Introduction

In the Czech history, there was a concept very similar to microfinance. During the second half of the 19th century institutions called *credit cooperatives* were developed. The credit cooperatives greatly contributed to the accumulation of capital in the Czech region [1]. The current concept of microfinance gives to the poorest people in developing countries similar chance to access financial services, behind the traditional banking system [2], and provides them a productive capital for the development of their business projects.

Actually in the Czech Republic are two concepts developed in the microfinance field. Both of them search for investors to invest their money into microentrepreneurs in developing countries through web-based portal.

The first is commercial concept which presents *microfinance as an alternative investment* for European capital. It is represented by the *join-stock company Microfinance*. In its philosophy „microfinance“ is a type of investment suitable for stabilization and supplement of investment portfolios as it is an alternative asset with safe and attractive interest and at the same time with demonstrable advantage for healthy development of world economy. The company manages web-based portal www.myelen.com.

The second concept works with “*microfinance“ as a tool of development cooperation. For this concept is typical that investors are more interested in social impact of the loans than maximizing the return on their capital [3]. This concept is represented by the *czech Microfinance foundation*, which has been preparing from the second half of 2010 an extension of its educative and counseling activities with the goal to facilitate addition of microfinance into project portfolios of Czech NGOs. This support is based on the knowledge transfer and preparation of a web-based Portal for development co-operation, which all NGOs can access to present their development projects on the web-page www.nfmf.eu (actually under construction, accessible at www.nfmf.cz/beta).

The Portal has two parts. *Donate!* and *Microfinance!* The *Microfinance!* part provides a functional, specialized, technical and administrative background, for the usage of microfinance as a form of development co-operation and presents the microentrepreneurs to investors. The *Donate!* part promotes the development projects of individual czech NGOs to public and donors.

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1 czech original name of *credit cooperatives* is *kampeličky*, nebo *družstevní záložny*
Dissemination of microfinance knowledge in the Czech Republic

The Microfinance Foundation located in Czech Republic was founded with a basic question. What does the microfinance in the Central Europe needs the most beside the money? The basic answer is: to explain people what the microfinance is, how it works, and how do they contribute to microfinance. In the Czech Republic the learning about microfinance has been actually developed by two institutions.

In 2010 was founded a specialized subject called “Microfinance” at the university level, realized by the Institute of tropics and subtropics, Czech University of Life Sciences in Prague [4]. Before 2010 Microfinance was taught as a part of the subject called “Banking”. Until now there have been approximately 150 master degree students attending these two subjects and some doctoral thesis were written about this topic.

Another source of dissemination of the microfinance knowledge are seminars realized by the Microfinance foundation as an NGO. These seminars are organized periodically for students from Czech universities, high schools, NGO employees and for the public. For more detailed information about the seminars, see Figure 4 in the Annex 1.

Microfinance: Investment or development cooperation?

In 2007 the join-stock company Microfinance developed a web-based portal for Czech investors. The portal serves as a facilitator among microfinance institutions in Mexico and Czech investors offering individual demands of Mexican small entrepreneurs.

The investment has an attractive interest between 4 – 7,5 % depending on the amount of money invested, but 10 % of the investors voluntarily decides the option to invest for “12months, 0% interest.” Even the amount of money invested is only 1,4 % of total investments, the potential is enormous [5]. See the Figure 1.

This knowledge raised an idea to provide the microfinance also as a tool for Czech development cooperation and the Microfinance Foundation have developed an alternative web-based portal.

Figure 1 Average investment in CZK and EUR (2008-2010) thru the portal of join-stock Microfinance Company

Czech NGOs and their activities in Microfinance

Czech development co-operation has a long term tradition, starting in sixties of 20th century. Since 1995 Czech Republic has created government foreign aid program as the first from transforming countries of Central and Eastern European block. In this time has been a large increase of non governmental organization operating in developing world. In 2003 the increase of foreign aid reached its peak, because it was a time of huge economic growth. Now it is currently reaching a total number of 20 NGOs with main activities in developing countries. The main goals of each organization are different. There are projects oriented towards education and enlightenment, projects focused on reconstruction after the nature disaster and war, health projects etc. [6]
In 2010, Microfinance foundation carried out a survey about activities in microfinance of Czech NGOs, its use in development projects and possible inclusion to the future. Possibilities of individual NGOs vary in different focus of development projects, but we can find common features.

By the point of view of microfinance, czech NGOs can be divided into the three types:

1. Type – NGO has a sufficient financial and human resource capacities, NGO will create own “Microfinance institution” operating in developing country.

   **Example of Czech NGO: People in need** – it has a sufficient financial and personal capacities, prepared for implementation in the near future.
   - Possibility of using microfinance as a part of individual projects in different countries.

2. Type – NGO has already its own microfinance project in developing country. NGO is presented in operating area as a Microfinance institution and at the same time NGO. Fundraising is provided by individual NGO, through their own web-portals, selling fair trade products, etc. Microfinance is often connected as a part of activities of bigger development project. Possibilities of NGOs are limited and NGOs are not able to expand their activities into other countries.

   **Example of Czech NGO: ShineBean and their project Give a opportunity** (support of small entrepreneurs by using small loans in Kenya, Nairobi) or **Humanitas Africa** and their microfinance project oriented towards women in Zambia.

3. Type – NGO has a development project in developing country. All financial and personal resources are connected with realization of development project. NGO is interested in microfinance but do not have enough financial and personal capacities.

   **Example of Czech NGO: Siriri and their projects** in the Central African Republic Kongo or **Surya** and their projects in India.

