro-credit companies.
- Supervision and regulation of the microfinance sector will be shifted to the banking agencies. This should increase the reputation of the whole sector and provide additional confidence to potential investors/creditors/donors.

- *The new MCO law does not permit micro-credit organizations to capture savings; they will remain credit-only institutions.*

Over the past 10 years, the microfinance sector has been one of the fastest growing sectors in the entire economy of Bosnia and Herzegovina, and has achieved excellent results in terms of loan disbursement, portfolio growth and quality. At the same time, hundreds of thousands of entrepreneurial, low-income people have had access to financing for their business and benefited from services provided by MCOs.

The new law on micro-credit organizations will create a favorable legal environment for further growth and institutional development of existing MCOs. As a result of the new law, more intensive consolidation of the microfinance sector in Bosnia and Herzegovina will take place and the sector will become even more competitive than today. Most importantly this will contribute to the creation of better loan terms and conditions for final borrowers.

\* Bosnia and Herzegovina by its constitution comprises two Entities: Federation of Bosnia and Herzegovina and Republic of Srpska. Each Entity has its Parliament and legal power to adopt and execute laws.

## NEWS & EVENTS

### Value Chain Concepts Training Course, 15-19 January, 2007

The course is organized jointly by MDF and HPC. The course fee includes a new toolkit: CAPSA: Capacitating Sector Analyses, a CD-ROM providing an overview of the steps, tools, instruments and practical examples and case studies of Value Chain Development.

### International Conference on Rural Finance Research: Moving Results into Policies and Practice, 19-21 March 2007, Rome, Italy

The conference is hosted by the Food and Agriculture Organization (FAO) of the United Nations, the Ford Foundation and the International Fund for Agriculture Development. The ultimate aim of this conference is the wider use of research results in rural finance policy and decision-making processes. More details are available at: [www.fao.org/ag/rurfinconference](http://www.fao.org/ag/rurfinconference).

### "Microfinance in a Banking Environment: Models, Experiences – The Way Forward," 25-27 April 2007 in Berlin, Germany.

This is the fourth European Microfinance Network annual conference. For more information please visit: [www.european-microfinance.org](http://www.european-microfinance.org)

### MIX releases 2005 Benchmarking Microfinance in Eastern Europe and Central Asia 2005, Washington DC, November 7, 2006

The report is part of the MIX series of regional benchmark papers. It is available at: [www.themix.org](http://www.themix.org)

### ACCION honored with a 2007 Fast Company / Monitor Group Social Capitalist Award

2007 marks the fourth consecutive year that ACCION is so

recognized. Other microfinance organizations and related institutions receiving the 2007 award include Grameen Foundation, Unitus, EcoLogic Finance and Calvert Foundation.

### USAID Poverty Reduction in Conflict and Fragile States Conference, November 8-9, 2006, Washington, D.C.

Hosted by USAID's Office of Poverty Reduction, the Households in Conflict Network (HiCN), and the German Institute for Economic Research (DIW Berlin), the conference focused on the special challenges of poverty reduction in conflict and fragile states.

### 2nd Annual Microinsurance Conference 2006, "Making Insurance Work for Africa"

The conference was organized by the Munich Re Foundation and the CGAP Working Group on Microinsurance. It was held in Cape Town with the support of South Africa-based FinMark Trust, on 21-23 November 2006.

### "Renewing dialogue and Cooperation to Combat Poverty and Exclusion: Public Authorities, Citizens' Networks, Media", 4-5 December 2006, Trento, Italy

The seminar was part of the process of political dialogue that the Council of Europe has been engaged in since 2003, with a view to pinpointing new means of combating poverty and social exclusion, based on citizens' initiatives and cooperation with public authorities.

### Group vs. Individual Liability, Microlinks Speaker's Corner, December 12-14, 2006

The event was hosted by Nathanael Goldberg, project director at Innovations for Poverty Action, and Dean Karlan, economics professor at Yale University. The Speaker's Corner is a series of online conferences discussing issues around microenterprise and microfinance. For more information, go to: [www.microlinks.org](http://www.microlinks.org)