

Shoqata
Mikrofinansca
Shqiptare



Albanian
Microfinance
Association

2020

ANNUAL REPORT OF ACTIVITIES

**ALBANIAN
MICROFINANCE**

2020



Table of Contents

- 1 KEYNOTE FROM OUR PRESIDENT
- 2 MICROFINANCE SECTOR AND ITS DEVELOPMENTS
- 3 HIGHLIGHT SECTION: THE IMPACT OF CRISIS RELATED TO COVID19
- 4 MAIN BUSINESS AND FINANCIAL DEVELOPMENTS OF AMA MEMBERS DURING 2020
- 5 SUMMARY OF AMA ACTIVITIES DURING 2020
- 6 FINANCIAL EDUCATION
- 7 RESEARCH AND PUBLICATIONS
- 8 COOPERATION WITH INTERNATIONAL ORGANIZATIONS AND NETWORKS
- 9 LOBBYING AND ADOVOCACY



KEYNOTE FROM OUR PRESIDENT

Dear Reader,

It is always a great pleasure sharing with you the Annual Report of Activities for Albanian Microfinance Association, being that this paper represents nothing less but substantial and vigorous efforts of microfinance institutions in Albania to bring to their customers the best and efficient possible service, being these individuals, farmers and Albanian microentrepreneurs alike, in need to access financing.

This year we are even more proud and humble to the staff and management driving our member institutions, which managed with a high degree of professionalism, industrious work and determined effort to go through one of the biggest challenges that the world overall, and the microfinance sector in particular, experienced during 2020.

Last year was a challenging year beyond imagination for the Albanian economy, not only due to the global economic slowdown as a result of Covid_19 crisis and the measures taken to manage it, but also due to the slow recovery post lockdown in the country. The increasing lack of confidence related to the economic, political and social stability of the country had a major effect in reducing the customer consumption and financial behavior towards money for Albanian families, and the investment initiatives and plans for expansion on the side of entrepreneurs.

Due to these reasons, the expected economic trajectory reflecting a downward trend, at approximately -3.3% against 2% of the previous year. However, official statistics published by the National Institute of Statistics with regard to the Gross Domestic Product and the economic growth of 2020 witness that the shock experienced by the Albanian economy and the recession experienced as a result, were significantly weaker and contained compared to the initial expectations and overall concern.

Despite of the unimaginable challenging situation, the microfinance sector saw positive results, and took a crucial and decisive role in the support it provided to the economic recovery in the targeted sectors, such as individuals, farmers and small businesses, which have no access in the banking system.

Microfinance institutions during 2020 increased their activity by 2%, which once more reflected the help and support that microfinance provides to the market, especially in moments of deep crisis.

The positive results marked by the sector despite the difficult circumstances through which we went through, were also possible since this sector and its actors were provided with a close cooperation and immediate support by the regulatory public institutions, such as Bank of Albania and Ministry of Finance and Economy. Moreover, Microfinance Centre (MFC), who have been a crucial partner for Albanian Microfinance Association sharing success stories, knowledge and experience from microfinance practitioners around the globe, and supporting microfinance institutions in their efforts to increase financial education, have offered an amazing support in conveying the best practices in crisis management and on tools and methodologies to adopt researches and surveys on how microfinance was affected by Covid-19, undertaken by AMA.

Microfinance institutions managed to adapt more quickly to the new living conditions due to the continuous investments in information technology and advanced digital platforms, which are already integrated in all operational links.

Despite the difficulties, the members of the Albanian Microfinance Association remained in contact and continued to work closely with each-other to continue the impact of this sector on the country's economy, to increase financial education and to further increase the digitalization of this sector, which will undoubtedly will lead to an increase in the quality of service to individuals, farmers or small businesses, a higher access to finance and more new tailor made products for our targeted segments.

This will be the main focus during 2021, an also challenging year to bring the microfinance sector to the spotlight it deserves and as a segment of excellence, supporting the most vulnerable segments and offering the best possible to individuals, farmers or small businesses, who need fast, fair and accessible financing, when the economy has just started to recover and our customers are embracing a new normality through a crisis that is still present.

Arlinda Muja

President – Albanian Microfinance Association

2 MICROFINANCE SECTOR AND DEVELOPMENTS IN ALBANIA

The year 2020 will be remembered as an unprecedented year for the blow it brought to the health, social and economic life in Albania and around the globe. Considering the difficult conditions faced by the economies around the globe, without excluding ours, it is worth mentioning that in comparison with the banking system, insurance companies or capital market actors, the microfinance sector was hit more severely by the pandemic, mainly as a result of the adverse impact it had on small entrepreneurs, farmers and agrobusinesses and employed individuals.

The sudden disruption of business activity in the country and the massive lockdown that lasted almost three months froze the income of thousands and thousands of businesses and individuals, with customer demand falling below historic levels and suspended loan repayments as a result of the Credit Moratorium, initiated by The Albanian Government and the Bank of Albania.

However, in the second half of the year, the Albanian economy showed revitalizing signs, and this was reflected in the increase of demand for microfinance products, accompanied by an expansion of the loan portfolio and resumption of

activities at the microfinance targeted market segments. Given that the period to which this report refers was characterized by a significant economic slowdown during the first half of the year, consumer and business demand for microfinance products followed the same downward trend, which was corrected later.

During 2020, the non-banking financial market (including non-bank financial entities engaged in lending and microcredit, as well as savings and loan associations) reflected a slight increase of 3% in the loan portfolio, or in absolute value of about ALL 1.1 billion, which is mainly attributed to lending of all categories rather other activities such as microcredit, factoring or financial leasing. Most of the NBF loan portfolio is held by lending and microcredit entities (74%). It is followed by the portfolio of financial leasing entities (25%) and the portfolio of factoring entities (1%). The loan portfolio of NBFs reached 6% of the total credit of the banking system, with an increase of 0.3 percentage points compared to the previous year.

Meanwhile, split per type of credit activity, the loan portfolio of non-bank financial institutions appears as follows:

Financial Activity	2019	2020	Change	%
Lending of all forms	14.69	15.50	0.81	6%
Micro-Credit	11.39	11.60	0.21	2%
Financial Leasing	8.85	9.00	0.15	2%
Factoring	0.53	0.50	0.03	-6%
Total Lending Activity	35.46	36.60	1.14	3%
SLA & Unions	8.04	8.49	0.45	6%

billion ALL

Regarding the total balance sheet of NBFs involved in lending, it reached ALL 59.6 billion in December 2020, with an increase by ALL 1.5 billion or 3% compared to the previous year. The assets of lending NBFs amount to 3.8% of the

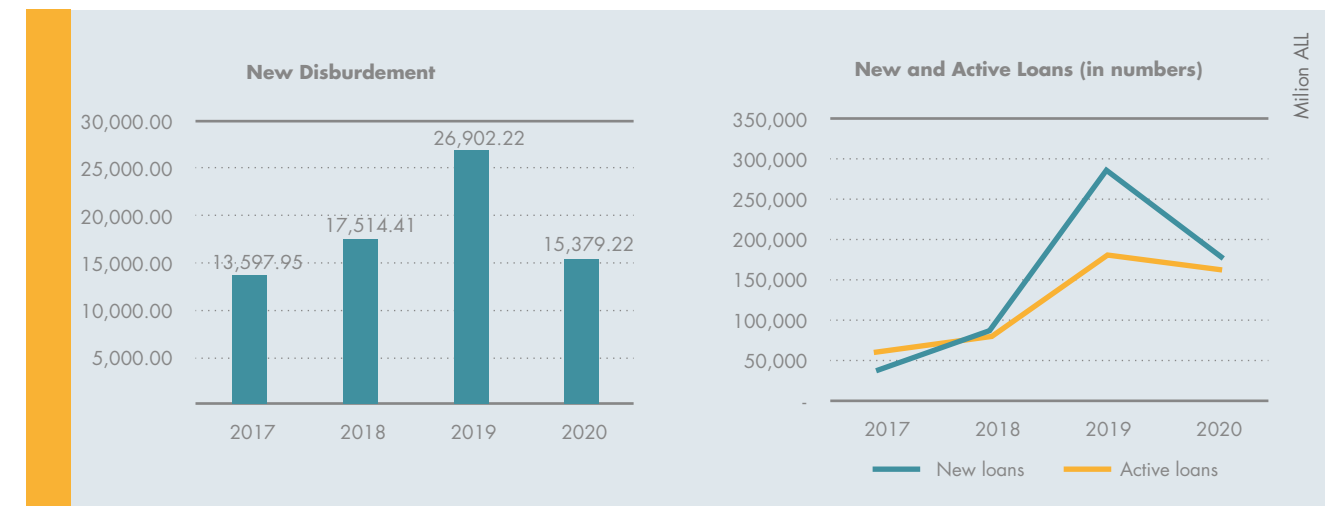
total assets of the banking system, with a decrease of 0.1 percentage points compared to the previous year. The total balance sheet of Savings and Credit Associations, for the same period, reached the value of ALL 11.6 billion, with an increase of

ALL 0.64 billion or 6% year on year basis.

