

Highlights of the EFSE HOUSING FINANCE IMPACT STUDY 2006

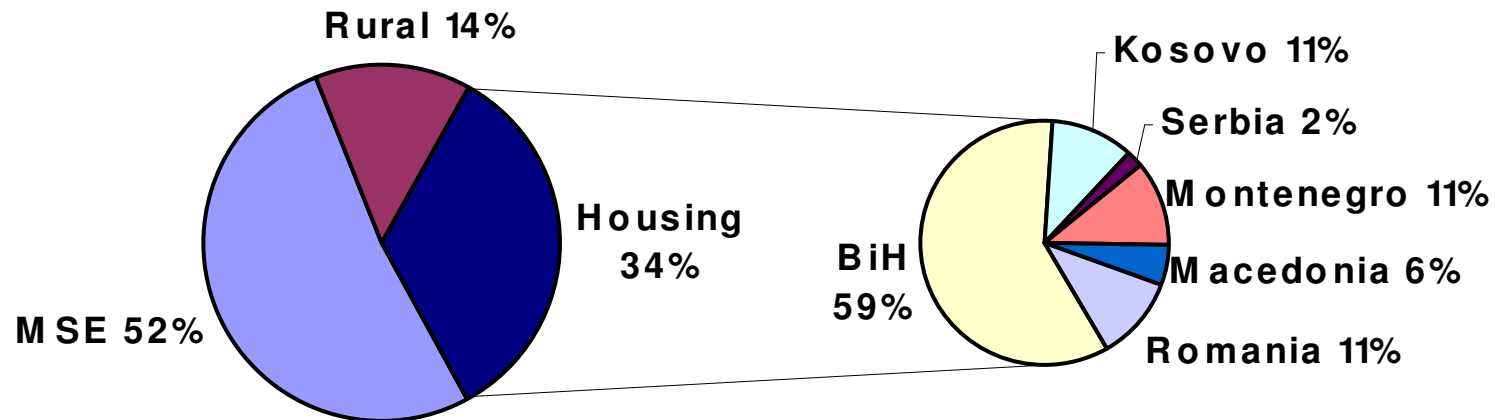
Rolf P.A. Dauskardt

EFSE Annual Meeting 2007

Budva, Montenegro

EFSE Financing in the SE European Housing Sector 1998 – Nov 2006

- Housing Sector Challenges (**BiH** – 2.5 million displaced, 445,000 destroyed homes. **Kosovo** – 1 million displaced, - 50% housing stock destroyed)
- € 267 million disbursements, € 90 million (34%) for housing, € 63 million (70%) for housing in BiH and Kosovo
- EFSE financing (med to LT Loans – ave 5 to 8 years), technical assistance to PLIs (banks since 1998, MFIs since 2004)



