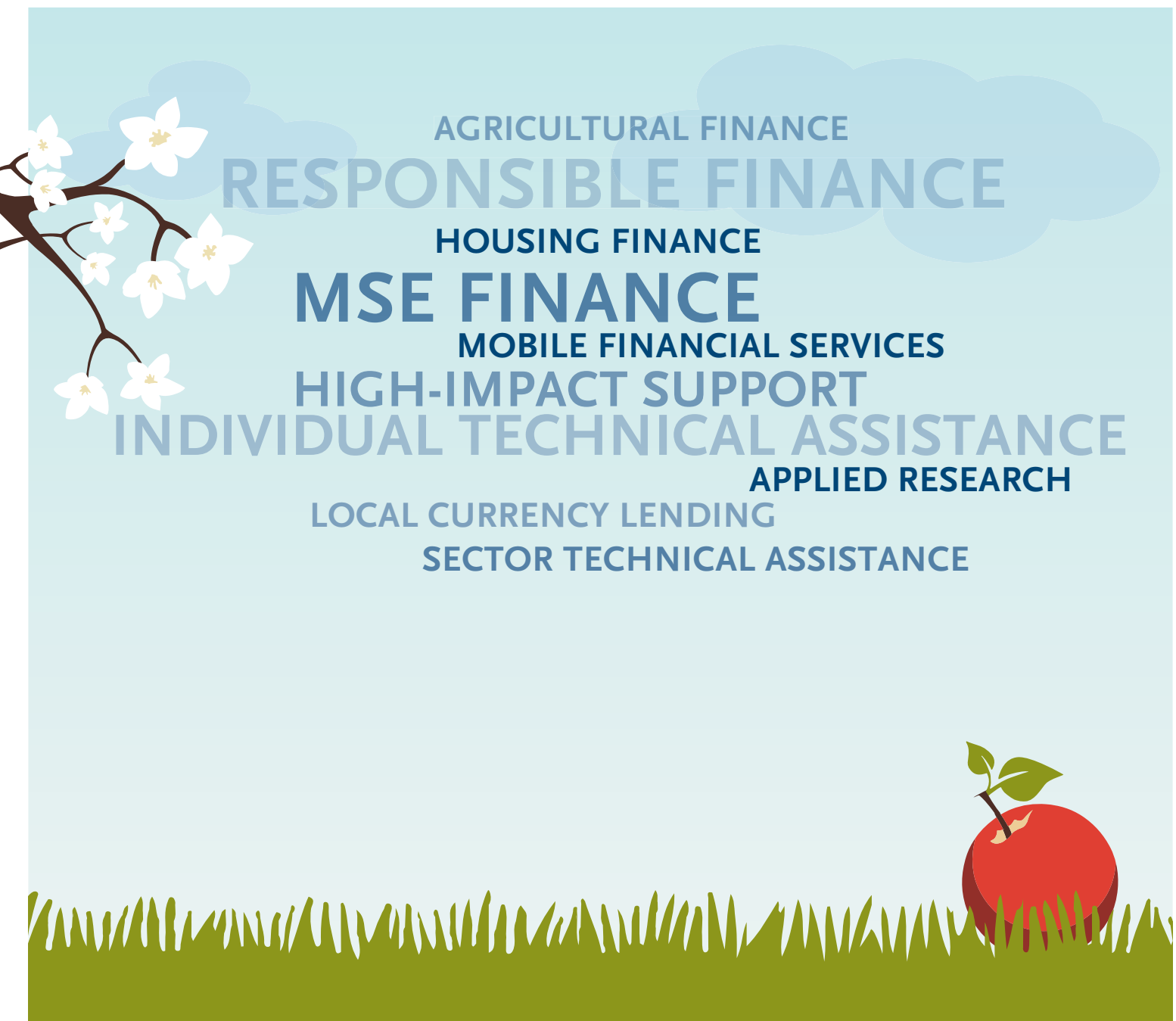


THE EFSE DEVELOPMENT FACILITY
A RELIABLE PARTNER IN CHALLENGING TIMES



THE EFSE DEVELOPMENT FACILITY – MAXIMISING IMPACT

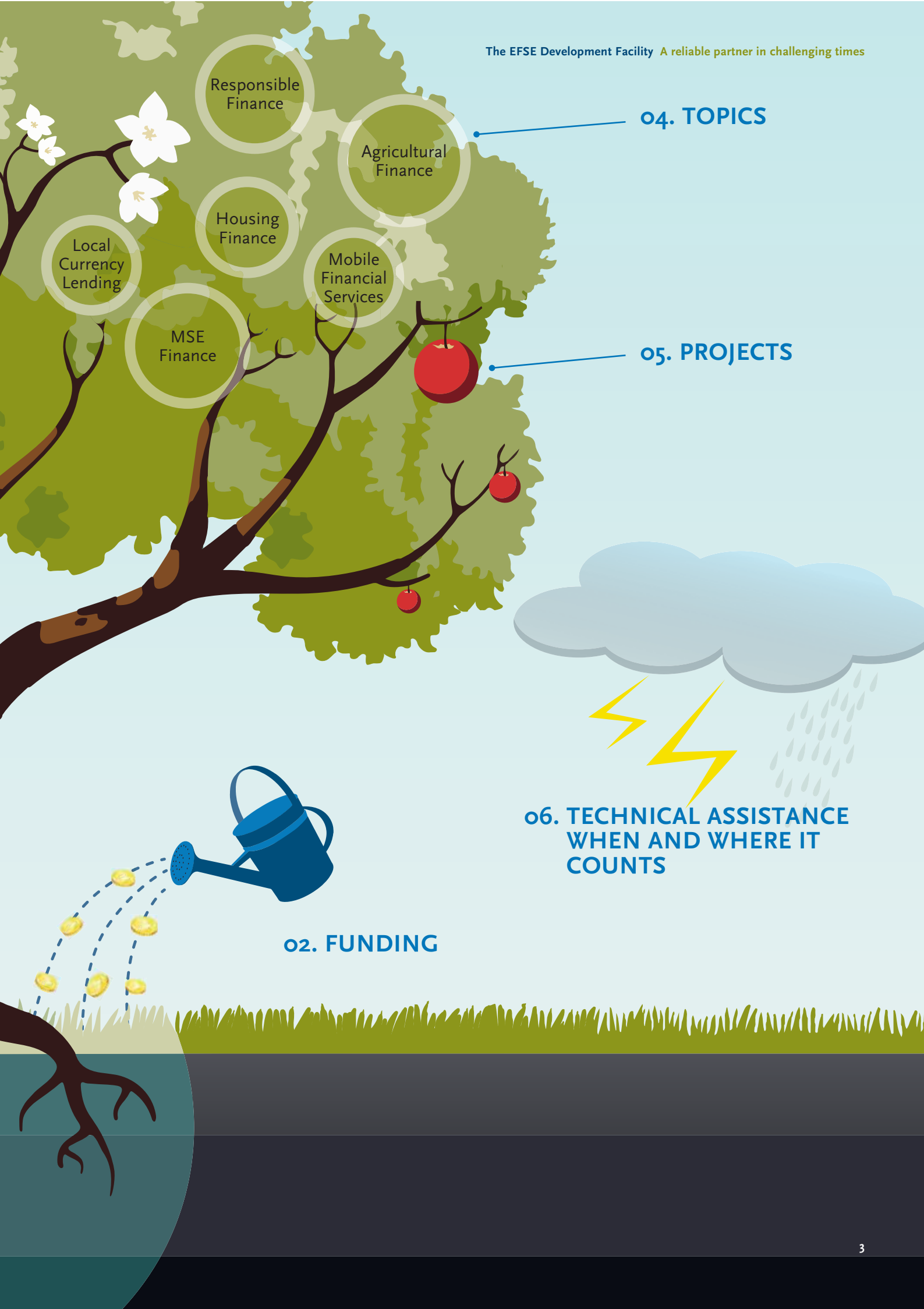
MISSION

The EFSE Development Facility (EFSE DF) deploys effective, targeted and innovative technical assistance to maximise the impact and outreach of the Fund's development finance mandate in its target countries and to the final target groups i.e. micro and small enterprises and low-income private households.