During 2020, the Albanian Microfinance Association consisted of 9 members, including 6 non-bank financial institutions (Agrokredit, Agro & Social Fund, Crimson Finance Fund Albania, BESA Fund, IuteCredit Albania, Kredo Finance and NOA), as well as two SCAs (Fed Invest SCA LLC) and UniFin SCA), expanding by 2 members compared to the previous year.

The member institutions of the Albanian

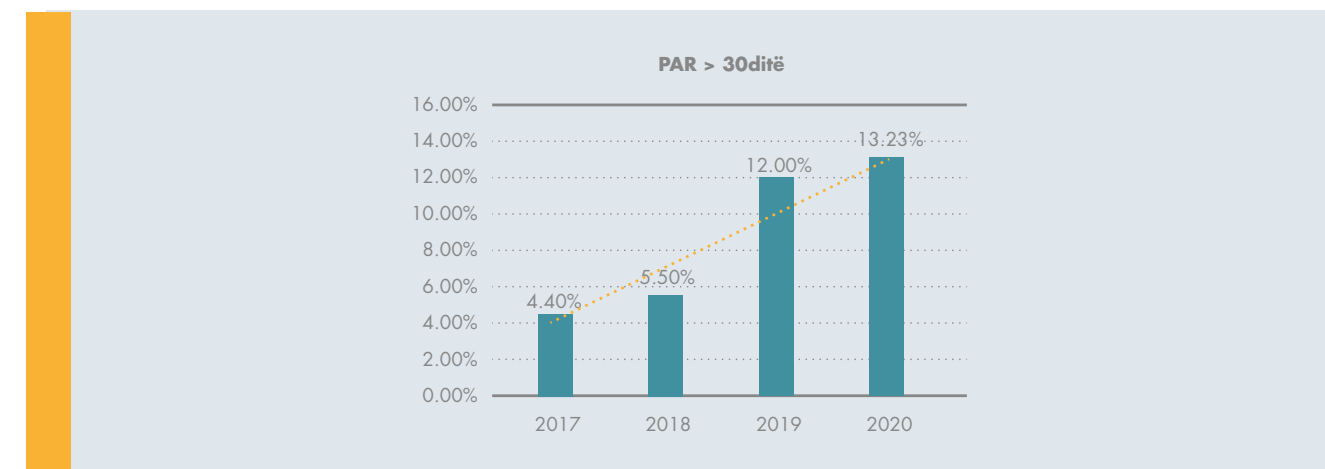
Microfinance Association did not stop lending to the economy for any moment, despite the significantly reduced demand in the first half of the year. However, the new credit granted by AMA member institutions resulted in a decrease of 43% compared to 2019, reaching a total of ALL 15.38 billion compared to the total of new credit of 26.9 billion last year. Of course, this trend was also reflected in the number of loans disbursed during 2020, which decreased by 38% compared to the previous year (see illustrative graphs)



It goes without saying that the immediate result of the reduction of loan volumes was the modest growth of the loan portfolio, which increased by only 2% compared to 37% growth in 2019. Even such growth was made possible mainly by massive loan restructuring during the first phase of the moratorium, during which a total portfolio of approximately ALL 9.3 billion (about EUR 76 million) with above 39 thousand loans were rescheduled or restructured, limiting the normal amortization and repayments.

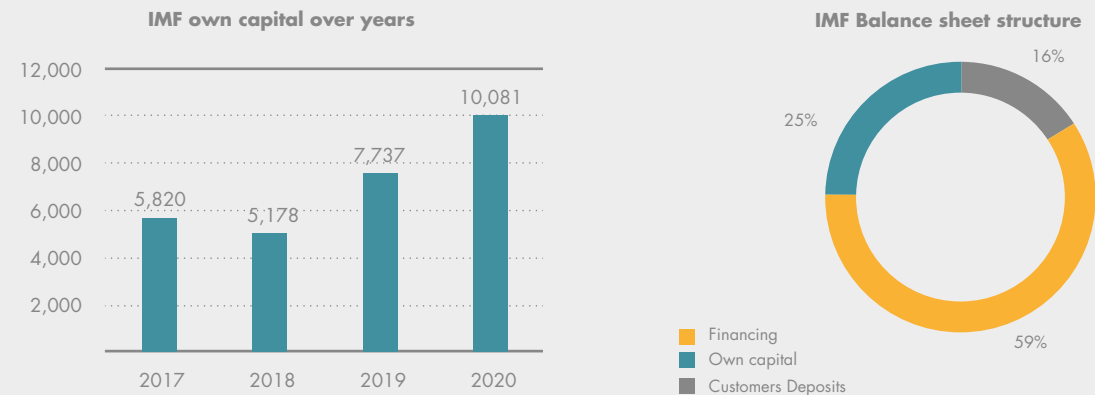
In terms of loan portfolio quality, according to figures

reported by members, during 2020 was reflected an increase in overdue portfolios by more than 30 days, an indicator that stood at 13.23% for the end of 2020 against the figure of 12% for the end of 2019 (figures refer only to members of the Albanian Microfinance Association). Of course, considering the difficult socio-economic situation of the country due to the pandemic, member institutions have taken appropriate measures by increasing the level of provisioning for non-performing loans, which action was mainly financed by their own capital (graph below for illustration):



The balance sheet structure of the member institutions of the Albanian Microfinance Association changed during 2020, in favor of higher capitalization against financing and donations, as well as SCA deposits. During

2020 it was reflected a significant increase in capital (30% compared to the end of 2019), as a means to cope with the expected problems with the portfolio as a result of the pandemic crisis (illustrative graphs below):



Currently, the sector is well-capitalized and able to withstand the losses calculated according to conservative, neutral and optimistic scenarios of credit risk management. This is evidenced by the ongoing financial indicators, where most institutions are in line with regulatory standards applied normally.

Non-performing loan ratios remain stable, with no significant deterioration. This includes restructured portfolios and loan repayments rescheduled under the loan moratorium or moving forward. However, all institutions are aware that

the timely extension of the pandemic beyond the expected limits will have a negative effect on the quality of the loan portfolio, under the pressure of rising unemployment and the closure of private activities.

Both non-bank financial entities and SCAs result in a positive financial result (NBFIs are reported with a positive financial result of ALL 2.33 billion, and SCAs with a financial result of ALL 293 million), despite the shocks from the crisis and the difficult liquidity situation that some of them encountered.

MAIN BUSINESS ACTIVITY LINES AND STRATEGIC PRIORITIES

Member institutions of the Albanian Microfinance Association are active in lending to segments of micro-enterprises, small and medium enterprises, farmers and agro-processing, as well as to individuals for consumer financing products. Of course, when it comes to financial inclusion, or access to finance, microfinance serves those market segments that do not have access to the banking system and do not have alternative sources of financing. Presented in this form, the microfinance lending activity has in essence its social mission, which materializes in causes such as poverty alleviation, job creation, narrowing the gender gap in entrepreneurship and employment, as well as supporting entrepreneurial activity for those individuals and families who have no other source of income.

According to the Annual Supervision Report 2020 of the Bank of Albania, non-bank financial entities credited businesses at the rate of 75% and individuals at the rate of 25% of the new loan volumes disbursed. Unquestionably, business lending volumes are favored by higher loan tickers, while those in favor of individuals predominate in number of loans. Regarding the sectors of the economy, those receiving the highest new lending volumes during 2020 are "Other service activities" with 28%, "Trade, vehicle repair" with 19% and "Agriculture" with 10%. For AMA members, the number of farmers credited at the end of 2020 was 18,633 with an outstanding loan portfolio of around EUR 50.33 million, or about 20% of the total portfolio.

