

Transformation and Integration of MFIs

EFSE Annual Meeting 2007

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EBRD - Group for Small Business



Overview

- EBRD partners in Microfinance
- MFIs, Banks and Dedicated Microfinance Banks
- Lessons from Another Region
- EBRD support to transformation



EBRD – Small Business Partners

- 2006 - 44 transactions for \$356.2 million (32 Commercial Banks, 12 MFI's) including 6 Equity transactions and 2 Commercial bank syndications
- 77 Active financial intermediary partners
 - 17 Microfinance Banks
 - 14 Nonbank Microfinance Institutions
 - 46 downscaling banks
- Equity position increasing - €78 million/€478 million
- Tailored approach to partners
- Cumulative investments in 19 countries for over \$1 billion for MSEs since 1994

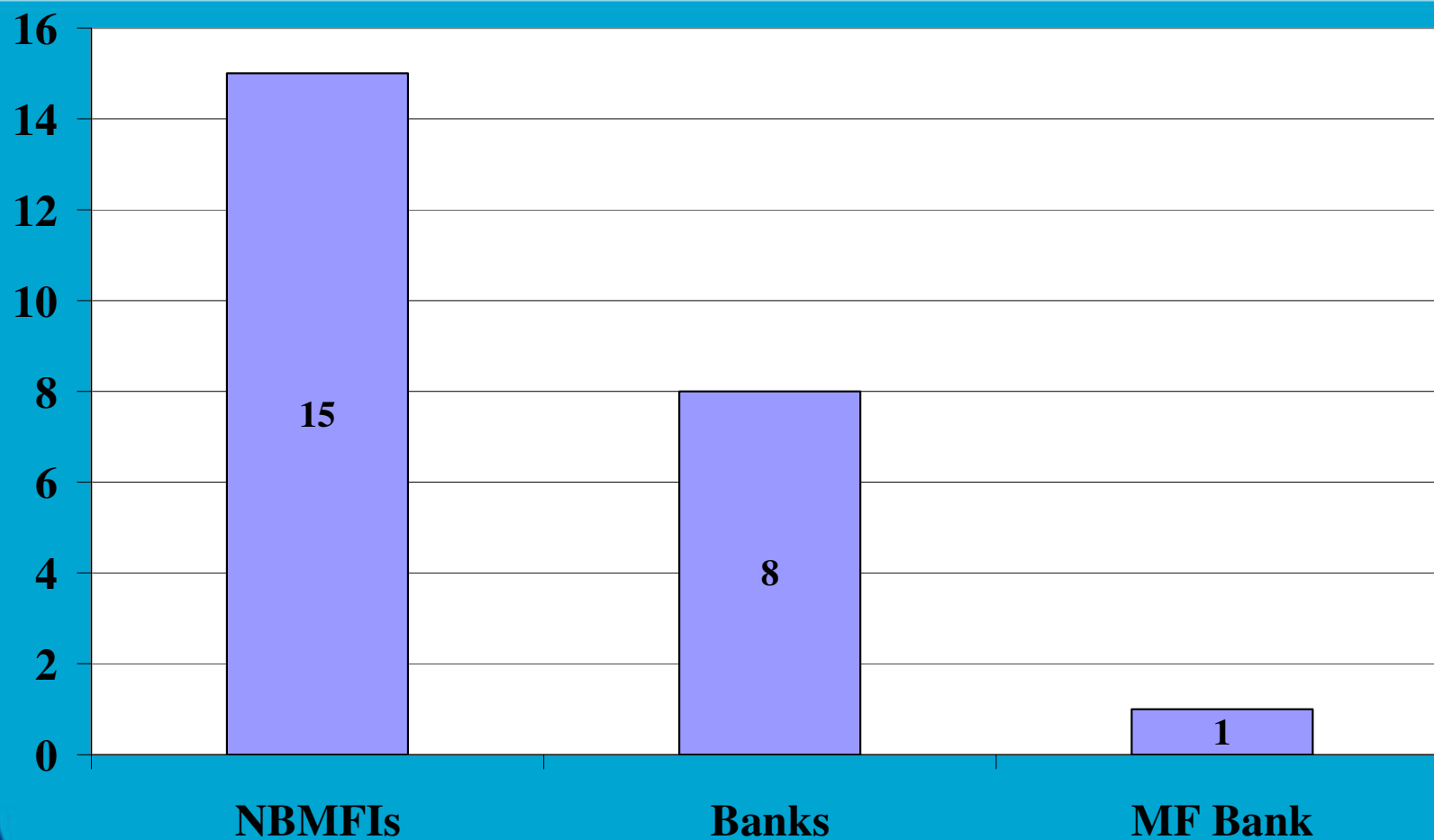


GSB Highlights – EFSE Region

- EUR 75 million MSME Framework for Western Balkans and Croatia (3 NBMFIs in BiH, 2 Clients in Kosovo, Equity for Opportunity Serbia's transformation, guarantee facilities for LCY, etc).
- EUR 10 million Western Balkan Technical Cooperation Fund
- EUR 82 million Microfinance Framework in Romania involving both Romanian government and EU



