NEWS FROM THE FINANCIAL SYSTEMS TEAM

Sida's Portfolio within Financial Systems Development

As of December 2007, Sida had a portfolio (expressed as the total committed amount) of slightly less than SEK 1300 million supporting financial systems development, distributed over 73 projects. During 2007, Sida disbursed SEK 214 million, benefitting Africa, Asia, Latin America, Eastern Europe and global programmes, which is an increase of SEK 34 million compared with 2006. The statistics are based on projects with ongoing contracts worth more than SEK 1 million.

Sida's support for financial sector development is distributed among four main areas:

1. *Public financial institutions* – support for the development of monetary policies and money markets, legal and regulatory frameworks, and supervisory capacity. Examples of institutions involved in these activities are individual ministries of finance, parliaments, central banks, bank supervisors and capital market regulators. This category includes both bilateral and international capacity development initiatives.

2. *Financial crisis management* – support to international training programmes (ITPs) and other types of capacity development programmes aimed at financial crisis management, risk management in banking, public department management and so on.

3. *Local capital markets* – efforts to develop formal financial markets including securities markets. This category also includes support for the provision of equity capital, quasi-equity capital and low-security loans for small and medium-sized enterprises.

4. *Access to financial services* – programmes at the meso- and micro-economic level aimed at increasing access to financial services by poor women and men. This category includes financial sector deepening[1] programmes and support for the development of policies, capacity and methods in the field of micro-finance and, where appropriate, the provision of capital to micro-finance organisations.

Geographical distribution

Chart 2 shows the geographical distribution of the total portfolio. Most support is channelled into programmes and projects in Africa (33 percent), while programmes in Latin America (mainly housing micro-finance programmes in Central America) account for 27 percent. Support for global initiatives accounts for 22 percent. This distribution has remained quite stable since 2006. Disbursements for 2007 follow a very similar pattern, with two exceptions: there was more focus on global initiatives and less on projects in Eastern Europe.

Chart 1: The percentage of total committed amount as of December 2007 (SEK 1292 million)
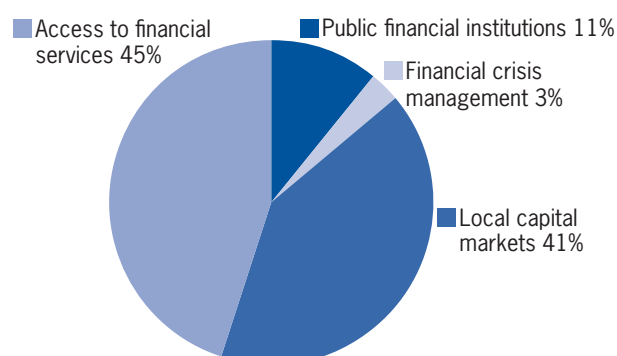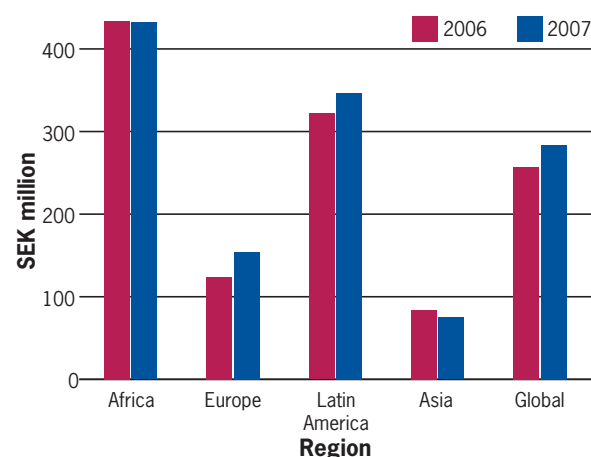

Access to financial services 45%
Public financial institutions 11%
Financial crisis management 3%
Local capital markets 41%

Chart 2: Geographical distribution of portfolio

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[1] Financial sector depth is the extent to which the financial sector mobilises resources.

Highlights 2008

Continued efforts will be made to strengthen Sida's support for financial sector effectiveness, stability and soundness worldwide. With financial sector stability being promoted as a key "public good" in the Swedish policy for global development, a particular focus will continue to be placed on risk management and capacity building for key players in the financial sector. In this spirit, the Risk Management in Banking scholarship programme has been relaunched in a new improved format, and the Swedish Riksbank staff exchange programme has been expanded with two new partners: the Central Bank of Kenya and the Bank of Albania. Core funding is provided to the globally renowned Toronto Centre to help develop their toolbox for crisis preparedness training and change management within the area of financial sector supervision. A Toronto Centre banking programme is also to be delivered in Stockholm during 2008.

MFW4A

Sida is presently stepping in to support and engage in the recently established Partnership for Making Finance Work for Africa. The partnership has been formed in the spirit of the Paris Declaration on Aid Effectiveness, and is manifested in a platform for financial sector stakeholders to cooperate and create synergies in financial sector work across Africa.

AfriCap

Sida contributed in 2001 to the establishment of AfriCap, a fund investing solely in micro-finance across Africa. Having initially been sponsored by developmental organisations, the fund has been very successful lately in attracting commercial and socially responsible capital. Sida's role as a catalyst has therefore been fulfilled, and as a consequence, Sida has withdrawn as an investor in the fund.

CGAP HFWG

Sida has previously initiated a three-year support programme to the Housing Finance Working Group (HFWG) under the umbrella of the Consultative Group to Assist the Poor (CGAP) and is currently chairing the steering committee. The purpose of the working group is for the donors and practitioners involved to exchange lessons learned, best practices, ideas and innovations in this sector and, where possible, to collaborate and form partnerships with one another.

One of the more strategic activities during 2008 will be to organise a networking event at the World Urban Forum to be held in Nanjing, China from November 3–7.

The objective of the event will be to present innovations for bridging the gaps between land, housing finance and affordable shelter.

Post conflict

The Financial Systems team intends to increase the focus on post-conflict countries in the future. The prerequisites for the successful implementation of financial sector development in these countries are clearly different from other countries, but may nevertheless prove to have strong strategic relevance.

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