



FONDAZIONE
GIORDANO
DELL'AMORE



EUROPEAN MICROFINANCE
network

The Experiences of the Finalists 2012 and Winner 2011

Giordano Dell'Amore Microfinance
Good Practices Europe Award 2012



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Acronyms & Abbreviations

AV	Average	MCO	Microcredit Foundation
BDS	Business Development Services	MF	Microfinance
BiH	Bosnia and Herzegovina	MFI	Microfinance Institution
EBRD	European Bank for Reconstruction and Development	MxA	Microcredit for Abruzzo
EFSE	European Fund for Southeast Europe	MxIT	Microcredit for Italy
EMN	European Microfinance Network	NGO	Non-Governmental Organization
FGDA	Fondazione Giordano Dell'Amore	OSS	Operational Self-Sufficiency
FSS	Financial Self-Sufficiency	PAR	Portfolio at Risk
GAS	Solidarity Purchasing Groups	SME	Small and Medium Enterprise
HR	Human Resources	UK	United Kingdom
ICMC	International Catholic Migration Commission	USAID	United States Agency for International Development

"The Experiences of the Finalists 2012 and Winner 2011".
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Contents

Acronyms & Abbreviations	4
Foreword , <i>by Federico Manzoni and Jorge Ramirez</i>	7
Introduction	9
The Winner 2011	11
Microcredit Foundation Horizonti	12
The Finalists 2012	15
Etimos Foundation Onlus	16
Initiative France	20
KosInvest	24
Mikrokreditna Fondacija MI-BOSPO	28
Mikrokreditna Fondacija PRIZMA Sarajevo	32
Special Mention 2012	37
Mag2 Finance	38

Foreword

The “*Giordano Dell’Amore Microfinance Good Practices Europe Award*”, organized by the Giordano Dell’Amore Foundation in collaboration with the European Microfinance Network, is in its fourth edition: this volume summarizes the experiences of the finalists, namely the five applicants judged to be the best.

We are glad to replicate this award once more since it helps the Foundation to foster its broader mission of contributing significantly to the development and innovation of the microfinance sector through the dissemination of ideas, best practices and operational models.

We believe that the promotion of best practices in the microfinance sector is becoming progressively more important: in fact, due to the current economic crisis, microfinance is obtaining increasing attention as a tool for fighting the current credit crunch and for reducing social and financial exclusion. This is why we wish to be able to continue this activity in the future.

Within the Italian context, the Foundation still contributes to the progress of microfinance institutions in terms of outreach and quality of services, promoting and taking an active part in initiatives devoted to the reinforcement of the sector. The main lines of activity are: organisation of periodic workshops on specific microfinance issues for the definition of operational ideas and concrete project skills, matching support and project development for the identification of possible partners and design and planning of microfinance activities, and project coordination in partnership with other actors.

The Award is open to European microfinance institutions that offer financial and non-financial services to people who are traditionally socially and financially excluded. These microfinance institutions give these people an opportunity to access economic initiative. All applicants have valid and impressive microfinance experience and practices in line with the Award’s goals, making the Committee’s task of selecting the five finalists, whose experience is reported in the present volume, very difficult. This publication also contains the story and account of the achievements achieved by the winner of the third edition, thanks to the prize received, with special em-

phasis on the impact of its activities and particularly on the beneficiaries of its work. Our hope is that this fourth edition could also promote positive effects among the actors involved in the promotion and growth of microfinance in Europe: microfinance operators, banks, institutions and civil society organizations.

We want to use this occasion to encourage the participation in the Award of those institutions which have not yet taken part in it: apart from being an opportunity for the institution itself, the Award, through the sharing of practices and knowledge, also benefits all other microfinance operators. We are sure that all microfinance institutions are aware of the importance of spreading best practices, therefore we are looking forward to receiving your applications for the next award.

We would like to thank the European microfinance operators for their participation and the European Microfinance Network for having reaffirmed its commitment to the realisation of the Europe Award for the fourth consecutive year, and for having associated it with the 9th Annual Conference scheduled in Bucharest on 8 and 9 November 2012.

The collaboration between the Giordano Dell’Amore Foundation and the European Microfinance Network was strengthened through the organisation of the 6th Annual Conference held in June 2009 in Milan and by the cooperation in the achievement of the Italian part of the survey on microcredit in Europe, which permits the publication of the “Overview of the microcredit sector in the European Union” every two years.

To conclude, we wish to extend our gratitude to all those people, numerous indeed, who believed in our activity and contributed with their reflections, ideas and advice in the achievement of this new project started by Giordano Dell’Amore Foundation: firstly, Fondazione Cariplo, which makes this project possible with its contributions, and the members of the Award Committee and of Consulta Tecnica who devoted their precious time to support our work.

by Federico Manzoni, President FGDA

The European Microfinance Network (EMN) is very pleased to be associated once more with the fourth edition of the "*Giordano Dell'Amore Microfinance Good Practices Europe Award*" sponsored by the Giordano Dell'Amore Foundation.

With 95 members in 21 countries, EMN is the leading network in the European Union supporting the development of microfinance in Europe as a tool for social inclusion and economic development.

More than ever, with many European countries experiencing rising unemployment and low growth rates, microfinance needs to be an instrument for growth, employment and social cohesion. Microfinance represents a real alternative by providing the opportunity for excluded people to obtain access to financial services for starting or developing their enterprises or becoming self-employed.

However, the microfinance sector in Europe needs to grow in scale and become more professional in order to respond to the challenge of reaching all the people in need of microfinance services. Given the growing number of organizations involved in microfinance activities, sharing information effectively and promoting coordinated efforts that allow microfinance actors to work together, have become critical.

As part of its strategic objectives, EMN believes that the promotion and dissemination of good practices at the European level is one of the key factors in accelerating growth and professionalism. There are different ways to share and exchange such practices. One of them is by providing European microfinance institutions with the opportunity to publicize good practices and to create incentives to share their experiences with others.

The establishment in 2009 of the "*Giordano Dell'Amore Microfinance Good Practices Europe Award*" with the Giordano Dell'Amore Foundation was a major step forward in that direction. This award aims to increase the

understanding of the importance of microfinance by the wider public, to encourage European microfinance practitioners to share good and transferable practices in the fields of microfinance, innovation and sustainability and to promote and spread those practices to other microfinance actors in Europe.

This fourth edition takes place at a time when the European institutions have made a clear commitment to promoting entrepreneurship, creating employment and combating social exclusion in Europe through microfinance.

In that context, the 2012 Award has paid particular attention to initiatives that integrate an innovative character in order to achieve sustainability of the services offered together with a quantifiable impact on society and the transferability potential of these success stories to different contexts. All these are key aspects of the development of the microfinance sector nowadays.

EMN is very pleased to see that 13 organizations (five of which are EMN members) from eight European countries shared their experiences on the way they ensure the combination of business development services and financial services at their level.

This award would not be possible without the strong involvement and contribution of the Giordano Dell'Amore Foundation. EMN would like to take this opportunity to thank the Foundation for its strong commitment to making this award a success. The collaboration between EMN and Giordano Dell'Amore Foundation represents what the network wants to promote among its members: a strong partnership where members are key players in promoting the network itself and the other members. Such a strong involvement by members has been key to the success of EMN in having become a real membership based network, run by and for its members.

by Jorge Ramirez, General Manager EMN

Introduction

The fourth annual “*Giordano Dell’Amore Microfinance Good Practices Europe Award*”, given by the Giordano Dell’Amore Foundation in collaboration with the European Microfinance Network, has three main objectives:

- to increase the awareness of the European public of the importance of microfinance as a tool to foster the economic initiative of people excluded from the traditional financial system;
- to encourage the exchange of experiences and the sharing of thoughts and in-depth analyses within the community of microfinance, in order to raise the level of professionalism of the actors involved and to favour a growth path that considers innovation, sustainability and the social impact of microfinance interventions;
- to highlight and make known the best experiences of microfinance that combine innovation and sustainability, while rewarding the ability to systematize the principal features of the intervention model so as to allow its replication in different contexts.