Outcomes – Loan Products and Clients

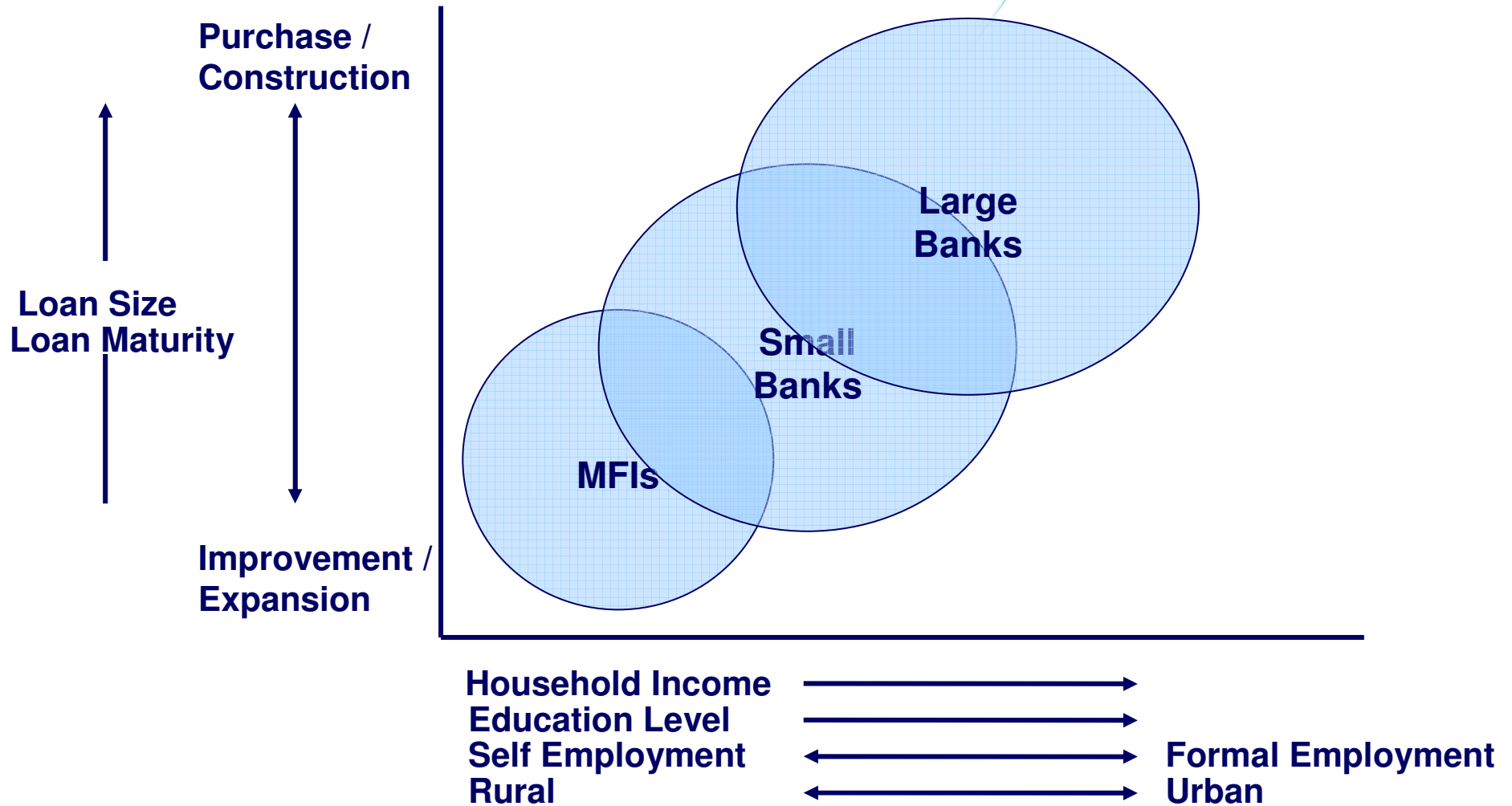
■ Loan products

- 9,450 housing sub-loans issued representing € 72.26 million
- Ave. loans: € 9,500 in BiH, € 3,600 in Kosovo
- Ave. Maturities: 58 months BiH, 31 months Kosovo
- MFIs: € 2,360 and 21 months; banks € 8,000 and 62 months

■ Clients

- Approximately average HH incomes, somewhat higher in Kosovo
- 25% households < € 300 p.m.
- 50% households < € 500 p.m.

Market Segmentation

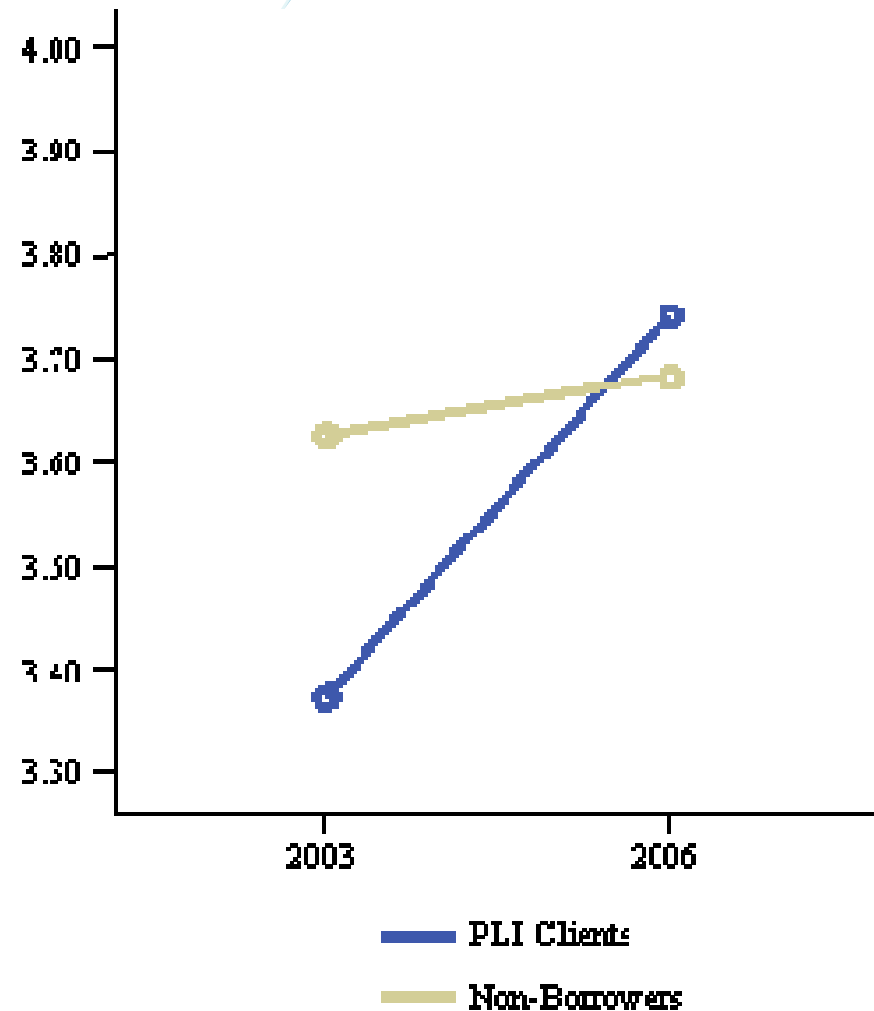


Sub-Borrower / Household Level Impacts

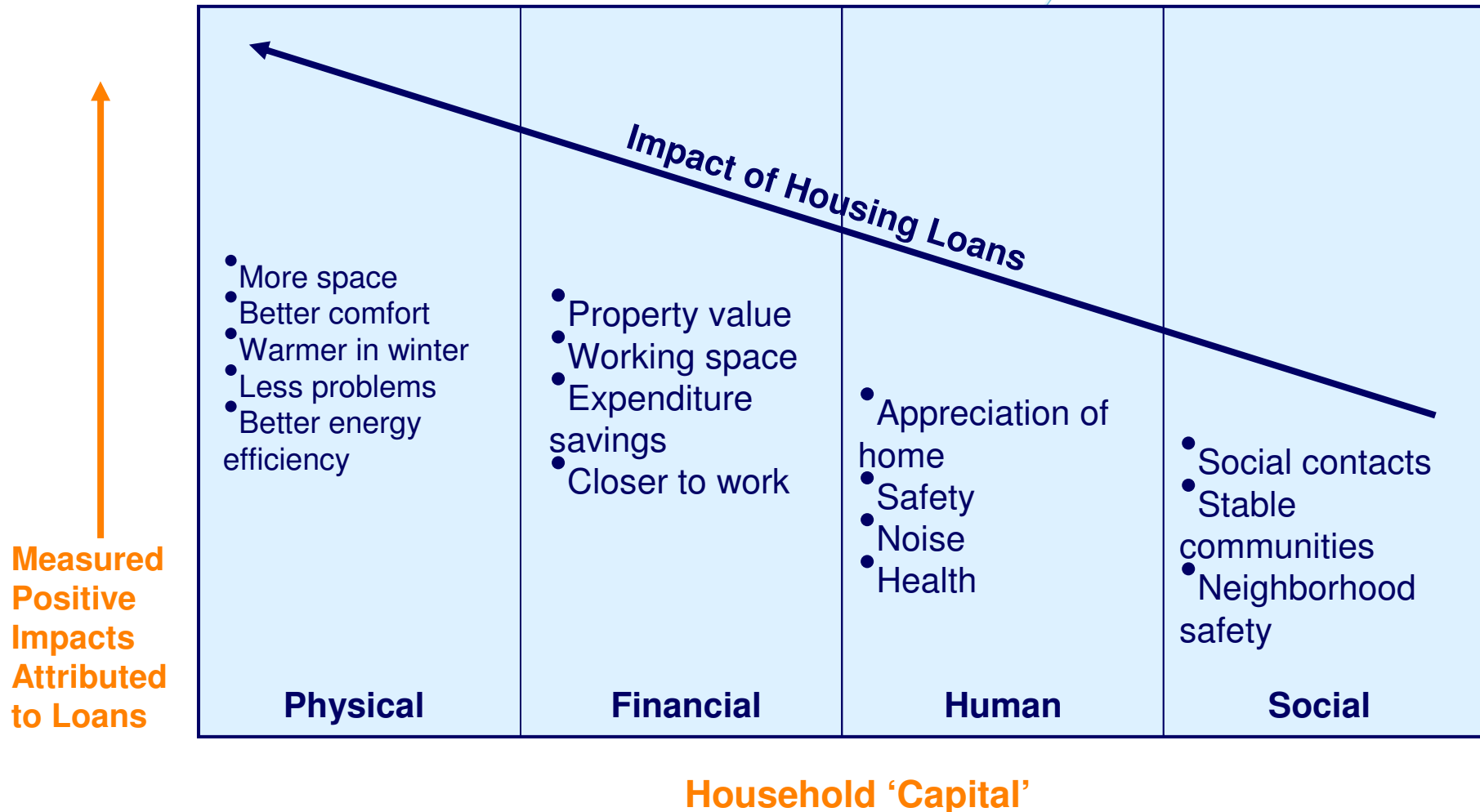
- Use of Loans
 - Improvement 73%; expansion 18%; purchase 15%; construction 9%
 - Inside improvements 59%; general physical conditions 29%, utilities 21%
- Effectiveness – only 6% would improve homes without loans, 44% would have sought other financing. EFSE loans catalysed € 185 million home investment by households (rest funded from savings 60%, family / friends 30%, banks / MFIs 16%)
- Financial sector participation – 40% had not banked / MFied before, 3,700 new households brought into financial sector
- Energy efficiency improved (measured in lower utility expanses)

Combined Household Impact Indicators

- Targeted those experiencing greater need for housing improvement
- Dramatically improved their housing conditions over 3 years

