

EFSE and Credo Bank boost sustainable local currency financing for MSEs in rural Georgia

Investment in Georgian lari equivalent to USD 10 million to provide crucial access to long-term business financing for underserved entrepreneurs

Luxembourg and Tbilisi, 17 May 2021 – The European Fund for Southeast Europe (EFSE) has provided a loan in local currency equivalent to USD 10 million to new partner Credo Bank in Georgia for on-lending to rural entrepreneurs. By increasing much-needed access to local currency finance for micro and small enterprises (MSEs), the partners aim to support income generation and business growth, especially against the headwinds of the coronavirus pandemic.

Credo Bank is a leading provider of tailored business financing for MSEs, including farmers and agricultural producers, across Georgia. The bank's extensive branch network and strategic focus on this segment makes it an optimal conduit for EFSE to channel impact investments to rural entrepreneurs who may otherwise have difficulty accessing formal banking. What is more, by facilitating the financing in local currency, EFSE and Credo Bank aim to safeguard unhedged MSEs from direct exposure to



exchange rate fluctuations that can threaten the cash flows of smaller businesses – an extra layer of protection in the already uncertain environment brought about by the COVID-19 crisis.

EFSE Board Chairperson Klaus Müller said: “Micro and small enterprises – particularly farmers – account for two-thirds of employment and income generation in the rural areas of Georgia. Their financial health is thus directly correlated with the robustness of the economy as a whole. As an impact investment fund that prioritises financial inclusion for entrepreneurs, EFSE is pleased to be working together with Credo Bank to ensure that small business owners have access to the resources they need to sustain operations – without the worry of exchange rate risk.”

Credo Bank Chief Executive Officer Zaza Pirtskhelava said: “We are pleased to restart our partnership with the European Fund for Southeast Europe. This long-term local currency loan will be directed to finance the activities of farmers during current peak agriculture season, and will significantly mitigate currency-induced credit risk for our customers and contribute towards the strengthening of the national agriculture sector during the pandemic.”

EFSE's ability to provide funding to its partners in local currency was boosted by generous contributions from the European Commission as part of its EU4Business initiative as well as from the German Federal Ministry for Economic Cooperation and Development (BMZ).

About EFSE

An impact investment fund established in 2005, the European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the Eastern Neighbourhood Region by investing in the success of micro and small enterprises as well as improved living conditions for private households. As access to financial services is key to developing this segment, EFSE focuses on helping local financial sectors strengthen their ability to provide responsible financing for this target group. Alongside its investment activities through local partners, EFSE multiplies its impact through the EFSE Development Facility, which provides technical assistance, training, and other nonfinancial support to entrepreneurs and institutions.

EFSE was initiated by KfW Development Bank with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. As the first public-private partnership of its kind, EFSE draws its capital from donor agencies, international financial institutions, and private institutional investors.

Finance in Motion GmbH, Germany, serves as EFSE's advisor and Hauck & Aufhäuser Fund Services S.A., Luxembourg, acts as manager.

For more information on the European Fund for Southeast Europe, please visit: www.efse.lu

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About Credo Bank

Credo Bank is the leading bank on Georgian microfinance market in terms of countrywide presence and the number of clients. It operates 75 service centers and supports more than 335,000 customers across Georgia. The bank's mission is to provide sustainable financial services to micro, small and medium businesses, with a preference for rural activities and those businesses that create income and employment opportunities. Credo Bank is owned by a consortium of international shareholders, the social impact investors - Access Microfinance Holding AG, ResponsAbility Investment Management AG and Triodos Investment Management BV.

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