



Schweizerische Eidgenossenschaft
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Swiss Agency for Development
and Cooperation SDC



inter
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Friday, 11 May 2007: 9-11 am

**Track C: Transformation and Integration of MFIs:
Capacity Building for Transforming MFIs**

EFSE's role in MFI capacity building

**Hans Ramm, SDC representative at
Development Facility Committee**

What is the context in Southeast Europe?

- Well educated work force and clients
- Large bank branch network & good infrastructure
- Substantial and increasing investments by foreign banks
- Good regulatory framework in financial sectors
- Improving business climate driven by EU accession

Context - Consequences

- ➔ Micro credit NGOs were **niche players** from the onset of the reform process with decreasing market shares
- ➔ **'picking winners'** with survival chances in increasingly competitive financial sectors with accelerating consolidation
- ➔ EFSE development mission:
 - 1) **market deepening / access**
 - 2) **pushing frontiers**: agriculture, housing, energy efficiency...

Key drivers for micro credit NGOs to transform

1) Natural evolution driven by NGOs and staff

2) Increasing competition

→ pressure on operating margins, however, growth curtailed by inappropriate ownership structure

3) Compliance with strengthened / tightened regulatory framework

→ new regulations for microfinance institutions

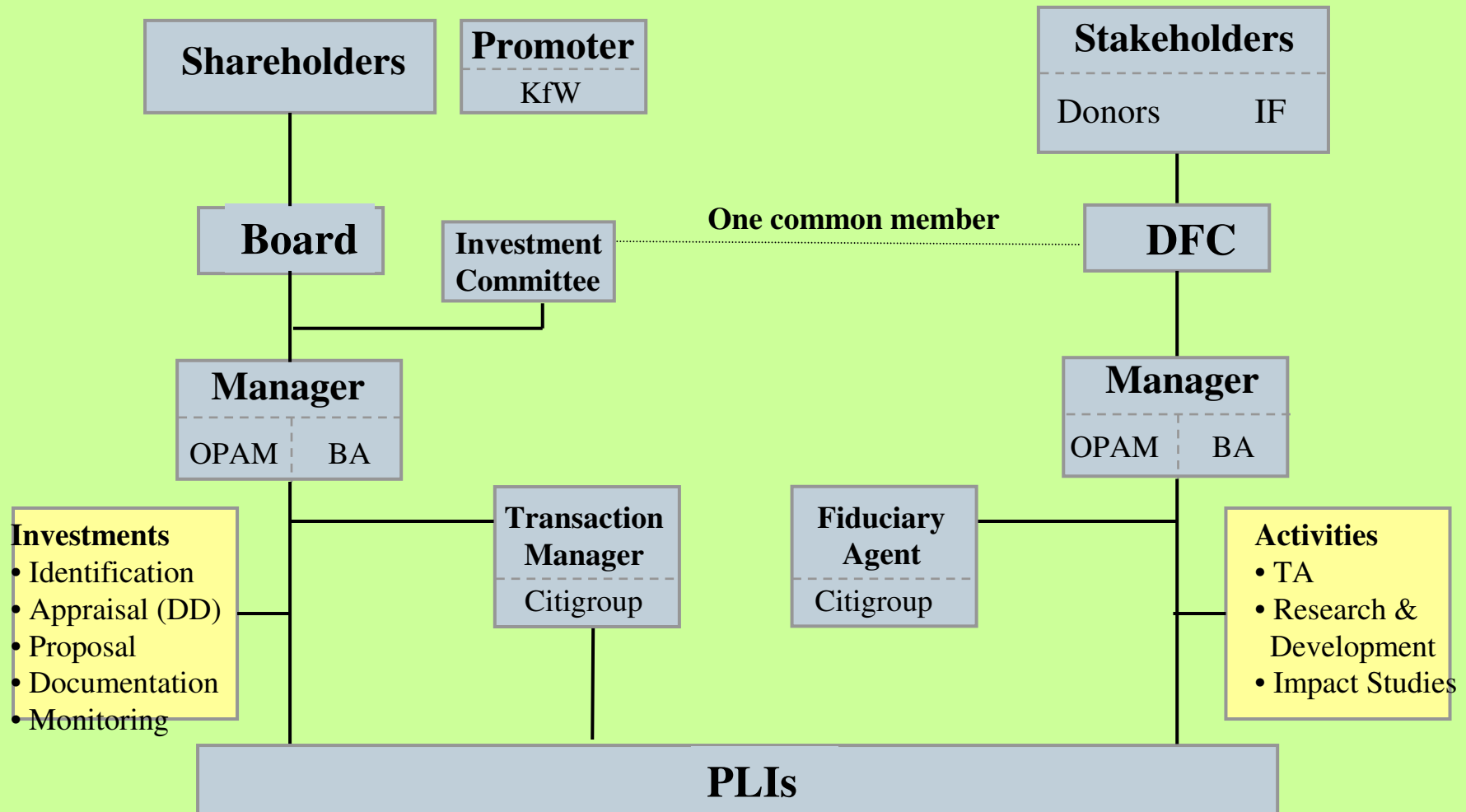
4) Drying up of donor subsidies and concessional loans

→ no additionality any longer leading to crowding out!

Structure of Development Facility and link with EFSE

Investment Fund

Development Facility



Functioning of Development Facility (DF)

➤ **DF's scope of activities:**

- 1) Capacity building: focussed TA on core areas + training
- 2) Annual impact study
- 3) Research: market surveys, new instruments, feasibility studies

➤ **DF's guiding principles:**

- 1) Link to investment: preparatory, enabling, protective, curative
- 2) Driven by PLI & Cost sharing
- 3) Exploiting synergies
- 4) Transparency through formal documentation

➤ **Oversight function of DF Committee**

➤ **Secured funding**

Examples of DF support to transformation

- **Focal areas:**
 - ➔ risk management / ALM
 - ➔ management for efficiency
 - ➔ internal control & audit
 - ➔ governance

- Workshop & follow up advice on **transformation in BiH**

- Workshop on '**deposit product introduction**' in **Kosovo**

- **Guided exposure visit** to AgrolInvest

- Selected **training courses** at Microfinance Centre

- Transformation facilitator

Outlook of the Development Facility

- Effective and efficient instrument (clear policy, procedures, guidelines) to complement EFSE's development mission
 - ➔ no assumption of additional functions
- Strengthen the additionality of the EFSE in introducing new innovative financial products (market research + pilots)
 - ➔ pushing further the frontier in agricultural finance
 - ➔ EFSE as effective instrument for other development objectives
- Increasing support in transformation due to downmarket push of EFSE
- Lessons learnt on outcomes and impact of FSD for model function of EFSE in reporting
- Problem: no donor co-ordination on subsidisation of TA

Thank you for your attention!