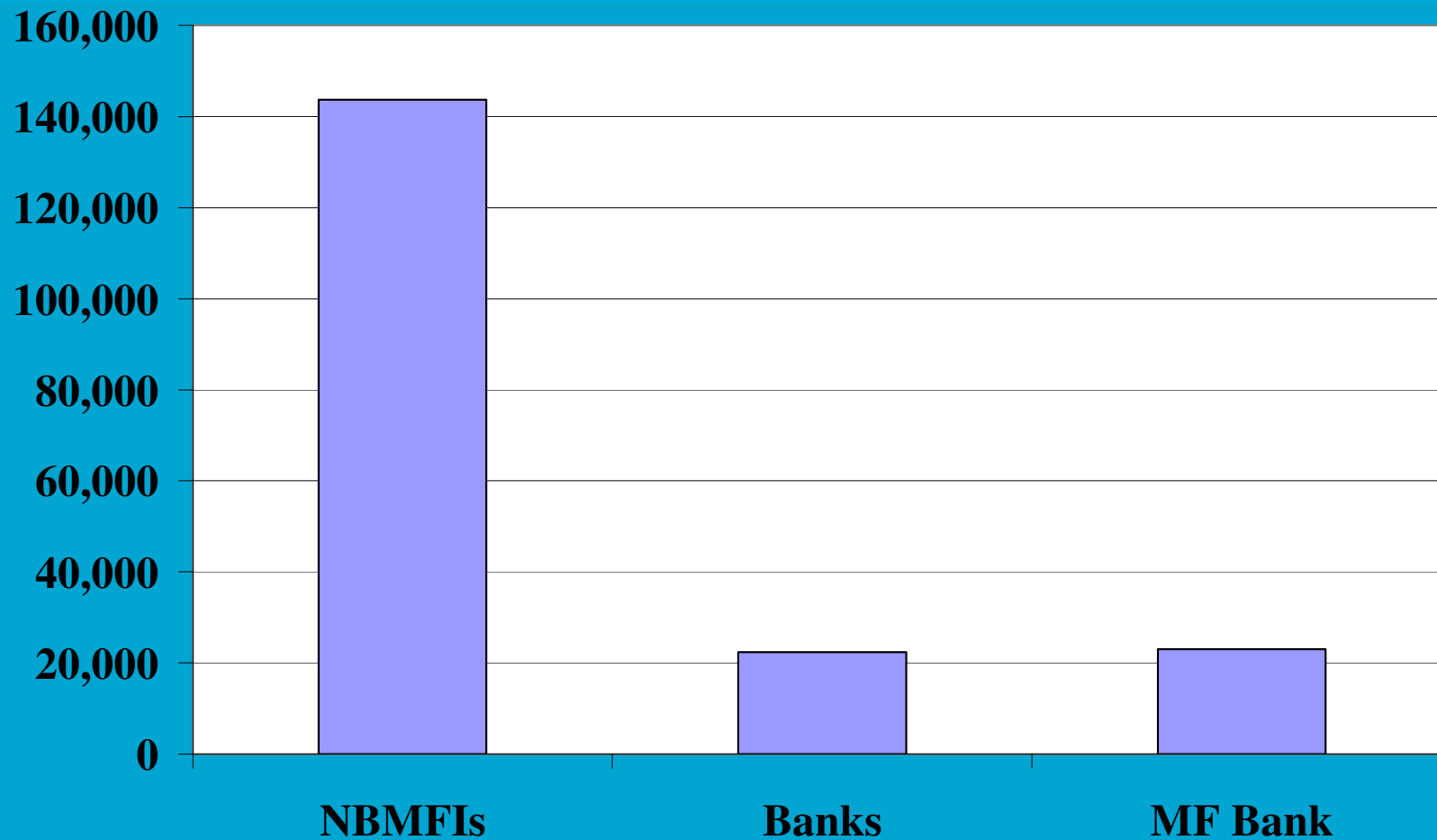
Azerbaijan MSE Sector: Number of Organisations



