



**International  
Finance Corporation**  
World Bank Group

**EFSE Annual Meeting 2010**  
**Panel Discussion**  
**MFIs being challenged: lessons learned from  
Eastern Europe**

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# Vulnerabilities revealed in EE MFIs

## Trends

- Decreasing Portfolio Quality
- Decreasing provisioning coverage
- Stress on profitability
- Organizational distress
- Limited (or negative portfolio growth)
- Challenging liquidity planning (although market still liquid)
- Stress from currency mismatch
- Severity of situation varies strongly per country

## IFC ECA Microfinance Portfolio Statistics 2008-2009\*

Loan Portfolio:	- 7.8%
Net Income:	- 20%
Total Equity:	- 7.5%

Excluding funds

# Resulting from?

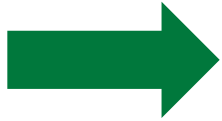
## External Factors

- Rapidly slowing economic growth
- Slow down of international trade
- Weakening currencies
- Decreased remittances
- Industry environment (Regulation, Credit Bureau, ..)

## Internal Factors

- Push for growth; ‘riding the wave’
- Unsophisticated risk management systems
- Vulnerable equity structures
- Lack of funding diversification
- Most of potential efficiency gains have been achieved in existing institutions
- Limited product diversification

# Need to reorient strategies



## Capacity Building and Shaping markets

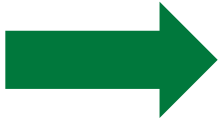
### Challenges

- Limited institutional capacity in the sector is a major constraint for access to finance
- Regulatory hurdles of the sector in many countries
- Fragmented market players

### Relevance

- Responsible finance as cornerstone of the sector
- Increased outreach by institutions with strong delivery capacity
- Safeguarding of the asset class

# Need to reorient strategies (2)



## Diversification and Savings Mobilization

### Challenges

- Internal capacity and regulation
- Concentration of multiple players in limited (and saturated?) markets
- Funding dependence

### Relevance

- Greater potential outreach
- Diversification towards cheaper funding base
- Untapped markets potential (rural, large populations,..)

# Need to reorient strategies (3)



## Innovation & Knowledge management

### Challenges

- Knowledge sharing in sector is limited on institutional and global level
- Lack of innovation in traditional microfinance sphere (product, technology, financial)
- Success stories in the sector are not sufficiently disseminated

### Relevance

- Prerequisite for further sustainable development and increased efficiency
- Leverage upon technological potential
- Tap expertise of all market players