The Albanian Microfinance Association has had an intense activity during the pandemic period. In addition to coordination, publications and events in support of the sector, during 2020 the focus was on bringing the sector to the attention of policy making and its inclusion in the measures taken by the government and the Bank of Albania in support of the population and business activity, in the conditions of an unforeseen crisis caused by COVID-19.

During 2020, three roundtables were organized by working groups, set up to better manage the crisis caused by COVID-19, as well as to find

sustainable sources of funding to manage the liquidity difficulties that came as a result of the credit moratorium and delays in loan repayments. Also, a series of webinars came to the aid of members to address certain issues with provisions or to see new opportunities in the field of digital payments and cooperation with the institutions that offer them.

Furthermore, in terms of financial education, this year, AMA became part of the awareness campaign "Borrow Wisely", and took an active role in participating at the Albanian Network for Financial Education, where it offers a continuous contribution with regards to improving the level of financial education in the country.

However, a lot remains to be done in promoting and advocating about microfinance, not only in terms of raising awareness about the sector and its challenges, but also aiming for a higher level of support that the government or the Bank of Albania should provide to microfinance institutions, considering the latter as partners in channeling funds to undeveloped market segments and individuals living near poverty levels.

Similarly, during year 2021 the main pillars of the activity of the Albanian Microfinance Association will focus on promoting the sector, its achievements and challenges, advocacy and representation against policy makers, regulators and other market actors, increasing the level of education and financial inclusion, as also increasing the capacity of members and strengthening cooperation between them. A special priority this year will continue to be given to the social mission of microfinance activity, the impact it has on society through poverty reduction and employment growth, and during this year a special research paper is planned to measure and evaluate this impact.

The Albanian Microfinance Association is determined to achieve all its goals during 2021 through numerous activities planned, publications and other tools that show and reveal more about the undisputable role that microfinance has in improving the quality of life of individuals and

entrepreneurs, working group roundtable discussions and active participation with a direct impact on the microfinance regulatory framework to enable greater access to finance, as well as

capacity building activities for its member institutions and their staff, to accelerate the digitization of microfinance services, and to create more opportunities and flexibility for citizens.

3.1. The adverse impact of COVID-19 pandemic on microfinance institutions and ways the sector coped with the challenges imposed

Microfinance institutions faced various challenges during and after the lockdown, both administratively and in terms of running a business. However, most of these challenges were overcome with careful liquidity management, maintaining close communi-

cation with customers and providing support to them in these difficult times, as well as with the hard and tireless work of staff and managers to ensure continuity of service and products delivery through all possible channels.

a) Liquidity challenge

During the lockdown period, some member institutions reported difficulties with the regulatory required liquidity ratio, which has been hard to meet especially in the context of the credit moratorium. But these difficulties were overpassed, mainly as a result of negotiations with investors and also with the support of shareholders and investors, which did not hesitate to perform

capital injections to keep the business going.

But it should be noted that access to new or additional sources of existing funding sources has become quite challenging, both from the banking sector and from foreign investors, who are revising their investment strategies and are setting tight priorities for their financing activity.

b) Challenge of cutting back on administrative expenses

Those microfinance practitioners and non-bank financial institutions that were affected the most by the pandemic, were forced into closing a number of branches temporarily or permanently. In total, during 2020, 60 branches of member institutions or 20% of total branches, were closed. The cutback on administrative expenses was

temporary for some categories and permanent for others. There was a temporary downward review of salaries and salary increases were suspended. In total during 2020 the number of staff has decreased by 53 employees or 3%, while for the first 6 months of the year this figure was at the level of 17.5% of the total staff of AMA members.

c) Product development, lending process and delivery channels

During the lockdown and moving forward, some institutions designed tailored loan products to respond to the situation, with low or no repayments for the initial periods, and installments increasing progressively, or longer grace periods.

process at all its stages, to ensure convenience for customers and a faster process. Member institutions reported that work with clients was modified, given that under normal conditions work with clients is usually pursued at their business premises. Visits were reduced only to those cases where this was unavoidable, and under strict measures of health safety protocols.

But it must be said that lending criteria were tightened, while an increase in the use of digital platforms was observed, an understandable trend given the conditions of physical distancing.

However, microfinance institutions continued their activity and encouraged customers to use their products and services. At this difficult stage for businesses and individuals, the door to microfinance remained open to all individuals, businesses and farmers in need of financing.

Even before the outbreak of the pandemic and quarantine that followed, the microfinance sector had placed special emphasis on the digitalization of the lending

4 MAIN BUSINESS AND FINANCIAL DEVELOPMENTS OF AMA MEMBERS DURING 2020



4.1. Agro & Social Fund shpk

The year we left behind was a year full of challenges and difficulties for all humanity, in every aspect, especially in the economic one. Faced with an unusual situation, we can say with determination that Agro & Social Fund managed in the best way its activity, moving forward in pursuing the mission and the objectives set.

The staff of Agro & Social Fund, consisting of 67 people, has served to more than 2,788 clients with a portfolio of 767,886,472 ALL during 2020. Compared to 2019, Agro & Social Fund had an increase of 19.3% of portfolio in value and 11.2% increase in the number of active loans. Also, despite the negative effects of the COVID-19, at the end of the year we managed to secure a positive financial result.

During 2020 we managed to prepare and put on the market, under unusual conditions, two new products, which provided about 17% of the disbursed portfolio (in number of loans) and 12% of the disbursed portfolio (in loan amounts), bringing to 8 products, the inventory of products in the service of our clientele.

Also, during 2020 Agro & Social Fund joined, for the second year in a row the campaign

"Borrow Wisely", in order to continue the process of educating our customers to be careful and smart when taking a loan.

Agro & Social Fund during 2020 managed to complete an international evaluation process "Financial Rating" by MICROFINANZA RATING (an international evaluator recognized by the European Commission), providing a confirmation certificate for the improvement of operations as well as an instrument of self-control and self-improvement.

Also, during 2020 we managed to complete the self-evaluation process for obtaining the certification of Code of Good Conduct, and we are expecting the results by the first months of 2021.

2020 was filled with unforeseen difficulties and these difficulties translated into challenges, especially for microfinance institutions. During the quarter March - April - May, Agro & Social Fund managed to disburse only 30% of the projected target, an indicator that we managed to improve over the next period of the year. Also, Agro & Social Fund had over 700 clients who were under moratorium, which translated into a lack of receipts and consequently a lack of cash delivery to the institution.

Financial indicators, assets, loan portfolio in volume and number, financial result

- Administration and management of Funds with accountability, transparency and effectiveness in a difficult year of a Global Pandemic;
- Increasing the volume of Active Credits in Numbers by 11.1% and in Value by 19.3%, for 2020
- Increasing the volume of Disbursement in Numbers by 6.4% and 1.7% in Value, for 2020.
- Increase of the Cumulative Volume in Number by 7.3% and by 13.2% in Value, for 2020



Strategic priorities and objectives for 2021

For drafting the strategy of 2021 Agro & Social Fund has conducted a careful research, assessing the current situation and expected developments

in the Albanian economy and keeping in focus the short-term, medium-term and long-term objectives of the Institution and interactions with all actors.

STRATEGIC OBJECTIVE:

Agro&Social Fund will be focused on providing micro and small loans to businesses or the self-employed, as well as lending for other purposes in accordance with the mission of the organization, maintaining its status as a "Microcredit Financial Institution". Agro & Social Fund will also continue to aim for increased contribution to economic growth, reducing poverty or improving the quality of life of agricultural clients, families, communities, in rural or semi-urban areas mainly, by increasing access to finance and providing loans tailored to the needs of our target market.

Agro & Social Fund throughout its activity will focus on important elements related to:

- Expansion and proximity of services to the target clientele, designing the opening of a new branch (Durrës);
- Continuously studying the market and the needs of the target clientele and examining the possibilities for further diversification of the offered products or their adaptation according to the context (pandemic covid-19, current and expected consequences);
- Increasing the indicator of financial self-sufficiency and with the same commitment maintaining and deepening the social dimension. ASF strongly believes that only a financially viable institution has the ability to maintain, develop and fulfil its social mission;
- Reviewing and improvement of current practices used within the organization in increasing the sensitivity of each staff member to maintain and strengthen the social dimension of the organization, their direct involvement in as many specific projects and with direct impact on improving local issues or improvement of living standards mainly through lending;

- Employment policies and addressing issues identified in human resource management, considering the suggestions in the MFR report (September 2020) related to the improvement of the turnover indicator and related elements.
- Increasing the financial inclusion of excluded groups from financial services, which we believe is helped to be met by prioritizing lending to rural or semi-urban areas and their populations, by focusing on vulnerable groups, stimulating self-employment, placing women or youth in top target groups. ASF believes that involvement in finance, which in any case translates into improving the quality of life of borrowing individuals, increases the chances of improving the life of a chain of their family individuals or even communities.
- Being actors and contributors to the growth of financial education of target groups.

