



EUROPEAN FUND FOR SOUTHEAST EUROPE

INITIATED BY KfW

MANAGED BY SAL. OPPENHEIM

ADVISED BY FINANCE IN MOTION

# EUROPEAN FUND FOR SOUTHEAST EUROPE BACKGROUND INFORMATION FOR PARTNER LENDING INSTITUTIONS



# EFSE – A DEVELOPMENT FINANCE INITIATIVE SUPPORTED BY



## WHAT IS EFSE?

The European Fund for Southeast Europe – EFSE – is an investment company established on 15 December 2005 under the laws of the Grand Duchy of Luxembourg in the form of a public limited company qualifying as a SICAV-SIF (Specialised Investment Fund). EFSE is the successor to various development finance initiatives launched by several donors in the region since 1998.

### WHAT IS EFSE'S OBJECTIVE?

The objective of the Fund is to provide long-term funding to qualified partner lending institutions in the Southeast Europe Region, including the European Eastern Neighbourhood region, to better serve the financing needs of micro and small enterprises and low-income private households.

### WHERE DOES EFSE OPERATE?

Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, FYR Macedonia, Georgia, Kosovo, Moldova, Montenegro, Romania, Serbia, Ukraine.

### WHAT IS EFSE'S ULTIMATE TARGET GROUP?

- Notably micro and small enterprises,
- Private households with limited access to housing finance, and
- Other sections of society with limited access to financial services.

### WHICH PRODUCTS ARE REFINANCED?

At the target group level, sub-loans up to EUR 100,000 for:

- Micro and small enterprises,
- Housing, and
- Rural/agriculture.

### WHO ARE EFSE'S MAIN INVESTORS?

EFSE has attracted a highly reputable group of investors. These include the European Commission as well as the governments of Germany, Austria, Switzerland and Denmark, through the German Federal Ministry for Economic Cooperation and Development (BMZ), Swiss Agency for Development and Cooperation (SDC), Austrian Development Agency (ADA), and the Danish International Development Agency (DANIDA). In addition, the first government from Southeast Europe, the Government of the Republic of Albania, has also invested in the Fund.

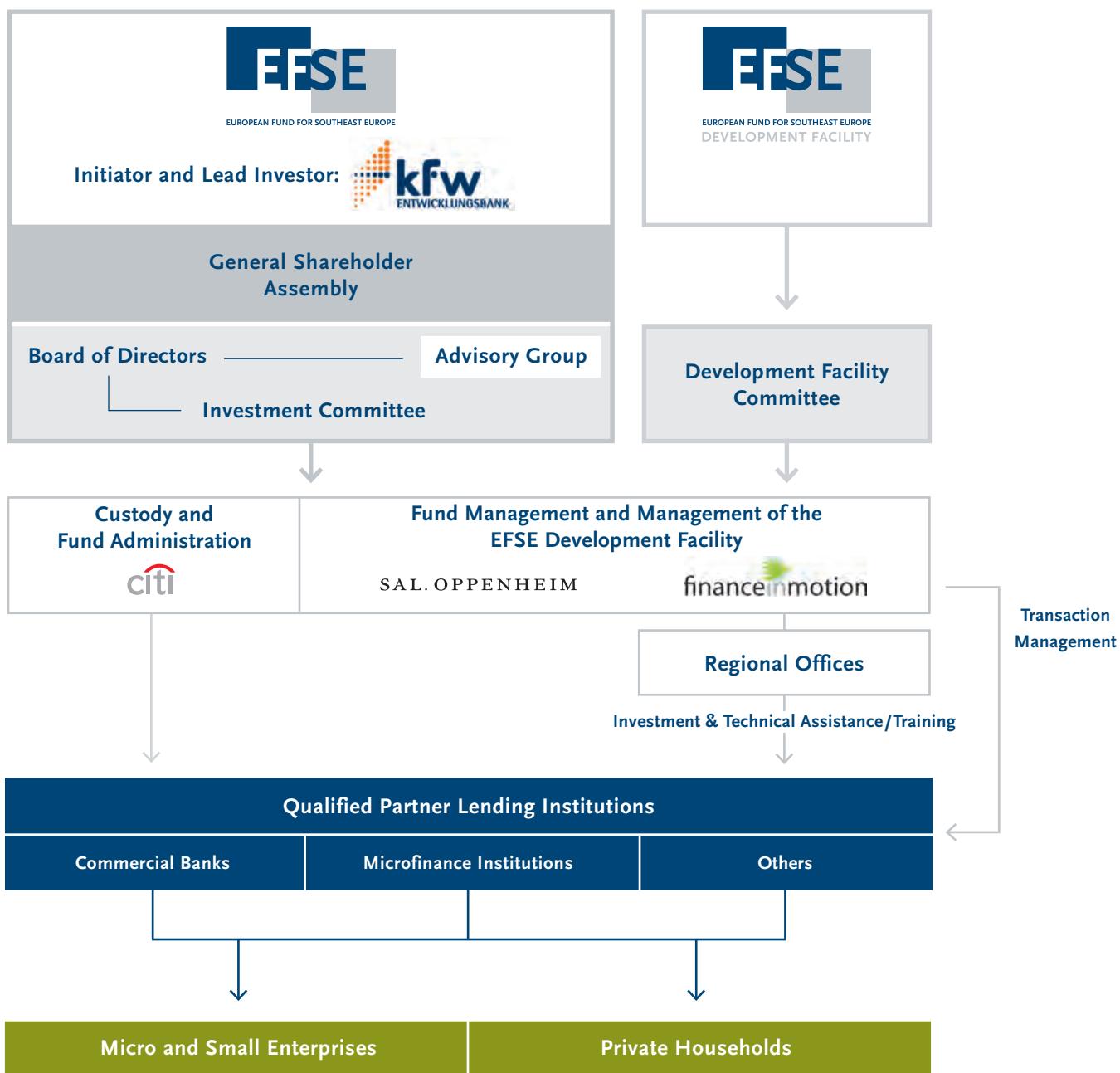
These public investors have been joined by international financial and development finance institutions, including KfW, International Finance Corporation (IFC), Netherlands Development Finance Company (FMO), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and the Oesterreichische Entwicklungsbank (OeEB).