Source: AMFA as of 31-March-2007



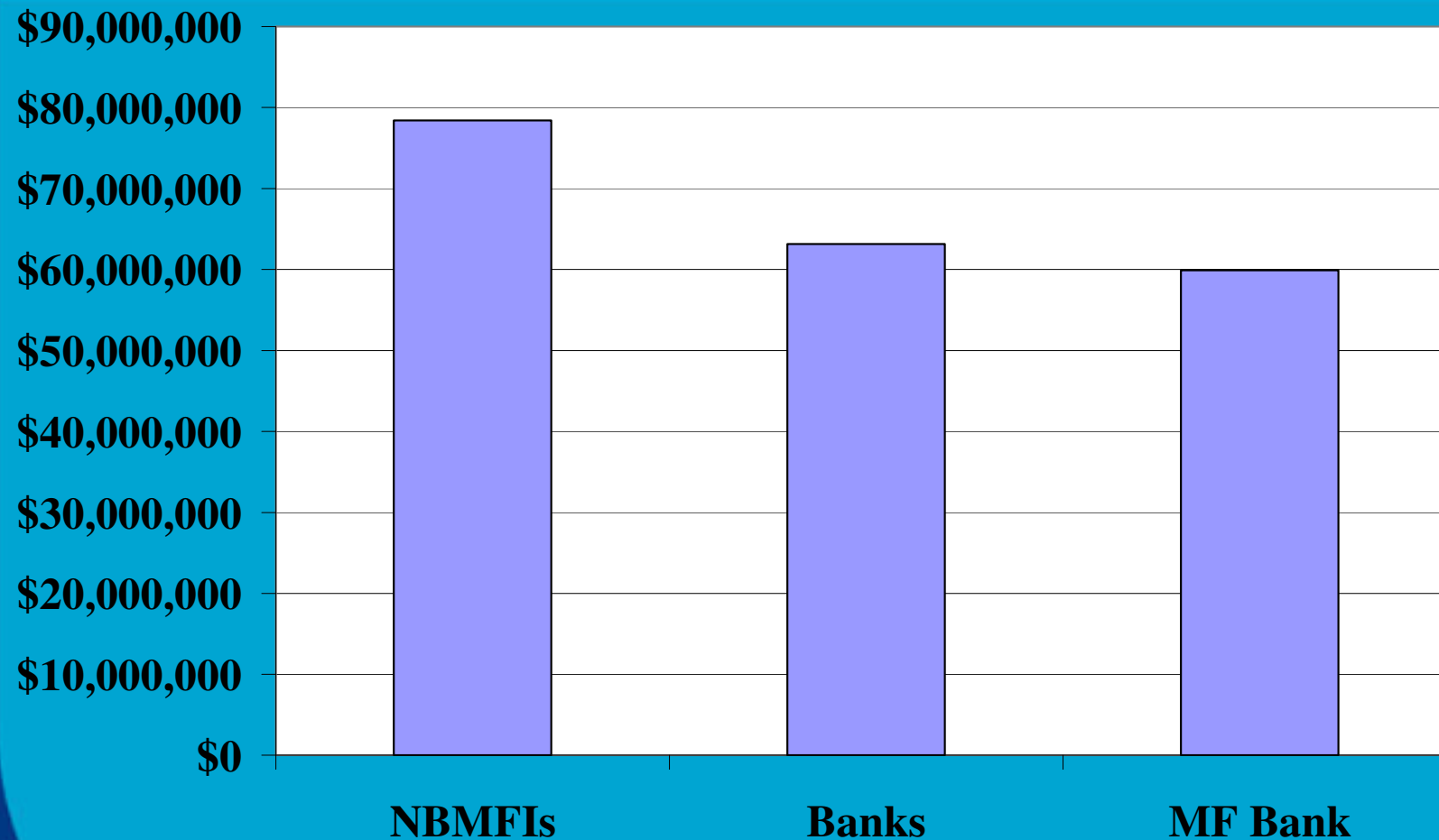
Azerbaijan MSE Sector: Number of Clients