Agro & Social Fund hopes and is confident that 2021 will be the year of renewal, new challenges and partnerships, expansion of activities and improvement of financial services provided and beyond.



4.2 Crimson Finance Fund Albania (CFFA)

Similar to our country's entire economy and financial market actors, 2020 has been a difficult and challenging year for the Crimson Finance Fund Albania (CFFA). The world pandemic caused by the COVID-19 virus has directly impacted the activity of our clients' majority, and for the time being it has created an extraordinary state in terms of managing repayments and loan portfolios.

2020 required a special mobilization on the part of our staff's workers for the personalized treatment of postponing repayments for each of our clients, with the aim of supporting them during this difficult period. In this context, in line with the Bank of Albania, the CFFA has made it possible to deal with 100% customer demand to extend the payment deadline by up to three months, thus restructuring 55% of its portfolio. This policy resulted in the overcoming of the difficult period of our clients, and their return to the normal pace of repayments throughout the second half of the year.

Although difficult, 2020 has marked some important achievements for the CFFA. With capital growth of nearly EUR 1 million (plus an additional EUR 1 million during 2021), CFFA has expanded its license by becoming part of the overall lending market besides financial leasing and factoring.

In 2020, CFFA managed to increase its loan portfolio by about 28% compared to a year ago, as well as to lower the level of problem loans by 3.5 percentage points. Also, for the first time since its operations set off, the CFFA has managed to present a net positive financial result, which is a significant improvement in its performance.

In 2021, CFFA aims to increase the volume of its portfolio by 45% compared to 2020, as well as to improve its ongoing cycle by lowering the level of problem loans by 6%. During 2021, the CFFA aims to focus more on the lending market, as a more focused source of achieving its mission, that of supporting micro and small businesses with limited access to financial resources



4.3 FedInvest SHKK

FED invest is the largest Savings and Credit Institution in Albania with a 29-year experience, expanded throughout the country with 60 physical branches, as well as digital channels, servicing its members in rural and urban areas, with a diverse range of financial services (loans, deposits, utility payments, etc.) and non-financial services (consulting, training, financial education, expertise, networking, etc.).

The challenges the Covid-19 faced this year by FED invest as well as economies, businesses, households and financial institutions worldwide, were tremendous. Thanks to long-term efforts in building secure foundations of institutional governance, strategic positioning, maintaining high levels of liquidity, capitalization and asset quality, FED invest was able to respond quickly and successfully adapt products and services to assist membership, maintaining pace of activity, operating daily in all branches and further strengthening its members' trust. Long-term investments in human capacity, processes and new banking technology, FlexCube, enabled the successful completion of remote work, performing timely, high quality and secure transactions for members. The approach and investments made in recent years towards digitalization facilitated coping

with the effects of the pandemic. FED invest activity during 2020 focused on: strict adherence to safety protocols to prevent the spread of the virus; implementation of rotation and distance working system; ensuring the continuity of service and communication with members even during the most difficult days; restructuring of 10% of active loans in a record period of two months in accordance with the capacity of borrowers; maintaining financial stability and strengthening relationships with partners.

The pandemic reinforced the role that FED invest plays in fostering financial inclusion and incorporation in every cell of the organizational culture "Member at the Center". Supported by the project with JICA and new digital capabilities, FED invest established the Agri Assistance Center in Lushnja, combined with an interactive online platform - ABA online. To increase access to finance for segments outside the financial system and communication with existing members, the Oracle Digital Banking Experience Internet Banking service was successfully piloted. In response to the consequences caused by COVID-19, in the framework of the FiAS project, the First Support Scheme with Agricultural Inputs was implemented for 250 small farmers in need.

Financial indicators, social impact and financial result as at 31 December 2020

- **74,867** members;
- **60** branches and **254** employees;
- Women inclusion;
 - **35%** of members;
 - **53%** of employees;
 - **57%** of senior management;
- Total assets at **6.2 billion Lek**, with a growth rate of **6%** for the year;
- Member deposits at **4.4 billion Lek**, with a growth rate of **3.3%** for the year;
- **89.9%** employee satisfaction as per the recent evaluation reports.

STRATEGIC PRIORITIES AND OBJECTIVES

In fulfillment of the mission and strategic business plan, in 2021 FED invest aims to provide new financial and non-financial services to members including:

- Utility payment service in all branches of FED invest, especially in rural areas.
- Internet banking service, FED Online, accessible to all members nationwide.
- The platform abaonline.al and the respective applications for all smart phones, with a wide range of non-financial services will be offered to all Albanian farmers.

In addition to these objectives, FED invest will continue to increase lending and deposits, strengthen the brand, human and infrastructural capacities, consolidate the financial position and expand strategic partnerships.

4.4 BESA Fund

Since the beginning of its activity, Fondi BESA has continuously been by the side of customers, in support of small and medium enterprises in both urban and rural areas, throughout Albania.

The year 2020, as a special and unusual year, in which the consequences of the 2019 earthquake and the Covid-19 pandemic put us in front of challenges that went beyond monetary and financial stability, had its impact on the activity of the BESA Fund. Despite the difficulties, the institution had to continue its services, in support of small and medium business, which was and remains the sector most affected by the Covid crisis 19.

What the BESA Fund did immediately was to understand the situation of the clients and to translate it into the risks that it would pose for the entire activity of the institution. Based on the individual situation of each client, the BESA Fund made the most appropriate decisions, taking into account the concern to support clients and not to expose the institution to unnecessary risks. We accepted the Bank of Albania's measures to delay repayments and reschedule business loans that were adversely affected by the situation. These measures have served as a protection, significantly minimizing the risk of crisis transmission from the real sector to the financial sector and its further amplification.

The biggest negative impact of this situation would be the inability of the BESA Fund to continue normally to provide loans and financing to individuals, businesses and farmers in need over a period of time. We have tried our best to continue our activity, despite its significant contraction during the first months of the pandemic. But in the third and fourth quarters, economic activity began to gradually improve, which also had an effect on the lending activity of the BESA Fund. However, the liquidity of the company was adequate to manage any possible scenario. The company remains well-capitalized for any extreme situation.

At the end of 2020, the activity of BESA Fund is performed in 82 offices, providing wide and stable coverage, while the number of employees has increased to 608, compared to 576 in 2019.

About 30,000 active clients, over 13,000 loans granted during 2020 and the growth of the loan portfolio by 2.17%, reaching over ALL 13.5 billion, are clear indicators of the efforts to serve an increasing number of clients, meeting the needs of our market segment for financing.

With about 241 thousand loans granted over the years of its activity to the total amount of ALL 89.1 billion, Fondi BESA ranks among the institutions that have significantly contributed to the development of small and medium business enterprises, job creation and improvement of the economic level, which have positively impacted the level of education and health of thousands of families in both urban and rural areas in the country.

At the end of 2020, the total assets of the BESA Fund amount to ALL 18.4 billion, while the total capital results to ALL 3.7 billion.

In terms of profitability indicators, at the end of 2020, the BESA Fund created a Return on Assets of 2.22%, while the Return on Capital was 11.77%. The capital adequacy ratio of the BESA Fund at the end of the year was 29.79%.

In parallel with the expansion of the activity, the BESA Fund has also increased its staff. This has required increased efforts to increase their capacity, aiming to create a skilled workforce capable of responding to all challenges.

During 2020, the BESA Fund continues to own 100% of the shares of the Microfinance Institution "Social and Agro Fund".

BESA Fund has built a strong basis, which will serve to further increase the activity in terms of country coverage with our services, product

development, as well as expanding the customer base, aiming to maintain and improve the level

of service for the existing clientele, as well as in attracting new clients.

