



FINANCIAL SYSTEMS DEVELOPMENT



CHALLENGES

Economic growth strongly depends on the performance of an efficient financial sector. Effective financial institutions providing reliable services provide a sound and sustainable foundation for a country's economic development. Creating a favorable legal and regulatory environment is a general precondition in this context.

GFA Consulting Group implements projects and builds capacities in developing countries and emerging markets. Our experts aim at developing financially self-sustainable institutions and at improving their performance continuously. We promote sound banking routines and operations management according to best industry practices and international standards. GFA teams focus on the creation of internal capacities to ensure lasting and rollout effects.

GFA SERVICES

GFA fosters the development of effective financial institutions providing micro, small and medium enterprises with services on a sustainable basis. We provide tailor-made assistance in the fields outlined below.

Banking advisory services – The GFA approach starts with bank reengineering and the reforming of financial institutions. This includes strategy and business planning, risk management and human resource development.

SME finance – Our experts follow a comprehensive approach to SME finance. It comprises the set-up of specialized SME units, product development, credit scoring techniques and management information systems.

Agricultural and rural finance – We recognize the complexities of agricultural and rural finance related to high transaction costs and a special risk profile. Our experts provide innovative and tailored solutions to enhance access to financial services for rural and agricultural entrepreneurs.

Green Finance – We assist financial institutions in establishing renewable energy and energy efficiency finance as a profitable business segment. Also, GFA supports the development of innovative loan products and lending technologies.



Project examples:

WWW.GFA-GROUP.DE/PROJECTS

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SMALL AND MEDIUM ENTERPRISE FINANCE



CHALLENGES

Small and medium enterprises (SMEs) are widely recognized as the backbone of economic development. Though SMEs may be small individually, the SME sector as a whole has gradually emerged as a dominant economic player and engine for growth in numerous countries. SMEs create and sustain more than two thirds of worldwide employment. The sector is well acknowledged for stabilizing economic conditions, supporting the development of communities and driving innovation.

Despite their recognition as a priority for most developing economies, SMEs are less likely to obtain bank loans than large corporations. It is therefore necessary to widen their access to conventional financial services and develop alternative sources of funding.

GFA CONCEPT AND SERVICES

GFA's Financial Systems Development Department supports banks as well as specialized financial institutions worldwide. The range of instruments extends from standard debt finance to hybrid financing techniques and equity investment. Our goal is to develop and implement effective and innovative financial services based on a value proposition strategy tailored specifically towards SME customers. We take steps to raise financial literacy among SME clients, enhance the capacities of business and trade actors along supply chains, and emphasize support towards women in business. The application of these principles is part of our systemic approach

towards SME Finance which combines financial expertise with private sector support and capacity building.

Our services are based on a thorough understanding of both the supply side and the demand side of financial markets. Our innovative and field-proven solutions are derived from GFA's relevant strategic business areas that cover private sector development, trade, agricultural & rural development as well as green energy.

GFA Financial Systems Development ultimately focuses on the development of a profitable SME portfolio with the partnering financial institutions. Our services encompass product development, improved marketing as well as process management. We support the introduction of straightforward lending or investment technologies, ensure efficient use of management information systems and address SME-specific risk management. We further assist in the integration of facilitators such as guarantee schemes, supportive value chain actors and public or private fund structures.

Since high-quality capacity building is a prerequisite for the sustainability of any of these measures, we base our capacity building on the combination of practical on-the-job coaching and classroom training which is derived from state-of-the-art interactive adult learning principles.



AGRICULTURAL AND RURAL FINANCE



CHALLENGES

Agriculture is one of the most important economic sectors and the largest employer in the global south. Three out of four poor people in developing countries live in rural areas, and most of them depend directly or indirectly on agriculture for their livelihood. Agricultural development remains the main catalyst for economic progression, employment creation, food security and poverty reduction.

Despite its crucial importance for most developing economies, agricultural productivity and investment into agriculture remain at low levels, often due to limited access to financial services. Without access to formal finance for improved technology and inputs many farmers and agricultural enterprises remain stuck in low investment and low return production cycles. Appropriate financial instruments used at the right time could stimulate greater efficiency, improve product quality and consequently increase incomes of the rural population. Despite increasing demand, financial institutions in developing countries often do not offer suitable products and hesitate to expand into the agricultural sector. Reasons include high transaction costs, information asymmetry and the general vulnerability of the sector to external events such as extreme weather, climate change or disease.

