

European Good Practices in rural microfinance



UNIUNEA EUROPEANĂ



GUVERNUL ROMÂNIEI



Fondul Social European
POSDRU 2007-2013



Instrumente Structurale
2007-2013



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MINISTERUL MUNCII, FAMILIEI,
PROTECȚIEI SOCIALE
ȘI PERSOANELOR VÂRSTNICE
OIRPOSDRU NORD-EST

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Introduction

This publication has been carried out within the framework of the EU project “Microfinance, a fundamental component of entrepreneurship in rural areas”.

Asociația de Dezvoltare în Afaceri (ADA), a non-governmental organization whose main objective is to create new business opportunities and to promote the interests of 130 Romanian companies, is the beneficiary of this 17-month multi-regional project co-financed by the European Social Fund. The project aims to develop a network of micro-enterprises specialized in microfinance and operating in villages, which are the poles of entrepreneurial employment for unemployed, managers and employees in rural areas.

Within the framework of this project, EMN has been appointed by ADA to provide strategic guidance, recommendations and examples of best practices on rural microfinance at the EU level. One outcome of the project is the current publication, which is structured as follows.

The **first chapter** presents the main characteristics of the European microfinance sector and tracks major changes in the industry.

The **second chapter** provides a brief overview of challenges faced by entrepreneurs and microfinance institutions (MFIs) in rural areas and is followed by a compilation of 15 ‘good practices’ in the provision of rural microfinance across both Western and Eastern Europe.

The **third chapter** identifies some lessons learned that can be valuable for MFIs operating in rural areas starting from the good practices collected.



The microfinance sector in Europe

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Microfinance in Europe is gradually being established as an essential social policy tool for the promotion of self-employment, microenterprise support and the fight against social and financial exclusion. This is demonstrated by the initiatives and support from the European Commission in the framework of the “Programme for Employment and Social Innovation (EaSI) 2014-2020.”

In this regard, the European Commission considers the following types of loans as microcredit:

- Business microloan: a loan under 25.000 EUR to support the development of self-employment and microenterprises, and
- Personal microloan: a loan under 25.000 EUR to cover personal or consumption necessities such as rent, personal emergencies, education, etc.

This chapter presents the main characteristics of the European microfinance sector (scale, institutional variety, outreach and sustainability) and identifies major changes within the industry.

The data presented are taken from the latest overview of the European¹ microcredit sector, a sample of 150 MFIs from 24 countries for the years 2012-2013. Twenty EU member states are covered by the survey.

1.1 Scale and development of the microfinance sector in Europe

During 2012-2013, both the total overall volume and the number of microloans² show steady growth among the MFIs surveyed compared to previous years.

MFIs from the 24 countries surveyed disbursed a total of 387,812 microloans with a total volume 1.53 billion EUR in 2013 (2011 benchmark: 204,080 microloans with a total volume of 1.05 billion EUR). The trend is the same for organizations based in EU member states only: 207,335 microloans with a total volume of 1.26 billion EUR (2011 benchmark: 122,370 loans with a total volume of 872 million EUR).

Compared to the 2011 data, these figures translate to a 45% increase of the total value of microloans and a 69% increase in the number of loans reported by the EU-based

participants of the 2013 survey. Since 2009, the number of loans disbursed has increased by more than 400% and the reported total loan volume has more than doubled indicating remarkable growth of the observed micro-lending activities among the surveyed European MFIs

The allocation between microloans for business and personal use has slightly shifted towards loans for business purposes. In 2013, 79% of the total value of microloans was issued for business purposes and 21% for personal consumption (2011: 74% business purpose, 26% personal consumption).

Overall, these results show the increasing scale (both in terms of numbers and total volume) of microfinance provision in the EU from 2011-2013. Three aspects have contributed to this development: an increased coverage of organizations in certain EU-member states, more loans provided per institution covered (e.g. in France) and a higher average loan size per institution. The average loan size disbursed in 2013 was 8,507 EUR (2011: 5,135 EUR). For EU member states, the average volume was 9,234 EUR, which is an increase compared to the 2011 value of 7,129 EUR.

1.2 Institutional types and missions

Institutional diversity in the sector remains high. Non-governmental organizations (NGOs) or foundations, non-bank financial institutions (NBFIs), governmental bodies, savings and commercial banks, credit unions, cooperatives, community development financial institutions, microfinance associations and religious institutions are all active in the provision of microcredit in Europe. For 2013, the institutional distribution shows that NBFIs (29%) and NGOs or foundations (23%) account for more than half of all surveyed



organizations. While the share of NGOs and foundations is similar to the share identified by the last survey in 2011 (22%), the share of NBFIs in the sample has risen compared to 2011 (20%). The prevalence of both institutional types is also observable in the subgroups of small, medium and large MFIs.

The stated missions of the surveyed organizations also show a high diversity with regard to economical and societal policy goals. Microenterprise promotion is the most widespread goal, with more than two thirds of all surveyed organizations including it as part of their mission followed by job creation (58%), social (56%) and financial inclusion (50%). Organizations with a specific focus on women and migrant empowerment form a smaller part of the surveyed organizations (29% and 20% respectively). The vast majority of the surveyed MFIs (85%) include at least one dedicated employment goal in their mission (microenterprise/SME promotion and/or job creation).

1.3 Financial performance and sustainability

A major issue for the European microfinance sector is the question of organisational sustainability.

In terms of portfolio quality, the total value of the microcredit portfolio affected by overdue loans for more than 30 days was lower for both 2012 and 2013 (2012: 12.8%, 2013: 13.1%) compared to 2009 (16%), although a bit higher than in 2011 (12%). This illustrates an ongoing trend in the microloans sector, as institutions with lower portfolio at risk have lower impairment loss expenses and higher return on assets. Although the overall situation for portfolio at risk shows a positive evolution, PaR30 remains quite high for some European countries.

Regarding profitability, microfinance providers manage to achieve positive return on assets (2012: 6.7%, 2013: 5.6%).

With respect to cost structure, the surveyed institutions decreased their expenses compared to 2011 with an operating expense ratio of approximately 18% in 2013. In combination with lower impairment losses, this

indicates overall decreasing expenses, which might lead to an improvement of the financial sustainability in the sector.

Overall, an ongoing trend of decreasing impairment losses and operating expenses is observed, which might lead to improvements in financial sustainability.

1.4 Outreach to target groups

The availability of data on the outreach of European MFIs to specific target groups and social performance indicators remains limited. The results of the survey indicate that women continue to be underrepresented as a target group (compared to the gender balance in the total population), although to a lesser extent than in the previous years. Information on outreach to ethnic minorities and immigrants is even scarcer.

With regard to rural populations, the available data show that only 24.3% of MFIs reported to serve rural populations in 2013. In general, the country reporting the highest share of loans disbursed to rural clients is Bosnia-Herzegovina with over 123m EUR in 2013 or 64% of the total value of microloans disbursed in the country. The ten institutions surveyed from Poland provide the second highest value of rural microloans disbursed with over 90m EUR in 2013 (46% of the total value of microloans). This outcome might be related to higher agricultural activities in those countries relative to the overall economy. The 17 surveyed Romanian MFIs disbursed more than 37m EUR in 2013 to rural clients, 36% of the total value of microloans disbursed by surveyed institutions in the country. ■

1. Bendig, M., Unteberg, M. and B., Sarpong, Overview of the Microfinance Sector in the European Union, 2014, EMN.
2. Microloans for both personal and business purpose.

Microfinance in rural areas, good practices in Europe

Rural areas, as reported by the EU Rural Review³, are estimated to generate 48% of the EU's gross value added and provide 56% of the Member States total employment. A typical characteristic of the rural economy is the presence of small and medium-sized enterprises (SMEs), many of which are micro-businesses with a high proportion of self-employment.

2.1 The rural entrepreneurial environment in Europe

Entrepreneurship depends not only on the presence of entrepreneurial individuals in an area or community but is also strongly reliant upon the socio-economic context. According to the EU Rural Review⁴ the **entrepreneurial environment** can be seen as "the inter-connected set of factors that encourage innovation, promote risk-taking and foster the emergence and growth of new enterprises" including "various sources of information, different resource providers, markets, technologies and numerous intermediaries that facilitate the processes associated with business start-up and development." To foster entrepreneurship, the simple presence of these factors is not enough. In fact, the combination and interaction of these characteristics is also fundamental to stimulate entrepreneurship.

Within rural areas, barriers to entrepreneurial initiative include the specific economic conditions of rural environments and the characteristics of rural entrepreneurs. Therefore in rural areas, a deep understanding of the challenges to entrepreneurial stimulation is important. The ESoF research project⁵ has further developed the concept of **entrepreneurial environment** focusing on **rural areas**. The project analyses the economic, social and cultural factors that influence the development of entrepreneurial skills in rural areas with particular reference to farmers. The main findings of the project draw a distinction between external and internal entrepreneurial environments.

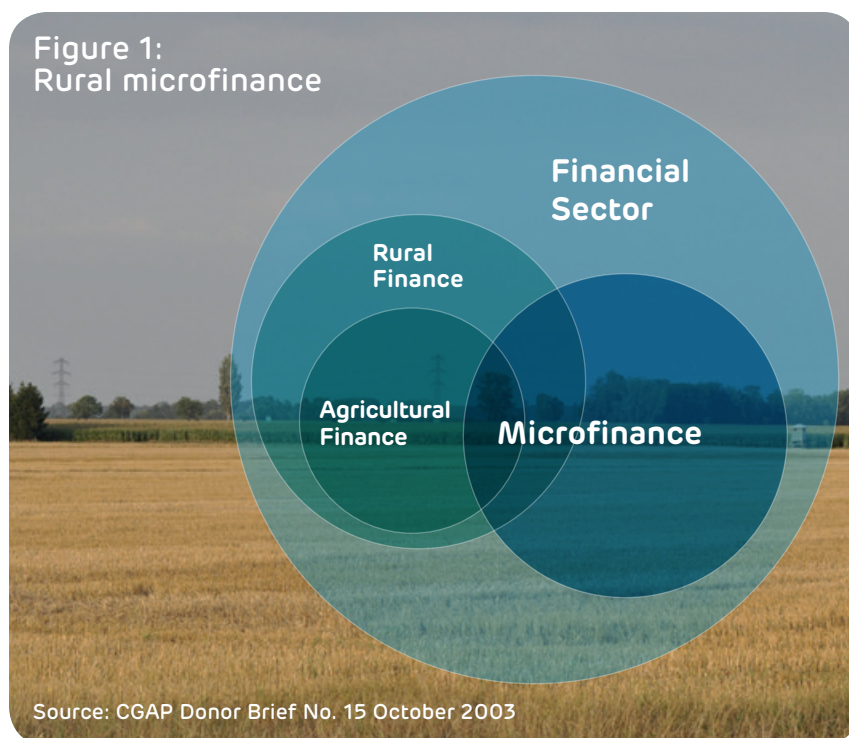
Accordingly, the **external entrepreneurial environment** is represented by the social and business context in which rural entrepreneurs operate. This includes the repercussions of the globalisation processes and the policies adopted at the EU and national level, the demand from consumers, the supply chains structures in place, climate and energy trends as well as environmental issues.

Conversely, the **internal entrepreneurial environment** is associated with the skills and competences of the rural entrepreneur, including both the business skills necessary to run an enterprise (sectorial expertise and managerial competency) and the skills needed to deal with changes and grow the business (opportunity, strategic and networking skills).

In order to boost the variety of entrepreneurial businesses in rural areas, it is fundamental to improve both external and internal entrepreneurial environments.

The EU Rural Review (2011) highlights three categories of obstacles to rural entrepreneurship. The first category relates to the small size, low population densities and remoteness of rural communities. The second category concerns the social and economic composition of rural communities. Finally, the nature of internal and external links also strongly affect the rural entrepreneurial initiative. Given these constraints, the provision of microfinance has emerged as a powerful tool to support and empower rural entrepreneurs to improve both the internal and external entrepreneurial environment.

Figure 1:
Rural microfinance



Source: CGAP Donor Brief No. 15 October 2003

2.2 Microfinance in rural areas

The provision of financial and non-financial services could help entrepreneurs to overcome the challenges to rural development, thereby supporting their businesses and boosting the local economy. In this regard, microfinance often targets unemployed or people excluded from the traditional banking system who wish to start their own business, significantly contributing to self-employment and job creation.

According to CGAP⁶ rural microfinance encompasses the provision of a range of financial services such as savings, credit, payments and insurance to rural individuals, households, and enterprises (both farm and non-farm). It includes as well the financing for agriculture and agro-processing such as supply of inputs, production, distribution, wholesale, processing and marketing (Figure 1).

Some challenges faced by rural MFIs are similar to those facing any MFI while others are specific to rural organisations that provide loans for farm-based activities. According to USAID⁷, the following factors constrain both the supply and demand for finance in rural and agricultural areas:

- High transaction costs for both borrowers and lenders;
- Low population density and dispersed demand;
- Limited economic opportunities available to local populations;
- High risks faced by potential borrowers and depositors due to the variability of incomes, exogenous economic shocks and limited tools to manage risk;
- Seasonality – potentially affecting both the client and the institution;
- Heavy concentration on agriculture and agriculture related activities exposes clients and institutions to multiple risks;
- Lack of reliable information about borrowers;
- Lack of market information and/or market access;
- Weak institutional capacity;
- “Crowding out” effect due to subsidies and directed credit;
- Lack of adequate or usable collateral (lack of assets, unclear property rights);
- Inhospitable policy, legal and regulatory frameworks;
- Undeveloped legal systems, inadequate contract enforcement mechanisms; and,
- Undeveloped or inadequate infrastructure.

3. EU Rural Review N 13, 2012, European Network of Rural Development

4. EU Rural Review n. 10, 2011, European Network of Rural Development

5. Developing the Entrepreneurial Skills of Farmers (ESoF), 2008, EU 6th Framework Programme

6. CGAP Donor Brief No. 15 October 2003

7. USAID RAFI Notes Issue 1 Andrews, M., 2006, Microcredit and Agriculture: How to make it work, MEDA



Although this list relies mainly on experiences in developing countries, it provides a useful and comprehensive insight into the challenges facing European MFIs. Clearly, MFIs operating in rural contexts do not have the possibility to choose the challenges they will face and these challenges frequently reinforce and compound upon each other. The next section presents examples of European MFIs able to overcome some of the constraints mentioned above with the use of innovative methodologies and strategies.

2.3 Good Practices of rural microfinance in Europe

Bearing in mind the constraints to rural microfinance, a compilation of 15 good practices from 10 countries covering both Western and Eastern Europe is presented.