For the fourth edition, the applicants had to highlight four principal aspects of their initiatives which corresponded to the evaluation criteria chosen:

- the **innovative** character of the experiences submitted, namely in which way the initiative presented represents a transformation of a traditional practice into an innovative product, service, approach, application of technologies and ideas;
- the strategies applied to achieve **sustainability** of the microfinance services offered; that is, whether the initiative presented is achieving some degree of financial sustainability or the institution is applying appropriate strategies that will help the initiative to attain sustainability;
- the actual or potential **impact** of the microfinance initiative that must be quantifiable, with a specific focus on poor and marginalized people;
- the **replication**/transferability of process, i.e. the way in which the initiative submitted could be replicated in dif-

ferent contexts by other providers to solve the same kind of problems.

Thirteen proposals describing microfinance experiences in eight European countries were submitted to be considered for the Award, open to all European organizations operating for more than twelve months. The following table lists the candidate countries and organisations, while the graphic shows the evolution of the candidate profiles during the four years of the Award.

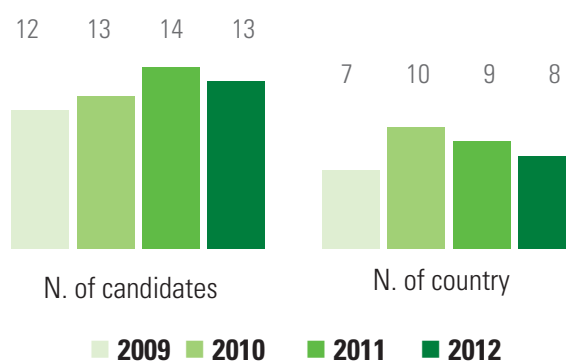
Country	Organization
Bosnia-Herzegovina	▪ Mikrokreditna Fondacija MI-BOSPO ▪ Mikrokreditna Fondacija PRIZMA Sarajevo
France	▪ Initiative France
Germany	▪ Deutsches Mikrofinanz Institut (DMI)
Italy	▪ Credit Cooperative Bank Filottrano ▪ Caritas Diocesan of Andria ▪ Etimos Foundation Onlus ▪ Mag2
Kosovo	▪ KosInvest
Spain	▪ Federation of Women Association in Social Economy (ESFERA) ▪ Cajasol Foundation (in partnership with ICO Foundation)
Turkey	▪ Turkish Grameen Microfinance Program (TGMP)
UK	▪ Fair Finance

The majority (8) of the proposals submitted concern a project that has been implemented by the organization or that is in the process of being completed, while two proposals were

related to a specific product or service and one proposal outlined a specific approach to microfinance activities. Two applicants presented their institution as a whole together with their overall activities.

After having examined, analysed and discussed each proposal, the Award Committee selected five finalists. The Committee believes that each of the five selected experiences offers an interesting approach and stimulating ideas that could be transferable to other situations.

Candidatures evolution 2009 - 2012



The **five finalists** are:

- **Etimos Foundation Onlus, Italy**, with the proposal "Microcredit for Abruzzo (MxA) – An innovative scheme for Italy".
- **Initiative France, France**, with the proposal "Initiative France: a pioneering, different and successful way of handling microcredit".
- **KosInvest, Kosovo**, with the proposal "The introduction of a new product sub-line brought productivity and loan affordability to the rural population".
- **Mikrokreditna Fondacija MI-BOSPO, Bosnia-Herzegovina**, with the proposal "Women's Business Network".
- **Mikrokreditna Fondacija PRIZMA Sarajevo, Bosnia-Herzegovina**, with the proposal "Microcredits for Microentrepreneurs Campaign: How to reach more than 26,000 down-market niche clients with 250 staff in 3 months".

Special Mention

Besides the five finalist institutions, the Award Committee selected **Mag2 Finance (Italy)** for a **"Special Mention"** for the proposal "Solidarity alliance for small business loans in Italy: the case study of Tomasoni's microfinance mechanism".

The Winner 2011

We are glad to present an account of the activities of last year's winner during the period subsequent to the awarding of the prize. We asked the winner to tell us about its experience and the impact of last year's prize on its activities.

The Winner of the Giordano Dell'Amore Microfinance Good Practices Europe Award 2011 was **Microcredit Foundation Horizonti**, Republic of Macedonia, which received the award for its innovative approach based on a specialized partnership with Habitat Macedonia in order to provide sustainable housing microfinance to marginalized and vulnerable groups.



Microcredit Foundation Horizonti

General information

Horizonti was created in January 2000 as a microfinance programme of Catholic Relief Services-USCC in Macedonia and in July 2005 the programme was spun off from CRS by registering a local NGO (Foundation). Horizonti's mission is to provide sustained and continuous access to financial services to the low-income economically active population in Macedonia, primarily women-entrepreneurs, representatives of the socially excluded and marginalized groups, in order to support and develop small businesses, thus creating new jobs and improving the quality of life.

Project and activities supported through the 2011 Award

The "Giordano Dell'Amore Microfinance Good Practices Europe Award 2011" was granted to Horizonti in recognition of its innovative partnership approach in providing sustainable housing microfinance to marginalized and vulnerable groups. Upon receipt of the grant amounting to 50,000 euros, Horizonti's management decided to use most of the funds (around 70%) to support the housing project in order to expand the housing microfinance activities, especially in the Horizonti branches outside Skopje where, at the time when the grant was received, housing loan beneficiaries were only 28% of total beneficiaries. The remaining 30% of Award funds were allocated to Horizonti's MIS upgrade for developing new loan products for agricultural clients (loan products with flexible payment features to address agriculture's seasonal income fluctuations) and for improving the MIS reporting and loan processing module. The award utilization is presented in the table below:

Budget Item	Amount (euros)
Housing Project	
Personnel costs	13,341
Administrative costs	20,807
MIS upgrade	
Contracting services (software vendor)	15,852
TOTAL	50,000

Award funds significantly contributed to cover some of the Horizonti core project costs during the reporting period and as a result increased and expanded its housing loan products, without affecting project sustainability and Horizonti's budgets.



Horizonti staff capacity building



Horizonti client: Zaneta Markovska, beneficiary of housing loan

Results achieved

During the reporting period (1 July 2011- 30 April 2012) Horizonti achieved the following results, in relation to its housing project:

Indicator	Award utilization period (01.07.2011 – 30.04.2012)
Number of housing loans disbursed	91
Value of housing loans disbursed (euros)	160,570
Average loan size (euros)	1,765
% of women beneficiaries	100%
% of Roma loan beneficiaries	60%
% of loan beneficiaries outside Skopje	46%

The progress made in expanding the project in the branches outside Skopje is evident: 46% of loans disbursed in the reporting period were to beneficiaries outside Skopje, compared to 28% achieved before the reporting period. In addition, this expansion had a double effect: it improved the geographical distribution of housing loans and it also moved it from urban to rural areas. In fact, the more intensive marketing organized with the award funds allowed Horizonti to attract new housing loan beneficiaries from rural areas, unlike at the beginning when the project only targeted the Roma population living in urban areas (Skopje branches). The management has identified a significant market potential for housing projects in rural areas that was taken into consideration when the new outreach strategy was developed for the next three years (2012-2014). Below are the cumulative housing project results, since its inception.

Indicator	Since inception of Housing project, 1 July 2007
Number of housing loans disbursed	404
Value of housing loans disbursed (euros)	695,773
Average loan size (euros)	1,722
% of women beneficiaries	100%
% of Roma loan beneficiaries	65%
% of loan beneficiaries outside Skopje	28%

HORIZONTI Housing project. Client's success story

Zaneta Markovska is from the village of Dobrushevo, in the municipality of Bitola situated in the Pelagonia region of Southern Macedonia. Zaneta lives with her husband, two children, her father and mother-in-law, a total of three generations together under one roof, in a house with two rooms. The deterioration of the house, built back in 1978 by her father-in-law, due to very poor construction with mud bricks, wooden floor and poor carpentry, became a serious problem for her family, especially for the children, in addition to the inadequate living space. As a solution, the Markovski family years ago decided to purchase land to build a new small house using the entire savings from their agricultural business. They could only afford to build the foundations and then they stopped. Their lifelong dream of having a spacious new home became unachievable, until the day when Zaneta found out about Horizonti housing loans from leaflets left at the local store. She visited the Horizonti branch in Bitola and applied for a loan. She was granted a loan of 150,000 denars (approx. 2,500 euros) to purchase building materials, such as building blocks, cement, wooden planks, steel armature, etc., so they were able to continue with building the house. In addition to the professional mason they hired, other relatives were helping them with the building. Their goal is to build only the ground floor, so, apart from the loan, they plan in addition to invest some of the earnings resulting from the next agricultural products' sales.