03. PROJECT CYCLE

01. OUR APPROACH





Responsible
Finance

Agricultural
Finance

Housing
Finance

Mobile
Financial
Services

Local
Currency
Lending

MSE
Finance

04. TOPICS

05. PROJECTS

06. TECHNICAL ASSISTANCE WHEN AND WHERE IT COUNTS

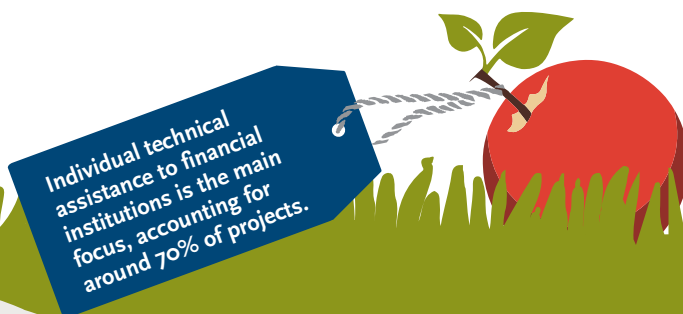
02. FUNDING

01. OUR APPROACH

The EFSE Development Facility (EFSE DF) responds to specific requests for support from the EFSE's partner lending institutions and also proactively identifies their technical assistance or capacity building needs. In this way, the EFSE and the EFSE DF work hand in hand to build and reinforce long-term partnerships that maximise development finance impact and outreach.

Our approach adheres to the following principles:

- **Focused, high-impact support**
Technical assistance focuses on key areas or processes in the partner lending institutions. To ensure impact, the EFSE DF provides a combination of dedicated consulting services, training and on-the job coaching. Technical assistance is structured in short-term, intensive intervals to allow institutions to absorb and implement training and consulting input.
- **Consultant quality**
Consultants and trainers are carefully selected jointly by the EFSE DF and the partner lending institutions. The EFSE DF also draws on local expertise to support the development of local know-how.
- **Cost sharing**
Technical assistance is provided on a cost sharing basis, strengthening ownership and commitment on the part of partner institutions.



PROJECT TYPES

The EFSE DF focuses on three types of activities:

- **Individual Technical Assistance**
The EFSE DF supports partner lending institutions in building their capacities to efficiently and effectively serve micro and small enterprises (MSEs) and low-income households in a sustainable manner.

02. FUNDING

The EFSE DF has three sources of funding, each one accounting for approximately one third of its total finances.

The EFSE Development Facility's funding sources are:

- A share of the EFSE's investment profits which are set aside on an annual base by the Board of Directors;
- Donors from the development finance community who have a stake in the EFSE DF's mission and provide general funding or earmark their grants to specific countries or projects; and
- EFSE partner lending institutions, which are required to share in the costs of the technical assistance and training support. The average cost share of our partner lending institutions is around 30%.

Funding for the EFSE DF is held in a separate trust, ensuring independence between investment activities and technical assistance.



- **Sector Technical Assistance**

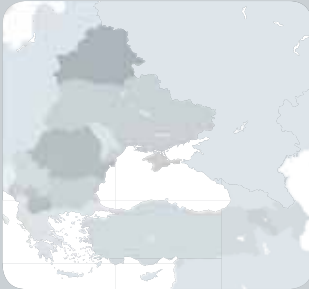
The EFSE DF works with sector bodies in supporting transformational processes within the financial sector to improve the financial infrastructure. Sector bodies include central banks, microfinance and banking associations, and debt advice centres.

- **Applied Research**

The EFSE DF sponsors and conducts studies to address institutional as well as sector needs and challenges, identify market trends, and monitor development finance impact.

03. PROJECT CYCLE **HOW WE WORK**

ACTIVITIES COVER SOUTHEAST EUROPE AND THE EUROPEAN EASTERN NEIGHBOURHOOD



Main office in Frankfurt, Germany

12 regional offices and contact points

3 APPROACHES TO MAXIMISING DEVELOPMENT IMPACT AND OUTREACH

Individual Technical Assistance

More than **60** partner institutions directly supported so far

Sector Technical Assistance

More than **400** financial sector stakeholders reached in all partner countries so far

Applied Research

More than **35** research projects on the financing needs of the agricultural and MSE sectors, including longitudinal development impact studies, so far