According to Triodos Facet good practices are “all the strategies, plans, tactics, processes, methodologies, activities and approaches that are documented, accessible, effective, relevant and fundamentally accepted, developed

by professional organisations and put into practice by well trained personnel. These measures have proven to be in keeping with the legislation in force, tested and put into practice, through research and experience. Consequently, they have proven to be effective and able to live up to expectations. It has also been established that they can be easily modified and improved according to context.”

Given this definition, the good practices presented in this publication are examples of European MFIs supporting the entrepreneurial initiative in rural areas. To facilitate the extraction of common lessons learned, the good practices have been grouped into five categories:

- 1) communication and promotion,
- 2) partnership development,
- 3) products and services,
- 4) technological innovation and
- 5) value chain approach.

However, some cases span across multiple categories as they have a wider scope.





TABLE 1: GOOD PRACTICES OVERVIEW BY CATEGORY

Good Practice Category	Good Practice title	MFI	Country
Communication and Promotion	Adie mobile van to develop new areas	Adie ↗	France
	EKI Business club	EKI ↗	Bosnia and Herzegovina
Partnership development	Successful rural microfinance through collaboration between MFIs and banks	AgroInvest ↗	Serbia
	Airdie agricultural and rural division	Airdie ↗	France
	Microcredit Support Measure of the Government of the Azores	Cresaçor ↗	Portugal
	Solidarity alliance for small business loans	Mag 2 Finance ↗	Italy
Products and Services	Savings & Credit Associations model	Albania Savings and Credit Union ↗	Albania
	Flexible agri-loan products	Horizonti Microfinance ↗	Macedonia
	Relationship-based microcredit for rural clients	Kreativ Finanz Mecklenburg GmbH ↗	Germany
	Client segmentation as a new approach in rural market	Savings Bank Moznosti ↗	Macedonia
Technological Innovation	Internet-based loan Management System	Fejer Enterprise Agency ↗	Hungary
	Tablet technology as a tool for improving service to small rural farmers	Opportunity Bank Serbia ↗	Serbia
Value Chain approach	More than a loan	SIS Credit ↗	Bulgaria
	Rural Employment Generation Activity	Partner Microcredit Foundation ↗	Bosnia and Herzegovina
	Rural Empowerment and Economic Development through Value Chain Integrated Projects	Vision Fund ↗	Albania

European Good Practices in rural microfinance



Good Practice | A Adie

CATEGORY:

Communication & Promotion

GOOD PRACTICE'S TITLE:

An Adie mobile van to develop new areas

MAIN OBJECTIVE:

To provide a broad visibility to Adie organisation in remote areas for short or medium period



Adie is a non-profit organisation. Adie means “Association pour le Droit à l’Initiative Economique,” or in English, “Organisation for Right to Economic Initiative.” Adie was created in 1989, inspired by the “banks of the poor” originating in developing countries during the seventies, in particular, the Grameen Bank in Bangladesh. Today, Adie has 470 employees and around 1,300 volunteers.

Mission of the organization

To be effective, the Right to Economic Initiative requires access to capital and removal of administrative constraints for creating self-employment. Our mission is to finance and support the unemployed who wish to create their own business and who cannot get a standard bank loan. Furthermore, Adie uses its experience to offer improvements to the existing regulatory framework governing microenterprises and microfinance in France.

Governance structure

Funders, business development partners, volunteers or entrepreneur representatives: all stakeholders involved in Adie are part of the Board. The Committee is composed by 7 members elected by the Board and manages Adie’s business and operations. Since 2009, Regional General Meetings are organized every year and are a key moment in our organisation’s life.

MFI factsheet

Type of organization	Non-profit organisation
Country	France
Year of inception of the good practice	2007
Services and products provided	<ul style="list-style-type: none"> • Loans at market rate up to 10,000 € (global financing needs do not exceed 20,000€) • "Start-up grants" funded by the French government or by local authorities • Non-interest bearing subordinated loans • Post-loan business advice (business management, administrative formalities, marketing and legal advice) • Micro-insurance services • Micro-franchise
Portfolio (€)	86,700,892 (as of December 1, 2014)
Avg loan size (€)	3,850 (as of December 1, 2014)
Number of clients	38,995 (as of December 1, 2014)
% of rural clients	21% (2013, except overseas territories)
Typology of rural clients	No information available
Website	www.adie.org 

GOOD PRACTICE

The Adie program, PADRE (Pilote Adie de Développement Rural Economique), was active between 2007 and 2009. The main objective was to provide Adie services from 3 mobile vans in 3 remote, rural areas in order to reach an audience far from classical business-creation actors. When the program ended, the mobile vans remained and Adie thought about how to best use them. Since 2009, the mobile vans are lent by Adie headquarters to various branches for a short or medium period in order to provide visibility in remote areas. Interested branches often use them for a 3-month period. Adie currently has branches in prefectures (the main city in a department). Adie also has a

physical presence in some under-prefectures (smaller cities within a department). The mobile van is a useful tool to test customer demand in under-prefectures where Adie is not present. The branch manager decides to use the mobile van according to his analysis of the territory and according to his loan officer profile (ability to prospect and create an interpersonal relationship with partners, customers, desire to drive and work out of the mobile van a few days per week). The main activities during field visits are to use the mobile van as a public access point to provide information about entrepreneurship.

SUCCESS STORY: STEPHEN, BEEKEEPER

After Stephen's meeting with an Adie representative, he was more confident about his idea of beekeeping. He was able to borrow a loan of EUR 2,790 (microcredit) and EUR 2,790 non-interest bearing subordinated loans from Adie. Adie also provided him with post-loan personal advice about the business. His next goal is to create a "camping à la ferme".



Target group	Unemployed entrepreneurs who wish to create their own business and who cannot get a standard bank loan. In remote rural areas, Adie credit officers noticed strong resourcefulness and mutual help as specific characteristics. They also discovered that the need for general information could be expanded due to the lack of business-creation professionals.
Innovativeness	The selection of information points (mobile van location) is an innovative feature of this project. Places where people live and work are preferred, such as squares in front of city halls or market places. Our knowledge of marketplaces (starting time, position drawing, marketplace rental costs, and selling price, etc.) allowed the Adie employee to easily connect with marketplace manager. These connections were leveraged to meet market sellers and build trustful relationships. Adie is used to prospect and spend time at marketplaces; in fact, some Adie portfolios have up to 30% of marketplace vendors.
Relevance given the context	The following elements were crucial to success: presence of entrepreneurs funded by Adie and business development partners, activation of press relations, definition of graphic guidelines to be visible. This specific communication policy allows Adie to reach customers who can't be reached through traditional agencies because they live too far from the city, and because they are far away from other classical development business networks. Of course, developing online services is complementary.
Adaptability to other contexts	This project is transferable to other contexts, such as suburbs. Identifying target groups is always interesting when we talk about people typically isolated from information points, hub networks, etc.
Efficiency	The main costs for this operation are the mobile van and its maintenance. Locations are free and communication tools were already established. Don't forget transportation and accommodation costs.
Outcomes	<p>Several operations were carried out across France for a duration between 1 week and 3 months.</p> <p>The Adie mobile van was used:</p> <ul style="list-style-type: none"> From September to December 2014 in Côte D'or In February 2015 in Seine-Maritime From March to April 2015 in Saône et Loire From May to July 2015 in Hautes-Alpes <p>The number of interested people per event varies up to 70 people a day. Relevant outputs are to show our funders and business development partners our ability to locate our target group, promote our partners, etc. The mobile van provides a showcase of financial and non-financial Adie services to a broad audience and to Adie partners. Finally, these actions help with team building and reinforce the sense of inclusion.</p>
Sustainability	To be maintained in the long run, the operation must rely on Adie employee desire to work remotely. These operations have never been imposed on any team. The sharing of experiences is vital to learn and progress from one operation to another. Volunteers may be useful to support employee resources in the long term.



Good Practice | B

Microcredit foundation EKI

CATEGORY:

Communication & Promotion

GOOD PRACTICE'S TITLE:

EKI Business club

MAIN OBJECTIVE:

To create interaction between clients and markets so they can trade, communicate and exchange experiences and knowledge. With educational articles in "EKI Yellow pages" and "EKI Business club", members have the ability to develop their business and to expand and strengthen their position in the market by selling products



Microcredit Foundation EKI (MCF EKI) was established as a result of the Micro-Credit Program of World Vision International (WVI) in 1996. Today, EKI is one of the leading microcredit institutions in Bosnia and Herzegovina (BA), and currently has more than 35,000 customers and a loan portfolio over 46.5 million EUR. EKI's loans aim to establish and improve agriculture practices, support small business and commercial activities and improve the lives of users' households.

Mission of the organization


EKI is a non-profit microcredit organization that respects its clients, passes flexible decisions and undertakes reasonable risks. EKI is a decentralized organization with motivated, devoted and professional staff and Board members.

EKI provides financial services and technical support to those who have no access to banking services or to businesses that are creating and sustaining jobs in BA, wherever there is a need and opportunity

Governance structure

The main governance body is the Board of Directors. It consists of 7 members (4 local and 3 international). The General Director, in coordination with a team of 5 executive directors, manages the 5 business sectors. Within each sector, there are several departments. Credit Operations are organised in regions and branches.

MFI factsheet

Type of organization	Microcredit foundation
Country	Bosnia and Herzegovina
Year of inception of the good practice	2013
Services and products provided	Loans for business, housing and household improvements
Portfolio (€)	46.5 million
Avg loan size (€)	1,600
Number of clients	35,000
% of rural clients	68%
Typology of rural clients	Mainly involved in cattle breeding, orchard, poultry and crops
Website	www.eki.ba 



GOOD PRACTICE

Through communication with clients, we commonly come across the problem of product placement. Our clients do not normally have a problem in producing something, but they face problems once the time comes to sell their products. In order to help them, EKI introduced a new service for its existing clients to create information links among clients in an effort to place products in high demand areas and to access information on the various goods desired in the high demand locations. Any existing EKI client can become a member of EKI Business Club. Their advertisements are published in the EKI Yellow pages, and a hard copy is available to all members of EKI Business Club. Furthermore, members of EKI Business Club have the opportunity to regularly receive information on changes taking place at EKI and the option to receive advice from experts in agriculture and small business. All aspects of this service are free of charge for clients.

Target group	Rural clients involved in any type of business, although we are especially focused on agricultural producers. Their primary need is to find better (wider) markets for their products and services. They also have need for education services that could help improve their businesses.
Innovativeness	This is first time this kind of service has been offered anywhere in BA. Our competitors are mainly offering various loan products and a few competitors provide basic education for clients. Our service genuinely shows clients that we are here to help them improve their businesses and lives (not just providing loans).
Relevance given the context	Research results show that members are very satisfied with this service (99%). 60% of those who posted ads were contacted by interested buyers with 27% of them completed transactions. 90% of those who sold goods stated their repayment capacity was improved due to the service in that month.
Adaptability to other contexts	Preparing and delivering this kind of service is very complex. Organisations who would like to implement something similar need to dedicate at least 3 full time employees and develop appropriate software. It is transferable but requires substantial human capital and other resources.
Efficiency	EKI is in the beginning of full implementation so we still don't have relevant figures about cost efficiency. We have studied the retention rate comparison between members and non-members and found much better results for the members group. We can say that difference covers the costs of implementation in 2014.
Outcomes	<ul style="list-style-type: none"> • More than 13.000 members • 4.000 members posted ads • 5.000 different ads posted • 60% calls based on posted ads • 27% sales based on posted ads
Sustainability	EKI has different options for long run implementation of this service. The program is planning to receive external financing and to commercialize one part. We believe that client satisfaction through loyalty and recommendation will also bring additional value to EKI. We are conducting additional market research and furthering communication with clients and employees to adapt the service.

SUCCESS STORY: MR. PREDRAG SEKULIĆ GREENHOUSES

A proper empire of greenhouses is located in the village of Crkvina, in Šamac Municipality, and it was built by Mr. Predrag Sekulić. The love of plants that he inherited as a child from his grandmother has been redirected into growing of various vegetables. Mr. Sekulić now owns greenhouses that are located on 1.700 m² of land, qualifying him as the largest producer of vegetables seedlings in his municipality. He deals with the hybrid and varietal seedlings of tomatoes, peppers, eggplants and cucumbers. The beginning was not easy because he started his business in a greenhouse of 200 m², which he made on his own with the use of a wooden structure. He then applied for an EKI loan that helped him build two more greenhouses, and in this regard, Mr. Sekulić claims

that the loans significantly helped to improve his business.

Membership in "EKI Business club" helps him to sell vegetables and find better offers for the materials needed for his business. He is also very satisfied with the educational articles and shares them with friends and neighbours.

As the key to success in business, Mr. Predrag singles out the love for nature and plants, then working practices and belief in success. He believes that he has a prosperous business and recommends all who are engaged or wish to engage in this business to arm themselves with patience, energy and will, because success cannot be achieved overnight.

Good Practice | C

AgroInvest Fond LLC Belgrade

CATEGORY:

Partnership development

GOOD PRACTICE'S TITLE:

Successful rural microfinance in Serbia through collaboration between MFIs and mainstream commercial banks



MAIN OBJECTIVE:

Our model aims to reach the underserved, rural areas of the country, lifting the clients and households out of economic vulnerability and into income smoothing, while also revitalizing indirectly the areas. We do this through an innovative partnership model

AgroInvest has been working in Montenegro since 1999 and in Serbia since 2001 to improve life for rural families through its economic and social development programs. Through these basic pillars of development, AgroInvest targets the main problems faced by rural populations today. AgroInvest's core activity is microfinance lending, but they also have a social program function that works in partnership with local communities to provide a more holistic approach to tackling poverty. AgroInvest focuses almost exclusively on rural areas; in Serbia, AgroInvest works through banks and acts as a private guarantee, with a very high portfolio yield and excellent portfolio quality


Mission of the organization

Serving and empowering rural families with high quality financial services and social programs.

Governance structure

The board is in charge of oversight, the internal audit function and strategic direction. The board meets every quarter (3 to 6 months). Additionally, the risk, finance and recovery committee meets on a monthly basis.

