



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.