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SNAPSHOT

A Stronger Microfinance Association Helps the Entire Sector Develop and Modernize

Georgian microfinance organizations now have a code of ethics and are advocating for legal changes to grow the sector.



Photo: HICD PLUS

The USAID HICD PLUS project works to improve the capacity of key Georgian organizations in the public, private, and NGO sectors.

The microfinance sector is rapidly expanding in Georgia, with an annual growth rate of nearly 100% over the past three years. Microfinance loans are often the only solution for the self-employed, micro and small entrepreneurs, farmers, and agribusinesses. The development of the sector and better access to microfinance are crucial to Georgia's growth.

One challenge for the sector was that its main advocate – the Association for Development and Support of Microfinance Organizations in Georgia – was itself underdeveloped and unable to effectively serve microfinance organizations (MFOs), defend their rights, and grow the sector. The Association recognized its needs and asked USAID for support.

USAID's Human and Institutional Capacity Development (HICD) PLUS project worked with the Association to improve and strengthen its governance, management, and structure. The program transformed the Association into a strong and effective institution, doubling its membership, and improving its financial sustainability. The Association's members now have 250,000 borrowers (up from 143,000 at the start of the program), representing 75 percent of the total microfinance sector, and is able to advocate for and defend the rights of a much larger share of the Georgian microfinance sector.

The Association also formed three committees to build the reputation of MFOs, advocate for legislative changes, and diversify funding sources to reduce interest rates. In 2013, for the first time in Georgia, MFOs adopted a code of ethics which includes a goal for the Association and its members to become more socially responsible, more transparent, and increase customer service standards. In addition, MFOs started to make proactive legal changes; the legal committee developed a list of issues that inhibits the growth of the sector and is working with the national bank to adopt legal initiatives to address these obstructions.

The President of the Association - Archil Bakuradze – noted: "The end result of modernizing the sector is to make services better, more accessible, and less expensive for the people, and create conditions where the rights of the customers are fully protected. HICD PLUS helped us develop into a functional and effective institution ready to respond to challenges."

Telling Our Story

U.S. Agency for International Development
Washington, DC 20523-1000
<http://stories.usaid.gov>