Based on these facts a program of activities of Microfinance foundation for the period 2010-2013 was compiled. The main parts of this program are knowledge dissemination and realization of web-based development portal to support microfinance activities in the Czech Republic.

**Figure 3 Scheme of NGOs types on Microfinance Foundation Development Portal**
In May 2010, the government established the **Concept of Czech Republics foreign development cooperation for the period 2010-2017**, which defines microfinance as one of the possible modalities of international development co-operation [7]. Based on this conception in 2011 the Czech Ministry for Foreign Affairs and Czech Development agency have been supported Microfinance Foundation and the initiation of the web-based development portal to promote microfinance among Czech NGOs with two grants. The first grant is focused to dissemination of knowledge about microfinance among high-school teachers and future teachers in pedagogical faculties. The second grant is dedicated to dissemination of knowledge among Czech NGOs, development of the web-based portal and involvement of microfinance into the project portfolio of Czech NGOs.

The new Microfinance Foundation development portal will be established on the web-page www.nfmf.eu as it is shown in Figure 2 (the site is actually under development, accessible at www.nfmf.cz/beta).

**Figure 2 Image of Microfinance Foundation Development Portal**

The Microfinance Foundation development portal has a structure divided into two sections, **Microfinance!** and **Donate!**. The **Microfinance!** part provides a functional, specialized, technical and administrative background, for the usage of microfinance as a form of development co-operation and presents the microentrepreneurs to investors. The **Donate!** part promotes the development projects of individual czech NGOs to public and donors.

Figure 3 explains the options of Microfinance! section. The Microfinance Foundation detected the three described possibilities, which correspond to the actual Czech NGO’s situation in the field of microfinance. In all of them the main function of the portal is to support the realization of microfinance in a nonprofit sector. For all NGOs the marketing support of their activities is very important. For those NGOs, who do not have enough own personal and technical capacities is also important the back-office support (See the figure 3 on the page 3).
**Conclusions**

The concept of microfinance has a long tradition in the Czech history and during the last years has been lightly developed both by the commercial sector and the non-profit sector. Since 2010 the Microfinance Foundation, supported by the Czech Ministry for Foreign Affairs and the Czech Development Agency, have made an extension of microfinance activities in the Czech Republic. The year 2011 is a key period for the Czech non-profit sector to expand their project portfolio with microfinance activities. Microfinance in hands of NGOs, together with their experiences and local support, can give a chance for access financial services to poorest people in the developing world. The Microfinance Foundation Development portal accelerates these activities by supporting the NGOs, MFIs and local entrepreneurs providing them the back-office services and at the same time informing the investors and donors. The way how to ensure safe support for the activities of non-profit sector and manufacturers, farmers and traders in the developing world, has been founded. Its efficiency and usefulness will be evaluated as an on-going activity of Microfinance Foundation continuously. In 2014 is planned the ex-post evaluation after three years of functioning of the development portal.

**Resources**


[4] SRNEC K., Supervisor of Microfinance course, Institute of tropics and subtropics, Czech University of Life Science in Prague, Interview, 10.1. 2011


Contact to individual Czech NGOs involved into development cooperaation:

Annex 1

Figure 4 Example of seminars organized by Microfinance Foundation for students, NGOs and public

<table>
<thead>
<tr>
<th>Institution</th>
<th>City</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business School Ostrava plc.</td>
<td>Ostrava</td>
<td>15.4.2009</td>
<td>The financial aspect of microfinance, all you need to know (in the project platform AFIZ “fight against financial illiteracy”)</td>
</tr>
<tr>
<td>Charles university in Prague, Faculty of humanities</td>
<td>Prague</td>
<td>18.4.2009</td>
<td>The financial aspect of microfinance, all you need to know (3 x B.Sc and M.Sc degree)</td>
</tr>
<tr>
<td>University of Economics, faculty of International Relations</td>
<td>Prague</td>
<td>23.4.2009</td>
<td>Microfinance: A new trend in the fight against poverty</td>
</tr>
<tr>
<td>University of Economics, faculty of International Relations</td>
<td>Prague</td>
<td>13.5.2009</td>
<td>The reality of microfinance: The impact of microfinance on social and economic conditions of the poor</td>
</tr>
<tr>
<td>Seminar for doctoral Council for Civil Sector, Charles University in Prague</td>
<td>Prague</td>
<td>13.6.2009</td>
<td>Microfinance: A new trend in the fight against poverty</td>
</tr>
<tr>
<td>University of Economics</td>
<td>Prague</td>
<td>8.12.2009</td>
<td>The development of microfinance institutions in the light of the economic crisis</td>
</tr>
<tr>
<td>FoRS Czech Forum for Development Cooperation</td>
<td>Prague</td>
<td>26.1.2010</td>
<td>Individual and corporate fundraising</td>
</tr>
<tr>
<td>Czech university of Life Sciences, Institute of tropics and Subtropics</td>
<td>Prague</td>
<td>25.2.2010</td>
<td>Microfinance and development assistance in times of financial crisis</td>
</tr>
</tbody>
</table>

Contact Information

Jirina Svitakova, M.Sc
Microfinance Foundation, Hvezdova 33, Prague, Czech RepublicTel.: +420 777 935 336
Email: svitakova@nfmf.cz

Magdalena Vyborna, M.Sc
Institute of Tropics and Subtropics, Kamycka 933, Prague, CR
Tel.: +420 721 653 915
Email: vyborna@its.czu.cz

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