



RUSSIAN MICROFINANCE CENTER

MONTHLY BULLETIN

May 2006

THE V NATIONAL CONFERENCE ON MICROFINANCE



The Russian Microfinance Center and the National Partnership of Microfinance Market Stakeholders (NAMMS) are pleased to invite you and your colleagues to the Fifth National Conference on Microfinance - **Microfinance in Russia: Elements of Success. Prior Experience for Future Growth.** The Conference will take place

on **29 November – 1 December 2006** in Moscow. Details, such as venue, format, and a registration form will be provided shortly.

For more information about the Conference, please, contact Conference Technical Director - Anisa Aisina at aaisina@rmcenter.ru.

IN THIS ISSUE:

- The V National Conference on Microfinance
- A Meeting on Mortgage Credit Cooperatives in the Federation Council
- UNDP Conference on Microfinance Development in Ingushetia and North Ossetia
- A Seminar on Legal and Prudential Regulation of Cooperative Banks in Italy
- A Project for the Development of Microfinance and Credit Cooperatives in Kabardino-Balkaria Republic
- Microfinance Activity of Non-Profit Organizations – a Manual with Sample Documents
- RMC's Fee-based Services
- New Structure and Content of RMC Website's Legal Section
- Training news

A MEETING ON MORTGAGE CREDIT COOPERATIVES IN THE FEDERATION COUNCIL

On May 16, 2006, the Federation Council met to discuss mortgage credit cooperatives. The meeting was chaired by Mikhail Nikolayev, Deputy Chair of the Federation Council. The participants discussed the progress of the Affordable Housing National Project and the involvement of credit cooperatives in its implementation, heard reports from a number of

regions about their experience of mortgage lending by credit cooperatives and problems encountered. There was a separate presentation of the Popular Cooperatives Guild of Russia and their program of 'affordable housing' loans.

A major problem raised at the meeting was the absence of government regulation and self-regulation of credit cooperatives, resulting in risks for

good faith operators among the fast growing number of credit cooperatives. The meeting participants voiced a number of proposals towards improving legislation and regulation of credit cooperatives at regional and municipal levels, and shared positive local experience - these will inform a meeting of the Legislators Council to be held on July 4, 2006.

UNDP CONFERENCE ON MICROFINANCE DEVELOPMENT IN INGUSHETIA AND NORTH OSSETIA

On May 18-19, 2006, in Kislovodsk, UNDP presented its project to assist the development of microfinance in two North Caucasus republics, Ingushetia and North Ossetia. The conference was attended by representatives of government and business from both republics, representatives of the Rural Credit

Cooperative Development Foundation, Sberbank, ACDI/VOCA, European Union, and a number of international organizations and credit cooperatives of Stavropol region. RMC Director Mikhail Mamuta presented an analytical report on the status of small business and financial systems in both republics prepared at UNDP request in

collaboration with SME Resource Center, and offered recommendations on developing microfinance services.

A comprehensive approach built into the project gives hope that in a couple of years a network of rural and consumer credit cooperatives will be functioning in the republics, alongside with

other microfinance institutions. Building such a system is key to development and legalization of private business in both republics given their low investment potential and underdeveloped financial infrastructures, according to the 'Expert' Rating Agency.

A SEMINAR ON LEGAL AND PRUDENTIAL REGULATION OF COOPERATIVE BANKS IN ITALY

On May 25-26, 2006, a seminar on legal and prudential regulation of cooperative banks in Italy was held in the Russian Central Bank with participation of the Bank of Italy.

This seminar initiated by the Italian Embassy in Moscow and the 'Russia' Association was an opportunity to share practices of credit coopera-

tives and banking supervision of MFIs. RMC Director Mikhail Mamuta and RMC Legal Adviser Anna Baytenova attended the seminar.

The participants shared their experience of setting up credit cooperatives and MFIs and regulating their operations. In Italy, cooperative (credit) banks, as opposed to conventional private banks, operate as

NGOs and seek to achieve social impact more than commercial profit. Their reporting consists of two parts: financial and social, where they list all public benefit activities performed by the cooperative bank over the period in question. Cooperative banks form the upper part of the structure, while its foundation is formed by credit cooperatives. They

serve as a sort of 'social security department', supporting health care, education and other social programs locally. All cooperative institutions, including cooperative banks, enjoy preferential tax treatment due to their social focus and cooperative governance.

A PROJECT FOR THE DEVELOPMENT OF MICROFINANCE IN KABARDINO-BALKARIA REPUBLIC

In June 2006, a project for the development of microfinance in Kabardino-Balkaria Republic will be launched. The project will be implemented by RMC jointly with the Dutch ECORIS institution under an EU-sponsored program. The project seeks to establish and develop an effectively functioning sys-

tem of supplying microfinance to small businesses and providing saving and loan services to the public through credit consumer cooperatives. Developing microfinance is extremely important for the republic where the local banking infrastructure is virtually inexistent, especially in rural areas. The project will

take six months to develop at least five credit cooperatives and to create a favorable environment for another ten cooperatives to be set up within one year after the project's active phase. The South Russia Association of Credit Unions is a project partner and will provide methodology support for the

emerging system of credit cooperatives in the republic of the southern district.

