

THE EFSE DEVELOPMENT FACILITY
A RELIABLE PARTNER IN CHALLENGING TIMES



AGRICULTURAL FINANCE
RESPONSIBLE FINANCE

HOUSING FINANCE
MSE FINANCE
TECHNOLOGY FOR
FINANCIAL INCLUSION
LOCAL CURRENCY LENDING





THE EFSE DEVELOPMENT FACILITY – MAXIMISING IMPACT

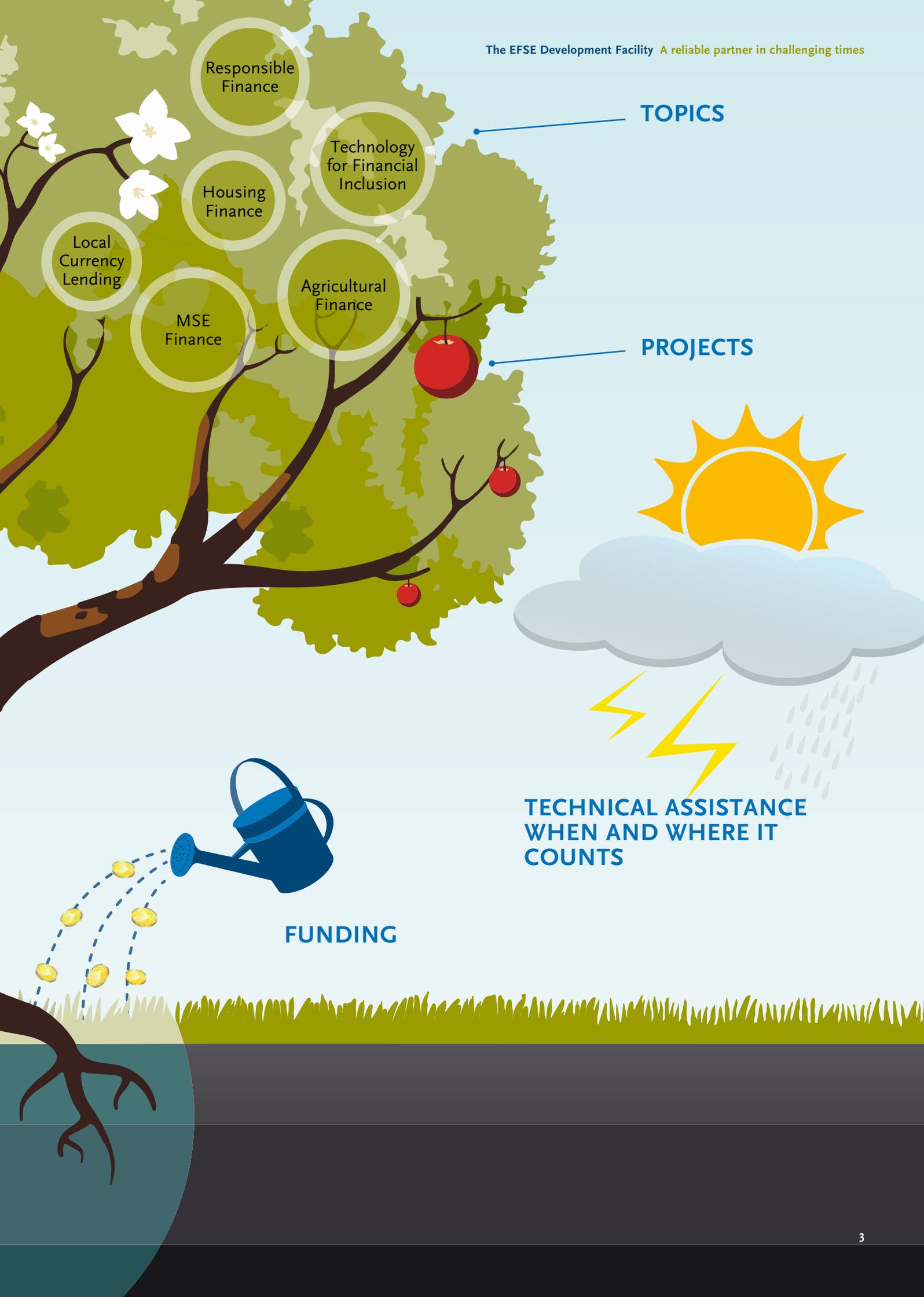
MISSION

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.