The Finalists 2012

After having read, analysed and discussed each proposal, the Award Committee selected five finalists. The Committee believes that each of the five experiences offers an interesting or innovative approach and idea that could be transferable to similar situations. The five finalist institutions selected are:

Etimos Foundation Onlus, Italy, for its effective action in a post emergency area and its capacity to involve most of the banks of the territory, which were asked for a contribution for sustainability through the stipulation of a specific agreement.

Initiative France, France, for its innovative approach that, by promoting trust and local solidarity, resulted in producing a significant impact on local economies, especially thanks to the facilitated access to bank loans, the mobilization of many volunteers and the proximity to the beneficiaries.

KosInvest, Kosovo, for its innovative product, very responsive to the needs of its rural clientele, that consists of a tripartite agreement (MFI, rural entrepreneur and supplier) for the purchase of livestock.

Mikrokreditna Fondacija MI-BOSPO, Bosnia-Herzegovina, for the implementation of a women's business network and the creation of a specific department within the institution that provides a broad range of non-financial services which specifically address women entrepreneurs' needs for developing their business.

Mikrokreditna Fondacija PRIZMA Sarajevo, Bosnia-Herzegovina, for its clear focus on the down-market niche which allowed it to reach more than 26,000 unserved microentrepreneurs in less than three months, resulting in a significant social impact, without neglecting its strong commitment to sustainability.



Etimos Foundation Onlus

Project Name

Microcredit for Abruzzo (MxA) - An innovative microcredit scheme for Italy.

Initiative Presented for the Award

Microcredit for Abruzzo (MxA) started after the earthquake at the end of 2009, while the disbursing phase started in January 2011. The aim was to promote financial inclusion, to multiply the available resources and to assure the sustainability of activities in the medium and long term. For this purpose, resources have been used to start a Fund, as guarantor for the disbursement of microcredit lines from partner banks (by now 85% of the local banks) which have to accept all loan characteristics and conditions, assure a leverage on the funds (1:5 up to 1:10) and give a contribution for sustainability (0.3% up to 0.6%). The specific microcredit products respond to the needs of both families and enterprises: the "Solidarity credit line" for individuals and families, the "Unsecured loan credit line" for the creation or development of businesses and the "Advanced payment credit line" for advanced payment of business contracts, invoices and taxes. Moreover a tutoring service is offered to beneficiaries by groups of appropriately trained volunteers.

Type of organization:..... Non-profit Foundation
 Location:..... Italy
 Founded in:..... 1999
 MF products offered:..... Solidarity credit line, unsecured loan
 credit line, advanced payment credit line
 Portfolio (*):..... €2,673,000
 Av. Loan size:..... €19,475
 Number of clients:..... 138

(*) Data refers to the amount disbursed in 2011

www.etimosfoundation.it / www.etimedia.org



Institutional Profile

Project beneficiary: Francesca Curtacci in her haberdashery



Project beneficiary: Maurizio Lepidi in his optician shop

History

Etimos Foundation Onlus was founded in 1999 alongside Etimos, a financial consortium that collects savings to invest in developing countries in favour of MFIs, cooperatives of producers and social enterprises. Ever since, it has worked in the international cooperation field, social business and development education, in particular for the promotion of microfinance as a tool for economic development and innovative welfare schemes. It adopts a horizontal collaboration approach, putting emphasis on local resources and the promotion of social enterprises as a tool for community wealth.

Structure

Etimos Foundation Onlus has its headquarters in Padua where all operational and legal activities are based: there are no other offices in the country. The Board of Directors is the top decisional body and is composed of 13 members. The Foundation's operational activities are carried out by the Project Manager, the Communication Manager and the Press Office, who are coordinated by the General Coordinator. For the project, Etimos Foundation has dedicated two extra human resources: one based in L'Aquila in charge of client management with the support of local volunteers; the other in charge of institutional relations and the further development of project activities in Italy.

Governance Structure

Etimos Foundation Onlus is in control of a group of organizations, which are variously committed to microfinance and to finance for development, both in Italy and abroad. Having an open participation structure, Etimos Foundation Onlus accepts subscriptions from whoever shares the same goals and principles. Its current members are 284 organizations that also take part in Consorzio Etimos (as members).

Target Clients and Operational Area

Etimos Foundation Onlus operates in Italy and in the countries where member organizations are based (mainly Central and South America, West Africa and Southeast Asia). Its target clients are enterprises, which make up Etimos's group and its member organizations. Its network of partners also includes banks involved in financial inclusion initiatives, public bodies committed to innovative welfare programs, third sector organizations, universities and research centres interested in the social economy and local development issues.

Products and Services

Etimos Foundation Onlus offers a wide range of products and services:

- Cultural activities: organization of seminars, workshops and conferences, cultural and scientific dissemination, organizational support for events promoted by other bodies.
- Project and enterprise incubator: development of programs and social businesses related to microcredit in Italy.
- Training and research: on topics such as microfinance, finance for development, social impact and social performance in microfinance programs.
- Technical projects: in favour of microfinance, post-emergency development programs, organic and Fair Trade supply chains.



Project beneficiary:
Sabrina Di Giannantonio in her Airpark

Funding Sources

The main sources of funding are:

- Asset management
- Fund raising activities
- Training and research.

In particular, in the case of the MxA project, Etimos Foundation received five million euros from the Department of Civil Protection that came from donations collected after the earthquake.



Etimos Foundation president (Mr. Santori - standing on the left) with project referent and the volunteers of the local credit committee (AQS-Association Development and Quality)

Client success story

AIRPARK is a playground for children created in L'Aquila by Sabrina Di Giannantonio (38 years), with her husband Massimiliano Mellone: inflatable toys (slides, balls, tunnels, climbing mountains), but also baby dance, buffet area and animation, in short, everything needed to celebrate children's birthdays. Before the earthquake, Sabrina was employed as a secretary (but she had a degree in science education), while her husband worked in an import-export company. The quake swept away their jobs, depriving the family of the economic resources needed to survive. "Airpark, in a sense, was born on the beach at Montesilvano, the place in Pescara Province where we were exiled in the first months after the earthquake; we began to set up our first inflatable games there," recalls the couple, who says further: "...once back in L'Aquila we decided to take this path and we turned to the banks to present a larger project for the construction of a playground with inflatable structures, but we were always denied any form of loan. Finally we met "Microcredito per l'Abruzzo" and we got twenty thousand euros, which we added to a small amount of capital we already had at our disposal: this was the only way we could transform our idea into a permanent activity on which to base our business and the livelihood of our family". Sabrina and Massimiliano are now implementing a strategy to grow their business through the purchase of other inflatables to hire, even outside Airpark, for private parties and street festivals.

Selection criteria

Innovation

The MxA project presents an innovative approach to the classic scheme of intervention, which is based on three pillars: guarantee fund, financing banks and association of volunteers. Firstly, microfinance is intended as a tool for post-emergency activities. It overcomes the traditional scheme of intervention, since it involves many banks (85% of the local banks) instead of just one, in order to work in proximity with all the branches and offices. Additionally, it succeeded in obtaining the banks' commitment to offer a financial leverage from 1:5 to 1:10 which translated into a multiplier effect on the number of loans disbursed. Finally, loans were specifically designed for microenterprises with particular attention to start up projects, which amount to 39% of the total enterprises financed.

Sustainability

Sustainability may be reached in the medium to long term thanks to the refinancing of the fund itself, through progressive loan reimbursement, and to the financial leverage guaranteed by the partner banks. Indeed, one of the main objectives is to implement the project without recourse to external resources. In particular, it has been decided to avoid the establishment of a new structure for the project, charging the Foundation with the coordination and monitoring of the whole process. Another factor contributing to sustainability is the involvement of volunteers, appositely trained on microcredit issues, in the preliminary investigation and first assistance phase. Furthermore, throughout the project the Foundation tried to expand the banks' involvement and asked them for a sustainability contribution with a one-off fee for each loan disbursed, up to 0.6% of the amount for loans with a duration over 18 months and 0.3% for loans under 18 months. In order to further enhance sustainability, the interest revenues coming from cash accounts where guarantee funds are deposited are reinvested in the project.