GFA CONCEPT AND SERVICES

For more than 30 years GFA has been known as a leading consulting company for agricultural and rural development all over the world. To master complex tasks in changing markets and environments, GFA supports its customers in developing and implementing innovative tailor-made solutions. Our holistic approach combines sound agricultural and financial sector know-how with market intelligence and business development services. GFA's strategic business areas 'Agricultural and Rural Development' and 'Financial Systems Development' cooperate closely to turn agricultural clients into bankable enterprises and to support financial institutions in reaching out to rural customers. On the one hand, GFA supports financial institutions in developing a better understanding of the financial needs and business risks of small agricultural enterprises. We assist banks in creating innovative financial products, exploring new delivery channels, improve risk management procedures and train staff on how to lend to the rural sector. On the other hand, GFA supports small farmers and agribusinesses with financial and agricultural education, promoting value chains, market linkages as well as outgrower schemes while taking environmental and social implications into account.

Based on GFA's longstanding expertise in the fields of agricultural development and small business finance, we have developed a set of field-proven agricultural lending tools, training concepts, and methodologies that ensure the application of best practices. This empowers us to provide our clients and partners with tailor-made solutions on the basis of cutting-edge information management solutions.



GREEN FINANCE



CHALLENGES

Economies in emerging markets increasingly need to rely on renewable energy sources as well as implement energy and resource efficiency measures in the face of rising energy prices and potential energy shortages. Outdated generation facilities need to be upgraded in order to avoid energy losses and ensure an ongoing energy supply despite increasing demand. Meanwhile, end users still deploy outdated equipment and technologies, leading to further energy waste and CO₂ emissions. Experience shows that investments in renewable energy (RE) as well as in energy and resource efficiency on a wider scale are the most advantageous ways of saving energy resources and costs. Such investments typically have short payback periods, attractive return rates, and debt service can often be covered by cost savings. Given increasing prices for energy and resources worldwide, companies and households that recognize the importance of energy and resource efficiency today will have a competitive advantage tomorrow.

Though the importance of energy efficiency in the industrial and residential sector as well as renewable energies for on- and off-grid electricity generation are widely recognized, many commercial finance institutions are still hesitant to finance RE and energy and resource efficiency projects. Further obstacles preventing such projects from being financed include legislative and regulatory frameworks, particularly for RE development, a lack of economic incentives due to artificially low energy tariffs, limited local capacities

to prepare and assess project proposals, and general lack of awareness of the benefits of implementing these measures.

Furthermore, many banks are unfamiliar with RE and energy and resource efficiency financing, and perceive lending to these sectors rather a risk than a means of diversifying their portfolio.

GFA CONCEPT AND SERVICES

GFA's Financial Systems Development department supports local partner financial institutions in the launching and marketing of RE & energy and resource efficiency facilities and assists in the development of respective lending activities as a sustainable banking business. Our experts offer field-proven concepts, ensuring the application of best practices in RE & energy and resource efficiency finance.

Marketing – GFA ensures a timely launch of the facility and prepares a marketing concept with partner financial institutions. This includes a well-designed, user-friendly facility website, media work and promotional materials such as brochures, leaflets and case studies. We also offer portfolio screening support to identify potential sub-borrowers in the existing client database, organize public events dedicated to attract new clients, and stakeholder relationship management.

Project identification and portfolio development – GFA supports companies and public entities in the identification of energy losses, conduction of energy assessments, and identification of technical solutions. Our experts assist in the search for suppliers, in technical and financial project assessment, and in the preparation of bankable project proposals, both independently and in cooperation with consortium partners.

Capacity building – GFA offers and organizes training and skill transfers to relevant stakeholders. Standardized training modules for bank officers incorporate sales techniques, portfolio screening, project appraisal, and risk analysis. Technical staff is trained in energy audit and project management.

Project management – GFA mobilizes highly qualified expert teams matched to each project's specific needs. GFA consultants closely monitor and coordinate project activities and implement knowledge transfers from similar programs, reflecting the key to the company's approach to RE & energy and resource efficiency financing.