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# 25 YEARS OF THRIVING TOGETHER - WHAT'S IN IT FOR THE FUTURE?

*390 participants celebrated MFC Silver Jubilee and its achievements indicating steps for moving forward*

## INTRODUCTION

MFC, a microfinance network representing 115 members from 37 countries in Europe and Central Asia, celebrated its 25th Jubilee in Budva, Montenegro on 24–25 May 2023. With a broad representation of 390 decision makers in this vital industry, it was a moment to celebrate the last quarter century and explore the future of impact for the next 25 years. The lessons learned from this conference, and the recommendations to policymakers, are worth sharing broadly within the region and beyond to fortify the fragile microfinance sector and better enable it to serve the needs of the underbanked and excluded communities.

When MFC launched its operations 25 years ago, microfinance was barely known apart from the work of Grameen Foundation in Bangladesh, and now it has become one of the key instruments to support financial inclusion and economic development in Europe and Central Asia. In these 25 years, microfinance institutions have grown and matured while the region has seen a diversification of financial and

non-financial services such as energy, housing, BDS as well as reaching out to rural communities to meet the needs of different segments of the rural population.

The sector has also been a pioneer in developing tools and metrics to measure social performance and responsible finance practices. Most of the institutions have taken up the digital transformation challenge and are in the process of harnessing the new technology to better serve their clients.

In this arduous journey, MFC has played the role of a facilitator and enabler: convening stakeholders, collecting, analyzing and discussing data, designing innovative approaches, training, interconnecting practitioners, organizing debates and engaging in numerous advocacy efforts.



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## MFC Leadership in Advancing the Social Finance Agenda

Over the last 25 years, the Microfinance Centre (MFC) has achieved remarkable milestones for the microfinance sector. It has successfully established and fostered a strong network of microfinance institutions, practitioners, and experts, enabling valuable knowledge-sharing and collaboration. Through its advocacy efforts, MFC has influenced policies and regulations, creating an enabling environment for MFIs in many countries where MFC operates. MFC has been instrumental in capacity-building and training, enhancing the skills and professionalism of microfinance practitioners. Its research activities have generated valuable insights, contributing to the advancement of knowledge in the field. By promoting social performance management, MFC has encouraged MFIs to align their operations with social objectives, improving their impact on poverty alleviation. Through regional cooperation and partnerships, MFC has facilitated cross-border learning and collaboration, strengthening the microfinance ecosystem. Overall, MFC's achievements over the past 25 years have significantly contributed to the growth, sustainability, and impact of the microfinance sector in its target region.

### To highlight some relevant achievements:

#### **1. Extensive Network:**

MFC has cultivated a vast and diverse network of microfinance institutions, practitioners, experts, and stakeholders reaching 115 members. This network serves as a powerful platform for collaboration, knowledge

sharing, and collective problem-solving. With MFC's continued facilitation, this network fosters innovation, drives sector-wide advancements, and accelerates the achievement of shared goals.

#### **2. Advocacy and Policy Influence:**

MFC has established itself as a key advocate for the microfinance sector. Through active engagement with policymakers, regulators, and EU institutions, MFC has consistently demonstrated its capacity to influence policies that shape the operating environment for MFIs and their customers. That has led to significant growth of the sector, which in 2019 reached over 6 million active borrowers and 3.5 million active savers (Microfinance Barometer, 2019). In an evolving financial landscape, MFC's expertise and evidence-based approach is vital in promoting the implementation of supportive regulations and policies, ensuring the sustainability and resilience of the microfinance sector.

#### **3. Capacity Building and Knowledge Exchange:**

MFC's commitment to capacity building and knowledge exchange has empowered microfinance practitioners, enabling them to deliver high-quality financial services to underserved communities. As the microfinance sector evolves, new challenges and opportunities will emerge, like digitalization, platform economy, and climate finance. MFC's expertise in providing tailored training, conducting research, and disseminating best practices remains crucial in equipping practitioners with the skills and insights needed to navigate these changing dynamics successfully.

#### **4. Social Impact Orientation:**

MFC has been at the forefront of promoting social performance management practices among MFIs. Recognizing the importance of measuring and managing social impact, MFC has actively encouraged MFIs to align their operations with the goals of social and financial inclusion by facilitating development of social performance metrics and institutional management systems. In an era of heightened focus on sustainability and social responsibility, MFC's guidance and support is indispensable for MFIs seeking to enhance their social and environmental performance and demonstrate their contribution to positive change.