Financial Achievements (data refer to the MxA project)

	Dec 11
Portfolio at Risk (*)	0.3%
Write-off Ratio	0%
Portfolio Yield	3%
Debt to Equity Ratio	n.a.
Operating Expense Ratio	5%
Cost per Borrower	€940
Staff Productivity	69
Return on Equity	-1%
Return on Assets	-2%
Operational Self-Sufficiency	75%

(*) Par 15

Impact – Outreach

The disbursement started in January 2011 and, despite the brief period, there has been a good performance in terms of loans disbursed: 138 in total. In line with the goal to respond to the need for reconstruction and re-launch of the economic system damaged by the earthquake, most of the loans (89) were given to microenterprises, with a particular focus on start-up projects (35) for which tailored products were designed in order to offer the best support. Moreover, special attention was paid to young entrepreneurs (31.8%) and to women (47%). Loans for established businesses have been disbursed mainly for commerce, handicrafts and the catering industry, most of which were damaged by the earthquake. The beneficiaries were not able to access loan services outside the project.

Outreach Achievements (data refer to the MxA project)

	Dec 11
Active Borrowers	138
Women	47%
Migrants, Minorities	7.2%
Youth	31.88%
Rural	25%
Below Poverty Line	n.a.
Average Disbursed Loans	€19,475
Portfolio	€2,673,000
Number of Branches	2
Staff	2
Loan Officers	3
Drop out Ratio	n.a.

Replication

MxA has already proved to be replicable for its characteristics of sustainability and effectiveness. In fact at the end of 2011, a real spinoff of the project took place, called MxIT-Microcredit for Italy. It is a limited liability company counting on one and only one member, Etimos Foundation. MxIT has already identified another six Italian regions, besides Abruzzo, in which to start microcredit activities in synergy with locally based partners.



Initiative France

Project Name

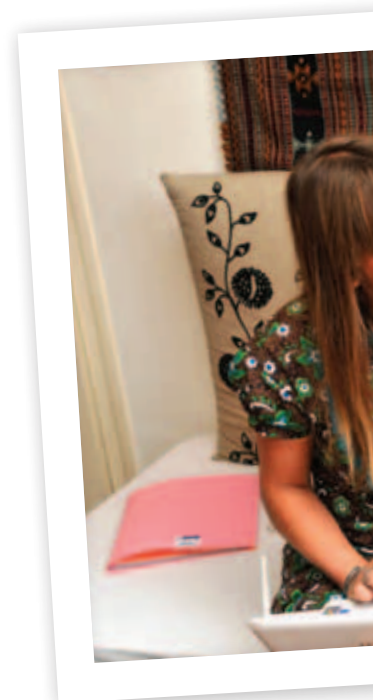
Initiative France: a pioneering, different and successful way of handling microcredit.

Initiative Presented for the Award

Initiative France presents its approach to microcredit: it combines local human and financial resources with the aim of mobilising the solidarity of members of the same local community in order to promote its economic development. Consistent with its mission, it offers a personal microloan, "loan on trust", with zero interest rate, unsecured and free of charge, complemented by human and technical assistance such as business plan elaboration, networking, coaching and monitoring. The "loan on trust" aims to facilitate access to bank loans, not only by increasing the entrepreneur's own cash input but also by promoting trust and local solidarity. Moreover, the platforms' know-how and expertise represent an element of reassurance and comfort for the banks leading to an important leverage effect on the banks' credit portfolio: in 2011, the €154 million granted by platforms were complemented by bank loans amounting to €979 million.

Type of organization:	NGO
Location:	France
Founded in:	1985
MF products offered:	Microloans
Portfolio:	€243,400,000
Av. Loan size:	€8,100
Number of clients:	48,430

www.initiative-france.fr



Institutional Profile

Young SME entrepreneur and her coach



Participants to University 2010
organized by Initiative France



History

Initiative France is a non-governmental organization founded in 1985 with the mission to support individuals lacking access to bank loans to create/develop their own business, usually micro or small and medium-sized enterprises (SME), and to build a sustainable environment of SME, playing an active role in the economic and social development of the community.

Structure

Initiative France is a federation of 238 local voluntary organisations called “Platforms”, covering the whole country. Members of local platforms include local authorities, chambers of commerce, banks and company representatives. The Loan Approval Committee to which beneficiaries present their SME project is composed of volunteers and combines a variety of skills and expertise. All the platforms operate in the same way, by disbursing free of charge a personal and uncollateralized zero-interest microloan, the “loan on trust”, and by offering technical and human support throughout the project life cycle and the loan term. Actually the coaching and tutoring services are granted through the commitment of more than 14,200 volunteers.

Governance Structure

Initiative France’s governance is decentralised. There is a Board and Governing body managed at the federation level, however each one of the 238 platforms is a local independent and autonomous voluntary organisation, anchored in its own territory, with its own funding sources, its own Board of Directors, its own Loans Approval Committee, its own employees and volunteers.

Target Clients and Operational Area

Initiative France operates throughout the whole country. The beneficiaries are women or men wishing to create and/or develop a SME but prevented from doing so by lack of access to a bank loan. This exclusion from bank credits and services often exacerbates lack of self-confidence and feelings of loneliness and isolation. Initiative France approach not only supports them financially and socially, but also draws banks’ attention and know-how to the SME projects. Initiative France facilitates not only their inclusion into the traditional banking system as such but, more importantly, their integration into the local socio-economic community.

Products and Services

Initiative France addresses the needs of its target market through the offer of the “loan on trust”: it is a personal micro-loan amounting to a maximum of €25,000, granted at zero interest, for which no guarantee or collateral is required, and is free of charge. The disbursement of the loan is coupled with non-financial services: Initiative France supports its clients throughout the life cycle of the project and until loan maturity (36 months on average) with human and technical assistance: welcoming, help in building the business plan,

networking, coaching and mentoring. In order to make the support highly personalized and responsive to the target's needs, a coach is usually assigned to each beneficiary.

Young SME entrepreneur and his coach

Funding Sources

Loans on trust and operational costs are funded through subsidies and grants from:

- National Government;
- Local authorities;
- Public agencies;
- Banks;
- Private Companies.



Initiative France beneficiary:
Ndella Diakhate - Manager of Nett' Bio

Nett' Bio: Values and Acts

More and more Initiative France platforms are dealing with social and green business projects, such as that of Ndella Diakhate. The goal of her company, Nett' Bio, is to propose an alternative to chemical cleaning, offering 100% ecological products that are respectful of both health and environment. One of the Initiative France platforms - Plaine Initiatives - helped Ndella Diakhate with a €10,000 loan. "Nett' Bio, this is values and acts" states Ndella Diakhate. Indeed, her commitment is also social since she hires excluded people, with low qualification levels, thus giving them the opportunity to seize their chance. The best result obtained is in terms of "human capital": nine women and men were hired in less than one year, to whom Ndella offered coaching and training in order to increase their commitment. Ndella Diakhate pays attention to her employees working conditions trying to improve them through monthly meetings. After the Prize Development in urban zone received from Plaine Communes Promotion, last year she won the €5,000 Initiative France "Be entrepreneur, Cities and Neighbourhood" Award. For her, this is a reason to feel proud: "This is always welcome for a micro enterprise and this is the recognition of my project - in a male environment. This award enables me to keep going forward. Even though, in the services sector, the best award is the daily satisfaction witnessed by our clients".

Selection criteria

Innovation

The main innovation of the Initiative France approach resides in the driving factors in the process of loan disbursement: loans are in fact trust-driven instead of return-driven. It must be underlined that the gratuity of the loan does not represent a charitable act but an economic investment, since this feature attracts many volunteers and the beneficiaries themselves join the platforms, thus reducing operating costs. Another innovation consists of the leverage effect vis-à-vis the banks that become less negative towards SMEs thanks to the established partnership and the trust in the Initiative France platforms. Moreover, the adoption of decentralised governance allows the use of local resources to be optimised. Initiative France also has an innovative concept of sustainability since it adopts a different perspective, which is less based on financial income and operating revenues and is focused on the return from local social and economic development.