GUIDANCE FROM THE EFSE DEVELOPMENT FACILITY COMMITTEE



- Represents the EFSE DF's donors (BMZ, SDC, FMO, OeEB)
- Evaluates and approves all projects
- Develops the EFSE DF's strategy

TA MANAGEMENT: TRANSPARENT AND INDEPENDENT

Management of EFSE DF funds

Project development and management

OPAM
A member of Deutsche Asset & Wealth Management

< > financemotion
INVESTING IN DEVELOPMENT

EFSE DF technical assistance team supported by the Investment Management, Risk Management, Strategy & Planning, and IT teams

Fiduciary Agent
citi

Partner Institutions

Consultants

04. TOPICS

Local
Currency
Lending



Responsible
Finance

Agricultural
Finance

Housing
Finance



MSE
Finance



Mobile
Financial
Services



Since 2006
more than **250** projects
with a volume of
over EUR **10** million

The EFSE DF offers individual technical assistance in the areas of:

- Core Capacity Building
- Strategic Advice
- Business and Product Development
- Sales and Marketing
- Client Education
- (Credit) Risk Management
- Operational Efficiency and Cost Management
- Management Information Systems
- Internal Control and Audit

The EFSE DF will also meet requests of partner institutions for specific assistance in other areas of operation.

05. PROJECTS IN FOCUS



REALISING THE POTENTIAL FOR MSE FINANCE

In line with the Fund's mission, the EFSE DF strongly focuses on measures to improve the micro and small enterprise (MSE) financing capabilities of partner institutions and to assist them in targeting MSE clients with responsible and appropriate products and services in a sustainable manner. Typical individual technical assistance projects involve, for instance:

- Setting up a dedicated MSE division at the head office level, including the development of a long-term strategy, organisational structure, policies, and marketing and sales tools;
- Structuring MSE lending activities at the branch level, including loan officer training;
- Product development, sales training and risk management.



Agricultural Finance

EXPANDING AGRIFINANCE IN UKRAINE

The successful development of an innovative agricultural loan risk assessment tool for Megabank Ukraine is a good example of the way in which the EFSE DF supports the Fund's development finance mandate, specifically in its strategy to expand investment activities in the agricultural sector. Following a thorough needs analysis, the risk assessment tool was jointly developed with Megabank and was then integrated into the bank's operations, along with accompanying training and workshops for staff to ensure sustainability and effectiveness. This approach was highly valued by Megabank.



05. PROJECTS IN FOCUS



Responsible
Finance

ENHANCING FINANCIAL LITERACY

Supporting the financial sector of target countries in ensuring fair, transparent and inclusive access to credit is core to the EFSE DF's strategy. And educating borrowers to achieve financial empowerment is an important stepping stone in that process. In this regard, the EFSE DF has developed different financial education brochures which explain the risks of foreign currency loans and highlight the various questions clients should ask before taking out a loan. The target groups for such publications are MSEs and clients who take out mortgage loans. The mortgage brochure is also explained in a separate video. The brochures exist in eight local languages: the print run of close to 200,000 copies is going to PLIs in eight EFSE partner countries. The EFSE DF has also developed a simple slide chart, which allows MSEs and private borrowers to calculate the costs of business or private loans. Apart from producing its own publications, the EFSE DF has sponsored sector organisations such as the Independent Association of Banks in Ukraine in its financial literacy outreach activities to bank employees, MSEs, schoolchildren, and pensioners. In addition, the EFSE DF has conducted Responsible Finance workshops on topics such as foreign currency exchange risks and consumer protection.

Capacity
Building



TRAINING SPONSORSHIP PROGRAMME

The EFSE DF launched the Training Sponsorship Programme in 2008 for building capacities at the Fund's partner institutions to provide financing for micro and small enterprises in a responsible manner. This initiative flexibly and effectively addresses the specific areas in which partner institutions see a potential for improvement by enhancing their staff's expertise. Sector organisations are eligible for trainings under the programme as well. Since 2008, the EFSE DF's Training Sponsorship Programme has supported over 40 partner institutions in 14 countries. A range of activities can be sponsored, including external and in-house training seminars and workshops. Here are just two examples of the latter: the in-house seminar organised for 40 MSE credit experts of Bank of Georgia and the internal customer relationship skills workshop for 130 loan officers at EKI in Bosnia and Herzegovina. Other examples include trainings provided by Euromoney, E&Y, KPMG, PWC and Frankfurt School of Finance and Management in areas such as corporate governance, international financial reporting standards, risk management, MSE banking, housing finance and microfinance. Online courses, conferences and exchange visits, too, fall under the programme's scope.