MFI factsheet

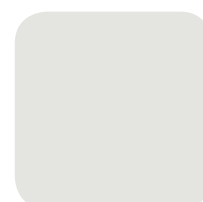
Type of organization	Microfinance Institution acting as a mix of private guarantee fund due to regulatory framework and management/technical assistance company.
Country	Serbia
Year of inception of the good practice	2001
Services and products provided	Loans for start-ups, for business enlargement, basic needs, housing loans (environmentally friendly) and agricultural loans
Portfolio (€)	12,093,991 (as of June 30, 2015)
Avg loan size (€)	1,090
Number of clients	15,814
% of rural clients	74%
Typology of rural clients	Rural clients main activities are: cattle raising (20%), fruit production (16%), pig raising (14%), vegetable production (9%), additional types of agriculture production are represented with smaller percentages. Clients usually live in households with three generations, have on average 2 children and their income level is in line with poor households in Serbia (PAT tool findings).
Website	www.agroinvest.org 

GOOD PRACTICE



AgrolInvest has been working in Montenegro since 1999 and in Serbia since 2001 to improve life for rural families through its economic and social development programs. In Serbia, due to the regulatory framework, AgrolInvest operates through a bank. It deposits 25% of the outstanding portfolio as a deposit with the bank and conducts the preliminary outreach, analysis and preparation of the client, finally bringing the client to the bank for loan disbursement. AgrolInvest performs the post disbursement follow up tasks with the client and loan payments are made to the partner bank. The bank funds the disbursements to clients minus the 25% deposit paid by AgrolInvest. AgrolInvest takes 100% of the credit risk; any loan past due after an agreed number of days late is repaid by AgrolInvest for the full amount, including interest and penalty. AgrolInvest and the partner bank share the interest income.

Target group	The main goal for AgroInvest is to reach out to poor, rural households, the market for which AgroInvest was initially founded. The target group is made of rural household (as indicated by location and address) and poor households (in terms of income and assets).
Innovativeness	AgroInvest operates solely through a partnership with the mainstream financial sector. AgroInvest is an intermediary agent to entrepreneurs, most of which live without steady income, and who do not have or have limited access to commercial bank loans. AgroInvest's recommendations to partner banks facilitate loans that are then disbursed through the bank. AgroInvest has built a guarantee deposit into its model, which gives the bank confidence in working with this target group.
Relevance given the context	AgroInvest is organized to provide a significant and continuous presence in the field through its 17 offices, located in 6 geographical regions with 4 types of products: business loans, agricultural loans, start up loans and basic need loans.
Adaptability to other contexts	This model can be easily replicated in other countries. However, a few pre-conditions are required: there must be a sufficiently large market size of the unbanked, to scale up efficiently to a point of sustainability. There must be at least one strong microfinance provider with a social and financial mission, strategically committed to the rural unbanked poor and one solid and transparent bank in the country that has a strategic mandate to expand into this market. AgroInvest is actively looking to replicate the model with other potential banks.
Efficiency	Because AgroInvest operates in the deep rural pockets of the country with close attention to each client, the model per unit lent is inherently very costly. Therefore, the model only becomes sustainable with scale and volume. Currently, AgroInvest has approximately 12 million EUR outstanding and has reached break even with 16,500 clients. Additionally, as explained below in the sustainability section, the program is highly efficient in terms of cost of funds.
Outcomes	Since AgroInvest's beginnings, the company has aimed its activities towards long-lasting positive effects in its target communities. In 2014, the company reached more than 15,500 clients with an average 1.6 children per household. Most of the clients live in rural areas (48%) and work in agriculture. Additionally, our indicator for the target group reports that 53% of AgroInvest clients have an income lower than the average minimum income in Serbia.
Sustainability	An interesting feature of the AgroInvest business model is that AgroInvest only needs to provide liquidity of 25% equivalent for 100% outstanding portfolio. This means that even with a relatively aggressive growth plan, only a fraction of the total funding is required. Regular monthly reports and tracking allow management to closely follow the portfolio, and AgroInvest complies with its network's (VFI) reporting requirements and is also externally audited.



SUCCESS STORY: NIKOLA BANKOVIC



Nikola Bankovic, a 35 year old goat breeder producing goat cheese, named his business "Happy Farm" and lives in the rural area on the mountain Rudnik with his wife and two children. He took a loan from Agroinvest to buy more goats in order to improve his cheese production. Nikola chose Agroinvest because of its uncomplicated procedures – easy access to the funds he needed and fast services. He strongly believes that young people would not leave rural areas if given a chance to take micro loans and start a small business. Nikola heard of Agroinvest through posters in the village and decided to buy more goats with Agroinvest's loan.

Nikola Bankovic grew up in Belgrade, the capital of Serbia, but decided to move to the village of Rudnik in 2005 with the idea to start an agricultural business, since he believes that the future of Serbian economy is in small agricultural businesses, full cycle production, where an individual farmer depends on himself and not on buyers, sellers. Nikola says, "the progress of the country's economy is not in big agricultural programs, large farms, but in small productions, where one needs a small piece of land, some funds and a good idea i.e. to grow fruit and produce honey, mix it and have a great, natural product, without a large investment. I breed goats in order to produce goat cheese. I have a small, full cycle production."

SUCCESS STORY: BORKO SAVRAN



This young man, who is married and a father of two small children, always wanted to open his own business. Since Uzice is a touristic area, he decided that the best idea for a small business would be a souvenir shop where he would sell his own craft.

Borko was aware that the only way to pursue his goal would be to do it step by step; he knew that first he had to acquire the necessary skills; thus, in 2007 he started working as an apprentice for one of the known craftsmen in the region where he spent three years in training.

In June 2010, Borko felt ready for the challenge of opening his own souvenir store. He saw Agroinvest's leaflet and decided to apply for a loan. With his first loan, Borko bought a machine for craft production. He takes pride in his work, saying, "finally, I was able to do what I always wanted – use my creativity and skills to promote the Uzice region, but primarily provide a better living for my family."

As Borko's business started to grow, in 2012 he took another loan from Agroinvest, "as far as the cooperation with Agroinvest goes, I like the positive attitude and the kindness of its employees. The procedures are prompt and not complicated; the Loan Officer provided a lot of help and a genuine support. When I decide to upgrade the business even more, I am sure I will only apply for a loan with Agroinvest."

Good Practice | D

Airdie

CATEGORY:

Partnership development

GOOD PRACTICE'S TITLE:

Airdie agricultural and rural division

MAIN OBJECTIVE:

To make rural areas more dynamic, creating non-outsourcable jobs, reinforcing social links and taking into account the environmental and human dimension of financing rural businesses



Airdie is a solidarity-based financial association in the Languedoc-Roussillon region of France and a regional representative of France Active, which calls for the creation self-employment to address rising unemployment.

The organisation was created in 1994 as a result of an innovative territorial initiative and the geographical proximity of one of its main funders. Airdie is situated in an area experiencing positive net migration and a high rate of unemployment. The professional integration of these unemployed individuals is a major regional problem.

Airdie also acts as intermediary between the unemployed and the traditional banking system. Therefore, Airdie operates as both lender and guarantor. In the long term, Airdie aims to provide project developers with access to the traditional banking sector.


Airdie has three primary functions

- Advice and mentoring for business creation (e.g. by experienced volunteers)
- Mobilisation of solidarity-based finance
- Access to the mainstream banking sector (via guarantees).

Governance structure

Airdie is a non-profit association and its board is therefore made up of a president, treasurer, an assistant treasurer and a secretary. The Languedoc-Roussillon region sits on the Board of Directors and is particularly involved in the engagement committee for the social and solidarity-based economy, where financing and employment impact are the most important aspects. France Active, the French state, la Caisse des Dépôts, the 5 General Councils of the French Departments in the region, la Banque Populaire du Sud, la Caisse d'Epargne, and la MACIF are also on the board of directors.

MFI factsheet

Type of organization	Non-profit association
Country	France
Year of inception of the good practice	1998
Services and products provided	Access to microcredit and mentoring
Portfolio (€)	800,000
Avg loan size (€)	5,000
Number of clients	350
% of rural clients	100%
Typology of rural clients	Under the poverty line, unemployed farmers
Website	www.airdie.org 

GOOD PRACTICE

Airdie's agricultural and rural division was established in 1998 in collaboration with Terres Vivantes. Airdie fills a gap in financial support by the government as the majority of facilities in the Languedoc-Roussillon region do not receive grants for young farmers.

The agri-rural engagement committee convenes monthly and is a place of exchange between agencies that are involved in agriculture and decide on the acceptance of loan or guarantee proposals together.

Three agri-rural representatives present projects to the committee. Each one is delegated to a well-defined geographical area. The division of areas means that the whole region can be covered while remaining as close as possible to the projects. Additionally, hotlines have been set up so that a maximum number of project developers can access Airdie.

The agri-rural division has created a rural financing instrument: Finance for Rural Agriculture (FIA). This is a zero-interest loan, financed by funds gathered by the five General Councils of the French Departments (Aude, Gard, Hérault, Lozère et Pyrénées-Orientales), for a maximum of 16,000 EUR and 60 months. This instrument is adapted to the irregular money inflows of the agricultural industry and offers the possibility of deferring repayment for up to 18 months. It also allows for a gradual implementation, where developers can test themselves.

SUCCESS STORY: SÉBASTIEN PIOCH MARKET GARDEN

After several years as a farm labourer, Sébastien Pioch wanted to create his own project. An opportunity presented itself and he was able to set up a market garden in the process of becoming organic in Aniane. He also planted a diversified orchard. Terres Vivantes, a local association, mentored him in the search for land, in order to provide technical advice and also helped him plan for the changes to his accounts and cash flow, ahead of his first income statements. This support also comes in the form of training sessions

to help him manage his own accounts. Airdie first provided him with financing in 2012 via a zero-interest FIA of 6,000 EUR so that he could buy a greenhouse and a second-hand tractor. He currently sells his produce locally via direct sales and he generated a turnover of 65,000 EUR in 2014. Sébastien Pioch can now apply to mainstream banks for bigger loans, if needed, and Airdie will support him in the process

Target group	<p>The majority of project developers do not have a farming background and have limited financial means. They often live in highly isolated rural areas. First, they have little to no savings and live on minimal benefits; and second, banks consider these agricultural projects to be risky and, when faced with low profitability, they prefer not to get involved.</p> <p>In concrete terms, 40% of project developers who received funding in 2014 are women, a figure that is higher than the agricultural national average, and more than two-thirds of project developers are aged between 26 and 50 years old. 40% of them were receiving minimum social benefits at the time of application. Market gardening is the dominant agricultural activity receiving funding, followed by beekeeping in 2014.</p>
Innovativeness	<p>The tools offered by Airdie better meet the needs of the project developers who are leaning towards alternative and short supply-oriented facilities.</p> <p>Airdie bases the granting of FIA on the relationship of trust established with the developers. As a result, when a developer is unable to repay a loan, honesty should prevail and compromises, such as a deferred repayment, can be discussed with Airdie. This flexibility is particularly appreciated in farming due to the somewhat irregular income streams, for example in market gardening.</p> <p>Further, various FIA can be taken out by the same developer as required for their project. This helps prevent an initial debt burden and allows for a rational investment in parallel with the project launch.</p>
Relevance given the context	<p>The French agricultural sector is in decline with more than 10,000 farm managers leaving per year without replacement. The French state and Europe are encouraging agricultural renewal through a measure for Young Farmers that provides access to subsidies calculated according to project requirements and access to soft loans. However, in the Languedoc-Roussillon region, two-thirds of farming facilities are not signed up for this measure, by choice or as a result of the application requirements (for example, an age limit of 40 years old). As a result, the majority of farming projects are not financially supported by the state. Furthermore, stopping a regional installation aid, the PACTE (5,000 EUR in subsidies and investment aid), at the end of 2014 might increase difficulties in setting up projects.</p>
Adaptability to other contexts	<p>Airdie relies on a network of local mentors for the technical-economic monitoring of projects. ADEARS and Terres Vivantes handle monitoring in the Languedoc-Roussillon region. Strict collaboration and capacity for dialogue is needed for these agencies in order to adequately evaluate the proposed projects.</p> <p>This funding system is therefore transferable but needs an organised and solid network as well as qualified personnel. Training sessions would thus be necessary.</p>
Efficiency	<p>As loans are disbursed at zero-interest, public funds are required to carry out this initiative. Airdie is currently working on the development of new partnerships in order to diversify the source of funding.</p>
Outcomes	<p>Since 1998, the annual number of projects that have received funding has steadily risen. In 2014, 61 projects benefitted from FIA (out of 116 supported projects), translating to a mobilisation of a little over 200,000 EUR.</p>
Sustainability	<p>Project developers supported by Airdie will, in the long run, create a business that will allow them to earn an income and to make a living from it. This will lift them out of instability and a reliance on social benefits. Further, state aid is funded by the General Councils and the cost for the community of a person on unemployment benefits is estimated at approximately 25,000 EUR per year. Conversely, the cost of a job created by Airdie (averaged over all projects monitored by Airdie, the transition from unemployed to company manager) is estimated at around 1,700 EUR per year. Therefore, it is in the interest of the 5 General Councils for FIA to continue financing farming projects as they are gradually reducing the number of people reliant on minimal social benefits and are thus reducing the cost for the community.</p>

Good Practice | E

Cresaçor

CATEGORY:

Partnership development

GOOD PRACTICE'S TITLE:

Microcredit Support Measure of the Government of the Azores

MAIN OBJECTIVE:

To follow and support potential 'inclusive entrepreneurs', processing applications to Microcredit Support Measure and, in the event of approval by the decision-making body, funding by the partner credit institution and continuing to work with the entrepreneur until repayment of the total loan amount



Cresaçor (Cooperativa Regional de Economia Solidária) is an NGO based in the Azores islands (Portugal) composed by a multidisciplinary team that acts in eleven different but complementary areas. The Entrepreneurship and Microcredit Agency represents one of the eleven working teams of Cresaçor.

Besides processing the loan applications and following the new, small businesses, Cresaçor also raises entrepreneurship awareness among disadvantaged groups, provides training courses and on-job training for established entrepreneurs and carries out research.


Mission of the organization

Establish a relationship of trust with 'inclusive entrepreneurs' and support them in overcoming obstacles in order to ensure the success of their small business initiative.

Governance structure

After processing the applications, Cresaçor delivers both a social and an economic opinion on the candidate and the business before its submission to the decision-making body: the Credit Commission - in the scope of three government agencies: Investment and Competitiveness, Employment and Social Security.

MFI factsheet

Type of organization	NGO
Country	Portugal - Azores
Year of inception of the good practice	2006
Services and products provided	Multidisciplinary team responsible for following and supporting all the candidates to the Microcredit Support Measure of the Regional Government to achieve and develop their entrepreneurial initiatives
Portfolio (€)	Not applicable
Avg loan size (€)	Not applicable
Number of clients	93
% of rural clients	100%
Typology of rural clients	Unemployed, precarious workers and microenterprises without access to bank loan based on Azores islands.
Website	www.cresacor.pt 



GOOD PRACTICE

Since the Microcredit Support Measure was created by the regional government in 2006, CRESAÇOR has been the Microcredit Agency to the Azores. Providing customer-driven support to the candidates of the Microcredit Support Measure, Cresaçor works in the economic assessment of the business idea and on the technical and soft skills held by the candidate.