Sustainability

The sustainability of Initiative France's approach is guaranteed in the first place by the constant and sustainable access to funding sources: financing partners are remunerated by the positive external results generated by the creation of SMEs. These economic and social returns are given by increased employment, consumption and fiscal revenues while decreasing social and fiscal expenses. For the banks, Initiative France enlarges their client base, increases their portfolio and decreases operational costs. Other factors contributing to sustainability are the involvement of thousands of volunteers, which allows the operating expenses to be kept in check, and the limited loan loss, only 1.9%, reached through proximity with beneficiaries.

Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	n.a.	n.a.	n.a.
Write-off Ratio	1.6%	1.9%	1.5%
Portfolio Yield	n.a.	n.a.	n.a.
Debt to Equity Ratio	n.a.	n.a.	n.a.
Operating Expense Ratio	17.17%	20.11%	18.79%
Cost per Borrower	€827.41	€962.10	€944.72
Staff Productivity	75.45	74.80	77.61
Return on Equity	n.a.	n.a.	n.a.
Return on Assets	n.a.	n.a.	n.a.
Operational Self-Sufficiency	n.a.	n.a.	n.a.

Impact – Outreach

Indeed, Initiative France has a significant economic and social impact on the territory where it operates. In 2011 it helped 16,000 persons, mainly men and those unemployed for less than a year, to create or develop their businesses which in turn allowed the creation or maintenance of 35,364 jobs, most of which came from start-ups. Through coaching and tutoring, Initiative France also succeeded in increasing the sustainability of SMEs after three years relative to the national average: the rates of survival are respectively 85% and 66%. In addition, "loans on trust" and tutoring have a leverage effect on bank loans, increasing banks' investment portfolio and client base, thus increasing local investments.

Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	46,100	47,500	48,430
Women	34%	34%	35%
Migrants, Minorities	n.a.	n.a.	n.a.
Youth (*)	23%	24%	23%
Rural	n.a.	n.a.	n.a.
Below Poverty Line (**)	19%	19%	19%
Average Disbursed Loans	€7,800	€8,000	€8,100
Portfolio	€222,100,000	€227,200,000	€243,400,000
Number of Branches	249	245	238
Staff	611	635	624
Loan Officers	n.a.	n.a.	n.a.
Drop out Ratio	n.a.	n.a.	n.a.

(*) Less than 30 years old

(**) Unemployed for more than one year

Replication

In 27 years, Initiative France's first platform has been replicated more than 240 times within France, and now covers the whole country: the relevance and sustainability of its core values and methodology were highlighted throughout the different crises faced by the French economy; especially today while facing one of the worst unemployment and credit crunch scenarios. Replication also occurred abroad, in Morocco, Burkina Faso and Romania. Other platforms will also be implemented in Tunisia, Ivory Coast, Quebec, Portugal, Luxembourg, Germany and Belgium. The model is adapted to the local context and particularities, for example reluctance of banks, scarcity of credit, excessive interest rates, unemployment rate, exclusion, lack of human and financial resources, etc.



KosInvest

Project Name

The introduction of a new product sub-line brought productivity and loan affordability to the rural poor.

Initiative Presented for the Award

The KosInvest proposal concerns the Livestock Loan Product, a pilot project started in May 2010 to ensure that low-income rural entrepreneurs have access to loans for productive and healthy animals, thus allowing them to achieve a higher income and increase their sustainability and accountability. It consists of a tripartite agreement (MFI, rural entrepreneur and supplier) for the purchase of livestock: the supplier has to guarantee the health of the animal and provides a limited warranty; the MFI releases the payment; and the client must agree on the animal and can ascribe it as collateral. The main loan characteristics are: from €1,000 to €5,000 to buy 1-3 cows; 12-36 months duration with a monthly repayment frequency and a grace period up to 6 months; 23.50% annual declining interest rate and a 2.5% administrative fee. The funding sources for the pilot project are internal.

Type of organization:..... NGO/MFI
 Location:..... Kosovo
 Founded in:..... 2001
 MF products offered:..... Microloans (Business, Agriculture, Livestock,
Consumption, Housing) and BDS
 Portfolio:..... €3,405,350
 Av. Loan size:..... €1,527.10
 Number of clients:..... 2,769

<http://beta.wvi.org/kosovo>

Institutional Profile

KosInvest client: Mr. Selim Pillana in his stable



History

KosInvest started its operations in October 2001 by providing loans as the Micro Enterprise Development program of World Vision Kosovo. KosInvest became a separate entity from World Vision Kosovo in January 2007 with the mission of improving the livelihoods of economically active poor families from all communities through high quality financial and business development services.

Structure

KosInvest provides its services through its three branch offices, with the Head Office based in Prishtina. Its team is composed of the CEO, Senior Management, Middle Management, Administration and Field Staff. The institution has 41 staff members, of whom fourteen are loan officers.

Governance Structure

KosInvest is governed through the Board of Directors composed of five members who bring to the institution their different experiences, as they are also staff members of KosInvest's founder (World Vision International) and staff members of Vision Fund International. KosInvest's Board of Directors focuses on the current situation of the MFI, strategy, operational plan, market analysis, and corporate documents. It is also trained in social performance management.

Target Clients and Operational Area

As its first priority, KosInvest targets very poor clients living in rural areas who are excluded from the financial system. Among these, women and minorities are of primary importance.

To fulfil its mission, KosInvest operations are spreading into the rural zones (main poor area) of different municipalities.

Products and Services

KosInvest provides individual lending through the Village Association methodology. Its wide range of financial products is designed to respond to the different needs of its clientele. In fact, it offers micro loans for microenterprises, SMEs, agriculture, livestock, education and housing. Microcredit is also given to women heads of household for household needs and consumption. In addition, KosInvest provides non-financial services: it offers BDS and enterprise skills development services, financial literacy education and women's empowerment services, thus trying to raise awareness in patriarchal communities and to acknowledge and promote the role of women in small family businesses.



KosInvest staff member during a visit to a client

Funding Sources

KosInvest's funding comes principally from commercial loans that are mainly obtained from Vision Fund International. In the last five-year period, KosInvest has also received regular funding from third-party investors such as Oikokredit, ResponsAbility, BlueOrchard and Symbiotics. Donations have been received, to a limited extent, mostly from World Vision US, World Vision Germany and the German Embassy. Technical assistance has been provided by EFSE and Triple Jump.

KosInvest client: Mehmet Thaqi and his cow



KosInvest staff member in Vushtri office



Client success story: Mehmet Thaqi

Mehmet Thaqi is 37 years old and lives in an extended household with his own family and with those of his two brothers in the village of Druar, about 25 km north of Kosovo's capital Prishtina. Thaqi works as a seasonal worker and subsists on agriculture. He hesitated to add two more cows to his farm until he found an opportunity with KosInvest. He says: "Before submitting the loan application and offering guarantees, although limited, I had seen the Holstein breed cows, well known for milk production, and this reduced my fears of miscarriage and overall health". Monthly, he gets €210 from carrying milk to 10 families and €130 from selling cheese. He is fully able to repay his instalment of €121 even without counting the benefit from four calves born in the meantime (€2,070). Nazmi Hasani, the Loan Officer covering the area, explains: "The cash flow that we calculate together with a client applying for a Livestock Loan Product differs from one calculated for another loan product, even if it is also for buying a cow. This product and its related services have made the loan more affordable to our clients".

Selection criteria

Innovation

There is no similar product on the market, thus making KosInvest a pioneer. Innovation relies on several features. First of all, KosInvest, through the Three Party Agreement, overcomes the barrier represented by the widespread reluctance to provide warranties for products, hence providing a substitute for insurance both to the clients and to the MFI itself. Moreover, this new financial product ensures that the purchased item is of better quality, which contributes to increasing the productivity of the farmer. Suppliers are consequently encouraged to improve their product offer to an agriculture oriented clientele. A turning point is also the possibility for the rural poor to provide collateral: the purchased item can in fact be registered as collateral being well documented and made through established channels.