PROJECT CYCLE



OUR APPROACH



TOPICS

PROJECTS

**TECHNICAL ASSISTANCE
WHEN AND WHERE IT
COUNTS**

FUNDING

OUR APPROACH

The EFSE Development Facility (EFSE DF) responds to specific requests for support from the EFSE's partner lending institutions and sector partners 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.
- **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.

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**

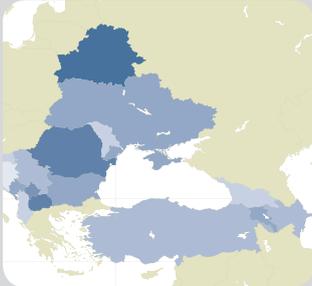
The EFSE DF works with sector organisations in supporting transformational processes within the financial sector to improve the financial infrastructure. Sector organisations include central banks, microfinance and banking associations, and debt advice centres.

- **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.

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 **85** 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 **45** 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 and supporters (KfW, FMO, SDC)
- 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

citi
Fiduciary Agent

< > **financeinmotion**
INVESTING IN DEVELOPMENT

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

Partner Institutions

Consultants

TOPICS

Local
Currency
Lending



Responsible
Finance

Agricultural
Finance

Housing
Finance



MSE
Finance



Technology
for Financial
Inclusion



Since 2006
more than **340** projects
with a volume of
over **EUR 17 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
- Innovation and Technology

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

PROJECTS IN FOCUS

MSE
Finance



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



ENHANCING CAPACITY OF THE BANK AND ITS CLIENTS

With the aim of fostering agricultural sector development in Turkey, the EFSE DF supported a Turkish bank in its pursuit of expanding its knowledge in agricultural lending and raising the financial literacy of its agricultural clients. Through participation in tailored classroom training, branch office staff from the bank improved their understanding of agricultural production and agriculture-specific lending and investments. During a visit to Germany, the regional managers of the bank were exposed to the latest developments in agriculture and agricultural banking practices by interacting with their peers from German banks and local agribusinesses. Additionally, more than 620 of the bank's agricultural clients from eight Turkish regions gained additional understanding of banking products and bookkeeping skills through their participation in financial literacy seminars.



PROJECTS IN FOCUS



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.



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.



PROJECTS IN FOCUS

Technology
for Financial
Inclusion



NEXT-GENERATION FINANCIAL SERVICES

Financial inclusion, financial literacy, risk mitigation through improved credit scoring, and better product delivery – the list of solutions promised by innovative financial technologies – or fin-techs – is impressive. The EFSE DF supports targeted technological improvements of partner lending institution (PLI) operations and processes, enhancements that the facility seeks to embed in the strategies of its partners. In 2016, one such project focused on the development of an agricultural loan analysis tool that automatically collects relevant information about the market and the farmer to improve the efficiency and efficacy of operations. On a broader level, the EFSE DF supports the development of entrepreneurial innovation in the financial sector through support for fintech start-ups. This wide yet targeted approach allows the facility to react to the specific needs of PLIs while remaining at the forefront of market innovations.

