



Social Performance Report of Agricultural Credit Cooperative (ACC) General Toshevo, Bulgaria

key data

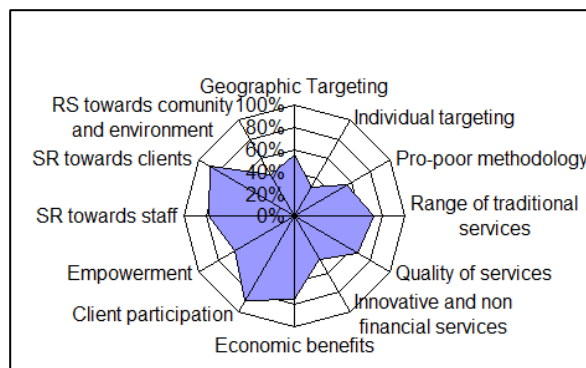
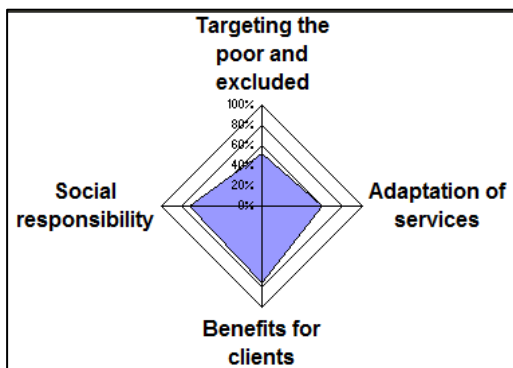
gross loan portfolio (BGN)	947,000	average loan size per borrower (BGN)	12,000
total assets (BGN)	1,323,000	operating expense per loan (BGN)	759
total equity (BGN)	345,000	financial expense per assets (%)	2.5
active borrowers	82	PAR 30 days, 90 days (% of portfolio)	0.0 6.2
members	299	return on assets (%)	2.97
		number of permanent staff	3

specific strength

ACC General Toshevo targets micro, small and medium sized enterprises, mainly in agriculture. The cooperative achieved also to serve urban areas with investment and consumer loans.

Mission

ACC General Toshevo offers its members specialized loans tailored to agricultural production and rural enterprises. Economic development in rural areas, living standard improvement and development of infrastructure shall be stimulated. The cooperative has the purpose of maximizing its member's benefits and their perspectives for economic development. The cooperative also fosters networking and cooperation among its members, e.g. in marketing or other producer groups.



History

In 1996 the cooperative was founded within the framework of a PHARE project of the European Union to serve small and medium agricultural producers. For the foundation 100 farmers paid in their share to start the cooperative and to receive additional funds of the project. Technical assistance was provided by the German Cooperative and Raiffeisen Confederation (DGRV) and local experts. ACC General Toshevo is a member of the National Cooperative Union of Credit Cooperatives Evrostart.

Targeting

ACC General Toshevo traditionally concentrates on lending to agricultural producers in rural areas. In the time of the foundation of the cooperative, the clients were actively chosen from regions around the small town of General Toshevo. 90% of the clients are located in regions which are classified (by the Ministry of Agriculture) as weakly developed. Such regions especially lack of infrastructure, public services, and financial services.

The target group is consists of micro and small enterprises with the capability of investing the borrowed capital and profiting appropriately to repay the loan. New clients are acquired by social networking, mostly by current members of the cooperative. ACC General Toshevo is planning to open another branch, but due to the crisis this plan is postponed.

The cooperative uses external refinance and achieved to diversify its portfolio. The target group is extended also to urban small enterprises and clients demanding consumer loans.

The economic development of the clients and their environment is carefully observed by the staff of the cooperative.

Especially the credit inspector with his professional knowledge and experience in agricultural production actively involves in the businesses of the clients via their social network. This ensures a close relation and information exchange between the staff and the members.

Secondly, simultaneously to every loan application, the economic status of clients gets documented in the credit dossiers. The staff travels regularly to the clients or clients visit the office of the cooperative in General Toshevo.

Target groups

Traditionally ACC General Toshevo targets mainly micro and small agricultural producers in the region. Recently the portfolio was diversified also to urban enterprises.

A couple from the town of Toshevo steadily expanded their car repair shop and still makes use of the cooperative's services.