Finally, private investors, both with a commercial orientation and social responsibility, also contribute a significant share to the funding base.



\* under UNSCR 1244/99

## ORGANISATIONAL STRUCTURE OF EFSE



## WHAT ARE EFSE'S MAIN BENEFITS FOR A PARTNER LENDING INSTITUTION?



### **WE PROMOTE INNOVATIONS IN FINANCIAL MARKETS**

EFSE considers itself to be a market-enabler, serving as an incubator for financial innovations. The Fund assists partner lending institutions to tap new markets with a promising business potential.

### **WE HAVE FIRST-CLASS SHAREHOLDERS**

EFSE's first-class international shareholders are key for the Fund's excellent reputation and prominent role as one of the flagship development finance initiatives in the region. Furthermore, the Fund represents a coordination platform for various international stakeholders, offering opportunities for club deals and other joint actions. Finally, the Fund draws on the expertise of its first-class international shareholders, ensuring state-of-the-art financial engineering and continuous innovation.

### **WE GO AND GROW WITH THE PARTNER LENDING INSTITUTION**

EFSE wants to contribute to the successful implementation of the business strategy of its partner lending institutions. Therefore, the Fund structures its investments in line with the funding needs as specified in the business plan of each partner lending institution.

### **WE PROVIDE A BROAD ARRAY OF SERVICES**

EFSE offers various financial instruments to respond to different funding needs. Furthermore, the Fund may combine an investment with technical assistance and training.

### **WE PROVIDE SPEEDY AND FLEXIBLE SERVICES**

EFSE strives to minimise the processing time between the first contact with a potential partner lending institution and the actual provision of a refinancing facility.