Indicators	December 2020 (ALL)
Active Loans	29,654
Loan Portfolio	13,514,530,289
Number of new loans/ year	13,636
Volume of new loans / year	7,014,433,208
Cumulative number of loans	240,606
Cumulative volume of new loans	89,070,347,332

4.5 luteCredit Albania

luteCredit Albania, licensed by the Central Bank of Albania with license no. 32, dated 31.03.2015 as a Non-Bank Financial Institution of Microcredit started its activity by offering consumer loans in April 2015. The mission of luteCredit Albania sh.a. is to create an extraordinary experience in personal finances, exceeding clients' expectations. The goal is to improve the standard of living for everyone, giving them the opportunity to use modern technology and access to the digital economy. luteCredit Albania helps all customers by offering them consumer loan products, without guarantee and with a maturity which varies from 1 to 36 months. luteCredit Albania also offers loans guaranteed with car pledges and with a maturity of up to 60 months. The company is part of luteCredit Europe AS Group based in Estonia, which is listed on the Frankfurt Stock Exchange, and which is a 100% shareholder of luteCredit Albania.

Economic activity in Albania has been impacted by the global pandemic situation from Covid-19 which was announced in mid-March 2020 and due to the pandemic situation, the Albanian government has taken decisions and restrictive measures impacting the overall Albanian market conditions. The negative impact caused from pandemic was especially reflected during the first 3 quarters of 2020 for luteCredit Albania.

The total assets of the company in 2020 decreased by 7% compared to the previous year. The company's total profit for the period decreased by 5% comparing to previous year. Liquidity levels reflected in available Cash for operations decreased by 59% during this pandemic year and the number of active customers decreased by 25% compared to the previous year. The number of employees in the 2020 had a decrease of 9% compared to the number of employees in 2019. The negative trend was due to the uncertainty that the pandemic situation brought in the country. In the last quarter, luteCredit Albania continued to invest in the development and improvement of the competen-

cies and skills of its employees, creating a stimulating environment for development through training programs.

The last quarter of the year marked improvements in many financial indicators and in some of them we had an improvement compared to a year ago.

The outstanding loan portfolio at the end of 2020 resulted in a 4% increase from last year. This increase was realized in the last quarter of the year because of an increased demand for consumer loans during this period. Credit quality (CPI – Customer performing Index 30) at the end of 2020 experienced a very slight decline, only 2% lower than in 2019. We are very proud of our customers who continued with their installment repayments even when the movement was limited to only one hour in a day. luteCredit Albania maintained the same number of branches we had in 2019.

luteCredit Albania continued its socially responsible activities, despite this difficult pandemic year. In April, luteCredit Albania donated medical equipment to the Tirana Infectious Diseases Hospital, to help patients infected with COVID-19. Donated monitors showed vital parameters of COVID-19 infected patients. In a very short time luteCredit managed to provide the monitors and deliver them to the Department of the Infectious Diseases Hospital. The monitors had a total value of € 5,000 and were according to the parameters and highest standards required by the institution itself.

luteCredit Albania has joined the initiative of the "Fundjavë Ndryshe" foundation to come to the aid of families in need in the Municipalities of Durrës and Elbasan. Food packages were delivered to 100 families for a month and over 2 tons of food were donated. luteCredit Albania also joined the initiative of the Municipality of Tirana "Adopt a grandparent", which aimed to support pensioners who lived alone and did not have people to take care of them, adopting 50 grandparents in Tirana.

An important contribution of luteCredit Albania, in addition to mass forgiveness of penalties, loan restructuring and deferral of loan installments during and after the Bank of Albania's "Moratori-

um" to support clients who had lost their jobs and income from the pandemic, was also solidarity in helping families by forgiving loans for customers who lost their lives from COVID-19.

EXPECTATIONS FOR THE FUTURE

With the hope that the vaccination for Covid -19 will give the effect of protection of the entire population in the country and in the world, luteCredit Albania has some expectations for 2021 such as:

- 1) Expanding with new products and new services for our customers
- 2) Investments in Digitalization
- 3) Continuity improvements in key financial indicators.
- 4) Expansion of activities and its presence within our country, Albania.

4.6 Kredo Financë

KREDO FINANCE operating as an innovative company FinTech since the first day of its establishment, during 2020 managed to be very fast in the adaptations required by the new situation either towards the client or to the daily operations.

With a sound background in crisis management, Kredo Finance undertook not only to change the way of how daily operations were performed, but also to support and further educate its entire clientele base in a very short time towards a new reality. This made our clients really feel that Kredo Finance is always by their side and a valuable partner in times of need.

We are very proud of the way the loan moratorium was implemented for all our customers, exactly at the most delicate moment when many of them had lost their jobs and the rest were living with the uncertainty of losing their jobs. During this process, in addition to stopping and waiving penalties for all customers, more than 30,000 customers were helped by postponing repayments without any interest charge or fees, so that none of them felt threatened by the severity of the situation they are in.

During 2020, the number of clients processed for deferral of payment, stopping of interest amounts and waiver of penalties, including the loan restructuring, reached at 30,000 cases.

Shpejtësia e shërbimit dhe e kontaktimit të klientëve, ofertat konkurruese, ndihma gjatë pandemisë edhe më tej, transparencja, informimi, janë pika të forta të punës sonë dhe garanci e një marrëdhënie korrekte, transparente dhe efikase mes KREDO.al dhe qytetarëve.

Që në fillimet e saj, qëllimi i Kredo Finance ka qenë gjithmonë të sigurojë përfshirje financiare në tregun shqiptar duke ofruar kreditim të përgjegjshëm për klientët e saj me një shërbim të shkëlqyer ndaj klientit.

Në mënyrë që ti rikthehem fazës së rritjes, të

jemi në gjendje të zgjerojmë rrjetin e degëve, të zgjerojmë gamën e produkteve dhe të zbatojmë procesin e dhënies së kredisë totalisht online në Shqipëri, ne kemi qenë në kërkim të një investitori strategjik për Shqipërinë që prej fillimit të vitit 2020. Tashmë, Kredo i është bashkuar familjes së investitorëve ndërkombëtarë - Mogo Finance Group!

Të qenit pjesë e Mogo Finance Group na sjell më afër arritjes së qëllimeve tona të biznesit, rritjes së dhe rritimin e energjisë karakteristike të Kredo Finance në tregun vendas. Mogo Finance Group është një investitor strategjik i cili ka një histori të qëndrueshme në 17 vende në të gjithë botën, e cila krenohet me një shpërndarje të mençur të kapitalit, përfshirë këtu dhe blerjet fitimprurëse. Mogo Finance Group është një nga grupet më të mëdha evropiane të huadhënësve e orientuar drejt rritjes.

Kredo.al in cooperation with the Ministry of Health has finalized during 2020 the donation to the Infectious Diseases Hospital, designated as Covid Hospital 1, addressing the purchase of medicines and medical equipment. This is the last step of the campaign that Kredo Finance has undertaken during the month of December. Kredo Finance stated that it would donate 1 Lek for every 100 Lek given loan throughout the month of December.

Thus, all customers who benefited from the last offers of the year have helped in the fight against coronavirus. During 2020, a total of 20,000 Euros were donated in the fight against Covid-19.

2020 was a year of challenges, but we feel strong and confident in our performance and continue to have long-term and ambitious plans for 2021. Kredo Finance plans to continue its development and further contribution to the country's economy. We will continue to focus on all those who need the most funding, not only enabling access to finance for the population,

especially those underserved by traditional banking, but also financially educating these individuals by making them serviceable in a very short time by all financial institutions.

As part of the ongoing digital transformation, we will continue to be the most advanced non-bank financial institution in the country, investing in a digital platform to bring new functionalities in order to offer our customers the latest developments for to make their experience with this institution as easy and unique as possible.

In this context, we will launch the new online application platform, which will be 100% online without the need for our customers to be present

at the branch. We will also continue with our mission to increase the level of Financial Education throughout Albania, as we strongly believe that only by being financially educated can an individual make informed and fair decisions regarding personal finances, as well as improve his attitude towards borrowing.

No plan, no project, no achievement would be possible without the tireless work of all our employees, therefore the plans for 2021 include the continuous increase of the capacities of our employees through training, individual improvements both professional and interpersonal. It is this constant care for our employees, that made us with full force a compact team of winners.