The financing of business initiatives is done through the provision of bank credit (up to 20,000 €) by credit institutions filed with the regional government, assuming the latter as a guarantor of the projects (in case of insolvency, the guarantor is liable for 75% of the debt). In this scheme interest originating from the loan is paid by the regional government.

Each candidate is closely followed by a team of two microcredit agents (social and economic), who are responsible for supporting the candidate in overcoming obstacles to the development of his business idea during the application stage, through the approval process and by the decision-making body until total repayment of the microcredit loan.

Target group

The target group of Microcredit Support Measure are individuals, residents in one of the nine islands of the Azores, who are socio-economically excluded and characterized by their difficulties to enter the labour market and low qualifications. Since 2012, in unison with the growing number of unemployed in Portugal, we are seeing a defocusing of this target-group and a transition to those with stronger working habits and qualifications.

Innovativeness

As innovation factors, we identify the methodology, the client-centered support given by Cresaçor that varies according to the needs of the candidate and the process of the Microcredit Support Measure that shows the possibility of public, private and solidary economy entities to work together under the principle of equal opportunities.

Relevance given the context

The target group of the program view as the only way to overcome their unemployment situation; their willingness to engage in entrepreneurship is characterized by need. The support provided by Cresaçor is therefore indispensable to the creation of these small business initiatives. Responding to the needs of the community and the decline of the bank financing of the projects, in 2012 the Regional Government changed the legislative decree governing this support measure and extended the range of potential beneficiaries to precarious workers and microenterprises without access to bank loans and increased its participation as a guarantor of the projects, from 25% up to 75% in the case of insolvency.

Adaptability to other contexts

The client-centered follow up methodology used by Cresaçor is easily adapted to both rural and urban contexts (although for the collection of the initial applicant information its only possible in rural areas due to the proximity between people and services). The governance structure of the Microcredit Support Measure (public, private and solidary economy sectors) can also be adapted as long there the political will exists.

Efficiency

Cresaçor works on the nine islands of the Azores, the team includes 6 microcredit agents: 5 agents work on the island of St. Miguel and are responsible for applications from 6 islands (corresponding to 74% of total applicants), and 1 agent works on the island of Terceira and is responsible for applications from the 3 remaining islands. Typically, a team of two agents supports each candidate. At the moment each team of agents is responsible for about 30 applications/businesses.

Outcomes

Since the beginning of this support measure, 575 applicants have applied. Out of the 575 applications, 419 candidates have given up of their applications, or were not eligible. From the remaining 93 applications submitted to the Credit Commission, 23 were refused by this decision-making body, either because the business wasn't viable or the candidate does not hold the skills required to develop a sustainable business, and another 11 were refused by the bank.

In April 2015, we counted 44 businesses created, 41 applications under development and 8 applications waiting for the Credit Commission decision or from the bank. Finally, 9 businesses have failed while another 9 businesses are still running after total repayment of the loan.

Sustainability

In order to improve Cresaçor's work, between 2013 and 2014, the MFI developed a study to identify new tools to help entrepreneurs from socially excluded groups, to validate and enhance their own job creation as an alternative to social transfers and break out the poverty cycle. The continuous improvement of the services provided by the Cresaçor, together with the assessment of their impact is key to guarantee the sustainability of this model.

SUCCESS STORY: ANTÓNIO LINO, STREET TRADING CARAVAN BAR

Antonio Lino has a middle school education and is an ex-prisoner. He is unemployed, and his family consists of his wife and three children out of whom two have left school in order to work and earn a living. At the age of 45, he applied for a €19,500 loan for street trading caravan bar. He applied for the loan in 2007 and has now made complete repayment of the loan. The loan helped him to start working again and two of his children are also working with him while the third child starts college this year. He has also obtained a mortgage loan from the bank.

SUCCESS STORY: ANA PEREIRA, FLORIST

In 2007, at the age of 28, Ana Pereira applied for €7,000 loan to start a business as a florist. She was unemployed, divorced and had two children. She had education up to middle school and wanted to start her flower business in the Municipality of Ribeira Grande. Today, Ana has made complete repayment of her loan and her quality of life has been improved from before. There is also an increase in the household as she has one more child.



Good Practice | F

Mag 2 Finance

CATEGORY:

Partnership development

GOOD PRACTICE'S TITLE:

Solidarity alliance for small business loans. The case study:
Tomasoni's microfinance mechanism

MAIN OBJECTIVE:

To highlight the key role of joint liability between stakeholders and how their relationship becomes an asset to leverage enterprise development



Mag2 Finance is a microfinance cooperative based in Milan (Italy), incorporated as a Mutual Self-Managing Society in 1980. The purpose of the initiative is to offer a new form of financial activity: fundraising and private capital to transparently finance little known cooperative and associative projects previously not supported by the traditional financial sector.


Mission of the organization

The aim of Mag2 is to sustain the development of companies by financial activity, mainly incorporated as cooperatives or associations that work in sectors of high ethical value, like social, solidarity, ecological, cultural and environmental fields.

Governance structure

The Society's roles and tasks depend on the Financial Cooperatives' Italian Civil Rules as well as Mag2's Statute, which states the need for self-administration and transparency principles. The Mag 2's staff consists of five permanent members.

MFI factsheet

Type of organization	Cooperative
Country	Italy
Year of inception of the good practice	2009
Services and products provided	Saving, credits and tutoring, capacity building, financial services
Portfolio (€)	1,910,041
Avg loan size (€)	9,745.11
Number of clients	1,293
% of rural clients	20%
Typology of rural clients	Farmers
Website	www.mag2.it 

GOOD PRACTICE

Mag2's loan to Tomasoni organic dairy farm (see Success Story) is not only a microcredit case study but also exemplifies the solidarity alliance that can be created among savers and borrowers for small business loans in Italy. This case study highlights the key role of joint liability between stakeholders, as their relationships become an asset to leverage enterprise development.

Tomasoni organic dairy farm is located in a small village, Gottolengo (Brescia), in Lombardia (Italy). Founded in 1815 as a family enterprise, the "Biocaseificio F.lli Tomasoni snc" is the only small producer of organic cheese Grana Padano PDO (Protected Designation of Origin) in the world.



Target group

In a network of social economy, consumers and producers, demand and supply have new roles and common interests. These solidarity alliances have a strong power to strengthen social enterprise and to support in a new way the economy with responsible venture capital. The target group are organic (certified or not certified) agriculture producers and their clients or better co-producers.

Innovativeness

There are innovative aspects about the financial resources mobilized, the guarantee mechanism and the tutoring activity. In addition, the alliance between microfinance institutions, consumers and small farms could be a new instrument to support the activity of local farms. The Tomasoni financial initiative allowed the implementation of structured Networks of Social Economy (RES) attempting to develop a new economy social order.

Relevance given the context

To reach Tomasoni's needs, Mag2 and several GAS (acronym for the Italian expression "Gruppi di Acquisto Solidale" - Solidarity Purchasing Groups), Tomasoni's customers, have worked together by a proposal of fundraising with the goal to continue the dairy operations. GAS was the social context of this initiative.



Adaptability to other contexts

The relationships among stakeholders used to leverage enterprise development (the Tomasoni microfinance mechanism) can be replicated. In fact, project replication has already emerged in 2010: Mag2 disbursed a loan for Corradini's farm with GAS share collection. In addition, at the beginning of 2013, Mag2 launched a new project that was inspired by Tomasoni's experience. Cascina Lassi is a farmhouse that has been operating for over 60 years in Cerro al Lambro, (Milan). Over the years, the farmhouse has faced many problems and difficulties. Nowadays, it operates with shorter-lasting leases and higher rents. The Zuffada family, which manages the farm, moved to fully biological production and have given priority to "relationships" with the world of GAS and the solidarity economy.

Efficiency

This microfinance product is particularly interesting for the stakeholders involved in the process: Tomasoni Organic Dairy Farm, GAS and Mag2. Luckily for Tomasoni's farm, it had almost 200 GAS among its customers. The GAS selects products and producers on the basis of the solidarity between group members, traders and producers and in respect for the environment. Tomasoni increased its sales and obtained a well-structured financial service in terms of duration, rate of interest, general cost and ethical value.

Outcomes

The funding was granted through three channels "organised" by Mag2: by the GAS (or their members) directly to Tomasoni (an interest-free loan for 18 months); by the GAS to the capital of Mag2 (subscribed for 36 months) with the specific commitment to use the money to finance Tomasoni (at a lower rate of 6%); by Mag2 directly to Tomasoni (at 8% interest rate). Tomasoni repaid these loans and overcame its financial difficulties.

Sustainability

Tomasoni microfinance mechanism has raised funds from different realities: GAS, Mag2's capital, Mag2 members and all those who have believed in the project and have joined the challenge. The small contribution size required for a single entity has made the project affordable and sustainable for consumers/savers. Small individual investments of 100-200 EUR brought benefit to both consumers/savers and producer.

SUCCESS STORY: TOMASONI'S MICROFINANCE MECHANISM



Tomasoni organic dairy farm is located in a small village, Gottolengo (Brescia), in Lombardia (Italy). Founded in 1815 as a family enterprise, the "Biocaseificio F.lli Tomasoni snc" is the only small producer of organic cheese Grana Padano PDO (Protected Designation of Origin) in the world.

In 2002, Tomasoni entered in contact with GAS (acronym for the Italian expression "Gruppi di Acquisto Solidale" - Solidarity Purchasing Groups) and decided to concentrate on working with these entities instead of the export market and small dealers. The GAS are free organizations run by people who want to buy wholesale food or consumer products to be redistributed among their members. These groups are usually inspired by the principle of 'solidarity' among the participants and, to a larger extent, with producers.

Some aspects further complicated the already fragile situation of the organic farmer in 2008: the global economic and financial crisis, the increase of the cost of money (linked to Euribor index) and of foodstuff (corn, grain, cereal, etc.) and, therefore, of milk, and the

restrictions on banks on granting loans. In 2008, Tomasoni had a cash deficit of about 150,000 EUR. In the end-of-year newsletter that the business sent to its customers, Massimo Tomasoni explained the reasons for the expected price increases for the following year, mentioned the financial difficulties he was facing and stated the possibility that the business could be forced to shut down. Mag2 and several GAS and customers of Tomasoni were engaged in fundraising with the goal to maintain the dairy activities of Tomasoni. Coordinated by Mag2, the initiative was launched in February 2009. Some GAS decided to grant him funds as an advance of payments on purchases for the next 18 months in the amount of 90,000 EUR. Some other GAS subscribed Mag2's share for an amount of 30,000 EUR with the objective of collecting capital and a guarantee fund for this specific farm over the next 36 months. Additionally, Mag2 made an additional 30,000 EUR available and by March 2009 had disbursed three different loans for about 60,000 EUR in total.

Good Practice | G

Albanian Savings & Credit Union

CATEGORY:

Products and Services

GOOD PRACTICE'S TITLE:

Savings & Credit Associations model

MAIN OBJECTIVE:

To target financially excluded populations through the exclusive offer of a suitable range of financial products. By delivering tailor-made financial services in remote areas at the lowest market costs, ASC Union aims to respond to clients' credit needs, as banks have no presence in rural market segments. Likewise, ASC Union promotes income-generating activities through the funding of productive, job-related activities



Albanian Savings & Credit Union (ASC Union) is the product of the first World Bank microfinance project implemented in Albania in 1992. After years of significant changes, the project turned into a consolidation institution, which became the sole financial cooperative in the country serving rural populations. Through a dense branch network in the heart of rural villages, savings & credit associations offer competitive and suitable products such as microloans, MSE loans, voluntary and compulsory savings, loans for agricultural machinery, etc.


Mission of the organization

To provide financial services for unbanked, rural inhabitants in order to promote productive activities and the continuous development of rural areas and living standards. ASC Union is guided by the financial cooperative philosophy, which gives important decision-making power to its rural members.

Governance structure

Based on the financial cooperative philosophy, ASC Union is owned exclusively by its rural membership. The supreme decision making body is the General Annual Assembly. The Assembly elects a Board of Directors (BoD) and a Supervisory Committee (SC). No external shareholders exist, so all the profit is used for the further expansion of the network. There are close to 800 locally elected voluntary community leaders that represent 84 savings & credit Associations.

MFI factsheet

Type of organization	Savings& Credit Union
Country	Albania
Year of inception of the good practice	2002
Services and products provided	Micro-loan, MSE loan, voluntary savings, compulsory savings, loan for agricultural machinery
Portfolio (€)	26.5 million
Avg loan size (€)	2,145
Number of clients	16,852
% of rural clients	97%
Typology of rural clients	Farmers, small agro processors, artisans, traders
Website	www.ascunion.org.al 



GOOD PRACTICE

ASC Union's microfinance activities are highly focused on the rural areas where 50% of the Albanian population lives. In terms of income and infrastructure, the rural population is estimated to be the poorest in the country. Since 1992, activity outreach has constantly increased while maintaining high levels of portfolio quality. The offer of financial products and services is adapted to rural clientele based on their specific needs related to daily rural economic activities, mainly agriculture. The daily management of ASC Union is strongly based on the "social guarantee" (a member guarantees another member). This is due to the fact that rural areas' inhabitants aren't able to provide adequate collateral for their loan requests (challenging land register, poverty and economic informality, etc.) The social guarantee forms the basis of this credit cooperative loan methodology and plays an important role in the performance of loan repayments.

SUCCESS STORY: MR. OSMAN MARRA, GREENHOUSE VEGETABLES



Mr. Osman Marra has been a member of SCA (Savings&Credit Association) GuriiMirë in Kuçovë since its creation in 2009. He is engaged in the production of greenhouse vegetables, where the majority of his products are for export. He has been working many years in the greenhouse, as it's the main source of family income and also his hobby. He grows all varieties of vegetables, and manages to get production from the greenhouse twice each year.

He expresses his enthusiasm for the income earned from the activity, because has managed to expand the cultivating space of the greenhouse up 10 dunum. The whole family is very dedicated to the work, which generates a sizeable income. As an initial member of this SCA, he is optimistic about further collaboration with SCA.