"The loan officer knows us and we trust the cooperative. It offers loans tailored to our needs and with less paperwork than the banks. I and my husband are both members of the cooperative."



Adaption of services

ACC General Toshevo provides specialized loans to agricultural producers. The product is adjustable in size, maturity and repayment scheme. Further on, the cooperative staff provides consulting on financial planning and agricultural production. To make the loan product easily comprehensible and economically reasonable, the interest rate is 11% for all loans of this group. The loan size is mostly between 5,000 and 40,000 BGN and fits micro and small agricultural enterprises.

The second group of loans is disbursed with lowest possible costs. Therefore alternative collateral as mutual guarantees or private liability, cosigned by a notary, is sufficient.

Such loans mostly have short maturities and small sizes, but are numerous. (90 out of 150 clients per year take consumer loans). Again the interest rate for such loans below 5000 BGN is the same in all cases and amounts to 14%.

For loan disbursement the cooperative law requires a decision by the administrative board of the cooperative. The members of the board usually meet twice per month, but in times of high demand they schedule up to 4 meetings per month to reduce the time of loan disbursements.

According to the clients, the loan products are easily comprehensible and fit to the needs of rural entrepreneurs. Compared to banks the cooperative requires less but a necessary minimum of documents. In many cases, the staff consults the clients in addressing public administration to reach an appropriate state of documentation of their business.

Benefits to clients

ACC General Toshevo provides its members access to loans in combination with sound financial planning and access to a social network for mutual consulting and knowledge exchange. As the clients demanded for support in their applications to state subsidies in the schemes of the European Union, the staff members attended a seminar concerning agricultural support programs and application procedures. This enabled the cooperative to pre-finance for example applicants who took part in the young farmers' program (EU 112/121).

Besides the law, which prescribes that the administrative board decides upon loan disbursement, the management decides upon the acceptance of new members. The most important criteria in the selection of clients are their economic perspective and their personality. Clients are visited on the spot and develop their financial planning with the staff of the cooperative. In case of consumer loans the cooperative orients its decision according to the reputation of the applicant. The personality and secondly the economic potential are the main criteria.

The clients benefit from a reduced amount of required documents but also from support by the staff in fulfilling basic requirements such as registration of their business and adherence to the laws.

Beyond the contacts between the staff and the clients during the daily operations, the general assembly is the platform for members to exchange opinions and to participate in the cooperatives development. According to the law on cooperatives, each member, independently of economic size, has an equal right to vote.



Example

A middle sized milk farmer who is a member of the cooperative. He discusses with the loan officer about his latest advances in breeding in his herd of milk cows. Beyond the professional financial cooperation they often exchange knowledge and experience. "Such a relation would never be possible with a bank. The cooperative knows me for many years and helped me a lot in developing my farm. I know about 50 other members and we contact each other if we have questions or common problems. We also know well who to trust and with whom to be careful in disbursing loans."

Social responsibility

Staff members as well as the elected members of the cooperative's bodies have a professional education in either agricultural production or finance, or both. Additionally they mostly have working experience in their profession and regularly attend seminars for further education. The most important supply of such seminars is provided by the local DGRV office in Sofia (German Cooperative and Raiffeisen Confederation).

Clients confirmed that they receive transparent and easily comprehensible financial products in combination with consulting to reach economic growth and to prevent over-indebtedness.

Procedure of Social Performance Measurement (SPM)

- Introduction of the Cerise SPI tool (questionnaire) to the managers of Agricultural Credit Cooperatives and discussion of the application
- In each cooperative the questionnaire was filled out and discussed by the management and staff members.

An external review of the 8 participating cooperatives was conducted by Florian Amersdorffer and Ivan Boevsky.

- For clarifications and to ensure the proper understanding of the SPI tool, the questionnaire was discussed with the management and staff members of each cooperative.
- Interviews with the managers and staff members were conducted to compile an external evaluation of the cooperative's self assessment.
- In each cooperative 3-5 clients were visited on the spot. They were interviewed concerning their relation and experience with the cooperative, their participation in the cooperative, and their role and participation in the cooperative's social network. As the cooperatives have different target groups, the representative clients were selected to provide information on small scale borrowers as well as on clients with medium and larger sized enterprises. In case the cooperative diversified its portfolio, clients of other industries than agriculture were included in the interviews.

The outcome of the external review is documented in the reports on each cooperative as well as in the revised SPI questionnaires.