

Press Release

For immediate release

Agrilending and housing top EFSE Annual Meeting 2013 agenda in Sarajevo

- ‘Strong partners, strong impact’ – a look back at a very successful 2012
- Loan agreement with Croatian Zagrebačka Banka in 2012 brings EFSE target countries to 16
- Dedicated panels and workshops on agrilending and housing finance underscore EFSE’s main focus
- EFSE Development Facility: technical assistance remains imperative in answering concrete needs

6 June 2013, Sarajevo (Bosnia and Herzegovina) – Co-hosted by the Central Bank of Bosnia and Herzegovina, the 7th Annual Meeting of the European Fund for Southeast Europe (EFSE, the Fund) was jointly inaugurated today by Bakir Izetbegović, Member of the Presidency of Bosnia and Herzegovina, Kemal Kozarić, Governor of the Central Bank of Bosnia and Herzegovina, Peter Sørensen, Ambassador and Head of the European Union Delegation to Bosnia and Herzegovina and European Union Special Representative, and Christiana Markert, Deputy Head of Mission of the German Embassy to Bosnia and Herzegovina.

Kicking off the Annual Meeting with key highlights of what has been a very successful 2012, Monika Beck, the Chairperson of the EFSE, said: *“It is as gratifying as it is appropriate that we hold our Annual Meeting in Sarajevo. Our motto for this year, ‘Strong partners – strong impact’, holds doubly true for our ties to Bosnia and Herzegovina. It is not only the cradle of the EFSE – it was here that the makings of the Fund came together just over seven years ago and that we began forging our strong partnership – but also one of our main investment beneficiaries. In fact, at above 115 million euros, Bosnia and Herzegovina accounts for the second largest share of our investment portfolio. We are very proud to share in the success story that has unfolded in Bosnia and Herzegovina, specifically in supporting the country’s microfinance sector. Since the beginning of 2013, the EFSE has already approved EUR 20.5 million in funding to that market segment in Bosnia and Herzegovina alone, with more than a quarter of all approved funding provided to microcredit organisations.”*

With the signing of the first loan agreement with Zagrebačka Banka in Croatia over EUR 20 million in 2012, the EFSE became fully operational in 16 countries of its target regions of Southeast Europe¹ (SEE), and the European Neighbourhood Region² (ENR). True to the spirit of "Strong partners – strong impact", the EFSE has consistently expanded its geographic scope, replicating successes by adapting proven strategies to local realities. In working with partner lending institutions (PLIs), the EFSE has always emphasised building strong relationships, accompanying PLIs in the process of facilitating stable and effective access to credit for end-borrowers. In 2012 alone, PLIs disbursed 50,000 loans for a total of EUR 425 million, clearly demonstrating that the Fund’s resources are being effectively deployed to finance MSEs and lower income households.

Dedicated panels and workshops on agrilending and housing finance at Annual Meeting underscore the EFSE’s main focus

In line with the EFSE’s focus on agricultural end-borrowers as well as on private households requiring housing finance, the EFSE is organising panel discussions and technical workshops during the two days in Sarajevo to promote exchange and explore new opportunities for partnerships and strengthening impact in these key segments.

The panel on agrilending will focus on risks and opportunities of agricultural lending. In Ukraine, for instance, the agricultural sector is comparatively underfinanced compared to its contribution to the GDP – there is an

estimated agrilending gap of USD 8.7 billion in the Ukraine. The key objective of Ukrainian EFSE partner lending institution Megabank is to become a bank of first choice, in particular for agricultural clients. Here, the EFSE Development Facility supports the development of an agricultural credit risk assessment tool, which will be fully integrated into Megabank's existing systems.

In Romania, Agricover Credit is tapping the enormous potential for agrilending with an innovative and very lean approach: the bank's representatives visit rural end-borrowers personally, and all transactions are handled at the borrowers premises. Through Agricover Credit the EFSE is reaching a wider market more effectively.