Target group	ASC Union focuses on a large target group in rural areas. ASC Union's membership is composed of farmers, small agro-processors, artisans, traders and other service providers. These clients are characterized by the lack of access to financial and social services and by a desire to expand their economic activities, which remain unfulfilled by the traditional banking sector.
Innovativeness	The savings & credit association is an innovative governance model implemented in Albania exclusively by the Union network. This approach is unique considering it was established not through prior experience, but by following a "learning by doing" approach. In the process of adapting this model to the local context, ASC Union has struggled with the existing mentality and the general market immaturity of the credit & savings culture on the rural population.
Relevance given the context	The familiarity of the savings & credit association with its members allows for fast and adequate service delivery, a key requirement for rural clients. Engaging the nearly 800 local community leaders who form the head of savings & credit associations has been the key reason for successful implementation of the methodology.
Adaptability to other contexts	The savings & credit associations' model has been successfully replicated by other providers adapting services for target clients excluded from traditional financial networks. The concept behind "one member one vote" has proven to be successful even when it is transferred to other financial service providers as it has a great impact for both social and financial aspects, essentially narrowing the gap between service provider and person in need.
Efficiency	The savings & credit system implemented by ASC Union has proven to be cost efficient. Voluntary commitment and work is one of the key components of financial cooperative principles, enabling the institution to incur lower costs as compared with other institutions operating in finance/microfinance. Our volunteer based elected bodies strive to achieve high performance and sustainability of institutional operations.
Outcomes	More than 90,000 micro loans have been delivered since program inception, an enormous contribution to strengthen the private farm and rural economy. To date, over 40,500 rural households have benefit from financial services through either loans or savings deposits. Expanding financial access, this system presently covers 50% of the rural population or 37% of the villages in the country.
Sustainability	Each year, our institution has managed to maintain sustainability, as it is key to the performance of institution. The basic principles of our philosophy and the bond between the institution and our members form the pillars of sustainability. The dedication of local people on a voluntary basis combined with the professional management of operations guarantee sustainability in line with the social mission over the long-term.

SUCCESS STORY: MR. RRAPUSH KYÇYKU, OLIVE OIL PRODUCTION



Mr. Rrapush Kyçyku is from Tregan village, well known for its thermal water springs and the wide cultivation of the olive trees in the areas nearby. After he became a member of SCA Tregan in 2002, he thought about engaging in the production of olive oil. Thanks to a credit from this SCA, he managed to set up and expand a mini-plant for olive oil production.

In fact, he has now received his 5th loan after successfully repaying the previous 4 loans for the expansion of his oil production activity. The demands of this area for olive oil are increasing, meaning that additional investments in olive oil activities will continue to grow. After completion of these investments, he will continue to find financial support from SCA Tregan as the only and best possibility existing for the inhabitants of this area.

Good Practice | H

Microcredit Foundation Horizonti

CATEGORY:

Products and Services

GOOD PRACTICE'S TITLE:

Flexible agri-loan products

MAIN OBJECTIVE:

To design and develop an appropriate loan product with flexible payment schedules to meet the demands of rural clients for easier and more efficient loan repayment, adjusted to seasonal revenues and expenditures typical of agriculture businesses. The purpose of developing flexible agri-loans was to attract new clients and retain the existing clients who had difficulties managing the equal instalments schedule



In January 2000, Horizonti was created as a microfinance programme of the Catholic Relief Services-USCC in Macedonia. By July 2005, the programme had spun-off from CRS by registering as a local Foundation. Horizonti's financial services consist of business and agriculture loans for working capital and the purchase of fixed assets, and small housing loans for reconstruction and repairs. Group loan amounts range from €250 up to €1,500 with a 6 to 12 month repayment period and individual loans are from €1,000 up to €10,000 with a repayment term up to 60 months.

Mission of the organization

Horizonti's mission is to provide sustainable and continuous access to financial services to low-income, economically active populations in Macedonia, primarily women-entrepreneurs and representatives of the socially excluded and marginalized groups in order to support and develop small businesses, create new jobs and improve the quality of life.

Governance structure

Horizonti is an institution with strong commitment to the achievement of social goals and the creation of positive impact for its clients. The governing bodies are the Founder (CRS) and the Board of Directors, which is composed of five independent individuals with expertise in areas of interest for the organization to ensure adequate balance between social and financial returns. Board membership is approved by the Founder.

MFI factsheet

Type of organization	Foundation
Country	Macedonia
Year of inception of the good practice	April 2013
Services and products provided	Group and individual small business loans, housing loans
Portfolio (€)	3,740,000
Avg loan size (€)	1,700
Number of clients	2,987
% of rural clients	34%
Typology of rural clients	Cattle-breeding, crop and vegetable production
Website	www.horizonti.org.mk 

GOOD PRACTICE

Horizonti initially targeted rural agriculture clients in 2006. The first loan products offered were group and individual loans. Individual loans had a fixed repayment schedule with equal monthly instalments and a grace period up to 6 months, with the client deciding whether to use it. Over time, Horizonti noticed that small farmers, in particular those with seasonal production, had a problem to manage their repayment schedule, especially during the low-income season.

After a survey of existing clients, management decided to develop new agriculture products that allowed clients' to repay bigger portions of the loan principal during peak sales periods and smaller instalments during the investment period. The development of the new loan products, MIS implementation of product features and testing lasted for 12 months, until the official launch in April 2013.



Target group

The good practice target group consists of small rural farmers, especially crop and vegetable producers. The monthly cash flow heavily fluctuates over the production cycle for these types of agriculture businesses. These clients typically borrow during the investment season in a given period and prefer during to pay the smallest instalment (interest only) during this time.

Innovativeness

The flexible agri-loan products enable borrowers to select up to 6 months within a year in which they can choose the instalment amount. The minimum instalment amount is equal to the monthly interest and the maximum annual payments of principal should not exceed 30% of loan amount. These limits are pre-defined in the loan software, which uses an advanced calculator for monthly interest calculations. Usually, other financial institutions offer only grace periods (only interest payment) at the beginning of loan maturity or an option to pay a limited number of bulk instalments or bullet payments.

Relevance given the context

The flexible payments module enables clients to review the business cycle of their agricultural production and sales, and adjust monthly instalments based on expected monthly cash flow. The payment schedule of subsequent years is usually a replication of the first year, but it can change depending on the client's long-term business plan.



Adaptability to other contexts

This innovation is very practical and could easily be transferable to other contexts, especially if there is a similarity with the target groups. It could be used for other types of businesses that face uneven monthly revenues and expenditures. The product design could be modified based on the requirements of clients, in terms of loan size, maximum or minimum instalment, number of flexible payments, etc.

Efficiency

The implementation of this innovative loan product required the allocation of substantial resources, especially for software upgrades/modifications and staff training. However, the investment is cost-effective if we take into consideration the portfolio growth since the flexible agri-product introduction in April 2013. By December 2014, the agricultural loan portfolio has increased by 100%, of which 50% was achieved with the new flexible agri-products.

Outcomes

Since the introduction of the flexible agri-products in the rural markets, Horizonti has disbursed 266 loans in amount of 690,000 EUR (as of December 2014). Another confirmation of the product's efficiency is the impressive portfolio quality. The portfolio at risk (PaR30) of flexible agri products, as of Dec 31, 2014 was 1.4%, which is much lower compared to the remaining agriculture portfolio (4.7%)

Sustainability

The results achieved to date have met the expectations of Horizonti management and confirm the sustainability of this innovative loan product. Horizonti's strong MIS enables regular monitoring of the progress and quality of this practice. On-going client feedback received through interactions with loan officers and future client surveys should ensure the provision of flexible loan products that suit client needs and preferences

SUCCESS STORY:

**BERTA GLIGUROVSKA, SUCCESSFUL WOMAN-FARMER
FROM DOLNO SRPCI VILLAGE, PELAGONIA REGION**



Berta, in the pig farm,
December 2014

Berta and her family (husband and two children) live in Dolno Srpce village located in the Pelagonia region. Berta's family are typical farmers with diversified agricultural production: crops, small vineyard and a pig farm which is the main farming activity. She found out about Horizonti in 2010, when a Horizonti loan officer visited their small village. Without any prior lending experience, they were very pleased from the kindness and patience expressed by the loan officer in presenting Horizonti's loan offer. They borrowed was 1,000 EUR for the first loan, and subsequently they borrowed another two times. However, due to the equal instalment schedule, they had to apply for a loan size with affordable instalments to be repaid during the low season.

When they found out that Horizonti started offering new loan products with flexible payment, Berta and her husband decided to expand the pig farm and build new boxes for small pigs. They applied for a 10,000 EUR loan with an adjusted repayment schedule that fit their business cash flow. "It wouldn't be possible to enter into this investment, if we have to repay this loan amount in equal instalments," said Berta's husband. "Now, we feel much more comfortable, we can better manage and plan the income and expenditures, including the loan repayment. Before, there were difficult periods to collect the instalment amount, especially during the low income periods when money was needed to invest in the business".

Good Practice | I

Kreativ Finanz Mecklenburg GmbH

CATEGORY:

Products and Services

GOOD PRACTICE'S TITLE:

Relationship-based microcredit for rural clients



MAIN OBJECTIVE:

To provide microloans to small rural entrepreneurs without access to finance from private banks or public promotional loan programmes

Kreativ Finanz Mecklenburg GmbH was founded as a microfinance organisation in 2011 in order to finance small entrepreneurs in the Mecklenburg region. Kreativ Finanz passed the accreditation procedure of Deutsches Mikrofinanz Institut (DMI) and started its operations in 2012 in the frame of the federal, partly ESF-funded 'Mikrokreditfonds Deutschland'. The company is located in the essentially rural area of Mecklenburg in the district of Rostock in North-Eastern Germany.


Mission of the organization

Kreativ Finanz Mecklenburg GmbH supports small, full or part-time entrepreneurs in the Mecklenburg region through microcredit on the basis of trust in the person and plausibility of their business concept. Kreativ Finanz attaches great importance to personal knowledge of the entrepreneur; loan decisions based on the individual, but also reasonable revenue to cover operational expenses.

Governance structure

Kreativ Finanz Mecklenburg is a limited liability company managed by Volker Weiß and Hans-Andreas Reincke. Michael Henkenjohann works as the principal loan officer. Kreativ Finanz has a primary office and another small branch office. It is accredited by the German microfinance umbrella organisation Deutsches Mikrofinanz Institut (DMI).

MFI factsheet

Type of organization	Non-bank financial institution
Country	Germany
Year of inception of the good practice	2012
Services and products provided	Microloans for business purpose
Portfolio (€)	806,000
Avg loan size (€)	6,813
Number of clients	86
% of rural clients	73,3%
Typology of rural clients	All types
Website	www.kreativ-finanz-mv.de 

GOOD PRACTICE

Kreativ Finanz primarily focuses on rural clients in the personal and health services, transport and crafts sectors. The organisation has developed a specific approach and methodology adapted to its rural clientele, which applies highly individualised and flexible loan analysis, approval and support procedures.

The methodology includes a personal interview with each applicant who has passed the first loan application screening. During the first personal meeting, Kreativ Finanz screens the applicant's financial capacity and proposes him or her an adapted loan product in terms of guarantees, loan term and amount. However, in addition to the client expectations, Kreativ Finanz clearly explains its own expectations regarding the loan preconditions and repayment procedure. Often this is followed by a second meeting at the client's place of business, which also gives Kreativ Finanz the possibility to observe the business premises and local environment of the applicant. The client subsequently decides him- or herself if he/she fits the Kreativ Finanz culture and if he/she can and wants to fulfil the MFI's needs.

Often clients withdraw from their application at this point in time. However, if the applicant understands the needs of Kreativ Finanz, there is a 70% probability of coming to terms. This very close contact, the attempt to find a joint solution, creates mutual trust and a mutual interest for support. Kreativ Finanz will distribute the loan (based on four-eyes-principle) and the client will repay according to the loan agreement

**Target group**

In line with the economic tissue in the rural region of Mecklenburg, the microlending methodology of Kreativ Finanz is targeted towards rural clients in the personal and health services, transport and crafts sector. The financing of agricultural business activities is excluded (due to European Social Fund rules). Loans are mainly provided for small investments, working capital and payment of outstanding liabilities.

Innovativeness

People seeking a loan at Kreativ Finanz have tried a number of other financing possibilities. They often come from unemployment or other socially disadvantaged backgrounds and have experienced a loss of autonomy and self-confidence. Very close support and high loan flexibility is therefore needed. The microlending methodology of Kreativ Finanz is innovative because it gives the client back his or her responsibility while creating an atmosphere of personal knowledge and mutual trust.



Relevance given the context

Kreativ Finanz developed its rural microlending methodology based on the diagnosis that a financing solution was needed in the region of Mecklenburg for small, rural entrepreneurs who do not meet the criteria to access private bank finance or public, promotional loan programmes due to unemployment, small capital needs, specific business sectors viewed as particularly risky, bad credit-worthiness, etc.

Adaptability to other contexts

The methods employed by Kreativ Finanz can be transferred to other rural regions. As a precondition for success, excellent local knowledge and a strong mission to closely support small rural business people without expecting high financial return is required.

Efficiency

Aside from the high rate of loan approval that reduces costs per loan, Kreativ Finanz has a very low default and PaR rate which contributes to a reduction in cost. This justifies a more expensive application process as compared to exclusively technology-based procedures.

Outcomes

Kreativ Finanz has so far remained small which can be explained by the fact that it fills a financing gap in a landscape with a dense private bank network and public promotional loan programmes. Nevertheless, Kreativ Finanz has proven successful in a local rural context. It has an outstanding repayment rate of 99.6%. Moreover, post-loan follow-up of each client has shown that all except two of the financed enterprises are still active.

Sustainability

In order to maintain its sustainability, Kreativ Finanz shares staff and office infrastructure with another company owned by one of the shareholders. Secondly, marketing is mainly done via cooperation partners (chambers, local contacts etc.). Finally, the MFI attaches highest importance to low default rates so as to reduce time and resources for crisis intervention, which is one of the most important cost drivers in the microloan process.

SUCCESS STORY: GARDEN CENTER PETER WETZEL, GNOIEN

Three generations – one garden center: owner Peter Wetzel together with his wife Monika (middle) as well as father Helmut (left) and son Stefan.

Wetzel garden center has existed for 110 years and is today owned by Peter Wetzel, 52 years old. From a 2,000 m² greenhouse, the father and son annually grow around 200,000 plants, especially bedding and balcony plants, as well as tomatoes and cucumbers. These are sold in their three small flower shops in the rural area.

At the end of 2014, the company ran into a very precarious situation: due to road construction works right in front of their entry door, turnover dropped sharply. By winter 2014/2015, their financial reserves were completely depleted.

With the help of a 10,000 EUR microloan, the company survived winter and was able to finance advertising activities once the construction works ended. Today, the company is doing well and predicts that 2015 could be the most successful year in recent history.

Good Practice | J

Savings Bank Moznosti

CATEGORY:

Products and Services

GOOD PRACTICE'S TITLE:

Client segmentation as a new approach in rural markets

MAIN OBJECTIVE:

Target group policy to set standards for each target group and each segment within that group, which are basis for suitable product design for clients' needs and capacity. This enables Moznosti to balance satisfying client needs and preventing over-indebtedness



Moznosti is the first microfinance institution in the Republic of Macedonia. It was founded in 1996 as a non-profit and non-governmental association of citizens. In 2000, Moznosti, transformed from an NGO into a savings bank and has a branch network throughout the country. Today, Moznosti has more than 125 employees. The savings bank is a partner of the global microfinance network Opportunity International, USA.


