



Shoulda, coulda, woulda: Lessons learned from a currency devaluation crisis in Azerbaijan

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EUROPEAN
MICROFINANCE WEEK 2016

Setting the Scene: Azerbaijan Context

June – August 2014

- Sharp drop in oil prices (June)
- Negative currency related expectations
- Capital outflow from country
- Sharp depreciation of Russian Ruble/economic sanctions towards Russia

February 2015

1st Manat Devaluation

- Damage to sustainability of the financial sector & increase in losses
- Further economic activity slowdown
- Depreciation trends of local currency
- **VisionFund:** Deterioration of quality – almost all USD loans
- **VisionFund:** Speculations in mass-media about government compensation for USD loans
- **FINCA:** USD/AZN balanced loan portfolio currency mix implemented

October 2015

- **VisionFund:** Accounts unfrozen

January 2016 – date

- Suspension of lending in banking sector (Jan-Apr)
- Establishment of FMSA and transfer of supervision from Central Bank
- Mass media and MPs call for compensation by government
- Further deterioration of quality throughout of all industry
- FMSA banned mortgage loans in USD and increased provision requirements for consumer loans in USD

September – December 2014

- USD deposit shift
- Turbulence in currency market
- Decreasing CBAR foreign currency reserves
- **Vision Fund:** Freezing of accounts, including safety deposit boxes (October)

July 2015

- Interest rate cap established by Central Bank
- Receiving AZN payments for USD loans banned by Central Bank
- AZ government recommended renegotiation of client loans

December 2015

2nd Manat Devaluation

- Further damage to sustainability of the financial sector & increase in losses
- Further economic activity slowdown
- Depreciation trends of local currency



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Global Risk
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Key question: Where does responsibility lie to protect clients from the negative impacts of a similar crises?





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Question & Answer (Q&A)



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Reflections and Strategies for the Future

1. In hindsight, what are some of the lessons learned that you take away from this crisis?
2. What are some strategies you would promote to address some of the lessons learned?





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Question & Answer (Q&A)

