

# Good Practice | AgroInvest Fond LLC Belgrade

## CATEGORY:

Partnership development

## GOOD PRACTICE'S TITLE:

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

## MAIN OBJECTIVE:

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



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

### Mission of the organization


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

### Governance structure

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



**MFI factsheet**

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

**GOOD PRACTICE**

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



**Target group**

The main goal for AgroInvest is to reach out to poor, rural households, the market for which AgroInvest was initially founded. The target group is made of rural household (as indicated by location and address) and poor households (in terms of income and assets).

**Innovativeness**

AgroInvest operates solely through a partnership with the mainstream financial sector. AgroInvest is an intermediary agent to entrepreneurs, most of which live without steady income, and who do not have or have limited access to commercial bank loans. AgroInvest's recommendations to partner banks facilitate loans that are then disbursed through the bank. AgroInvest has built a guarantee deposit into its model, which gives the bank confidence in working with this target group.

**Relevance given the context**

AgroInvest is organized to provide a significant and continuous presence in the field through its 17 offices, located in 6 geographical regions with 4 types of products: business loans, agricultural loans, start up loans and basic need loans.

**Adaptability to other contexts**

This model can be easily replicated in other countries. However, a few pre-conditions are required: there must be a sufficiently large market size of the unbanked, to scale up efficiently to a point of sustainability. There must be at least one strong microfinance provider with a social and financial mission, strategically committed to the rural unbanked poor and one solid and transparent bank in the country that has a strategic mandate to expand into this market. AgroInvest is actively looking to replicate the model with other potential banks.

**Efficiency**

Because AgroInvest operates in the deep rural pockets of the country with close attention to each client, the model per unit lent is inherently very costly. Therefore, the model only becomes sustainable with scale and volume. Currently, AgroInvest has approximately 12 million EUR outstanding and has reached break even with 16,500 clients. Additionally, as explained below in the sustainability section, the program is highly efficient in terms of cost of funds.

**Outcomes**

Since AgroInvest's beginnings, the company has aimed its activities towards long-lasting positive effects in its target communities. In 2014, the company reached more than 15,500 clients with an average 1.6 children per household. Most of the clients live in rural areas (48%) and work in agriculture. Additionally, our indicator for the target group reports that 53% of AgroInvest clients have an income lower than the average minimum income in Serbia.

**Sustainability**

An interesting feature of the AgroInvest business model is that AgroInvest only needs to provide liquidity of 25% equivalent for 100% outstanding portfolio. This means that even with a relatively aggressive growth plan, only a fraction of the total funding is required. Regular monthly reports and tracking allow management to closely follow the portfolio, and AgroInvest complies with its network's (VFI) reporting requirements and is also externally audited.



### SUCCESS STORY: NIKOLA BANKOVIC



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

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

### SUCCESS STORY: BORKO SAVRAN



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

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

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

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