Mission of the organization

We believe in free initiative, individual creativity and personal responsibility. Our mission is to provide opportunities for people in need to gain support for their good business ideas. We expect people to help themselves, their families and the community with their businesses. In this way, our organization will become a respected entity in the financial market.

Governance structure

Moznosti is governed by a Board of Directors (composed of six members) and a CEO. The Board of Directors controls the legality of operations and is responsible for the stability and efficiency of the institution. The CEO leads and organizes the organization. Together with the management team, the CEO initiates and implements operational improvements.

MFI factsheet

Type of organization	Savings Bank
Country	Republic of Macedonia
Year of inception of the good practice	2010 April
Services and products provided	Loans (business loans, agricultural loans, consumer loans, HABITAT loans, SME loans) and Deposits (Denar deposits, Denar deposits-Flexy, Denar deposits indexed for euro)
Portfolio (€)	25,005,736 (as of February 2015)
Avg loan size (€)	3,451 (as of February 2015)
Number of clients	7,245 (as of February 2015)
% of rural clients	30.5%
Typology of rural clients	Mostly farmers but also some micro and small business clients, employees, pensioners and students
Website	www.moznosti.com.mk 



GOOD PRACTICE

Segmenting clients into five target groups is the main pillar of target group policy. Each target group has two or three segments. For the agro-loan target group, the segments are defined by annual income and the asset ownership (ex. arable land, vineyard, breeding stock, machinery, etc.).

For the agro-loan target group, there are five products: Perduv (Feather) for the 1st segment (fixed assets and working capital), Detelinka (Clover) for the 2nd segment (fixed assets and working capital), Sonchogled (Sunflower) for the 3rd segment (fixed assets and working capital), Domakinski (Household) for all segments (consumer needs) and HABITAT loan for all segments (house improvement loan). The total exposure for a single agro-loan client is up to 80% of client's total annual business income. This is the maximum exposure for all financial institutions, meaning that all current loans plus the amount of the new loan can't exceed 80% of client revenue.

Target group

Target clients live in rural environments. Their main occupation is agriculture and very often all family members participate in this activity. They have lower living costs and very often produce food for self-consumption. The purpose of the loan products can be for the agricultural activity, consumer loans and housing loans. Therefore, the loan products suit the needs of these clients

Innovativeness

When clients apply for a loan, the starting point is first to define the client segment rather than obtaining the loan amount and purpose. Then, according to the segment and client's profile, a client relationship officer offers a product mix with predefined conditions (maximum loan amount, minimum and maximum tenor, flexible or equal instalment, collateral, interest rate). This concept is fully initiated, developed and implemented by our employees.

Relevance given the context

We design loan products according to the financial capacities of our clients. This practice has helped protect our clients from over-indebtedness. By protecting our clients, our most valuable asset, we protect ourselves and financial sustainability.

Adaptability to other contexts

The MFI should know the characteristics of their clients and how they generate income (ex. from micro or small business, from agriculture activities, etc.). The MFI should design loan products suitable to each target group segment. The MFI should also adapt their MIS and credit committees to support this practice.

Efficiency

Since April 2010, our client relationship officers are more efficient as they avoid unsuitable clients at the moment of application. This practice has contributed to decreasing PaR30 for rural loans from 10% to 5%, increasing financial stability, profitability, client retention and improving the reputation of the institution.

Outcomes

From April 2010 to February 2015, 6,217 loans were disbursed in the amount of 21,745,324 EUR. 96% of these loans have been approved for farming activities (Perduv, Detelinka and Soncogled), 1% of consumer loans for farmers (Domakinski loan), and 3% to improve housing conditions (HABITAT).

Sustainability

Since we have initiated this practice in April 2010, we have been met with effective and efficient outcomes. Moznosti consistently follows up on the needs of rural client, asking their opinion through several methods such as field visits, handling customer complaints, analysing dropout rates, etc. This information has helped us to meet client needs and improve our policies and procedures.



SUCCESS STORY: NIKOLA POPOV

Nikola Popov lives in the village of Kurija, near the town of Negotino. He lives with his family: his mother, wife and two children. He has worked agriculture his entire life. He inherited the agricultural activity from his parents, and he successfully maintained and improved the practice. Moznosti has helped him to expand his activity by making loans for investments in modern methods of agricultural production and modern farming machinery. Today, he has multiple agricultural activities such as greenhouses, fruit growing and viticulture. In 2010, he registered his agricultural activity and has since applied for governmental agricultural subsidies.

Nikola is part of the Agricultural target group and according to his annual agricultural income and the quality/quantity of his fixed assets, he belongs to the 2nd segment. The maximum level of total indebtedness to all financial institutions for Nikola is 80% of his annual income. He has mainly applied for loans for his agricultural activity, expansion of viticulture and fruit plantation and construction of greenhouses. Nikola and his family are currently servicing a loan for improving home conditions.

SUCCESS STORY: DRAGI PETROV

Dragi Petrov lives with his wife and children in the village Dragobraste, near the town of Vinica. Until 2009, the family's main agricultural activity was growing crops and providing services to other farmers using his farm machinery. Using the Moznosti loans, Blagoja is expanding his family's agricultural activities. Since 2009, again supported by a Moznosti loan, they started investing in viticulture. In 2007, Dragi founded his own company, "AGRO BOEL".

He was given state land on a 30-year concession for raising vineyards. According to his annual agricultural, viticulture and machinery services income, he belongs to the third segment.

The Moznosti loans have supported him both as an individual farmer and as a registered company. In the future, with the help and knowledge of his son, who is currently on the faculty of agricultural studies - enology department, he intends to open a small vine house. He acts professionally, constantly attending fairs and keeping up with the latest agricultural news. Dragi has also contributed to decreasing unemployment in the area. Because he has expanded his activities in multiple segments, he is hiring seasonal workers during the harvesting period while also providing employment for one full time worker.

Good Practice | K

Fejér Enterprise Agency

CATEGORY:

Technological Innovation

GOOD PRACTICE'S TITLE:

Internet-based loan management system

MAIN OBJECTIVE:

To provide the easiest access to microloan products for clients with the help of the Internet to ensure fast and efficient administration



Fejér Enterprise Agency (FEA®) was established in 1991 by 47 founders.

The main objectives of the Foundation are to facilitate the establishment and development of micro, small and medium-sized enterprises in order to enhance their ability to provide employment for themselves or for others and to boost economic activity. The foundation provides business development services, e-learning, legal and taxation advice.

Mission of the organization

The mission of the foundation is to provide high-level, easily accessible financial, advisory and training services in Hungary to start-ups and existing micro and small enterprises operating in the Transdanubian region in order to improve their skills and abilities, which enable clients to make their financial situation, social standing and living conditions better.

Governance structure

Being a foundation, the governance structure of FEA is defined by the Hungarian rules of law. The founders' meeting and the Board of Trustees set up by the founders manage the assets of the foundation. The Board of Trustees set up the operative body, which is managed by the Managing Director and who is responsible for the organisational performance and the realization of the foundation's business plans.

MFI factsheet

Type of organization	Foundation
Country	Hungary
Year of inception of the good practice	2009
Services and products provided	Microloans and Business Development Services
Portfolio (€)	5,940,000
Avg loan size (€)	15,180
Number of clients	564
% of rural clients	100
Typology of rural clients	All kind of rural clients
Website	www.rva.hu 

GOOD PRACTICE

In Hungary, considering the number of offices in the countryside, the resources of the Local Enterprise Agencies are rather moderate; therefore, a different solution had to be developed to reach rural clients. In order to provide access to financial resources, the CREDINFO® system was developed, allowing rural clients to submit a loan application online. After completing the online steps, the final version of the application is generated and recorded in the system with the push of a button. After this step, the client has no more work to do. The process continues with the online assessment management system, which enables the evaluation of loan applications.

As a result, rural clients do not need to go to the loan offices located in big towns. They can submit their loan applications online. In addition, the client can receive help online. By entering a code appearing on the loan application screen, the online helpdesk can have access to the screen on which the client is currently working and solve the client's problems immediately. This technology can also provide significant help when writing the business plan, which can be a great advantage for rural clients.



Target group

Customers who want to apply for loan products in the simplest possible way. The system offers fast administration on the Internet, and customers can select from the full product range.

Innovativeness

The innovative feature of CREDINFO® is that it can be easily adapted to the language and legal requirements of various countries. It also does not have any system requirements as it can be run on a web browser. It has logins for both front and back office. CREDINFO® is an effective tool to foster local economies and to speed up the loan assessment process. CREDINFO® can also be used to measure outreach and has additional features such as a training module and a dashboard for the management system.

Relevance given the context

In Hungary, the entire microfinance sector uses this technology. This is not software but a service that is automatically adapted to the special needs of clients. If the client has a special demand for the calculation of interest or they use a different loan application method, the service is adapted to their practice during the adaptation process. CREDINFO® is more flexible than the off-the-shelf software and more affordable for smaller MFIs.

Adaptability to other contexts

The system is easily transferable. It can always be adapted to the needs of the organization. In the DIFASS program (which was an INTERREG program), two programs were found adaptable out of the 60 European programs examined. One of them was this practice. From the DIFASS program, the system became available for MFIs in the English, Spanish and Italian.

Efficiency

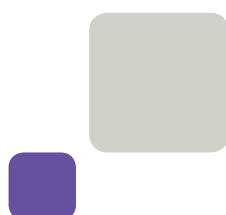
Due to this technology, MFIs can achieve cost-efficient and fast operation despite the scarce resources.

Outcomes

The user base of the CREDINFO® system has increased continuously and exceeds thirty today whereas it started off with 8 users in 2008. The number of active clients using the system has also increased over the years to 7,400 in 2014. We would like to emphasize that this volume does not exhaust the technical capacity of the system. Finally, we note that all Hungarian microfinance non-profit organizations use this system and it has also been adopted by a significant number of profit-orientated organizations.

Sustainability

The model is sustainable as long as there are MFIs using it. The further and continuous development of the system is paid by all the organisations using it. The system is also cheap because the MFIs do not have to purchase the software; they can enjoy the benefits of the system by paying a monthly fee. Finally, the service provider has a cost-efficient work structure.



Good Practice | L

Opportunity Bank Serbia

CATEGORY:

Technological Innovation

GOOD PRACTICE'S TITLE:

Tablet technology as a tool for improving service to small rural farmers



OPPORTUNITY
Bank Serbia

MAIN OBJECTIVE:

To enable Opportunity Bank Serbia (OBS) clients in rural areas to receive preliminary loan decisions within 45 minutes from entering all information into the tablet application which was specially developed for OBS. As OBS loan officers visit clients at their farms, the tablet technology improves service and efficiency while also reducing travel costs

OBS is a Community Bank specialized in microfinance, providing micro, rural, agro and SME loans as well as other financial services to Serbian clients that cannot ordinarily access financial services from traditional banks.

In 2002, OBS became a member of Opportunity International Network located in Chicago

Mission of the organization

By providing financial solutions and training, we empower the underserved and financially excluded people to transform their lives, their children's futures and their communities.

Governance structure

OBS is a Joint Stock Company. The General Assembly represents the highest body, which elects members to the Bank's Board of Directors. The Board of Directors defines the bank's policy and strategy, as well as its Mission. The bank's Executive Board Members are elected by the Board of Directors. The Executive Board is responsible for the bank's daily management.

MFI factsheet

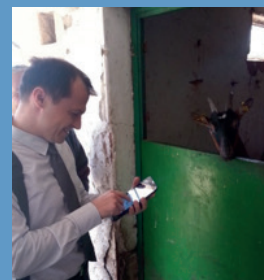
Type of organization	Bank
Country	Serbia
Year of inception of the good practice	2014
Services and products provided	Loans for farmers, entrepreneurs and micro personal clients, savings, money transfers, payment transactions.
Portfolio (€)	64.9 million (as of Dec 2014)
Avg loan size (€)	2,232
Number of clients	27,878 (as of Dec 2014)
% of rural clients	55%
Typology of rural clients	Mainly farmers
Website	www.obs.rs 

GOOD PRACTICE

Near the end of 2013, OBS initially thought to develop tablet technology that could provide near instant loan pre-approval when visiting clients in remote, rural areas for loans up to 3,000 EUR. The idea was to develop credit scoring within the tablet application that would be directly connected with the Bank's MIS, so that the data entered into the tablet is automatically fed into OBS Core System, speeding up the final loan approval process. Simultaneously, the bank's expenses related to loan officer travel would be reduced as well because OBS loan officers would be able to approve three loans per day instead of just one. In addition, they would only need to visit a client once, instead of two or three times, before the final loan approval. The tablet was introduced in September 2014 after extensive development, testing and pilot phase.

SUCCESS STORY: OBS LOAN OFFICER

Story shared by an OBS loan officer: "In September 2014, we had reached an agreement on subsidized lending to small farmers with Obrenovac municipality and got the list of 200 agricultural households in need of agro loans. As only two of us were in charge of this territory, we had to make a plan for the visits and the plan was to complete this project in two months. We were worried that we will not make it in such a short time. In the first week, we processed 25 loan applications – I was doing my loan applications in the usual way, while Nedeljko, my colleague, processed his using tablet. I was staying late every evening, while Nedeljko went home in time and still had twice as many loans processed?! I realised that I was missing something that could help me be more efficient and provide faster and better service to my clients and decided to catch up. The next month, I processed 40 loans with the tablet (before that, my personal record was 17). I now visit 5-6 clients a day and am able to respond to them the same day, which was impossible before. For me it has really paid off."