Please contact RMC Business Development Director Rigo Ovchiyan at rovchiyan@rmcenter.ru for details of the project.

MICROFINANCE ACTIVITY OF NON-PROFIT ORGANIZATIONS - A MANUAL WITH SAMPLE DOCUMENTS

Microfinance Activity of Non-Profit Organizations – a Manual with Sample Documents developed by RMC expert, lawyer Alla Tolmasova contains samples of documents used by non-profit MFIs, such as

charters of various MFI types, by-laws on governing bodies, contracts, and many others. The document templates are preceded by comments explaining legal provisions and terminology and suggesting ways to approach

the drafting of each specific document.

The book is intended for directors and lawyers of new MFIs and for those planning to set up an MFI.

It is distributed for free, except packaging and shipping costs.

Please contact our IT and PR specialist Asya Kamenskaya at akamenskaya@rmcenter.ru to order the book or pick it up from our office.

RMC'S FEE-BASED SERVICES

RMC has introduced a number of fee-based legal services, ranging from general advice on the

nature of microfinance and the process of starting an MFI to comprehensive legal support of NDCO establish-

ment, and from one-time oral consultations to a subscription for the definite amount of hours a month.

Please, contact RMC Legal Advisor Anna Baitenova at abaitenova@rmcenter.ru for more information about RMC's fee-based services.

NEW STRUCTURE AND CONTENT OF RMC WEBSITE'S LEGAL SECTION

From now on, RMC website's legal section will publish answers to selected questions by MFIs, tem-

plates of contracts used in microfinance, and sample MFI charters. This part of the website will also feature regular

updates on RMC's working and expert groups, progress of legislation affecting microfinance,

international microfinance news, Russian legislation updates, etc.

TRAINING NEWS

- **Implementation of Microcredit Programs in Banks**

Between 6 and 8 May 2006, in Khabarovsk, training for trainers was held to introduce a course in the Implementation of Microcredit Programs in Banks designed with support from the USAID project "*The Enhanced Small and Medium Sized Business Development Project (ESD)*".

Currently, MFIs in Russia meet no more than 5-7% of the potential demand for microloans. This fact alone makes microfinance interesting for commercial banks. However, there are limitations to the ability of banks to make microloans directly to this market segment. It may be more feasible for banks to penetrate this segment of the market through existing MFIs with good reputation.

The course participants learned the difference between microcredit programs and conventional bank credits, specifics of lending to micro-borrowers, and options of bank/MFI cooperation.

The trainers presented success stories of such cooperation in Russia and offered guidance on how to assess internal and external

risks involved in working with MFIs and the creditworthiness of their MFI borrower.

- **Loan Officer Training**

Between 23 and 25 May 2006, in Yakutsk, a corporate course in Loan Officer Training was held, organized and delivered in collaboration with the First Association of Credit Societies in the Republic of Sakha/Yakutia and Government Department of Additional Education "Business-School" within the framework of the USAID project "*The Enhanced Small and Medium Sized Business Development Project (ESD)*".

By providing plenty of practical assignments and case studies, the course helped the trainees to learn microlending methods and practices, and gain an in-depth understanding of underlying principles. In addition, the participants improved their skills of credit analysis needed for efficient delivery and good customer service.

The following was discussed during the course: how to find your customer, how to assess risks involved in microlending and the value of collateral, guarantee and peer group arrangements.

The trainers presented some typical microborrower and microlender profiles, products

and services delivered by microfinance institutions, content and purpose of main financial reports used in loan analysis, methods of express analysis, etc.

- **Liquidity Management in MFIs**

Between 24 and 26 May 2006, in Moscow, RMC trainers delivered an open course in Liquidity Management in MFIs designed with support from Citigroup Foundation.

rational management of the MFI operation and the assets in its trust. The course participants learned a lot about establishing and integrating liquidity management in MFI operations, such as: what liquidity is, how to manage it, what is financial vs. operational liquidity, what are liquidity management tools and how to use them effectively.



Liquidity is key to MFI's operation and development strategy, and liquidity management must be consistent with the institution's mission and chartered goals. Liquidity is not related to any external controls, supervision or regulation; rather, it is a natural mechanism ensuring

Please, contact Yelena Zakarzhevskaya, RMC Training Coordinator, at ezakarzhhevskaya@rmcenter.ru about enrolling in RMC training courses.

Suschevskaya str., 8/12, bld.1, office 322, Moscow, Russia, 127055

Tel.: +7 (495) 258-8705, 258-6831, Fax: +7 (495) 258-8709

www.rmcenter.ru, info@rmcenter.ru