

INVESTOR'S ROLE IN PROMOTING RESPONSIBLE FINANCE

EFSE Development Facility
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Responsible Finance

What does Responsible Finance mean at the investor level?

- ➔ Promote **responsible practices** at all levels of the financial system
- ➔ Help to **strengthening local financial markets**
- ➔ Support financial institutions to respond to the needs of **enterprises and private households**

A responsible investor

What can we do at the end-borrower level?

- Promote **financial literacy**: build public understanding about financial concepts and terminology
- Support set-up of meso-level institutions, such as **debt advice centres**
- Promote the Client Protection Principles: support **Smart Campaign**



A responsible investor

What can we do at the financial institutions level? (I)

- Demand high standards of **business ethics and corporate values**
- Establish **long-term partnerships**
 - Reliable long-term funding source
 - EFSE DF: focused technical assistance and training
- Promote **sound environmental and social management**
 - Apply social performance questionnaires in Due Diligences
 - EFSE DF: training to incorporate environmental and social guidelines
 - Report on social and environmental performance of investees



A responsible investor

What can be done at the financial institutions level? (II)

- Do not refinance **consumer lending**
- Offer financial instruments in local currency to **strengthen local currency lending**
- Promote **responsible financial products** for clients
 - Fair and transparent terms and conditions
 - Cash flow based lending methodology
 - Products with positive spill-over effects (Housing Energy Efficiency)

A responsible investor

What can we do at the financial sector level?

- Raise **awareness of responsible finance** among the public
 - EFSE DF: Responsible Finance events in Serbia, Kosovo, Bosnia and Herzegovina, and Albania
 - EFSE DF: Client educational booklets (e.g. How to talk to a Bank, Essentials of Microfinance – your guide to approaching and MFI) and educational TV clips
- Conduct **research on responsible finance practices**
 - EFSE DF: Indebtedness study in Bosnia and Herzegovina and Responsible Finance Study in Moldova
- **Invest prudently** and avoid overheating of markets
- Support **savings mobilisation and insurance products**
- **Promote dialogue on responsible finance** with regulators, other investors etc.



A responsible investor

What can we do together with other investors?

- Fair play/fair competition (e.g. pricing)
- Transparency
- Information sharing
- Collaboration in restructuring and work out of problem cases
- Proposal: develop a code of conduct among investors

Key conclusions

- Investors can play an important role in **fostering of responsible practices** at all levels, especially at the level of financial institutions
- It is of high importance to ensure a **close collaboration between all investors**, in particular, within times of crisis
- It is our responsibility to support **financial markets growth in a responsible manner.**





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