



P r e s s R e l e a s e

For immediate release

Promoting responsible finance: a key response to the financial crisis

Conference on Responsible Finance in Bosnia and Herzegovina, jointly
organised by the Central Bank of Bosnia and Herzegovina,
KfW Entwicklungsbank and EFSE

Frankfurt/Main and Sarajevo, December 8, 2009 – A conference on responsible finance, hosted by the Central Bank of Bosnia and Herzegovina and organised jointly with KfW Entwicklungsbank (Development Bank) and the microfinance investment fund EFSE, was held today in Sarajevo, Bosnia and Herzegovina. During the event, representatives of the Bosnian and Herzegovinian financial sector, including Dragan Vrankić, Minister of Finance and Treasury of Bosnia and Herzegovina, and Kemal Kozarić, Governor of the Central Bank of Bosnia and Herzegovina, donor agencies and international finance institutions, as well as microfinance practitioners discussed the importance of promoting responsible business practices in the financial sector of Bosnia and Herzegovina and the Southeast Europe region.

In his opening remarks, Vrankić said: “Responsible finance also means establishing a financial structure that will strengthen economic effectiveness. State institutions will request this and will be involved in forming this structure. We are aware that monetary and financial stability are important preconditions for successfully running an economic policy. Only under such conditions is it possible to improve the total rating of a country and facilitate the implementation of state plans in realising large-scale development projects.”

Responsible finance has been an increasingly important topic in the financial services industry – especially in light of the recent turmoil that has hit financial markets around the globe, caused in part by irresponsible banking practices. Therefore, disseminating responsible finance principles is considered to be one of the primary responses to the financial crisis. This is of particular importance to the region of Southeast Europe, including Bosnia and Herzegovina, where financial sectors have experienced enormous growth rates, over the past years.



Underlining this, Kozarić stated in his opening remarks: “The global financial crisis has proven that the principle of responsible finance has not been sufficiently developed with banks and with clients. It has now become evident that the liquidity risk of banks in Bosnia and Herzegovina is rather low, and that the main problem is the quality of loans.”

Enterprises and the overall population now have significantly better access to financial services. This has contributed to economic growth and greater prosperity, including among poorer groups of the population.

“Yet, despite these positive impacts, the upward trend has also shown its downside – non-transparent and ambiguous lending practices have put many customers at the risk of over indebtedness, particularly through uncontrolled marketing of consumer lending“, said Doris Köhn, Senior Vice President at KfW Entwicklungsbank.

“Responsible lending principles must be adhered to during the entire lending cycle, starting with a prudent assessment of the creditworthiness of individual clients and continuing with a fair and transparent lending relationship“, Sylvia Wisniwski, Chief Operating Officer of the EFSE, emphasised in her presentation “Best Practice in Responsible Lending in Times of Crisis“.

The panel discussion included further presentations on responsible management of foreign currency reserves by the central bank, the role of stakeholders in responsible finance, post-crisis interest rate revision and the role of the Association of Microfinance in Bosnia and Herzegovina.

The event in Bosnia and Herzegovina has been the third panel discussion on responsible finance supported by KfW and the EFSE, organised in joint cooperation with the central banks of EFSE’s partner countries. Previous events were held in Serbia and Kosovo.

The Central Bank of Bosnia and Herzegovina, together with financial intermediates and clients, makes the pillar of the financial system, therefore the maximum engagement of everybody is needed in order to maintain financial stability. Along with the independence, credibility and confidence in the Central Bank, responsibility is one of the standards, which regulates the role of the Central Bank. Responsibility of the Central Bank is mirrored in running of monetary policy in a manner, which will provide monetary and financial stability, low inflation, confidence in the local currency.

KfW is the acknowledged leader in promoting responsible business practices in transitional and developing countries; not limited to the microfinance sector. By hosting and participating in international conferences and in an intensive and continuous dialogue with relevant stakeholders, KfW contributes to the principles established by



the German Federal Ministry for Economic Cooperation and Development (BMZ) for a social and ecological market economy. Beyond that, KfW contributes in particular toward achieving broad-based growth for poverty alleviation, promoting gender equality, strengthening the private sector, strengthening social partnerships, making the economy ecologically sustainable and creating equal opportunities for disadvantaged groups of the population.

As a responsible investor, EFSE actively promotes responsible banking practices in its partner countries and urges partner lending institutions to provide their services in a responsible manner. Among the projects supported by the fund specifically in Bosnia and Herzegovina, was the production of an educational booklet on financial literacy and transparency, developed in joint cooperation with ProCredit Bank Bosnia and Herzegovina and presented during the conference. The EFSE is also one of the signatories of the Client Protection Principles for Microfinance of »Smart Campaign«, promoted by CGAP.

Presentations held at the function can be downloaded as PDF files from: www.efse.lu

Photos can be requested by contacting info@efse.lu

About the Central Bank of Bosnia and Herzegovina

The Central Bank of Bosnia and Herzegovina is the monetary institution of Bosnia and Herzegovina. It maintains the monetary stability according to the Currency Board arrangement. This means it issues local currency with full coverage in freely convertible foreign exchange funds at fixed exchange rate. The Central Bank defines and controls the implementation of monetary policy of Bosnia and Herzegovina, puts local currency in circulation and withdraws it from circulation, manages the official foreign currency reserves, supports and maintains appropriate payment and settlement systems and coordinates the activities of the BH Entities' Banking Agencies which are in charge of bank licensing and supervision.

About the European Fund for Southeast Europe (EFSE)

With an investment portfolio of EUR 559 million (as of 30 September, 2009), the EFSE is the world's largest microfinance investment fund. Aimed at fostering economic development and prosperity in the Southeast Europe region and neighbouring countries, the Fund offers long-term funding instruments to qualified local financial institutions for on-lending to micro and small enterprises (MSEs) and low-income private households. Since its inception in December 2005, the Fund has facilitated approximately 200,000 loans to MSEs and private households, totalling over EUR 1 billion. In addition to the investment fund, EFSE has a Development Facility. By giving grants, it funds technical consulting and training measures to institutionally strengthen



the partner finance institutions. Initiated by KfW, the EFSE is a closed-ended investment company organised under the laws of the Grand Duchy of Luxembourg in the form of a public limited company, qualifying as a société d'investissement à capital variable ("SICAV-SIF"). As the first Public-Private Partnership of its kind, combining public funding and private investment, the Fund has a strong investor base of donors, international finance institutions and private institutional investors, including: European Commission, Federal German Ministry for Economic Development and Cooperation (BMZ), the governments of Austria, Switzerland, Denmark and Albania, KfW, IFC International Finance Corporation, FMO Netherlands Development Bank, EBRD European Bank for Reconstruction and Development, EIB European Investment Bank, OeEB Oesterreichische Entwicklungsbank (Development Bank of Austria), Sal. Oppenheim, Deutsche Bank, Crédit Coopératif, BN&P Good Growth Fund, Finance in Motion and other private investors. EFSE is active in Albania, Bulgaria, Bosnia and Herzegovina, FYR Macedonia, Kosovo, Moldova, Montenegro, Romania, Serbia, and Ukraine.

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