Applied
Research



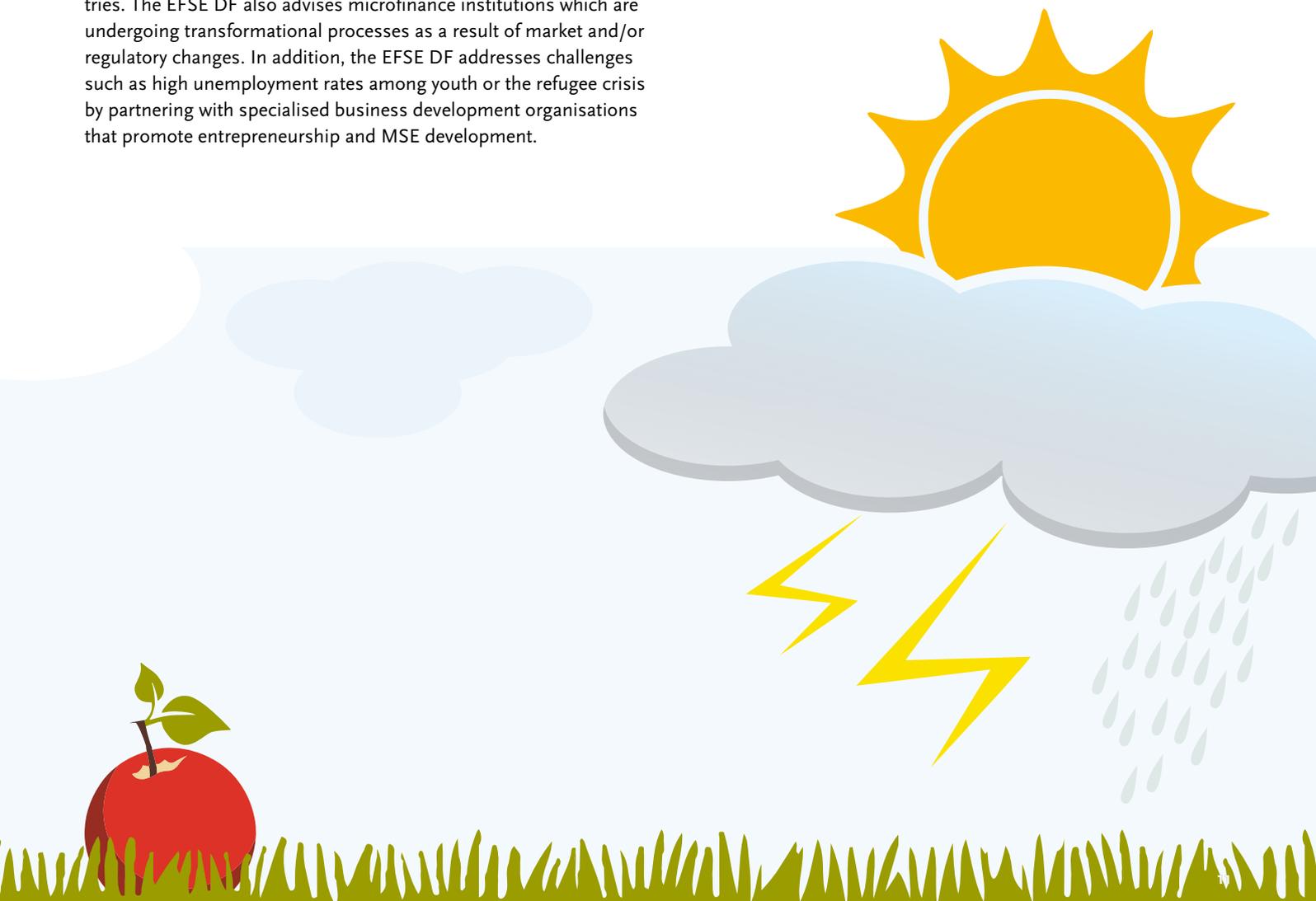
APPLIED RESEARCH

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.

TECHNICAL ASSISTANCE WHEN AND WHERE IT COUNTS

Since its inception in 2006 the EFSE DF has proved itself to be a reliable and strong partner also in challenging times. The EFSE DF recognises that the challenges of a globalised world require constant 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 and non-financial services to their clients in a challenging economic environment. Key areas such as operational efficiency, risk management or product development 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. In addition, the EFSE DF addresses challenges such as high unemployment rates among youth or the refugee crisis by partnering with specialised business development organisations that promote entrepreneurship and MSE development.



EFSE DEVELOPMENT FACILITY

funded by



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FACILITY MANAGER



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