Target group	Rural areas in Serbia cover 85% of its territory, 55% of its population and account for 41% of the GNP. Rural areas have pronounced poverty and considerable limitations to development. The dominant economic activity in rural Serbia is agriculture, accounting for some 45% of the workforce. Income of small, rural households in Serbia is diversified into income from employment other than agriculture, income from sale of agricultural produce and income drawn from pensions.
Innovativeness	Compared to the other MFIs operating in Serbia (Agroinvest, Micro Development and MicroFins), use of the tablet as a loan approval tool by Opportunity Bank is absolutely unique. The majority of Serbian banks only approve loans within their branches, meaning that clients need to come to the bank several times, and none of the banks use tablets for these purposes as far as we know
Relevance given the context	Use of tablets in the loan approval process has improved our sales pitch and customer service, increased efficiency and reduced costs, all without requiring our loan officers to duplicate their work. It is easy to use and has been well received by our loan officers and clients.
Adaptability to other contexts	OBS had a good base for the project: a sound agro-loan methodology and loan portfolio, robust and scalable MIS and three years of behavioural data that was used to design a reliable scoring model. Serbia's Credit Bureau provides accessible, reliable and comprehensive reports that enable quality loan decisions, and solid mobile telecommunications that allow us to access our MIS from the field. If these preconditions are met, this project is adaptable to other contexts.
Efficiency	OBS has invested less than 20,000 EUR into this project and while the results have been great so far, it is still too early to make any final conclusions. Our goal is to make loan decisions within 45 minutes (currently 3 days), increase loan officer productivity from 12 to 16–20 loans per month, cut loan-processing time from one day to two hours and track the acquisition time and patterns of our loan officers.
Outcomes	OBS currently has 30 tablet devices used by 48 agro-loan officers (we have trained 39 to date). Since the tablet introduction in September 2014, OBS has processed and approved 1,424 loans in the amount of 2,013,600 EUR with the tablet. This represents more than 55% of total number of loans less than 3,000 EUR and over 50% of the total amount disbursed in loans less than 3,000 EUR in OBS in the period.
Sustainability	Business intelligence is integrated into the Core Banking System module for credit scoring and interface functionalities for the Credit Bureau and scoring are also part of the Core Banking System. These components are covered by routine maintenance. We have no maintenance contract for the tablet application, for now are paying additionally for any new functionality that we specify.



Good Practice | M

SIS Credit

CATEGORY:

Value Chain approach

GOOD PRACTICE'S TITLE:

More than a loan

MAIN OBJECTIVE:

To help inform clients from rural areas about financial services, how to develop their businesses and to receive a fair price for their production



SIS Credit is a microfinance institution established in 2006 and registered as a non-bank financial institution by the Bulgarian National Bank in accordance to the Law governing credit institutions in Bulgaria. SIS Credit offers loans to micro and small enterprises, agricultural producers and entrepreneurs, who want to start their own business. We believe that funding is only the first step in making an idea come true, consulting makes everything possible. This is why we provide a wide range of business development services to our clients and strive for fast and effective resolution of every financial issue.

Mission of the organization


With respect for the client and his needs, we strive for a fast and effective resolution of every financial issue. Our goal is to encourage entrepreneurship and to grant access to funding for the clients with limited financial means, and we try to support the creation of new jobs in the depressed economic regions in Bulgaria.

Governance structure

Shareholders of SIS Credit are Sofia International Securities, one of the leading Bulgarian investment intermediaries, and Sofia Assets Management, a holding company specialized in strategic investments in private and public companies.

The governing body of SIS is the Board of Directors, which is elected by the general assembly and is composed by three members.

MFI factsheet

Type of organization	Non-bank financial institution
Country	Bulgaria
Year of inception of the good practice	2014
Services and products provided	Loans, BDS (in collaboration with other companies from SIS Group)
Portfolio (€)	2,300,490
Avg loan size (€)	4,675
Number of clients	462
% of rural clients	30%
Typology of rural clients	Small agricultural producers and other micro businesses
Website	www.siscredit.com 

GOOD PRACTICE

Our experience has shown that agricultural producers are not good in strategy and management in most cases. Furthermore, the lack of information and higher education has made rural clients the most vulnerable clients in terms of understanding financial products and assessing their own needs.

Our methodology is the following:

- 1) gain client trust and give all the necessary information,
- 2) analyse the business, e.g. what are the weaknesses (in production, machinery, funding structure, labour force, legislation requirements, etc.),
- 3) become an informal partner,
- 4) make processes more effective, negotiate better terms for buying different materials needed,
- 5) skip the many intermediaries in selling production and thus ensure a fair price (SIS Coop, a SIS sister company, is a continuation to this idea and is about to open a shop in Sofia for selling the client products).



Target group

Active, young agricultural producers (20-40 years old) who want to develop their business in a more efficient way.

Innovativeness

The following are examples of project innovation: (1) the use agents from the region that share the clients' mentality, (2) we have made assessment matrixes covering the main agricultural areas and clients' needs, (3) we provide all financial services that clients need thanks to other SIS Group companies (insurances, consultancy services from EU funding, optimization of funding structure, collection of receivables, selling of production, etc.).

Relevance given the context

Many agricultural producers are not aware of the options for developing and preserving their business, e.g. harvest insurance and stock, EU funding for modernization of processes, small producers negotiating pools to achieve better prices, avoid the selling of production at lower prices to big chains, etc. We teach them how to do what they really need to get the most out of their agricultural business.

Adaptability to other contexts

In theory, this practice could be transferred to all MFIs and all areas of business. In order to be successful in other contexts, the MFI would need to develop the client business idea while keeping in mind the local psychology, legislation, etc.

The tool adopted by SIS to assess client's needs, which selects the best financial services for each client among the more than 50 offered, could be easily transferred to other contexts.

Efficiency

Although the MFI puts effort into educating staff and expanding the assessment matrixes, the SIS methodology is cost-efficient because the client starts to use a number of financial products, not only loans. And of course, if the client is happy with the service, he will come again.

Outcomes

In the last year, we have consulted with hundreds of potential clients in rural areas. We could divide them in three groups: (1) businesses with potential are financed and supported in their further development, (2) clients that need other services more than they need loans; in this case we offer them other services from SIS Group, and (3) clients that don't want to make any changes to their business; in this case we don't offer any services.

Sustainability

Crucial factors for the sustainability of this methodology are regular monitoring, staff trainings, the forging of long-lasting relationships with regional state bodies, staying up to date with all requirements, legislation, etc.



SUCCESS STORY: STOCK BREEDER

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A stockbreeder came asking a loan to buy 100 more sheep. After assessing his needs, we understood that his business was inefficient, breeding sheep was not appropriate to the region, the way of raising was not good, etc. We made an action plan - what breed needs to be grown in this region, we made an insurance of the flock and after that we gave him a loan. We financed the purchase of 100 sheep but from the right breed. In this way, the business of client became efficient. Now we have an agreement to sell milk and cheese in SIS's shop rather than selling his production to big chains that are giving low and unfair prices to small producers.

SUCCESS STORY: AGRICULTURAL PRODUCER

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More and more clients from rural areas are coming to us and asking for help because of unethical financial institutions (the so called "fast loans providers" in Bulgaria). These institutions have a lot of hidden fees and are very expensive.

Clients couldn't understand the effective interest rate and nobody explains how to choose a financial institution. Furthermore, these institutions are not making repayment capacity analysis and are giving loans to everybody that makes a request.

We received a client who is an agricultural producer and who had 13 fast loans and where one of the "fast loan" companies had put strain on his farm. We made an analysis of the business and it revealed that most of the client's income was spent paying interest to these institutions.

Because they numbered 13 institutions, he had admitted some delays in payments, his credit history was not very good and there was no bank that wanted to give him funding. We decided to give him a loan to repay the other loans, including the one that was in litigation. Inspired from this case, we have put some advice on our website for what to look for when taking a loan and how to avoid being misled. We are also giving this information to clients in paper format. Recently, he has been consulted in options to receive EU funding under the program for development of rural areas that is expected to be opened in 2015.



Good Practice | N

Partner Microcredit Foundation

CATEGORY:

Value Chain approach

GOOD PRACTICE'S TITLE:

Rural Employment Generation Activity (REGA)



MAIN OBJECTIVE:

To foster rural development, self-employment, and improvement of household income, as well as decrease of import of soft fruits through linkage of individual producers, fruit buyers and processors. To provide technical assistance to beneficiaries, which is vital for the successful business running

Partner started its activities in April 1997 within the Mercy Corps Economic Development Department, which was registered as a local microcredit organization on December 11, 2000. In 2006, Partner was transformed into a microcredit foundation. Partner covers a large area in Bosnia and Herzegovina (BA), with 57 offices. In the local market, Partner is one of the largest microfinance institutions, providing microloans to some 41,000 clients, mostly from rural areas.


Mission of the organization

We support micro entrepreneurs, promote participation of women in business and offer easier access to finance services in rural areas. Within the entire BA, with door-to-door service, we provide good quality products and technical support, help increase living standards and increase employment by stimulating the transition to a market economy.

Governance structure

Management bodies of the Foundation include: Board of Directors, Director and Audit Board. Adequate foundation management is provided through a clear, process-oriented organizational structure with well-defined authorizations and responsibilities as well as efficient procedures for determining, measuring and monitoring the risks, mechanisms of internal controls.

MFI factsheet

Type of organization	Non-profit Foundation
Country	Bosnia and Herzegovina
Year of inception of the good practice	2008
Services and products provided	Microloans (up to approx. 5,000 EUR): loans for business purposes (for agriculture, entrepreneurship, trade, service production etc.), housing loans and loans for improvement of households' income
Portfolio (€)	57,225,568 (as of December 2014)
Avg loan size (€)	1,929
Number of clients	40,706
% of rural clients	87%
Typology of rural clients	Majority of clients are engaged in agriculture activities (soft fruit production)
Website	www.partner.ba 

GOOD PRACTICE

On December 2008, Partner, in cooperation with USAID, started implementation of REGA project. In accordance with the needs of soft fruit producers, Partner created a new loan product "Fruity loan", a commodity loan with a below market interest rate and the grace period up to 36 months. The commodity loan applies to the direct delivery of tested seedlings and water irrigation systems directly to farmers, with money paid directly to selected suppliers.

The tested seedlings are initially guaranteed for long term, healthy soft fruit production qualified for export to EU. The important part of the project is also provided with technical assistance. One of the major strengths of the REGA project has been in the development of market linkages, which ensures that the produced berries have a final market and that producers as well as processors are mutually satisfied with contractual agreements.





Target group

Beneficiaries of the project are economically active micro entrepreneurs, as well as individual farmers with difficult or no access to commercial sources of funds, involved in agriculture. Target groups also include farmers who do not have much experience in soft fruit production, however who are motivated and willing to learn and start their own soft fruit production and adopt new agricultural practices.

Innovativeness

The project is a unique initiative in the BA microfinance sector. The project includes providing financial services through commodity loans with technical assistance and cooperation with farmers, cooperatives and other market participants in finding the market for product placement. It is a value chain project, through which Partner offered its beneficiaries not just financial support, but also other non-financial services and trainings.

Relevance given the context

The main reason for such a rural development project is the lack of available finance sources for farmers who are mostly unregistered and unemployed. In addition, another problem in agricultural production is placement of products, which can be overcome with market linkages.

Adaptability to other contexts

All organisations focused on rural development can easily replicate the represented value chain, especially those with underdeveloped agricultural sectors. Each financial institution should have agricultural experts to advise clients during the process. Technical advisors also have an important role in raising awareness and presenting plans and income projections, especially in the areas where farmers have never produced soft fruits and are cautious at the beginning.

Efficiency

It is desirable to find grant assets to subsidize interest rates, since only a below market price is acceptable for agriculture due to the lack of insufficient subsidies from the State. Low interest rates are essential for agricultural loans. Also, it is recommendable to develop an internal team of trainers that can deliver financial education training.

Outcomes

During project implementation, Partner increased domestic soft fruit production by 5.5%; increased employment in the soft fruit (cherry and berry) sub-sector by 504 employees; increased household incomes of participating rural farmers by 33.3%, improved credit access and new credit opportunities for 504 soft-fruit farmers and decreased imports of soft fruit through increased domestic production by 0.26%.

Sustainability

Within this project, Partner facilitates the whole cycle from the initial planting to the placement of products. After the first yield, farmers are selling the produced fruit to buyers, who are identified and contracted by Partner. The buyers and fruit processors resell or export the fruits and farmers are paid. Farmers successfully repay loans, and plan the expansion of fruit production.

SUCCESS STORY: RASPBERRY ORCHARD FULL OF HOPE

Danijela Gajić lives with her husband, Dalibor, and three children in the town of Omarska, near Prijedor. They have been unemployed for years, and lacking other income, they have relied upon agriculture to produce an income. Their household is involved in the chicken breeding business and they have also installed a greenhouse where they grow various kinds of vegetables. As they felt the need to expand their production, the Gajić family decided to plant the raspberries on their plot size of 1,5 dunum. They were guided by the positive experiences of their friends and cousins who also planted this popular and in-demand fruit. To realise this project, they took a very favourable loan from Partner microcredit foundation with a two-year grace period. Since it was a commodity loan, they received 1,700 raspberry plants in total, and if everything goes as planned, they expect very good raspberry production and income.

“My husband was taking the loan for agriculture earlier and our previous experience was the main reason why we chose Partner again. Without that loan, we would not be able to establish the raspberry orchard. Currently, we are repaying the interests only, and we believe that after the end of the grace period we will be able to repay the credit instalments without any problems,” says Danijela Gajić.

Step by step, the Gajić family has adopted new agricultural production methods and improved their household budget. They have great expectations from the recently established raspberry orchard, and despite the numerous unknown risks and lack of experience, they still believe that their results will be such that they will have to expand the raspberry orchard.

SUCCESS STORY: STRAWBERRIES NEAR THE ŽIVINICE RAILROAD

It has been almost two and a half decades since Salih Kitić, a geology technician from Gornje Dubrave near Živinice, has been registered as unemployed in the local employment bureau. He provides for his family, a wife and two daughters, with part-time construction works.

While looking for a way to generate additional income for living, Kitić decided to use a very favourable credit line in Partner microcredit foundation for the development of fruits production and established a strawberry orchard. Although he had no earlier experience in growing fruits, he believes that he made a good choice. He took the commodity loan in the amount of 2,640 KM with a two-year repayment period, which is very important for fruit growers. The loan has a

one-year grace period during which he repays the interest only.

With a one dunum land plot, Salih planted 3,460 seedlings and considering the current status of the strawberry orchard, he expects a very good produce in the first year.

“I got the seedlings and everything else that is needed to achieve good produce, but I find the professional assistance provided by Partner MCF agronomist as the most important segment of this programme. Without that professional assistance, we would be unable to do anything, because we are gaining new experience every day, which helps us a lot in the production”, says Salih Kitić.

Good Practice | O

Vision Fund Albania

CATEGORY:

Value Chain approach

GOOD PRACTICE'S TITLE:

Rural empowerment and economic development through value chain integrated projects

MAIN OBJECTIVE:

To reach the historically under-served regions and their inhabitants, providing financial and non-financial support to improve local livelihoods and help them move away from extreme poverty



Vision Fund Albania (VFA) was established in 2001 under the umbrella of the World Vision Albania and is now owned and controlled by Vision Fund International.


It was registered in 2010 as a separate entity. VFA provides micro-loans to poor families in the rural communities primarily served by World Vision Albania, and also to the most vulnerable ethnic minority communities, the Roma & Egyptians living in suburbia.