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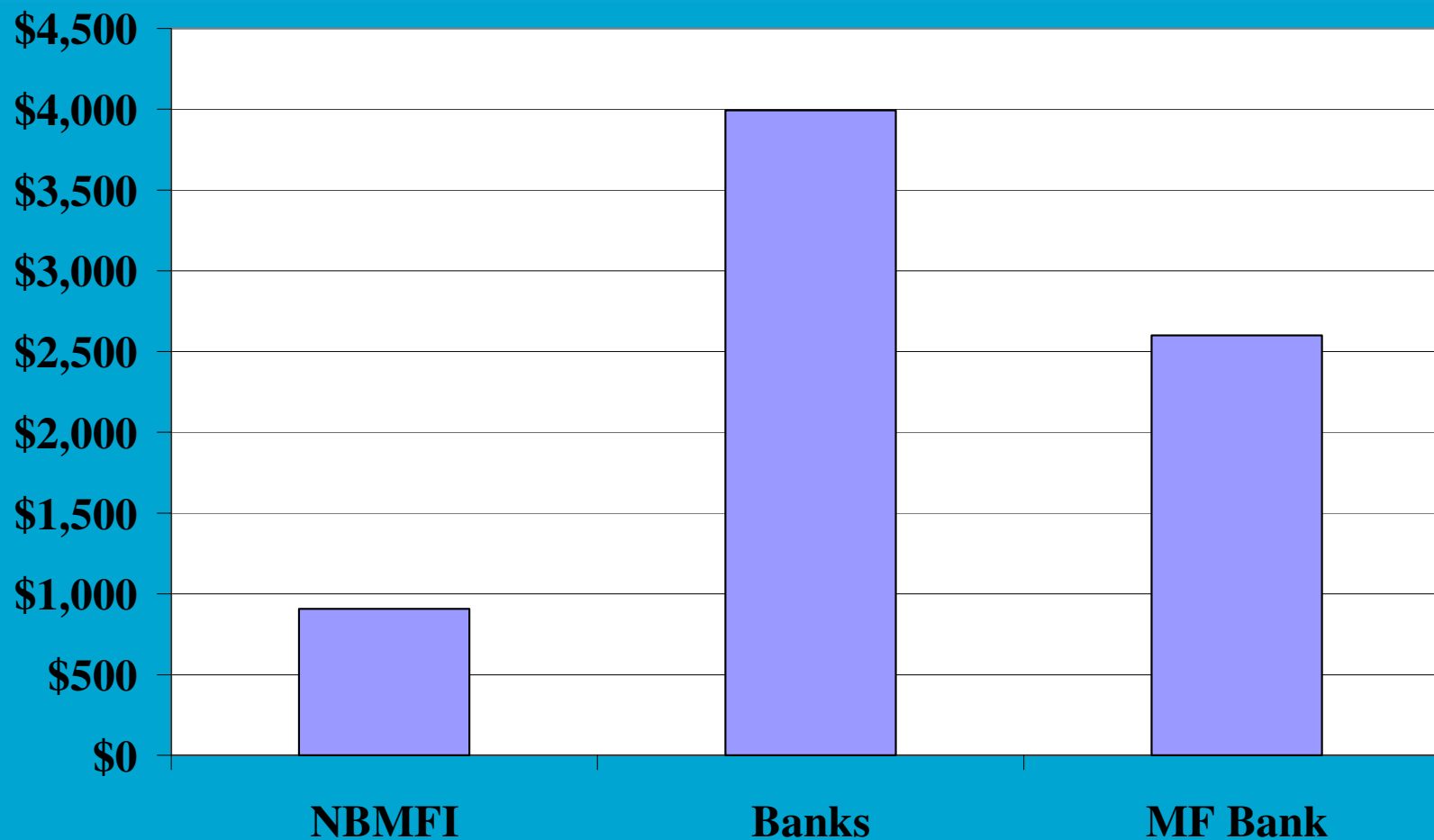
Azerbaijan MSE Sector: Outstanding Portfolio



Source: AMFA as of 31-March-2007



Azerbaijan MSE Sector: Average Loan Size



Source: AMFA as of 31-March-2007



Lessons Learned: IMON's Transformation

- **Rational need for transformation: enough material reasons as it is a complex, multi-level process that takes up much energy, time and money**
- **Must be a separate independent project with own team of executives. IMON management tackled it single-handedly overstretching themselves**
- **Is a quantum leap to a new level of development for the organisation and must be accompanied by proper institutional development and capacity building**



Issues

- **The vision of what to be post-transformation should be within the NBMFI: we can only support an existing and clear business plan with TA**
- **Separate Banking Advisors**
- **Generally NBMFIs are too ambitious in their transformation timeframe: this creates frustration internally and a serious threat to ongoing operations**



Tailored Support

- Risk management, ALM, cash management
- HR policies
- IFRS
- MIS
- Treasury
- Middle management support
- Banking skills for executives
- Business plan review
- Credit scoring
- Back Office



Tailored Support

- Corporate Governance
- Regulatory Changes