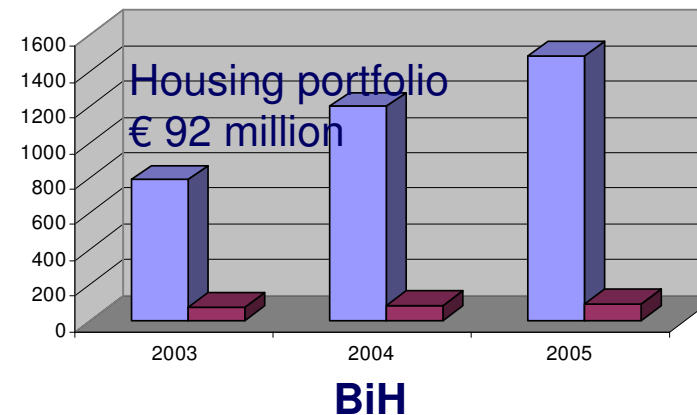
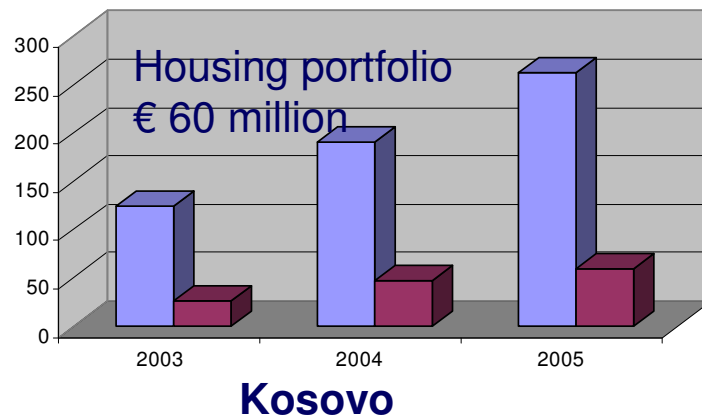


EFSE Impacts on Household 'Capital'



PLI and Financial Sector Level Impacts

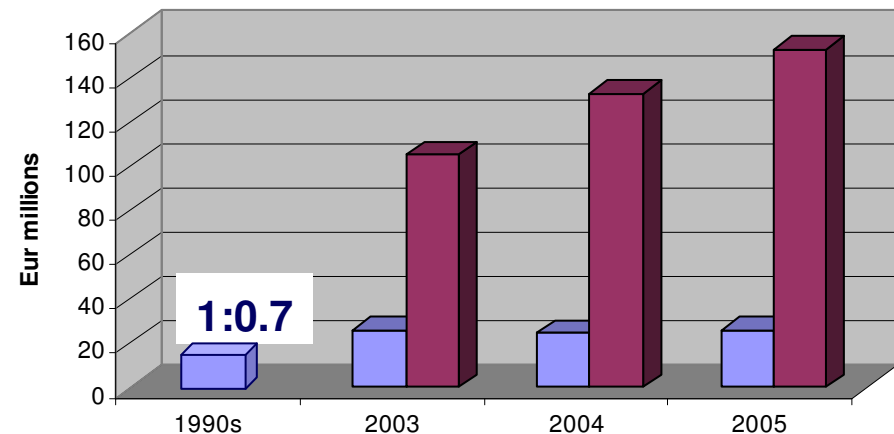
- Initial 'market making' – EFSE financing / TA helped PLIs initially develop new housing lending products
- Improved competitiveness of PLIs
- Increased developmental impacts of housing lending (conditions promoted down-market lending)
- Rapid housing portfolio growth has occurred – Kosovo 120%, BiH 18% (2003 – 2005)



Leverage of EFSE Financing

- At start EFSE leverage 1:0.7 ratio
- By 2005 EFSE leverage 1:5
- Over 80% of housing portfolios now funded by other sources
- Major reform and rapid growth of financial sectors (total bank B/S growing 26% p.a. in BiH, 36% p.a. in Kosovo)
- Borrowing growing financing source for PLIs overall, enhancing financing mix and term matching

EFSE Financing Within
PLI Housing Portfolios



	2003	2004	2005
Total Balance	1,615,469	2,922,383	3,439,033
Borrowing	176,439	387,290	535,869
Borrowing/Total Balance	11%	13%	16%
EFSE Loans	18,498	32,267	29,798
EFSE/Borrowing	10%	8%	6%

Going Forward

- Appropriate growth stage for transitional and relatively small financial / housing sectors
- Deepen and widen bank-based and MFI-based housing finance
 - Diversification of housing loan products
 - Development of bank- and MFI-based mortgage market
 - Mechanisms for down-market reach (micro-finance based)
- Increase availability of long term financing sources