

BMZ invests additional EUR 15 million in EFSE dedicated for Ukraine

Financing earmarked for local currency lending to MSMEs

Frankfurt, 04 February 2015 - The European Fund for Southeast Europe (EFSE) received additional funding of EUR 15 million from the German Federal Ministry for Economic Cooperation and Development (BMZ) dedicated for providing financing to Ukrainian micro small and medium enterprises (MSME) in local currency.

MSMEs in Ukraine especially are in need for local currency financing as loans denominated in hard currency such as EUR or USD represent exorbitant exchange risks. The large majority of MSMEs do not dispose of hard currency income and also have no possibility to obtain hedging protection in case they would take loans in hard currency. As a consequence, loans in local currency are the least risky option when borrowing in the current highly volatile operating environment. However, financial institutions in Ukraine are short of local currency funding and if there is local currency funding available it is only short-term.

“This investment provides a good opportunity for the EFSE to foster its development objectives in the Ukraine where local currency financing is in high demand, in particular in the agriculture sector” says Monika Beck, Chairperson of the Board of EFSE. “This dedicated funding actively addresses the situation to provide additional financing denominated in Ukrainian hryvnia.”

With this recent investment the BMZ, which is an instrumental supporter of the EFSE, has increased its total commitment to over EUR 175 Mio.

About the European Fund for Southeast Europe

The European Fund for Southeast Europe (EFSE) was 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. It aims to foster economic development and prosperity in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, former Yugoslav Republic of Macedonia, Kosovo, Georgia, Moldova, Montenegro, Romania, Serbia, Ukraine and Turkey. As access to finance is a key success factor in developing the micro, small and medium enterprise segments, the EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing. The funding the EFSE provides as long-term finance primarily for micro and small enterprises (MSEs) – but also for private

households in the form of home improvement loans – is channelled to these loan customers through local partner lending institutions. Supporting the EFSE’s investment activities is the EFSE Development Facility, which provides partner lending institutions with technical assistance, consulting and training services to build operational capacities and professional management.

Initiated by KfW Development Bank (KfW) on 15 December 2005 from four multi-donor programs under its management, the EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance to leverage private funding for MSE finance in the target region. Capital is provided by donor agencies, international financial institutions and private institutional investors, including the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission (EC), 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 (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation (SDC), the Danish International Development Agency (Danida), KfW as Lead Investor, the International Finance Corporation (IFC), the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), 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 the European Fund for Southeast Europe, please visit: <http://www.efse.lu/>

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