Sustainability

In 2011, KosInvest achieved a financial self-sufficiency level of 84%: indeed, the initiative presented contributed directly to the MFI's sustainability. One reason for this is the preset channels through which the purchase occurs: it avoids diverted loan usage making the delinquency negligible as shown by the data (the initiative has a 0% PAR30 and Write-off Ratio). At the same time, the Three Party Agreement minimises the probability of failure and maximises incomes thus ensuring better sustainability of the business as well as making financing less risky. All these features contribute to increasing the healthy market share and the number of good healthy loans with high repayment rates, directly contributing to sustainability of the MFI.

Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	2.8%	2.3%	3.8%
Write-off Ratio	2.5%	3.5%	4.2%
Portfolio Yield	30%	30%	28%
Debt to Equity Ratio	2.79	3.76	4.84
Operating Expense Ratio	22%	24%	21%
Cost per Borrower	€20	€23	€21
Staff Productivity	63	57	68
Return on Equity	-5.1%	-17.2%	-16.5%
Return on Assets	-1.6%	-4.1%	-3.1%
Operational Self-Sufficiency	94%	86%	90%

Impact – Outreach

The project is in its initial stages, therefore loans disbursed are not yet very numerous: so far, there have been 43 beneficiaries, of which 63% were women. KosInvest determined that, thanks to the Livestock Loans, 48 jobs were sustained or created and that 138 children were impacted. Impact on each business in the milk production sector is undoubtedly substantial and is confirmed by client's testimonies and by their timely loan repayments as well as by the high demand for this loan product. If we consider that dairy farming is a tradition in almost every rural family in Kosovo, the impact is surely bound to increase significantly. The potential impact is even higher if this type of product is extended geographically by adding more suppliers to the scheme and by diversifying the product offer for other purchases of material or equipment related to agriculture.

Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	2,271	2,617	2,769
Women	52%	52%	53%
Migrants, Minorities	n.a.	n.a.	n.a.
Youth	n.a.	n.a.	n.a.
Rural	100%	100%	100%
Below Poverty Line	50%	50%	50%
Average Disbursed Loans	€1,479	€1,682	€1,527.10
Portfolio	€2,435,733	€3,318,598	€3,405,350
Number of Branches	3	3	3
Staff	37	46	41
Loan Officers	12	16	14
Drop out Ratio	47.3%	44.03%	28.23%

Replication

Since this initiative proved to be successful, it can be extended to other loan purposes such as the purchase of reliable agriculture machinery, accessories and other items. Paying more attention to the loan impact, even taking some steps to increase the odds of success, makes lending less risky. Therefore, it is conceivable that this initiative will be embraced by other players in Kosovo's microfinance market as it helps them to improve the quality as well as the quantity of loans in their portfolio.



Mikrokreditna Fondacija MI-BOSPO

Project Name

Women's Business Network.

Initiative Presented for the Award

The initiative concerns the project "Women's Business Network" started in December 2010 with the support of USAID. The project aims to support women entrepreneurs in the development of their businesses, and to strengthen the market position of businesses led by women, consequently increasing their business results. The project focuses on the provision of non-financial service activities including financial education/business skills training seminars, market connections within BiH for marketing, purchasing and/or selling services/products, advocacy activities - delivery of information about incentives or subsidies. So far, MI-BOSPO has organized 24 women's Clubs, for a total of 990 women members, as forums through which women members gather, exchange experiences, mutually learn, socialize and explore challenges faced by women.

Type of organization: **Microcredit Foundation**

Location: **Bosnia and Herzegovina**

Founded in: **1996**

MF products offered: **Microloans (business, agricultural, housing and multipurpose) and non-financial services**

Portfolio: **€12,348,526.71**

Av. Loan size: **€1,050.70**

Number of Clients: **13,912**

www.mi-bospo.org



Institutional Profile

MI-BOSPO Staff



MI-BOSPO client (network member):
Maksida Mujic in her optician shop

History

Microcredit Foundation MI-BOSPO is the legal successor of the Microcredit Organization that was established in 2000 by the Humanitarian Organization "Bosnian Committee for Help". However, operations started in March 1996 as a pilot project of the World Bank with the purpose of researching the needs and possibilities for the establishment of micro-lending in BiH. Only in 2008 was it registered as a Foundation. Its mission is to provide access to loans and non-financial services to low-income people, mainly women, in order to strengthen their entrepreneurship and their economic and social position.

Structure

The institution has a dedicated department for every function and activity: management, finance, IT, risk, legal and human resources. MI-BOSPO also established a special department within the organization, which deals exclusively with these non-financial services, with a special focus on the empowerment of women. MI-BOSPO has 136 employees who share the mission of the Foundation; among them more than 50% are credit officers. Credit operations are managed through the 24 branches spread throughout the north-eastern part of BiH.

Governance Structure

The Board of Directors is composed of five independent members: a consultant in business communication at the BIT Centre, the director of finance and accounting at 'Umel Ltd', a retired director of Interšped Tuzla, one lawyer and a Professor at the School of Economics and Business in Sarajevo. The Board of Directors has established an Internal Audit Committee and a Risk Management Committee. MI-BOSPO operates under the supervision of the banking agencies and is a regulated microcredit foundation.

Target Clients and Operational Area

MI-BOSPO started and remained loyal to its first clientele, self-employed women and women who are on low salaries. In 2009, a quota of 25% of male clients was introduced. Geographically, MI-BOSPO's operations are mostly concentrated in the area of North-East BiH but it is present over the whole country.

Products and Services

The products offered are agricultural loans, business loans, multipurpose loans and housing loans. Loans are tailored in a way to meet family and business cycles. Non-financial services are currently in rapid development. As market demand changed, MI-BOSPO adjusted its service from Solidarity Group methodology only to Individual Lending only. Products are also tailored to be offered to a broader clientele of entrepreneurial women.

Funding sources

MI-BOSPO operations are financed from its own equity (approx. €7.9 million) that consists of 19% (€1.49 million) donated funding and the rest of retained income and loans from EBRD, EFSE, the Spanish Government and other lenders.

Diploma distribution for the attendance of MI-BOSPO financial educational training



MI-BOSPO client (network member):
Faketa Huseinbasic in her greenhouses

The story of Edisa Haračić

The family of Edisa's husband has been engaged in glazing work for many years. As for any business, there were ups and downs. However, since the business was registered in 2005, running the business became much easier for the Haračić family. They had regular customers and a well-organized business. Edisa's will to work made her see an opportunity and take a big step: in 2011 she registered the trade shop "Art Color", which is engaged in the sale of equipment for pictures and framing of pictures and art works. "When I decided to run the business myself, my dream of becoming a proprietress, of making decisions on my own and of running my own business came true" states Edisa. Her competitive advantage is that this type of business in not developed in Tuzla, consequently Edisa has regular customers who always attract new customers. As a member of the Network, Edisa had manifold benefits: she had undertaken education designed for young entrepreneurs, gained knowledge of grant funds from the Employment Bureau and participated in Fairs.

Selection criteria

Innovation

The project is the result both of more than 10 years of experience and of internal research, and it responds to women entrepreneurs' needs, apart from financial products, namely loans. This belief and approach are innovative in themselves: none of the MFIs in BiH offers this wide range of non-financial services. The network itself is innovative in the BiH context where there are no purely business related networks of women, even if there are many networks related to many women's issues including economic issues. Another innovative element is the establishment of a special department within MI-BOSPO which has 15 trained employees who deal exclusively with non-financial services which are offered free of charge.

Sustainability

As an institution, MI-BOSPO recovered the loss caused by heavy arrears and delinquency from 2009 and brought the OSS back over 100%. Regarding specifically the Women's Business Network initiative, at the moment MI-BOSPO covers 20% of the project budget. Sustainability is planned to be achieved through the following distinct channels: i) secured external funding from USAID until 2013; ii) search for additional funding from development oriented Companies/Organizations; iii) MI-BOSPO funds; iv) (symbolic) financial support – fee – from network members.

Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	5.66%	5.97%	2.08%
Write-off Ratio	5.58%	10.23%	4.44%
Portfolio Yield	22.01%	20.54%	21.11%
Debt to Equity Ratio	3.05	1.73	1.05
Operating Expense Ratio	9.5%	12.15%	20.50%
Cost per Borrower	€110.95	€124.24	€184.07
Staff Productivity	161	126	102
Return on Equity	-9.85%	-11.79%	2.26%
Return on Assets	-2.33%	-3.43%	0.95%
Operational Self-Sufficiency	89.37%	83.46%	105.05%

Impact – Outreach

All activities within the Network are tracked on the internal database, which is permanently updated. Additionally, all employees keep their own records and evaluation forms as feedback information from the Network's members. As a first result, 24 Clubs have been opened with 990 active members and membership is increasing daily. A total of 484 women have been involved in the training and educational activities and 356 women benefited from the other non-financial services. All these activities increased the revenues and scope of each business, improving the living standard of Network members. Another tangible result is the establishment of an Association of florists with MI-BOSPO assistance in line with the new goal of creating women's associations in different sectors.

Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	23,799	16,195	13,912
Women	100%	100%	93%
Migrants, Minorities	2%	2%	2%
Youth	n.a.	n.a.	n.a.
Rural	64%	65%	67%
Below Poverty Line	21%	25%	29%
Average Disbursed Loans	€1,094.16	€951.51	€1,050.70
Portfolio	€26,180,675.72	€14,696,552.87	€12,348,526.71
Number of Branches	27	25	24
Staff	148	129	136
Loan Officers	86	67	72
Drop out ratio	60%	61%	52%

Replication

The project represents an example of best practice of enhancing the clients' businesses. Since most of the time only financial products are offered to clients, the project has the potential to be replicated and implemented by other Microfinance Organizations. The main reason for replicating is the reciprocal benefit that it delivers. On the one hand, the MFIs can increase the number of clients, attracting them also from different industries; moreover it allows risks and the delinquency rate to be reduced and a permanent system of feedback from clients to be established. On the other hand, the client increases her satisfaction and is able to communicate her needs: this translates into greater income, job generation and business development.



Mikrokreditna Fondacija PRIZMA Sarajevo

Project Name

**Microcredits for Microentrepreneurs Campaign:
How to reach more than 26,000 down-market
niche clients with 250 staff in 3 months.**

Initiative Presented for the Award

PRIZMA proposes the "Microcredit for Microentrepreneurs" campaign implemented from 1 July to 30 September 2011 through which it reached more than 26,000 down-market niche clients, and which had an impact on over 100,000 lives. PRIZMA offered enterprise loans (€250 - 12 months or €500 - 22 months) to new clients under the following conditions: interest rate on average 7% lower than other loan products; small instalments of €25; disbursement in cash within 2 days; no guarantor required. In order to increase efficiency while maintaining portfolio quality, PRIZMA engaged over 100 volunteers, leaving its experienced staff more time to focus on credit analysis and disbursements. By implementing this campaign, PRIZMA has proven that there is a huge market potential in the down-market niche, and a significant number of clients that had never had access to any financial institution. Moreover, PRIZMA has strengthened its market position.

Type of organization:..... Microcredit Foundation

Location:..... Bosnia and Herzegovina

Founded in:..... 1997

MF products offered: Microloans (enterprise, agriculture, housing, basic needs)

Portfolio:..... €49,693,952

Av. Loan size:..... €720.80

Number of Clients: 68,943

www.prizma.ba



Institutional Profile

People applying for a microloan during the campaign in Sarajevo



Prizma client: Alic Jusuf – shoemaker

History

With seed capital from the U.S. Government, PRIZMA began operations in the Bihać region in 1997, under the name of "Project Enterprise". In 2001, the Organization was registered under the name of PRIZMA. Since 2008, it has been organized as a Microcredit Foundation, with a license from the Banking Agencies. Its mission is to ensure prosperity for its clients and the organization, by providing long-term access to high quality financial and non-financial services. PRIZMA's vision is to be recognized as a successful and stable organization, providing continuous innovative growth, development and prosperity for its clients and the organization. PRIZMA has been sustainable ever since 2001, always insisting on its core values and serving the down-market niche of microfinance, thus proving its commitment to double bottom line principles. PRIZMA is also well known globally for its social management and a revolutionary Poverty Scorecard tool.

Structure

PRIZMA has a strong, young and experienced management team. The majority of its members have been internally promoted to their positions, which is one of the main characteristics of a strong and recognizable organizational culture. Its middle and top management are strongly committed to achieving both long- and short-term organizational goals. PRIZMA operates through seven regional offices and 47 registered branches, operating in over 100 municipalities in the country. It has Operations, Finance and Accounting, Risk, IT, HR and Legal Affairs, and Internal Control departments, as well as an independent Internal Audit department. In total, it has 250 highly educated staff members, including 170 loan officers.

Governance Structure

The Board of Directors is the top decision-making body and is composed of seven members. PRIZMA's BoD has a solid financial and legal background, as well as experience in strategic and policy management, thus ensuring a key focus on the two long-term goals of the institution: social impact, and financial stability and prosperity of the institution. The broad range of knowledge and experience of the BoDs' members provides for a comprehensive and balanced supervision over PRIZMA's developmental, organizational, and competitive imperatives.

Target Clients and Operational Area

PRIZMA targets both men and women; its clients predominantly come from rural areas. It operates in more than 100 municipalities across the whole of BiH. PRIZMA's key clients are micro-entrepreneurs. PRIZMA fulfils its fundamental twofold mission: by financing micro-entrepreneurship via business and agriculture loans and by financing poor and low-income individuals via loans for basic needs and loans for repair and reconstruction of housing.

Products and Services

PRIZMA offers enterprise loans for start-up and improvement of small businesses, trade, services, agriculture, livestock raising, reconstruction and repair of housing and business facilities, and loans for basic needs (fuel, food supplies, school supplies, etc.). In accordance with market demands and its organizational possibilities, PRIZMA continuously adjusts its products to the market requirements and the needs of both existing and new clients.

Funding sources

PRIZMA finances its operations from its equity, an amount of over €10 million. Considering its excellent performance and its social impact on the clients, PRIZMA continuously procures funding from socially responsible investors, from commercial institutions, as well as from several development agencies. Currently, over 20 local and international lenders are supporting the institution, including Blue Orchard, Developing World Markets, EBRD, ICO, Oikocredit, responsAbility, Triodos, Triple Jump, Unicredit Bank, etc.

Prizma client: Pavkovic Zivko – farmer



Prizma client:
Bralj Ramiza – agricultural producer



The story of Zemka Zilić

In 1992, when the war started, Zemka's family was forced to leave their home in the village of Sjedače to find shelter in Srebrenica, the UN protected enclave. In 1995, when the war ended, she was living in Kalesija near Tuzla. At that time, the family just survived thanks to donations, daily business and money sent by the other family members from abroad. "We kept thinking about returning to our pre-war home, but without a regular income and knowing that our children would need to travel every day to school 30 kilometers away, a lot of questions held us back until we heard of the Microcredit Foundation PRIZMA. After friendly employees of PRIZMA explained that they could provide us with the funds to start our own small business, my husband and I started to think about investment. Our main dilemma was whether to invest money in buying cows or in sheep breeding". Zemka considered working with sheep to be more secure and believed that, if she chose that, she would be able to repay the loan without any problem. In the end, they decided to apply for a loan to start up sheep breeding. "Having reviewed our business plan, PRIZMA approved an initial loan amounting to KM 1,500 to buy nine sheep and the necessary quantity of livestock feed." Zemka is currently using the third loan disbursed by PRIZMA, an amount of KM 3,000. This has enabled her to expand her small business that is a fundamental source of income for her and her family.

Selection criteria

Innovation

PRIZMA undertook several innovative steps for the campaign, enabling it to offer a service with unprecedented swiftness and quality. Firstly, before the launch of the campaign, PRIZMA conducted detailed market research to evaluate competitors, perspectives, the macroeconomic situation and its own strengths and weaknesses, and raised all the funds needed. Moreover, in order to prevent staff members from being overloaded with promotional activities, PRIZMA chose to outsource the marketing promotion. In order to increase efficiency, it organized training for experienced staff. Additionally, it engaged fresh graduates as volunteers to support the campaign through promotional and administrative activities, giving them the opportunity to become employees upon successful completion of the campaign.

Sustainability

PRIZMA's approach to sustainability relies strongly on the double bottom line principle, diversification of geographical areas and of product range, strong organizational culture and highly efficient implementation of its goals. It focuses on the quality of the loans disbursed, which is achieved through: (i) an analysis of the needs based on total household earnings and spending, of the purpose of the loan and its repayment capacity, of the client's character; (ii) a double check of clients in the local communities; (iii) an obligatory check through an official report from the Credit Bureau. Given this, 20% of applications for this campaign were refused by the credit committees. All the above-mentioned factors ensured positive financial results.

Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	3.29%	4.35%	3.77%
Write-off Ratio	4.18%	4.75%	4.13%
Portfolio Yield	24.07%	26.06%	26.23%
Debt to Equity Ratio	3.41	3.58	3.88
Operating Expense Ratio	10.96%	12.13%	12.25%
Cost per Borrower	€98.76	€108.9	€97.52
Staff Productivity	217	234	275
Return on Equity	3.81%	0.95%	0.06%
Return on Assets	1.28%	0.21%	0.01%
Operational Self-Sufficiency	109.96%	100.99%	100.06%

Impact – Outreach

During the Campaign period, PRIZMA disbursed a total of 31,165 loans, including 26,000 campaign loans, with an average amount of €505.82, becoming the first MFI in BiH to ever reach a huge number of non-served clients in such a short period, while maintaining its focus on the down-market niche. The impact is even more significant if we bear in mind that for more than 50% of the new clients, it was their first loan ever. During the Campaign, 89% of the loans were enterprise loans and 57% of the clients reached were from rural areas. The impact was very significant among the most vulnerable: 1,743 widows, 1,218 persons from ethnic minorities and over 5,000 young unemployed persons were financed during the Campaign. Another outstanding result pertains to the number of people served indirectly, amounting to 108,274. Additionally, PRIZMA assessed the impact of its activity methodologically, through its Poverty Scorecard.

Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	49,109	54,522	68,943
Women	64%	60%	54%
Migrants, Minorities	n.a.	n.a.	n.a.
Youth	9%	9%	12%
Rural	47%	48%	53%
Below Poverty Line	n.a.	n.a.	n.a.
Average Disbursed Loans	€885.74	€861.75	€724.43
Portfolio	€43,497,747	€46,984,356	€49,693,952
Number of Branches	47	47	47
Staff	226	233	244
Loan Officers	151	160	165
Drop out Ratio	53.25%	45.81%	45.62%

Replication

PRIZMA strongly believes that the reason for its success is its strategic positioning, with a clear focus on the down-market niche and the double bottom line principle. The campaign is replicable by PRIZMA and by every institution which is committed to listening and responding to the down-market needs and potential, and which approaches the campaign strategically, with the goal of being ruthless in efficiency and, consequently, being sustainable on the one hand, while staying loyal to its target clients and having a positive impact on peoples lives on the other.

Special Mention 2012

A Special Mention has been awarded to **Mag2 Finance, Italy**, for its innovative system for the financing of microentrepreneurs, which involves the clients in the process of funding and monitoring, thus activating mechanisms of solidarity.

In particular, the alliance between different stakeholders represents a revolutionary microfinance instrument for supporting the activity of small, high-quality local farms because of its innovative aspects relating to the financial resources mobilized (funds directly borrowed by some GAS plus the funds collected and gathered in the social capital of Mag2 which were doubled by the financial cooperative itself); the guarantee mechanism; the multi-actor monitoring and tutoring activity.

A Special Mention does not entitle the candidate to any monetary reward, but the Foundation and EMN wish to express their strong appreciation for the work done by the institution mentioned. Hereafter we present a brief summary of the activity of this MFI that constitutes, in our judgment, an exemplary model of best practices.



Mag2 Finance

The Institution

Mission and Values:

Mag2's mission is to sustain, through its financial activity of fundraising and the use of private capital, the development of companies, mainly registered as Co-operatives or Associations, that operate in sectors of high ethical value, such as the social, solidarity, ecological, cultural and environmental fields and that are excluded from the traditional credit system.

Established:

19 November 1980

Type of Organisation:

Microfinance cooperative registered as a Mutual Self Managing Society.

Geographical Area of Operation:

Mag2 operates mainly in the Italian region of Lombardy, and its headquarter is in Milan.

Products and Services:

Mag2 finances cooperative and associative projects little known or barely sustained by the traditional financial sector. Since the year 2000, Mag2 has also started to grant individual social microcredits. Further activities implemented are training and tutoring in enterprise management and in non-profit accountancy and law; organisation of workshops with local solidarity networks relating to the value of money in the current International context.

Funding Sources:

Mag2, through the activity of collecting private savings from its members, who are more than 1300, has a capital of €2,600,000.

www.mag2.it



Tomasoni organic dairy farm: Mr Tomasoni and his brother preparing Grana Padano Cheese

The Project Presented

“Solidarity alliance for small business loans in Italy. From social capital to venture capital: the relations assets as leverage for enterprise development. The case study of Tomasoni’s microfinance mechanism”.

Mag2 Staff



Mag2 presents the business loan disbursed to Tomasoni’s organic dairy farm which highlights the solidarity alliance that can be created among savers and borrowers for small business loans in Italy. In fact Tomasoni’s clients (GAS-Solidarity Purchasing Groups) were involved in the process of fundraising. Mag2 played a central role in catalysing private personal savings from the GAS and from its own members and in coordinating the resource management. At present, Tomasoni’s dairy farm has experienced an increase in orders, even from new GAS, has increased its income, has reduced its stocks and has repaid its bank loan. At the end of 2011, all the GAS loans had been repaid. In September 2012, according to loan planning, Tomasoni will finish paying back the Mag2 loans without delay.

Launching of the product

February 2009

Average loan disbursed

The funding was granted through three different channels that were “organized” by Mag2:

- I. by 65 GAS directly to Tomasoni as advance payments on purchases;
- II. by 23 GAS to the capital of Mag2 with the specific precondition that the money be used to finance Tomasoni;
- III. by Mag 2 directly to Tomasoni.

From February to March 2009 Mag2 disbursed three loans to Tomasoni, each amounting to €20,210.33.

Annual interest rate

The interest rate was different depending on the channel used:

- I. The capital provided by the GAS was interest-free;
- II. The Mag2 capital subscribed by the GAS was given at an annual preferential fixed rate of 6%;
- III. The portion coming directly from Mag2 had an annual fixed rate of 8%.

Loan duration

The loan granted by the GAS had a duration of 18 months. The loans granted by Mag2 had a duration of 36 months, in addition to a six-month pre-amortization period.

Client

The beneficiary of the loan is Tomasoni’s dairy farm, located in a small village near Brescia, in Lombardy. Founded in 1815 as a family enterprise, the “Biocaseificio F.lli Tomasoni snc” is the only producer of organic Grana Padano cheese in the world. In 2002, it entered in contact with GAS and decided to work only with these entities instead of the export market. In 2008, the fragile organic farmer was hit by the crisis: milk prices rose, banks restricted loan conditions and at the same time he had a cash deficit of €150,000. The same year, Tomasoni communicated to its customers in the newsletter the possibility that it could be forced to shut down the business.

Staff involved

A Monitoring Committee was instituted with the voluntary participation of GAS and Mag2 members: it followed the trend of the dairy business for the next three years and the return on the loan. It also had the task of identifying, with the collaboration of GAS, other small companies, operating in the organic sector, that needed financial support.



This publication presents the summaries of the experiences judged to be the best among the candidates for the fourth edition of the *Giordano Dell'Amore Microfinance Good Practices Europe Award* created in collaboration with the European Microfinance Network. It presents also the account of activities of last year's winner during the period subsequent to the awarding of the prize. Specifically those European microfinance institutions are contributing in advancing the microfinance good practices frontier in Europe and in introducing innovative and valuable elements for the economic and social development of the microfinance clients. They offer to people socially and financially excluded, a condition of disadvantage increasingly common even in countries considered rich, an opportunity to access economic initiative.

The Award focuses on four principal aspects corresponding to the criteria chosen for the evaluation of the applications:

- the **innovative character** of the experience submitted;
- the mechanisms provided to assure the **sustainability** of the microfinance services offered;
- the actual and potential **impact** of the microfinance initiative with specific focus on poor and marginalized people;
- the **replication** process, namely the way in which the initiative submitted could be replicated in different contexts to solve the same kind of problems.

The aim of the award is not just to identify excellence in the field, but also to open up a debate and encourage discussion, enabling closer examination of the methodologies, analyzing context and partners involved, tools and social impact of microfinance in Europe.

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