05. PROJECTS IN FOCUS

Mobile
Financial
Services

NEXT-GENERATION FINANCIAL SERVICES

The workshop ‘Mobile Financial Services in the EFSE Region: What is the Business Case?’ is an example of how the EFSE DF supports its partner institutions in increasing outreach and saving costs through alternative delivery channels and new technologies. It brought together the representatives of 20 partner institutions and financial sector bodies for an in-depth exchange on the opportunities and challenges of mobile banking in the EFSE's target regions. It also focused on practical tools for advancing products and services in a responsible and efficient manner.

The combination of top-notch consulting experience and high interest in follow-up technical assistance from the EFSE DF was a clear indication of the value – and success – of this pragmatic workshop.

Applied
Research

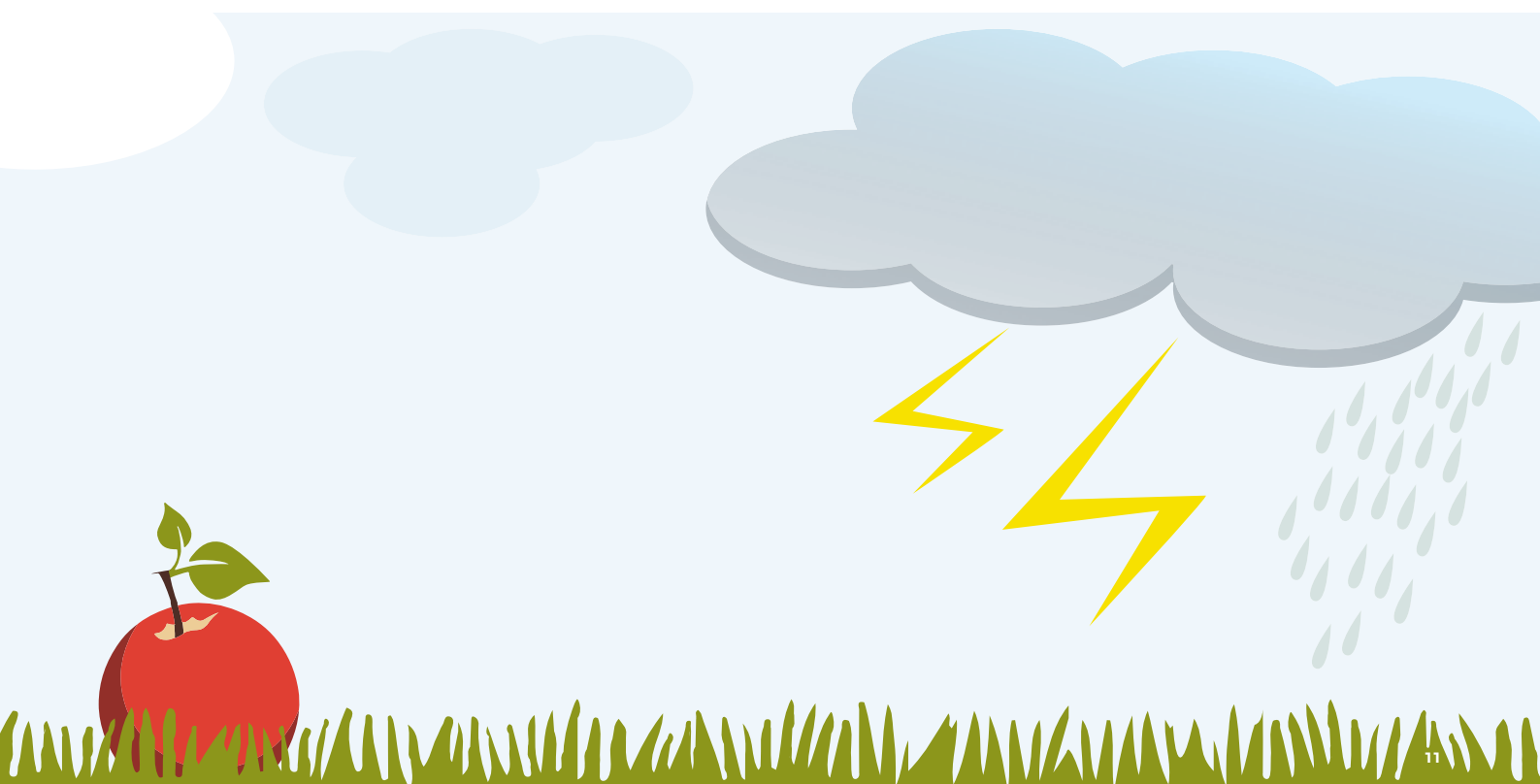
APPLIED RESEARCH

Next to providing technical assistance at the partner lending institution and financial sector levels, the EFSE DF's third core activity is to keep abreast of market developments and track development finance impact through applied research. Some examples of applied research studies undertaken by the EFSE DF can be found below. All are focused on the Fund's final target groups of MSEs and low income households:

- Studies on the financing needs of the agricultural sector in Ukraine, Kosovo and Romania to identify the gaps and opportunities, as well as to assess the specific challenges faced by the financial institutions serving the sector.
- A longitudinal impact study conducted over three years in Armenia, Serbia and Montenegro to monitor the development impact of the EFSE's activities on its final target groups, specifically the impact of the quality of financial services on job creation. Research areas include assessing the impact of consumer loans on clients whether loan currency matters for job creation and employment stability, or whether different lending techniques have an impact on repayment.
- A study that offers new insights into the financial needs of small enterprises in Armenia, Serbia and Romania. This research project aims to identify gaps in the provision of financial products and services to micro and small enterprises, and point to ways in which the Fund and its partner lending institutions could address them.

06. TECHNICAL ASSISTANCE WHEN AND WHERE IT COUNTS

