



EFSE
Annual Conference
**Managing challenges: experience from
an investor's portfolio**

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Outline

- **Introduction to the EBRD's microfinance activities**
- EBRD's crisis response: what have we learned?
- Looking ahead: EBRD response to the main challenges



Small Business Finance – Overview

Role and objective

- Provide private micro and small enterprises with **sustainable access to financial services**, via a range of financial institutions.
 - Portfolio of EUR 767 million
 - Commercial banks, microfinance banks, non bank microfinance institutions and microfinance funds
- **Technical Assistance** (EUR 10 million/annum)
- Engage in **policy dialogue**

Focus on number, demonstration, greatest impact and innovations



Small Business Finance - Overview

- 1994 – 2009: €1.5 billion invested
- Single largest investor in the region – 31% of MSE financing in Eastern Europe and Central Asia
- Outstanding portfolio: €767 m
- Average sub-loan: €4,700
- 109 active partner institutions: 62 commercial banks, 34 non-bank MFIs and 13 microfinance banks
- 1 Regional Fund (EFSE) – largest global MF Fund
- MSME credit lines in all countries of operations



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EBRD crisis response. What have we done? Small Business Finance Team in 2009

- Annual business volume: EUR 279 mln
- Disbursements: EUR 228 mln
- Operating assets growth: 13%
- Technical assistance contracted: EUR 9 mln
in 38 contracts



What can be learned from the crisis?

- Unlimited/uncontrolled growth is dangerous
 - Over-indebtedness
 - Over crowded market
- Crisis reveals relative quality; good and bad performers
- Corporate governance matters:
 - Committed strategic investors
 - Concentration of ownership
 - Skills and ‘deep pockets’



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EBRD Response

- Continued financial support for long term partners
- DFIs coordinated crisis response (exchange information and work in concert)
- Policy dialogue with local authorities (legal framework transformation)
- Assistance in consolidation of sector (where over-banked)
- Development / expansion of local currency products to address/mitigate FX risks



The local currency options

- EBRD considering the following:
 - TCX expansion => benchmarks => policy dialogue
 - Inter-bank term loans w/ EBRD credit guarantee
 - Risk sharing w/donor support
 - CB – bilateral swap arrangements



Thank you for your attention!

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