#### **5. Regional Cooperation and Partnerships:**

MFC has been instrumental in fostering regional cooperation and partnerships in the microfinance sector. By connecting stakeholders across borders, MFC has facilitated cross-learning, shared experiences, and collaborative initiatives. This regional approach will continue to be vital in addressing common challenges, leveraging resources, and scaling up impactful microfinance interventions through strategic partnerships that enable significant sector growth. Such partners include CGAP, USAID, European Commission, EIB Group, IFC, OSI and many others.

Our work would not be possible without support and cooperation with our partners, in particular the European Commission, to whom we would like to express our gratitude and acknowledgement.

# POST- CONFERENCE BRIEF

## CONFERENCE PARTICIPATION



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## Sustainable Future and MFC's Role

Microfinance holds immense potential for shaping a more inclusive, cooperative, and sustainable world in the coming years. MFC is committed to advancing sustainable development by channeling investments towards green and socially responsible initiatives, promoting digital transformation, and ensuring that no one is left behind. With this forward-looking perspective, MFC will continue to actively engage in building resilient financial ecosystems, empowering youth, migrants and marginalized groups, and facilitating policy change. By embracing collaboration, new partnerships and advocacy efforts, MFC plays a pivotal role in creating a future where everyone can thrive, resources are sustainably managed, and equal opportunities are accessible to all.

### Moving Forward: Exploring Strategies for Progress and Growth

1. The development of the microfinance sector has been made possible through various support and financing instruments that have enabled microfinance institutions without access to low-cost deposits to grow. EU has played a significant role in equipping practitioners through instruments that assist them in reaching out to people and small enterprises that are excluded from the formal financial services. However, as we consider future development of the sector, it becomes evident that additional funding sources will be required to sustain its growth and support its twin transition, not only for EU member and candidate countries but also for regions like Central Asia and other non-EU countries.

It is crucial to ensure that these funds are readily available and affordable, particularly to serve the vulnerable segments of society that continue to face financial exclusion. To achieve this, the provision of subsidized funds can take various forms, such as grants, interest rate subsidies, preferential instruments (including loans and guarantees), and collateralization of MFI bonds to enable access to cheaper funding. MFC has a long history of assisting in the design and implementation of such funding mechanisms. We stand ready to provide support to further refine these instruments, ensuring they effectively meet the evolving needs of the sector and facilitate stable growth. By working collaboratively, we can sustain the 25-year effort and the remarkable results achieved, extending access to financial services to countless non-bankable individuals.

2. In this context, preferential financing instruments tailored to young European entrepreneurs, particularly in underdeveloped regions of EU member and candidate countries, can play a vital role in supporting youth (often with a migrant background) with entrepreneurial aspirations. Additionally, by providing affordable and accessible funding, microfinance enables young individuals to pursue their own business ventures instead of resorting to migration. However, this endeavor requires strong support from EU funds, given that the youth often belong to the non-bankable segment of society that is served by the microfinance sector. It is essential to address the broader challenge and opportunity of migration in the region, taking into account internally displaced individuals who are increasingly affected by conflicts and are often

overlooked for assistance.

3. MFI clients, like MSMEs and smallholder farmers, need to adapt to the fast-changing technology, therefore there is a need for implementation and integration of digital solutions to make sure that the micro, small and medium businesses can compete in the platform economy. Microfinance institutions need significant support to be able to undergo comprehensive digital transformation that would enable them to become more effective and serve more micro and social enterprises. An important aspect of digitalization processes would be to facilitate the development of public digital infrastructure that could be used by various stakeholders and remedy the growing digital platform monopoly. Within such infrastructure, MFIs can help MSMEs diversify their product offerings or marketplaces they engage with. Having a broader choice would help MSMEs avoid being overly dependent on a single platform, thereby enhancing their bargaining power.

4. Microfinance can also play a significant role in supporting the social economy by channeling funding to social enterprises. MFC will continue its efforts to raise awareness and build competences of its member MFIs to support social economy actors.

The delegates of the MFC 25th jubilee, representing the key decision makers of the microfinance industry in Europe and Central Asia, stand by the MFC's efforts to partner with policymakers and change agents to write the next chapter of growth and prosperity for the microfinance industry and the segments of society it serves.



Rosalind Copisarow, MFC Co-founder and Grzegorz Galusek, former MFC CEO during one of the 25th MFC Annual Conference sessions.



Katarzyna Pawlak, MFC CEO during the opening of the 25th MFC Annual Conference.

# POST- CONFERENCE BRIEF

## MFC MEMBERSHIP BY TYPE



65

MFIs



16

Microfinance Associations



6

Digital Solutions Providers



8

Investors



4

Consultancies



16

NGO/Assoc./Coop/Networks

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