STRATEGIC OBJECTIVES FOR THE FUTURE

Kredo Finance believe that we are going to emerge stronger from this tough situation and for 2021 we plan to :

- 1) Launching of new products;
- 2) Making our services more accessible to our customers;
- 2) Publishing the new Online application for new and returning customers;
- 3) Increasing the presence of Kredo Finance in all territories with new branches;
- 4) Expanding of cooperation with third parties to be near to our customers in every way possible.

Financial Indicators

Indicators	December 2020 (ALL)
Capital growth from 2019	70%
Debt Reduction	-53 %
Credit volume disbursements in 2020	1,946,870,405 All
Number of clients funded in 2020	57,252



4.7 NOA

NOA didn't stop serving Albanian entrepreneurs, farmers and families demands all along 2020. This is in short what we did last year. We just never ceased our activity. We knew it was a challenge, for the country's economy, businesses and families. A year, filled with surprises and unknowns. But despite everything, faithful

to our founding mission supporting the socio-economic development of our country, NOA continued to finance and support the Albanian economy by injecting millions of euros for small entrepreneurs, farmers and families. 2020 figures are the best proof of this:

- **11,350** disbursements were made representing 3.419 billion Lekë
- **8%** growth of the active portfolio
- **30%** of funded clients were female entrepreneurs and households

The macroeconomic situation was an extreme stress-test for the economic stability and delicate balances of Albanian small family businesses. Operating without any interruption of its lending and advisory activity, NOA preserved intact its injections towards the country's economy with the objective to support its businesses and clients in accordance with NOA's moto of serving "at any moment & at any time". In parallel, for the affected businesses and farmers facing difficulties in coping with the consequences of the cessation of their activity, NOA undertook to reschedule some 2700 loans. At the end of the year, the affected customers portfolio accounted for 20% of the total, up from 29% in the first half of 2020. This proves how important was enabling a flexible and available financing for a rapid recovery during 2020.

But 2020 had also some encouraging aspects. Although many farmers faced difficulties resulting from the diminishing exports to foreign markets, Albanian agriculture proved to be one of the most sustainable sectors in the country. NOA financed during 2020 over 1200 farmers for a total of 674 million Lekë, representing a 20% increase of

disbursements volumes compared to a year ago, followed by a 6.5% increase of the total loan portfolio dedicated to the agricultural sector in NOA.

On the institutional side, despite the general surrounding uncertainties, thanks to the technological investments made throughout the years, we were extremely quick to adapt to the new business setting by rapidly enabling a work-from-home mindset. This was key for the normal continuation of the activity at a time when the financial market as a whole experienced financial contractions and job reductions. At NOA, none of this happened. Even though we were facing challenging conditions with every operation being online, 54 new recruitments were made at company level during 2020.

On the other hand, it needs to be highlighted that the most affected segment during 2020 was the one represented by individuals, bringing together a significant mass highly dependent on monthly income linked to salary and professional micro-activities. In response to these circumstances, NOA supported financially 8,200 individuals by injecting to their family budgets over 944

million ALL throughout 2020.

Beyond the advisory and financing activity, NOA was also engaged during 2020 in a special awareness raising campaign under the moto of "Choose Albania, Choose entrepreneurship". This was a national action promoting free enterprise, agriculture and Albania, as a life choice, having in mind the very high emigration numbers the country has been facing in recent years. This worrisome phenomenon, combined

with the pandemic's effects, were the reasons why NOA decided to take such an initiative with the objective to impact Albanian farmers, entrepreneurs and families on the real opportunities, business alternatives and benefits Albania presents, for them to have a decent life and prosperous business activity, here in the country! Because as stated above, NOA didn't stop serving Albanian entrepreneurs, farmers and families demands all long 2020. And this is was for us the greatest achievement.

Main activity indicators

Indicators	December 2020 (ALL)
Active Loans	12,928
Loan Portfolio	5,384,133,183
New loans (in number)	11,350
New loans (in value)	3,418,927,407

4.8 UniFin SHKK

During 2020 UniFin has continued providing full service to its members with professionalism and dedication to each member as it is our mission.

As a special year for the whole world after the announcement of the pandemic situation in March, our focus was to stay as close as possible to the members for their financial needs and to finance the members with activities in necessary sectors, which developed during the pandemic, such as livestock and agriculture, food processing and trade, food freight transport as well as

consumer needs for technology and cyclical transport. Support began for members with activity closed or damaged by the pandemic, creating the possibility of deferring installments with a payment plan tailored to their new financial situation.

Simultaneously with the completion of the regulatory framework, the main focus during this year has been the maintenance of the current loan portfolio and the stable level of the overdue credit indicator.

The main developments during 2020 were:

- The development and implementation of 042020 system for the automatic exchange of information on the financial accounts of businesses and individuals
- The manual and procedure for postponing of the loan installments was drafted according to the instructions of Bank of Albania to adapt to the pandemic situation.

To adapt to the already present pandemic situation, market studies were conducted where UniFin operates and the needs of members were categorized according to the sector from which their monthly income is generated. In this way, the monthly repayments of the loan installments were adjusted, supporting our members to be correct in their credit history. The restructuring in the UniFin portfolio mainly affects members whose income are generated from activities suspended due to the pandemic. The repayment deferral period was determined based on the reassessment of the financial situation and the relevant verifications made by the Credit Risk Management Depart-

ment and Department.

Following the pandemic situation, UniFin also adapted the lending methodology during the new financing. The focus was on financing sectors affected by the pandemic, and those market segments that needed credit to meet essential needs in their operations. The main purpose of this policy was to support customers so that they could return to their daily activities.

Necessary measures were taken for the reorganization of staff and working conditions according to the instructions of the BoA and Prime Minister.

The so-called Covid-19 Measures consisted in:

- Online working condition of 50% of the staff, enabling only one person for each department physically at work.
- All permits for circulation and operations were generated according to the instructions of the BoA and the Prime Minister.

- Measures were taken to ensure online and combined work, respecting the principle of four eyes and minimizing Operational Risk.

- Digital / online applications and requests were allowed through the

in-house instruction compiled in the context of the Covid-19 situation. The simple and clear electronic application format was introduced on the UniFin official website and came to the aid of members to meet their requirements.

Financial indicators of UniFin

Indicators	Loans Nr.	Volume
Capital		152,901,196.82
Total Assets		1,135,975,430.22
Deposits Portfolio	6,129	968,580,570
Gross Credit Portfolio	2,246	869,841,172.41
Amount of Disbursed Loans	1,253	626,273,880
Average Loan		469,357
Portfolio in Risk (NPL)	5.69%	

Amounts in Albanian Lek

STRATEGIC PRIORITIES AND OBJECTIVES

The main objective for this year will be portfolio maintenance and NPL management. In the following we will evaluate and design the process of new product development based on Decision no. 105, dated 05/10/2016 as amended and the relevant changes from March 2020 as well as to meet the requirements of members based on the objectives of the SCA and the guidelines of all supervisory institutions. The cooperation signed in May 2021 with Sparkesensstiftung Albania will continue till 2022 consisting in staff trainings and the review of the internal procedures and manuals of UniFin SCA.

5 SUMMARY OF AMA ACTIVITIES DURING YEAR 2020

5.1. Weathering the Storm, European Microfinance Day 2020 – AMA annual conference



The Albanian Microfinance Association organized on November 25, 2020, an online event in the form of a video conference on the topic: "Albanian Microfinance in the New Normality: Weathering the Storm". This Conference is organized on the occasion of the European Day of Microfinance and activities across the continent that are organized to promote microfinance and its role as a major supporter of the needy and enablers of social and financial inclusion.

In this event was discussed about the current issues of the sector, the challenges it has faced or is facing in the sustainable provision of services to customers, as well as opportunities and solutions that appear on the horizon to successfully overcome these challenges. Microfinance is the backbone of financial services provided to the needy, so every effort should be made to provide these segments with sustainable access to finance.

Speakers in the event were representatives from the Ministry of Finance and Economy, representatives from the Bank of Albania, the Financial Supervision Authority, the World Bank, the Albanian Banking Association, the Albanian Stock

Exchange (ALSE), as well as international social finance promotion networks, such as the Center for Microfinance (MFC), who shared valuable views regarding the role that microfinance has in supporting thousands of Albanian households and micro-enterprises to ensure the continuity of their work and income, as well as the support that the microfinance sector should receive from the government and key financial actors with the aim of successfully accomplishing their mission.