Mission of the organization

To improve child welfare by giving parents new opportunities and strengthening their communities. VFA does this by offering affordable loans and professional services to the economically active poor, micro-entrepreneurs and small businesses; and also, by integrating the principles of environmental sustainability in all its operations.

Governance structure

The governance structure is made of the Board of Directors with five members from VisionFund International, World Vision International and World Vision Albania in addition to the internal senior management team led by the Executive Director.

MFI factsheet	
Type of organization	Non-bank financial institution
Country	Albania
Year of inception of the good practice	2012-2013
Services and products provided	• Business & agriculture loans
	• Social Loans primarily for education and health
	• Energy Efficiency for home renovation, solar panels etc.
	• Recycling of scrap (plastic/metal & paper)
	• Households' loans for home furnishing, electrical appliances, vacation, personal vehicles etc.
	• Startup loans for any
Portfolio (€)	1,855,275 (as end of Dec. 2014)
Avg loan size (€)	884.31 (as end of Dec. 2014)
Number of clients	2,098 (as end of Dec. 2014)
% of rural clients	69% (as end of Dec. 2014)
Typology of rural clients	Under-served clients who fall at the nationality poverty line of \$2/day
Website	www.visionfund.al 

GOOD PRACTICE

This project used to be a partnership between WorldVision Albania (WVA) and VFA to serve the extreme poor by financing and establishing an integrated agricultural value chain in three rural regions of Albania. By utilising the unique strengths and technical expertise of each of the two partners, this project was designed to reach these historically under-served regions and their inhabitants.

The project had three essential functions for creating economic empowerment:

1. To educate and coach farmers on basic business and entrepreneurial skills.
2. To provide financial assets in the form of credit to the most vulnerable clients (as identified by WVA) in the Area Development Programs (ADP) areas for livestock and agriculture activities.
3. To help create a crucial link between borrowers, suppliers, agricultural markets and other associated services.

The loans were offered from VFA with a maximum amount 300,000 LEK and minimum of 50,000 LEK; maximum loan term of 30 months, minimum 3 months with an average loan term 25 months including a grace period of 3 to 6 months.

For this project, WVA-ADP subsidized the cost of annual interest rate by paying the balance to VFA in advance. Consequently, there is no interest repayments required from clients.



Target group

For this project, World Vision Albania selected 90 families who had been receiving financial and non-financial aid in under-served regions for 10+ years with intent to move them away from extreme poverty. Only 79 families became part of the program due to some withdrawals while in the program.

The idea was to move these clients away from direct aid by helping them develop a sustainable business practice.

Innovativeness

The project was the first collaboration of its kind to serve the regions characterized by geographically dispersed clients, poor existing infrastructure, high exposure to diverse risks and would require a high operational cost to serve in the traditional microfinance model. This project was innovative due to the following: it offered financial literacy training, hired animal vets to check out the quality of animals, connected clients with animal suppliers and markets in most cases and offered zero interest on the loans.

Relevance given the context

The relevance of this project with regard to the context is that the target group was falling below the national poverty line and could not afford the full financial cost of the loan product. In addition, the target group was also given the opportunity for trainings on how to manage the new activity.

Adaptability to other contexts

The value chain projects can be easily transferable to others contexts, although there should be at least two partners for the collaboration. One of them could be a non-profit agency that aids those in extreme poverty and an MFI with a social mission to serve the poor.

Efficiency

It was cost-efficient because we helped households to get out of poverty that wouldn't otherwise have been able to do so. Some of them even came back with a request for another loan to expand their activities. As for VFA, it was a grant offered as a subsidized loan to clients..

Outcomes

Positive impacts in:

Lezha branch: 16 families with 86 family members and 43 children; three clients have received another loan and one client was written-off.

Korca branch: 35 families with 195 family members and 71 children; nine clients have received another loan and one client was written-off.

Elbasan branch: 28 families with 156 family members and 33 children; two clients have received another loan and no clients have been written-off.

Sustainability

This was one-time project with the possibility of running it again in the near future with other partners or even WVA. We believe that to be sustainable, the funding has to be given to other clients at the poverty line and with the same loan conditions. Then, after it first round of clients have repaid, the funding cycle can rollover.

SUCCESS STORY: ADRIANA MUCOLLARI

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Adriana Mucollari, a 30-year-old married mother of five; ages 14, 10, 7, 5 and 2 years old. They live in Drithas village of the Libonik commune, in the region of Korca. In 2013, she was selected as a beneficiary of the Value Chain Integrated Loan Projects. The purpose of these loans was to help households that fall below the poverty level of the clientele that VisionFund Albania serves. Until that time, Adriana's family of eight lived with only the \$80/month retirement pension of her mother-in-law.

With the dairy cow that they purchased through the project, their life since then has taken a turn for the better, “the cow has been producing about 15 litres of raw milk a month for ten months/year; from this, I sell 10 litres/day at a price of \$0.4/litre to some nearby dairy farms; thus, generating an income of \$4/day. With the rest of the milk, I've now secured the dairy needs of my family that I couldn't achieve otherwise. I managed to sell a baby calf as well for \$600 and my plans are that I keep the next female calf to expand the livestock,” said Adriana smiling in the interview.

SUCCESS STORY: TONE SHKEMBI

”

Tone Shkembi, a 43-year-old married mother of five, lives in the rural village of Torovica located in northern Albania. On August 28th, 2013, VisionFund Albania (VFA) granted Tone a loan of 300,000 Albanian Lek (ALL) to establish a livestock business. After purchasing 30 baby goats, Tone began to care for her animals by creating a basic housing and feeding system on her property.

As the life cycle of the goats continues to progress, so does the life cycle of the value chain; 22 of the 30 goats are due to give birth in two month- time. To prepare for the next generation of goats, Tone has decided to scale back sales for the next 6 months to ensure sufficient milk supply for the healthy development of the newborns. Within months, Tone gathered some information from local dairy farms to find out the price/kg of goats milk, which was \$0.48. At this rate, the milk provides enough net income to support her family, pay the balance on the loan and put some money on the side.

Tone now plans to increase her capacity by creating a dairy farm. A larger scope will allow Tone to produce goat cheese, thus increasing her profit margins to \$8/kg.



Learning from good practices in Europe

A lesson learned is knowledge or understanding gained by experience that has a significant impact for an organisation. It comes from solving real problems and the collection and dissemination of lessons learned could help to eliminate the occurrence of the same problems in future projects.

Following the presentation of 15 good practices that allowed us to explore innovative approaches and methodologies in rural microfinance, the present chapter tries to identify lessons learned that could assist European MFIs facing the same challenges.

As the provision of rural microfinance requires MFIs to adopt innovative responses in order to reach rural entrepreneurs in an effective and sustainable way, practitioners might find these lessons learned useful to design future strategies.

Taking stock of the good practices collected, a set of common lessons learned emerge:

- **A value chain approach** facilitates the adoption of innovations by clients and increases the profitability of rural businesses. For MFIs, it is important to develop market linkages between businesses, suppliers and final markets. In fact, contractual arrangements between producers and sellers and/or suppliers reduces price risk, enhances production quality and helps guarantee repayment. In order to be more effective, these arrangements could combine technical assistance and provision of specified inputs on credit.
- The **development of partnerships and alliances** with existing institutions and infrastructure may facilitate increased outreach and the provision of diverse services, thus ensuring better conditions for rural clients. Collaboration with governments and local NGOs/associations, partnerships with commercial banks or the development of innovative alliances including new stakeholders (e.g. rural entrepreneurs' clients) can be beneficial to better reach out and cater to the needs of rural entrepreneurs.

- The development of flexible **products and services** tailored to the needs of rural farmers/entrepreneurs is crucial for rural outreach. Flexible disbursement, repayment schedules and guarantee schemes allow MFIs to attract more clients. Nevertheless, the terms and conditions of the loans should not compromise MFI sustainability (portfolio quality, liquidity management, etc.). A key role in assisting rural clients to define loan terms and conditions is played by the loan officer, who should be carefully chosen from rural areas, well trained and visit clients in the field.
- **Technology** reduces transaction costs for both lenders and borrowers and creates the potential for sustainable rural finance. MFIs introducing technological innovations into their operations are able to reduce the higher transportation and communication costs found in rural areas. The training and commitment of loan officers and back office staff are critical for a successful introduction of non-traditional tools.

Before reviewing the lessons learned for each good practice, we want to stress the heterogeneous context of MFIs operating in rural Europe. European MFIs work across a number of countries that differ in terms of regulatory framework, governmental welfare policies and public support to the microfinance sector, level of socio-economic development, rural context inherent features, infrastructures, etc. Due to this variety of factors (and the various institutional types from small NGO to established bank), the application of some of the lessons learned out of the original context could be difficult. Keeping this in mind the following table presents the full set of lessons learned for each good practice collected.



TABLE 2: LESSONS LEARNED



MFI	Good Practice	Category	Lessons Learned
Adie (France)	Adie mobile van to develop new areas	Communication and Promotion	The temporary presence of loan officers in rural areas not covered by MFI branches tests customer demand and opens the possibility to seize promising new market opportunities.
			The presence of loan officers in underserved rural areas via mobile vans improves MFI visibility, builds trust and confidence and allows the MFI to reach strategic locations at low cost.
AgrolInvest (Serbia)	Successful rural microfinance through collaboration between MFIs and banks	Partnership development	In the absence of national regulation for the provision of microfinance, MFI and commercial banks partnerships allow for outreach to the rural unbanked.
			Such partnerships are successful only if both sides acknowledge, understand and respect the differences in organisational cultures, and are fully aware of their individual added values. It also requires individual champions on each side.
Airdie (France)	Airdie agricultural and rural division	Partnership development	A partnership approach involving regional government, MFI and local social economy organisations allows the provision of flexible loans at favourable conditions (zero interest rate) supported by business development services. In the long run, this approach should aim to facilitate the rural entrepreneur's access to the mainstream banking sector.
			Demonstrated public sector savings on unemployment benefits allows the MFI to create solid and fruitful partnerships with public authorities.
Albanian Savings & Credit Union (Albania)	Savings & Credit Associations model	Products and Services	Savings and Credit associations have strong social rooting in rural, local communities allowing the implementation of social guarantees (a member guaranteeing for other member). This methodology lets the MFI overcome the absence of collateral and increases the financial inclusion of rural clients.
			Membership-based organizations can facilitate rural access to financial services and be viable in remote areas.
Cresaçor (Portugal)	Microcredit Support Measure of the Government of the Azores	Partnership development	A partnership approach involving the mainstream financial sector, regional government and social economy sector allows the provision of favourable loan conditions and a set of comprehensive, tailored services fostering entrepreneurship in rural areas.
			The support of a qualified multidisciplinary team during the entire loan cycle empowers the rural entrepreneur and enhances the sustainability of the business proposal.

TABLE 2: LESSONS LEARNED



MFI	Good Practice	Category	Lessons Learned
EKI (Bosnia and Herzegovina)	EKI Business club	Communication and Promotion	The advertising of business opportunities and the creation of connections among MFI customers could improve the potential market for rural clients.
			Rural clients need to be connected across traditional communication channels. Future adoption of the online tool by rural clients should be facilitated by the MFI.
Fejér Enterprise Agency (Hungary)	Internet-based loan Management System	Technological Innovation	Economies of scale in the provision of online services allows MFIs to reduce costs and reach rural clients in the most remote areas not covered by branches.
			Technology can help reduce the higher transportation and communication costs found in rural areas
Horizonti microfinance (Macedonia)	Flexible agri-loan products	Products and Services	The development of flexible products tailored to the needs of small, rural farmers allows MFIs to attract more clients and retain those who have difficulties in managing equal instalment schedules while keeping PaR30 under control.
			In order to be successful, the introduction of flexible agri-products should be preceded by a thorough analysis of the rural client's business, piloted in selected branches, backed by robust and scalable MIS and continuously updated through client feedback.
Kreativ Finanz Mecklenburg GmbH (Germany)	Relationship-based microcredit for rural clients	Products and Services	The provision of personalized and flexible loans, together with close monitoring and tailored support procedures, builds trust and confidence in the MFI and reduces rural clients' risk of default.
			Loan terms and conditions that are adjusted to accommodate cyclical business (and exceptional) needs should not compromise MFI sustainability.
Mag 2 Finance (Italy)	Solidarity alliance for small business loans	Partnership development	Innovative alliances between small farmers/producers and their clients are emerging. In this context, small farmers/producers could be financed by their clients together with the MFI.
			Co-financing schemes allow MFIs to improve the size and conditions of the loan, thereby reducing the level of risk borne by the institution.
Opportunity Bank (Serbia)	Tablet technology as a tool for improving service to small rural farmers	Technological Innovation	Adoption of technology that cuts loan processing time (e.g. tablets) increases loan officer productivity and reduces travel time and expenses to reach rural clients in the field.
			Faster loan processing technologies should be backed by robust and scalable MIS, a suitable loan methodology, quality portfolio and comprehensive data on clients. The training and commitment of loan officers and back office staff is also crucial for the successful introduction of non-traditional loan processing tools

TABLE 2: LESSONS LEARNED



MFI	Good Practice	Category	Lessons Learned
Partner Microcredit Foundation (Bosnia and Herzegovina)	Rural Employment Generation Activity	Value Chain approach	A comprehensive value chain approach based on the development of innovative agri-products, the provision of technical assistance, the selection of qualified suppliers and the development of market linkages facilitates the adoption of new and more profitable agricultural practices by rural clients.
			The role of technical advisors is fundamental in raising awareness among rural farmers on new crops and techniques. Brochures and videos on the advantages of new techniques could also be beneficial.
Savings Bank Moznosti (Macedonia)	Client segmentation as a new approach in rural market	Products and Services	The segmentation of the agricultural clients (e.g. according to their level of income and asset ownership) and the development of tailored products for each segment enables clients to develop their business and prevents over-indebtedness. If well implemented, client segmentation can also improve MFI portfolio quality.
			Segmentation of the target group policy should be backed by solid MIS, loan management procedures and credit committees.
SIS Credit (Bulgaria)	More than a loan	Value Chain approach	The provision of a wide range of integrated consultancy and financial services could complement the disbursement of the loan, allowing clients to boost the efficiency and profitability of their businesses.
			A value chain approach that connects rural clients with urban markets (e.g. creating cooperatives to sell products in the cities) could guarantee better trading conditions for clients and a higher repayment rate for the MFI.
Vision Fund (Albania)	Rural Empowerment and Economic Development through Value Chain Integrated Projects	Value Chain approach	The improvement of farmers' business and entrepreneurial skills, the supply of technical expertise and the development of a value chain strengthening farmers' linkages with the final market improve the clients' repayment rate and business profitability.
			In order to effectively fight extreme poverty in rural areas, partnerships between socially oriented MFIs and non-profit organisations to support very poor households could be developed.



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