### **WE ARE CLOSE TO YOU**

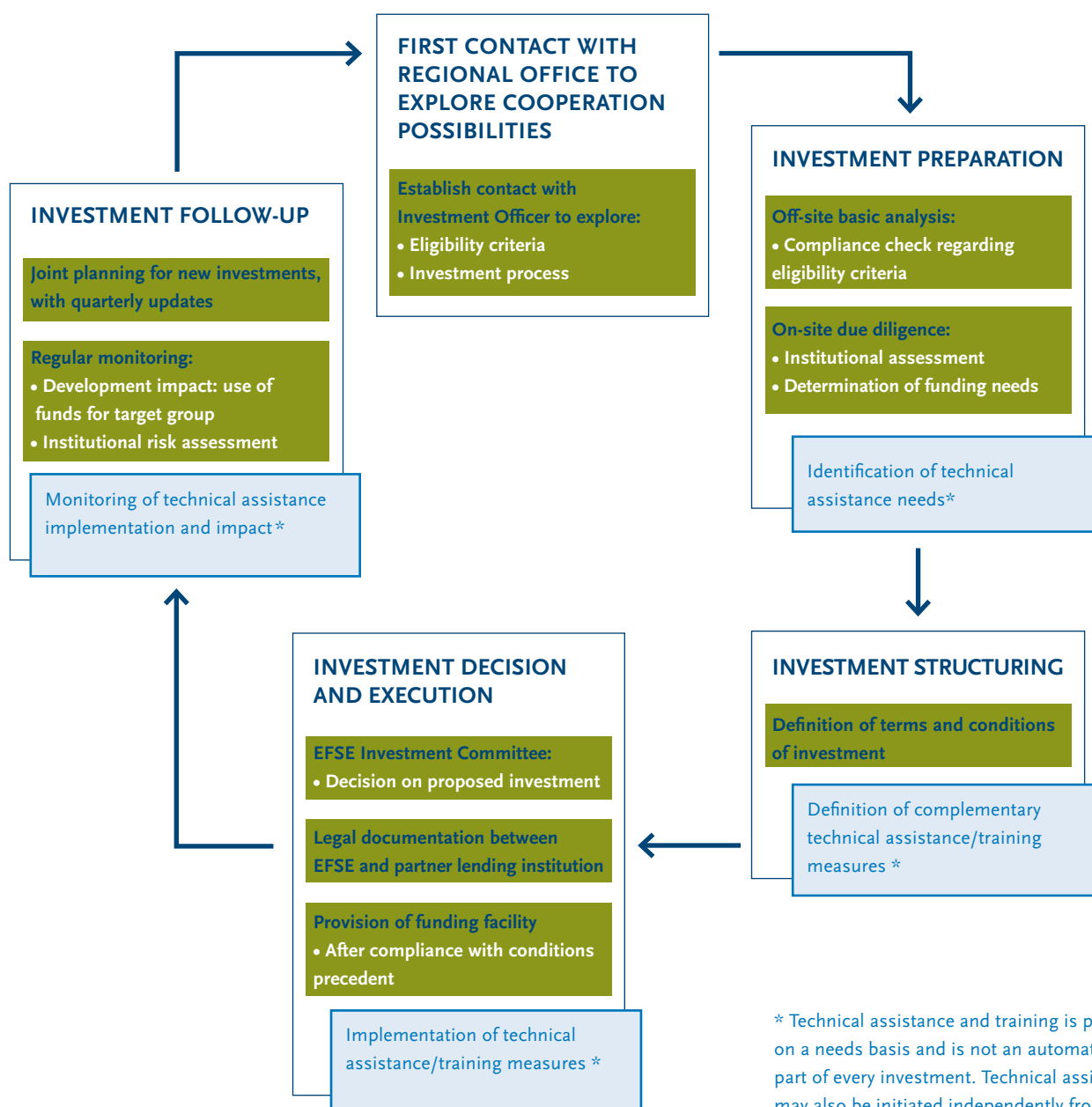
EFSE operates through local offices in the region, ensuring easy access to the Fund's services. EFSE assigns an Investment Officer to each partner lending institution who provides all services out of one hand.

### **WE OFFER A LONG-TERM PARTNERSHIP**

As an investment fund with unlimited duration and flexibility to adjust its range of services according to market developments, EFSE wishes to be your partner for long-term cooperation.

# INVESTMENT CYCLE

## ... ESTABLISHING A LONG-LASTING PARTNERSHIP



\* Technical assistance and training is provided on a needs basis and is not an automatic part of every investment. Technical assistance may also be initiated independently from the investment cycle.



### WHO CAN BECOME A PARTNER LENDING INSTITUTION?

- Local commercial banks,
  - Microfinance institutions,
  - Other non-bank financial institutions, and
  - Investment companies or funds
- that either currently finance or are committed to finance the target group and fulfil a set of financial performance criteria.

### WHAT DOES EFSE OFFER TO PARTNER LENDING INSTITUTIONS?

#### Financial instruments

- Medium to long-term senior loans,
- Subordinated loans,
- Term deposits,
- Subscriptions to bond issues
- Co-investments (syndicated loans),
- Stand-by letters of credit,
- Guarantees, and
- Equity and quasi-equity participations.

#### Technical assistance and training

In addition to refinancing, partner lending institutions can benefit from technical assistance and training offered by the EFSE Development Facility.

### WHAT ARE THE TERMS AND CONDITIONS OF COOPERATION?

#### Investment exposure limit

100 % of capital of partner lending institutions in all cases, except for equity participations that are limited to a 30 % share.

#### Maturity

Individually defined according to the financial instrument and the financing needs of the partner lending institution and the characteristics of the sub-loan portfolio to be refinanced.

#### Pricing

Market rates that reflect institutional and country risks.

#### Collateral

Assignment of rights of refinanced sub-loan portfolio and /or other collateral, including financial covenants.

Provision of financing facility  
In one amount or in tranches.

Payment of interest, dividends or  
guarantee fees  
In principle, semi-annually.

Repayment or exit  
Individually defined repayment or exit plans.

Technical assistance and training provided by  
the EFSE Development Facility  
Individually defined terms of reference. Partner  
lending institutions share in costs depending  
on financial strength.

### HOW TO BECOME A PARTNER LENDING INSTITUTION?

Contact the Investment Officer in the regional office of the fund advisor Finance in Motion GmbH and start the process. Contact details can be found on the last page of this brochure.

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