At the end of the Conference, which was considered a very constructive event, the following conclusions were drawn:

- The microfinance sector already seems to be in control of the situation, recognizing the consequences and having a clear plan for managing the crisis caused by the COVID-19 pandemic. The main goal of the sector is to continue to support and access business and household financing, further contributing to the country's financial inclusion and economic recovery;
- The role of microfinance in the economy

of each country remains clear, the sector aims to achieve the most significant degree of financing of the layers without easy access to financing from the banking system, and it is important to maintain this market segmentation, in order to enable the transition of market segments with difficult access to segments manageable by the banking sector;

- There are several alternatives for financing this sector, which have not yet been explored and which would add value if enabled by both government instruments and public offering, among which the synergies with capital markets and banking system are the most important, in order to strongly support the market that microfinance serves today.

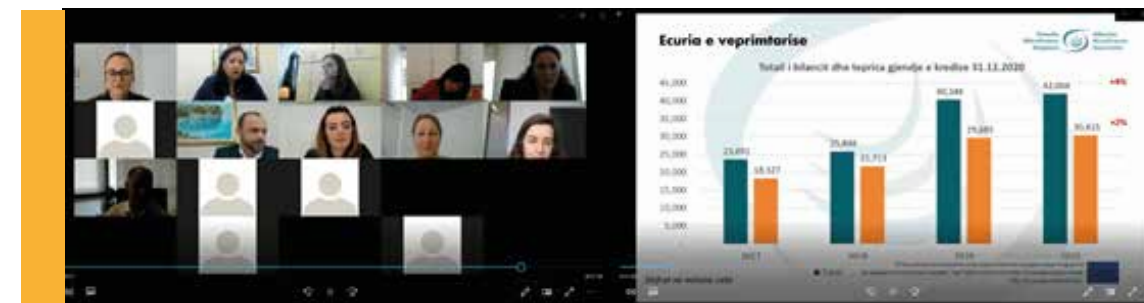
- The support from the Bank of Albania and the World Bank, which have always been open to the sector's proposals for overcoming this crisis, is confirmed.
- There is an increased interest from the Ministry of Finance and Economy for initiating discussion tables with the microfinance sector in various directions, which will add value to the services that this industry offers, but also to the levels of access to finance, and in this context, AMA will continue the constructive communications further.

The conference was attended with interest by a wide range of viewers, some of whom actively participated in the discussions. The sessions were also broadcasted live on social media.



5.2. Working Group meetings and roundtables discussing main issues related to the sector

First virtual roundtable, April 27th, 2020 - "Albanian Microfinance under Pandemic"



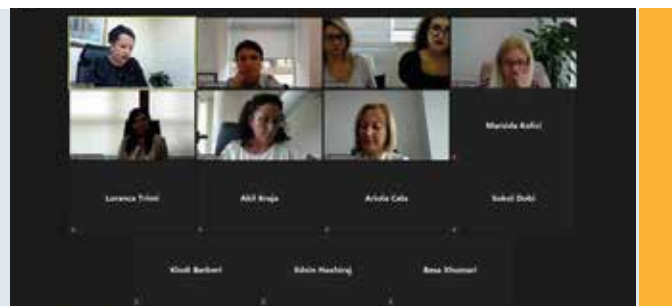
In cooperation with the Microfinance Centre (MFC) and in the framework of the European Commission Program for Technical Assistance for Employment and Innovation (EaSI), the Albanian

Microfinance Association organized a virtual roundtable discussion of the Working Group "Albanian microfinance in pandemic conditions". This roundtable was attended by 27 representa-

tives at management levels of microfinance institutions, Members of the Association, who shared their experiences and gave valuable suggestions regarding the measures taken to manage this difficult situation, both administratively and also

with respect to financial management. Focus was placed especially to the challenges being faced with lack of liquidity, delayed repayments and defaults expected as a result of the difficult situation prevailing in the country's economy.

Second virtual roundtable, September 28th, 2020 – “Microfinance in the new reality: What are the alternatives?”



The Albanian Microfinance Association, in cooperation with Microfinance Centre (MFC) and with the support of the European Union under the Employment and Social Innovation Program (EaSI), organized the Second Meeting of the Working Group for 2020, on the topic: Microfinance in reality new: What are the alternatives? This was a debate about solutions to overcome the challenges in the areas of business development, operational and financial management at microfi-

nance institutions, under the situation created by the COVID-19 pandemic.

The participants provided their institutional experiences regarding the business performance, problems and solutions used to address them, as well as presented proposals for the following period, in order to ensure the continuity of the activity and guarantee funding for individuals, farmers, small businesses and all target segments of the microfinance market.

Third virtual roundtable, November 13th, 2020 - “Providing sustainable founding sources for microfinance institutions”



The Albanian Microfinance Association, in cooperation with Microfinance Centre (MFC) and with the support of the European Union under the Employment and Social Innovation Program (EaSI), organized the Second Meeting of the Working Group for 2020, on the topic: Microfinance in reality new: What are the alternatives? This was a debate about solutions to overcome

the challenges in the areas of business development, operational and financial management at microfinance institutions, under the situation created by the COVID-19 pandemic.

The participants provided their institutional experiences regarding the business performance, problems and solutions used to address them, as

well as presented proposals for the following period, in order to ensure the continuity of the lending activity and guarantee funding for

individuals, farmers, small businesses and all target segments of the microfinance market.

Webinar: Digital Payments and Open Banking, a new reality in the Albanian Financial Sector



With the support of European Commission, through its EaSi Program Technical Assistance, Microfinance Centre and Albanian Microfinance Association organized on July 2nd, 2020 a webinar on digital payments and their future in Albania.

The webinar received a great reception and interest, in terms that it represented one of the most important events on the area of payments in Albania for 2020, with distinguished speakers such as Ms. Ledia Bregu, Director of Payments Department at the Bank of Albania, and Ms. Linda Shomo, CEO of EasyPay, one of the pioneers of electronic payments services in the Country.

The issues discussed were related to the new legislative and regulatory framework that is being adopted in the country according to PSD2, what it means for Albania, as well as the current experience and what needs to be adopted in terms of operational framework and new technologies. An important item in discussions was the benefits that this new legal framework might bring about for microfinance institutions in terms of disbursement of loans and collection of loan repayments.

At the end participants contributed with quality discussions and contribution in relation to the webinar subject and the implications it brings for microfinance sector, currently with a vivid presence in Albania in terms of customers served and territory coverage.

Webinar – Updating ECL models due to COVID – 19, AMA & PWC

The Albanian Microfinance Association, in cooperation with the Pricewaterhousecoopers – PWC team, organized the webinar: “Updating ECL models due to COVID-19”. Jakub Černý, Senior Risk Expert at PWC, shared knowledge and experience regarding the need to update the Expected Credit Loss (ECL) models due to Covid-19.

their customers make good decisions in today's volatile operating environment. In the end, all this translates into impacts on financial reporting mainly in measuring Expected Lending (ECL).

Financial institutions around the world are monitoring and examining the effects of the COVID-19 pandemic. They are working to understand the immediate challenges of society and economies and are experimenting to help themselves and

The topics discussed in the webinar were: economic scenarios and macro parameters, the expected impact on ECL models and the next steps to update the ECL models. The session was considered quite useful and provided support and knowledge in addressing risk modeling and predicting the impact of the current situation on microfinance loan portfolios.

6 FINANCIAL EDUCATION

6.1. Borrow Wisely Campaign 2020

Financial education is one of the main pillars of the activity of the Albanian Microfinance Association, as such it has constantly received the necessary attention through the organization of numerous activities, publications and communications of various forms and content from the side of the Association and its members. This year, AMA

became part of a much more massive and interesting financial education communication, such as the "Borrow Wisely" Education Campaign, an initiative of the Microfinance Centre (MFC), an entity uniting a network of organizations and institutions promoting social microfinance in 113 countries of the world.



The "Borrow Wisely" campaign this year was organized in 14 countries, with 26 institutions, associations and participating organizations, which mainly communicated through digital channels due to health security precautions, and promoted the importance of being financially educated, asking the right questions and obtaining detailed information during the loan application process.

Some of the aspects of borrowing that are highlighted through this campaign are related to the complete and simple vocabulary in which is expressed the basic information that accompanies a loan and the borrowing process, the awareness of financial debt overload and how to avoid it, the familiarity with rights and obligations arising for the borrower upon signing the loan agreement, the detailed knowledge of all items of the loan agreement, the communication way with lending institutions if problems arise in repaying loans, etc.

It is very important for financial institutions and staff that is in direct service of the client, but also for other actors of the financial market, to apply maximum standards of transparency, ethics in service delivery and to avoid information asymmetry, giving thus the client the opportunity to make informed decisions and make the right choice between different institutions and different products of the same institution.

In addition to the Albanian Microfinance Association, this year the campaign was also joined by our members Agro & Social Fund, BESA Fund and NOA, who have been extremely active in communicating with clients through social networks, presentations, media articles, webinars, fairs and all other communication channels, in order to give a clearer picture of the information that needs to be conveyed to the client during the borrowing process.

6.2. Participation in the Albanian Network for Financial Education

Even during 2020, the Albanian Microfinance Association (AMA) actively participated in the activities and meetings of the Albanian Financial Education Network, which aim to coordi-

nate the activities of participating institutions in order to improve the level of financial education in the target market segments for each sector.



The Association has worked not only to raise awareness of member institutions and increase the transparency and quality of consulting and other non-financial services offered at their counters, but also in terms of continuous presence in the media to shed light on products and financial services and how to use them.

Also, the Association has been active in organizing several webinars on the subject of personal financial management, assessment of financial needs and loan application details, terms of the borrowing contract and their implementation, etc.

7 RESEARCH AND PUBLICATIONS

7.1. Study on the impact of COVID - 19 on Microfinance Institutions



The Albanian Microfinance Association (AMA) conducted a Survey on the impact of COVID-19 on microfinance institutions operating in Albania. The survey was conducted during the period June - July 2020, and included 8 members of AMA, respectively: Agro & Social Fund, Crimson Finance Fund Albania, FedInvest SHKK, BESA Fund, IuteCredit Albania, Kredto Finance, NOA and UniFin SHKK.

The interviews were conducted by the Secretary General of AMA, Mrs. Brunilda Isaj, and aimed to create a more detailed and material picture of the microfinance industry including common challenges, but also different differences within the sector, regardless of organization, business

model, business, size and market access.

The survey combines qualitative and quantitative information, and is by far the closest document reference that reflects the sector situation during the pandemic. However, the information and conclusions of the report refer to the period when the survey was conducted, and do not present subsequent information regarding the financial situation of microfinance institutions, the impact of the pandemic on loan portfolios, a large part of which were restructured under the effect of the moratorium, as well as the liquidity situation and market demand, which consistently reflected stability and problems more limited than expected in the first half of 2020.

7.2. Study - "Digitalization of microfinance services"

This report summarizes the findings of the study on the topic - Digitalization of microfinance services. The study was conducted during October 2020 and was distributed to all microfinance actors regardless of the service they provide, to understand the real need for digitalization of these services.

In total we have nine players of the microfinance industry, and 270 clients that are users of these services, who have expressed their opinions about the topic of the survey. The results reveal that there is an agreement among the actors, that the crisis left behind is fading in the effects it has had on these companies, and that it is expected that the



following period will be more positive, although under the effects of some time constraints that the Covid-19 pandemic has brought to market.

During the time of the pandemic there was a need for a higher level of digitized systems in service of operations and customer relationship and service. Most companies have had a pleasant level of digitalization to not interrupt operations during this period, but there has been an essential need for the customers that these companies serve to have a better knowledge in

terms of digitized microfinance services.

There is an agreement among microfinance companies that microfinance institutions generally possess a higher information technology integrated in their services and operations and it will be a matter of time before banks reach this technological level. Meanwhile, it is also thought that the microfinance industry still has the potential to gain market share, and actors in this industry see banks as strong competitors in providing services to common segments of customers.

8.1. Microfinance Center (MFC)



Microfinance Centre (MFC) – The Microfinance Center, located in Warsaw, Poland, is a network that promotes social finance and financial inclusion, and includes 113 microfinance providers, non-profit organizations and associations of microfinance institutions, as well as other entities that are located in 36 countries around the globe and are involved in providing financial products and services to people in need.

The Albanian Microfinance Association has been part of MFC since 2016, and one of the most active members in terms of joint activities

and promotion of comprehensive, ethical and responsible financing. During 2020, MFC was the main partner of AMA in organizing a series of activities to cope with the crisis caused by COVID-19. AMA was part of two roundtable discussions organized with national microfinance networks with the participation of countries such as Romania, Bosnia and Herzegovina, Northern Macedonia, Kosovo, Azerbaijan and Armenia, where participants shared their experience with the pandemic and measures taken at the national level for coping with the crisis.



Also, during 2020, AMA participated in a series of webinars in order to organize the corporate response to the crisis, where prominent consultants and professionals in the field of microfinance offered their experience, knowledge and opinions to help the institutions to create their own plans, to recover the business and ensure its continuity. MFC during 2020 financially supported within the European Union program for Employment and Social Innovation

(EaSI) three roundtables, a webinar on digital payments and two newsletters, organized and published by the Albanian Microfinance Association, which were part of important activities throughout the year. Also, MFC was a collaborator and supporter of a study dedicated to the impact of the pandemic on microfinance institutions in Albania, which became part of a study at European level, published by MFC during 2020.

9.1. Relations with the Bank of Albania

Non-bank Financial Institutions and Savings and Credit Associations are financial entities licensed and supervised by the Bank of Albania. As part of this relationship, the Albanian Microfinance Association maintains close relations and cooperates with the Bank of Albania in terms of representing the members of the association in terms of improvement and changes applied in the regulatory plan, as well as qualitative and quantitative information exchanged in terms of performance of the sector and the trends observed within it in relation to the economic and financial environment of the country in general.

It is worth mentioning that the cooperation of the Albanian Microfinance Association with the Bank of Albania during 2020 has been very close and qualitative, and that the regulatory authority has shown understanding in terms of the challenges

faced by the microfinance sector. This was reflected in two key moments during the crisis: first, the opportunity given to microfinance institutions not to become part of the second-tier loan moratorium, as a result of the difficulties they were going through with liquidity, and the flexibility of shown in the creation of some regulatory facilities in terms of the creation of provisions and consequently the requirements for additional capital in this process.

The member institutions of the Albanian Microfinance Association remain interested in this cooperation and its further improvement, as well as in the commitment to comply with the regulatory framework and the requirements of the supervisory authority for the benefit of the development of the microfinance market and family support and businesses with ongoing funding.

9.2 Relations with the government and other actors of the financial market

Despite the constant and intensive efforts of the Albanian Association of Microfinance and its members, the government has not done much to support the microfinance sector. This sector, which in terms of the number of financed clients exceeds 30% of the total clients that have received a loan (including those credited by the banking system), is mainly supported by regional funds and programs originating mainly from European Union countries, and in terms of policy making is not part of strategies and initiatives at the national level to support segments with

limited financial opportunities, creating opportunities for them such as self-employment initiatives or the creation of micro-enterprises.

During the closure period due to the pandemic and the emergency measures taken in this regard, the Government did not include the microfinance sector in any of the Sovereign Guarantee Schemes. In the difficult situation we went through, the Microfinance Institutions were neither partners nor beneficiaries in these schemes.

• Government instruments or schemes to support MFIs

Most members report that they would appreciate the assistance of any kind from the government, but their proposals focus on two instruments:

- a) Access to instant liquidity through financing or loans on favorable terms. This means direct financing, subordinated debt or other liquidity instruments that

provide additional money that goes directly to the economy through the risk-taking policy of microfinance institutions.

- b) Sovereign Guarantee and risk-sharing schemes, which despite the fact that they do not provide immediate liquidity, they reduce the cost of financing, and the benefits are transmitted to the final consumer, in the economy.
- c) A more understanding approach to regulatory standards to financial indicators, which need time to recover, especially in the face of a long-term pandemic situation.

However, it is worth noting that relations with government institutions have continuously improved. Albanian Microfinance Association has been part of presentations and discussions on the Albanian Investment Council and has contributed to the drafting and communication continuity of policies that address the development of small and medium-sized enterprises and their access to financing. The dialogue initiated with the institutions testifies to a good will on their part to include microfinance in the development strategies and support schemes of micro-enterprises, SMEs and agribusiness as an important factor in channeling funds in the economy and creating structures. support for the development of these segments.