The bottom line of the [panel on housing finance](#) is to discuss how to best address the financing needs of low-income households sustainably, taking into consideration the specifics of housing finance such as the long maturities with a high interest rate adjustment risk. Housing finance, if undertaken sustainably, promotes economic growth, creates jobs, and improves general living conditions. Since its inception the EFSE has funded housing finance, particularly in Bosnia & Herzegovina and Kosovo. Housing finance remains an integral part of the Fund's original concept today and an important pillar of the Fund's mission. At the end of 2012, the Fund's housing loan portfolio accounted for 26% of its total portfolio.

Strong partners, strong impact – a look back at a very successful 2012

- With more than 350,000 sub-loans totalling EUR 2.2 billion since the EFSE's inception in 2005, the Fund has made a major impact in terms of securing and generating employment throughout the target region – 350,000 jobs to date.
- The EFSE's outstanding sub-loan portfolio amounted to EUR 638 million in 2012.
- As in previous years, the EFSE registered no realised capital losses, and the level of impairments has remained extremely low.
- The EFSE was able to mobilise EUR 115 million from private commercial investors. Private capital accounted for 65% of overall capital commitments.
- Current investors demonstrated their confidence in the EFSE by rolling over redeemed funds and committing new funds totalling more than EUR 185 million in 2012.
- The EFSE's total capital commitments increased to EUR 873 million.
- Local currency lending remained an EFSE priority in 2012. Considering the currency breakdown by economic sector loan books, 75.9 % of all sub-loans disbursed under the agricultural/rural credit lines were in local currency, shielding more end-borrowers – who trade mainly, if not exclusively, in their local economy – from currency exchange risks.

EFSE Development Facility: technical assistance remains one of the Fund's imperatives in answering concrete needs

In addition to providing funding, the EFSE remained committed to supporting its PLIs through technical assistance (TA) and training via the EFSE Development Facility (EFSE DF): in 2012, 47 projects for a volume of EUR 2.5 million were under managed by the EFSE DF, covering a total of approximately 290 financial and sector institutions; 18 institutions benefitted directly through tailored technical assistance.

- Capacity building at PLIs focused on SME banking operations, operational efficiency, internal control and audit, and microcredit organisations benefitted from strategic consulting services in adjusting to new market challenges

- Applied research centred on agriculture finance opportunities in Ukraine, over-indebtedness of MSE clients in Kosovo as well as mobile banking opportunities in Moldova, Albania and Turkey
- At the sector level, technical assistance took the form of workshops on corporate governance, support of the UPLUSU debt advice and financial literacy centre in Bosnia and Herzegovina, and awareness campaigns targeted at MSEs on the risks of foreign currency loans.
- 31 new projects with a total volume of EUR 1.5 million (up almost 20% from 2011) were approved in 2012, including six studies and nine sector TA projects. 40 new projects for a volume of EUR 2 million are expected to be approved in 2013.

More than 350 international experts and local delegates from 29 countries were in attendance at the 7th Annual Meeting of the EFSE in Sarajevo. The EFSE Annual Meeting is held each year in a different country in the EFSE's target regions to promote dialogue and cooperation across country borders as well as stimulate the debate on cutting-edge topics in development finance among the Fund's stakeholders.

About the European Fund for Southeast Europe

The European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe¹ and in the European Eastern Neighbourhood Region² of the European Union. The EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing for micro and small enterprises (MSEs) as well as for private households in the form of home improvement loans. The funding the EFSE provides is channelled through local partner lending institutions (PLIs). In addition to funding, the EFSE provides PLIs with technical assistance, consulting and training services to build operational capacities and professional management. Initiated by KfW Development Bank (KfW) with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission – in 2005, the EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance. The capital is provided by the BMZ, the European Commission, the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, the Development Bank of Austria (OeEB), the Swiss Agency for Development and Cooperation, the Danish International Development Agency (Danida), KfW, the IFC, the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development, the European Investment Bank, and Sal. Oppenheim and Deutsche Bank. Oppenheim Asset Management Services S.à r.l, Luxembourg, and Finance in Motion GmbH, Germany, are, respectively, the EFSE's Fund Manager and Fund Advisor.

For more information about EFSE, please visit: <http://www.efse.lu>

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¹ Southeast Europe (SEE): Albania, Bulgaria, Croatia, FYR Macedonia, Kosovo, Montenegro, Romania, Serbia, Turkey

² European Neighbourhood Region: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine