



# Russian Microfinance Center

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Monthly bulletin

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## Meeting of the Inter-Departmental Council responsible for drafting a Law on Microfinance Institutions

On 13 July 2006, the Inter-Departmental Council responsible for drafting a Law on Microfinance Institutions met in the RF Ministry of Finance. Opening the session, the Chairman of the Inter-Departmental Council, Director of Financial Policy Department of the Finance Ministry Alexei Savatuygin stressed that the main objective of adopting a law on microfinance institutions is to establish a favorable environment for microlending through appropriate legal regulation of organiza-

tions not covered by specialized legislation on credit cooperatives or credit institutions.

Some conceptual provisions of the new draft law were presented by Director of Financial Policy Department Vladimir Lukov. NAMMS President Mikhail Mamuta mentioned in his presentation that the draft law in question was an important initiative launched by the Ministry of Finance and designed to create a favorable environment for the development of microfinance activity in Russia.

The participants decided to finalize the concept of the draft law, taking into account relevant comments and suggestions, before 15 August, so that the next meeting to discuss it can take place in September 2006.

*The draft law can be accessed from RMC website at <http://www.rmcenter.ru/art.php?cat=5&artId=941&lng=1>.*

## Meeting to discuss the development of credit cooperatives, hosted by Deputy Prime Minister A. Zhukov

On 14 July 2006, a meeting was hosted by Deputy Prime Minister Alexander Zhukov. The meeting had been initiated by Mikhail Nikolayev, Deputy Chair of the Federation Council and Chairman of NAMMS Board of Trustees. The meeting participants referred to the 175th anniversary of the Russian cooperative sector and discussed ways to facilitate the development and growth of credit cooperatives in Russia, with a special focus on credit cooperatives. The meeting was attended by more than ten representatives of credit cooperative associations, banks and microfinance institutions. In his introductory address, Mikhail Nikolayev identified a number of key barriers which prevent the Russian cooperative sector from developing into a full-fledged third sector of the country's economy. In addition to legislative issues, these include the need for

better taxation, land allocation, and training of cooperative practitioners. Mikhail Nikolayev made a proposal to set up a Higher Cooperative Board as an agency of the RF Government to facilitate and coordinate efforts to promote cooperatives. CEO of the Foundation for Rural Credit Cooperatives Development Vladimir Pakhomov and CEO of the League of Credit Unions Vadim Kalinichev voiced some of the key problems which hinder the development of credit cooperatives and possible solutions. In addition to laws and regulations, the participants discussed their application and enforcement locally, including attacks against cooperatives by over-zealous law enforcement authorities.

NAMMS President Mikhail Mamuta spoke about the role of microfinance in addressing the problems of poverty and unemployment in Russia, and about measures needed to increase

the credit cooperatives' contribution to the overall microfinance movement. He noted that mechanical limits imposed on the number of credit cooperative members and on making SME loans from cooperatives funds should be lifted and replaced by well-designed, comprehensive performance standards and by self-regulation. President of the Association of Russian Banks (ARB) Garegin Tosunyan emphasized that finance and credit market in Russia needs, in addition to a strong banking sector, also a sector of microfinance providers to complement banks. ARB has been consistently supporting microlenders by co-founding NAMMS and by including a section on microfinance development in the overall strategy for the banking sector before 2020.

Vice Premier Alexander Zhukov summed up the meeting by reaffirming the need to pro-

mote cooperatives; he assured that the Russian Government appreciated the importance of credit cooperatives and microfinance in general. He also supported many of the suggestions made by participants during the meeting, including those that urged an early adoption of framework legislation on credit cooperatives, amendments to the Federal Laws on credit consumer cooperatives of citizens and on agricultural cooperatives, and further development of the top priority national project to boost the Agro-Industrial Complex. A follow-up to the meeting will include concrete proposals to the Russian Government via the Vice Premier on promoting cooperatives and microfinance. A special Government meeting to determine a regulator of credit consumer cooperatives was tentatively scheduled to be held in autumn.

### Discussion of the draft federal Law on Credit Cooperatives

Deputy Chair of the Federation Council, Chair of NAMMS Trustees Mikhail Nikolayev approached State Duma Speaker Boris Gryzlov and Chair of the Duma Committee on Economic Policy, Entrepreneurship, and Tourism Valery Draganov with a request to address the current situation with the draft federal Law on Credit Cooperatives. The draft law was submitted by the Russian

Government to the State Duma on 17 March 2001; on 24 April 2002, the Duma adopted the draft law in the first reading and invited suggestions and amendments to be filed within one month. Since then, however, the draft law has not yet been adopted in the second reading.

Recently, the draft law was revived due to advocacy of credit cooperative associa-

tions. The Ministry of Economic Development and Trade, as the interested executive authority, has also helped its progress through the Duma. The relevant State Duma committees work in close collaboration with executive authorities, regions, and non-governmental organizations. Mikhail Nikolayev stressed the political importance of credit cooperatives

as contributors to Russia's economic security, independence, supply of goods and services to the domestic market, and to the progress of regional and federal programs for social and economic development.

*For more information on legal matters, please, contact RMC Legal Adviser - Anna Baitenova at [abaitenova@rmcenter.ru](mailto:abaitenova@rmcenter.ru).*

### Training News

#### • Financial Analysis Training Course



Between 11 and 14 July 2006, an open course in financial analysis was held in Moscow.

This 4-day crash course developed by CGAP had been adapted to Russian mi-



crofending practices by RMC experts. The course focused on financial management and addressed one of the most challenging objectives faced by MFI, i.e. improving their return rates and efficiency. The trainees appreciated clear and concise explanations, accessible presentation and trainer performance. They thanked the organizers in the feed-back questionnaires, mentioning specifically the relevance of analyzing MFI financial reports and determining key factors that influence MFI return rates. The participants were particularly thankful for a comprehensive overview of financial analysis and managerial financial reporting.

#### • Marketing in Microfinance: Loans and Savings Course

Between 21 and 22 July 2006, in Pyatigorsk, a corporate course titled Marketing in Microfinance: Loans and Savings was delivered; the training had been requested

by Sodeystvye Credit Union. The marketing theory was illustrated by cases borrowed from Sodeystvye and other MFI Loan Managers' practice. As part of interactive assignments, trainees characterized MFI target market and its segmentation, learned about marketing characteristics of MFI products, looked at various methods of MFI-specific market research, performed SWOT analysis of their institutions, and designed ways to improve customer loyalty.

Subject areas that participants found particularly interesting included: methods of market research, client communication, MFI personnel recruitment, and risk management.

*Please, contact Yelena Zakarzhevskaya, RMC Training Coordinator, at [ezakarzhevskaya@rmcenter.ru](mailto:ezakarzhevskaya@rmcenter.ru) about enrolling in RMC training courses.*

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