

Good Practice | Vision Fund Albania

CATEGORY:

Value Chain approach

GOOD PRACTICE'S TITLE:

Rural empowerment and economic development through value chain integrated projects

MAIN OBJECTIVE:

To reach the historically under-served regions and their inhabitants, providing financial and non-financial support to improve local livelihoods and help them move away from extreme poverty



Vision Fund Albania (VFA) was established in 2001 under the umbrella of the World Vision Albania and is now owned and controlled by Vision Fund International.

It was registered in 2010 as a separate entity. VFA provides micro-loans to poor families in the rural communities primarily served by World Vision Albania, and also to the most vulnerable ethnic minority communities, the Roma & Egyptians living in suburbia.

Mission of the organization

To improve child welfare by giving parents new opportunities and strengthening their communities. VFA does this by offering affordable loans and professional services to the economically active poor, micro-entrepreneurs and small businesses; and also, by integrating the principles of environmental sustainability in all its operations.

Governance structure

The governance structure is made of the Board of Directors with five members from VisionFund International, World Vision International and World Vision Albania in addition to the internal senior management team led by the Executive Director.



MFI factsheet

Type of organization	Non-bank financial institution
Country	Albania
Year of inception of the good practice	2012-2013
Services and products provided	<ul style="list-style-type: none"> • Business & agriculture loans • Social Loans primarily for education and health • Energy Efficiency for home renovation, solar panels etc. • Recycling of scrap (plastic/metal & paper) • Households' loans for home furnishing, electrical appliances, vacation, personal vehicles etc. • Startup loans for any
Portfolio (€)	1,855,275 (as end of Dec. 2014)
Avg loan size (€)	884.31 (as end of Dec. 2014)
Number of clients	2,098 (as end of Dec. 2014)
% of rural clients	69% (as end of Dec. 2014)
Typology of rural clients	Under-served clients who fall at the nationality poverty line of \$2/day
Website	www.visionfund.al 

GOOD PRACTICE

This project used to be a partnership between WorldVision Albania (WVA) and VFA to serve the extreme poor by financing and establishing an integrated agricultural value chain in three rural regions of Albania. By utilising the unique strengths and technical expertise of each of the two partners, this project was designed to reach these historically under-served regions and their inhabitants.

The project had three essential functions for creating economic empowerment:

1. To educate and coach farmers on basic business and entrepreneurial skills.
2. To provide financial assets in the form of credit to the most vulnerable clients (as identified by WVA) in the Area Development Programs (ADP) areas for livestock and agriculture activities.
3. To help create a crucial link between borrowers, suppliers, agricultural markets and other associated services.

The loans were offered from VFA with a maximum amount 300,000 LEK and minimum of 50,000 LEK; maximum loan term of 30 months, minimum 3 months with an average loan term 25 months including a grace period of 3 to 6 months.

For this project, WVA-ADP subsidized the cost of annual interest rate by paying the balance to VFA in advance. Consequently, there is no interest repayments required from clients.



Target group

For this project, World Vision Albania selected 90 families who had been receiving financial and non-financial aid in under-served regions for 10+ years with intent to move them away from extreme poverty. Only 79 families became part of the program due to some withdrawals while in the program.

The idea was to move these clients away from direct aid by helping them develop a sustainable business practice.

Innovativeness

The project was the first collaboration of its kind to serve the regions characterized by geographically dispersed clients, poor existing infrastructure, high exposure to diverse risks and would require a high operational cost to serve in the traditional microfinance model. This project was innovative due to the following: it offered financial literacy training, hired animal vets to check out the quality of animals, connected clients with animal suppliers and markets in most cases and offered zero interest on the loans.

Relevance given the context

The relevance of this project with regard to the context is that the target group was falling below the national poverty line and could not afford the full financial cost of the loan product. In addition, the target group was also given the opportunity for trainings on how to manage the new activity.

Adaptability to other contexts

The value chain projects can be easily transferable to others contexts, although there should be at least two partners for the collaboration. One of them could be a non-profit agency that aids those in extreme poverty and an MFI with a social mission to serve the poor.

Efficiency

It was cost-efficient because we helped households to get out of poverty that wouldn't otherwise have been able to do so. Some of them even came back with a request for another loan to expand their activities. As for VFA, it was a grant offered as a subsidized loan to clients..

Outcomes

Positive impacts in:

Lezha branch: 16 families with 86 family members and 43 children; three clients have received another loan and one client was written-off.

Korca branch: 35 families with 195 family members and 71 children; nine clients have received another loan and one client was written-off.

Elbasan branch: 28 families with 156 family members and 33 children; two clients have received another loan and no clients have been written-off.

Sustainability

This was one-time project with the possibility of running it again in the near future with other partners or even WVA. We believe that to be sustainable, the funding has to be given to other clients at the poverty line and with the same loan conditions. Then, after it first round of clients have repaid, the funding cycle can rollover.

SUCCESS STORY: ADRIANA MUCOLLARI

Adriana Mucollari, a 30-year-old married mother of five; ages 14, 10, 7, 5 and 2 years old. They live in Drithas village of the Libonik commune, in the region of Korca. In 2013, she was selected as a beneficiary of the Value Chain Integrated Loan Projects. The purpose of these loans was to help households that fall below the poverty level of the clientele that VisionFund Albania serves. Until that time, Adriana's family of eight lived with only the \$80/month retirement pension of her mother-in-law.

With the dairy cow that they purchased through the project, their life since then has taken a turn for the better, "the cow has been producing about 15 litres of raw milk a month for ten months/year; from this, I sell 10 litres/day at a price of \$0.4/litre to some nearby dairy farms; thus, generating an income of \$4/day. With the rest of the milk, I've now secured the dairy needs of my family that I couldn't achieve otherwise. I managed to sell a baby calf as well for \$600 and my plans are that I keep the next female calf to expand the livestock," said Adriana smiling in the interview.

SUCCESS STORY: TONE SHKEMBI

Tone Shkembi, a 43-year-old married mother of five, lives in the rural village of Torovica located in northern Albania. On August 28th, 2013, VisionFund Albania (VFA) granted Tone a loan of 300,000 Albanian Lek (ALL) to establish a livestock business. After purchasing 30 baby goats, Tone began to care for her animals by creating a basic housing and feeding system on her property.

As the life cycle of the goats continues to progress, so does the life cycle of the value chain; 22 of the 30 goats are due to give birth in two month- time. To prepare for the next generation of goats, Tone has decided to scale back sales for the next 6 months to ensure sufficient milk supply for the healthy development of the newborns. Within months, Tone gathered some information from local dairy farms to find out the price/kg of goats milk, which was \$0.48. At this rate, the milk provides enough net income to support her family, pay the balance on the loan and put some money on the side.

Tone now plans to increase her capacity by creating a dairy farm. A larger scope will allow Tone to produce goat cheese, thus increasing her profit margins to \$8/kg.