Since its inception in 2006 the EFSE DF has consistently demonstrated it is a strong partner in difficult times. The EFSE DF recognises that the global economic downturn and the Eurozone crisis have wrought extensive changes, both in the operations of financial institutions as well as of MSEs in the EFSE's target regions and in terms of their needs for financial services. In this regard, the EFSE DF is committed to providing focused support to financial institutions so they can provide responsible financial services to their clients in a challenging economic environment. Key areas such as operational efficiency, risk management, product development and training are all covered to support institutions in the Fund's partner countries. The EFSE DF also advises microfinance institutions which are undergoing transformational processes as a result of market and/or regulatory changes.



EFSE DEVELOPMENT FACILITY

funded by



CONTACT INFORMATION

EFSE Development Facility

Ms Gemma Ferst

Theodor-Stern-Kai 1

D-60596 Frankfurt am Main, Germany

T +49 (0) 69 97787650-262

F +49 (0) 69 97787650-10

E ta@finance-in-motion.com

www.finance-in-motion.com

INITIATOR AND LEAD INVESTOR



FUND MANAGER

SAL. OPPENHEIM

FUND ADVISOR



DISCLAIMER

The European Fund for Southeast Europe (EFSE) is reserved for institutional investors. Units in this investment fund may not be offered, sold or transferred, directly or indirectly, in the USA or its territories or possessions or areas subject to its jurisdiction, or to citizens or residents thereof other than in accordance with the laws of the United States. The information given in this document constitutes neither an offer nor a product recommendation; it is provided for individual information purposes only. No guarantee is given or intended as to the completeness, timeliness or adequacy of the information provided herewith. Past performance is no guarantee for future results. The value of the fund and its share classes is calculated without taking into account any placement or redemption fees and assuming constant reinvestments of dividends. This is not a fund prospectus as specified by law. The fund prospectus is obtainable free of charge from Oppenheim Asset Management Services S.à r.l., 4 rue Jean Monnet, L-2180 Luxembourg.

© EFSE Development Facility 2014

This work is protected by copyright law. All rights reserved, particularly with respect to translation, reproduction, communication, copying of images and tables, broadcasting, microfilming or reproduction by other means, as well as storage on data processing equipment, even where such use only applies to excerpts. Reproduction of this work or parts of this work is only permissible within the boundaries of the statutory provisions.

This publication can be downloaded or ordered here: www.efse.lu