



EUROPEAN FUND FOR SOUTHEAST EUROPE

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# **EFSE – An investor's perspective**

**Bern, 15 June 2007**

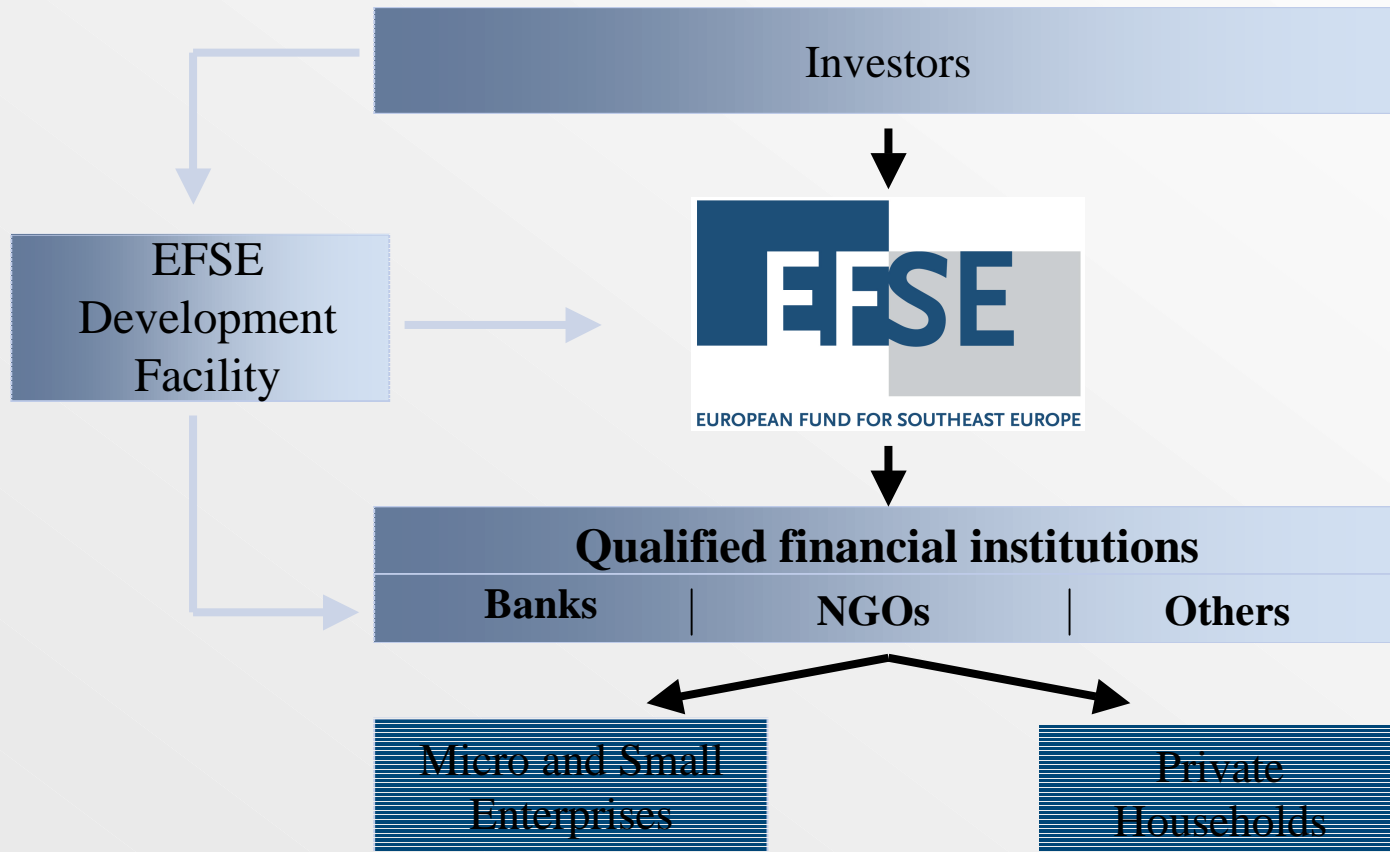


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# 1. EFSE - overview

## Working Mechanism

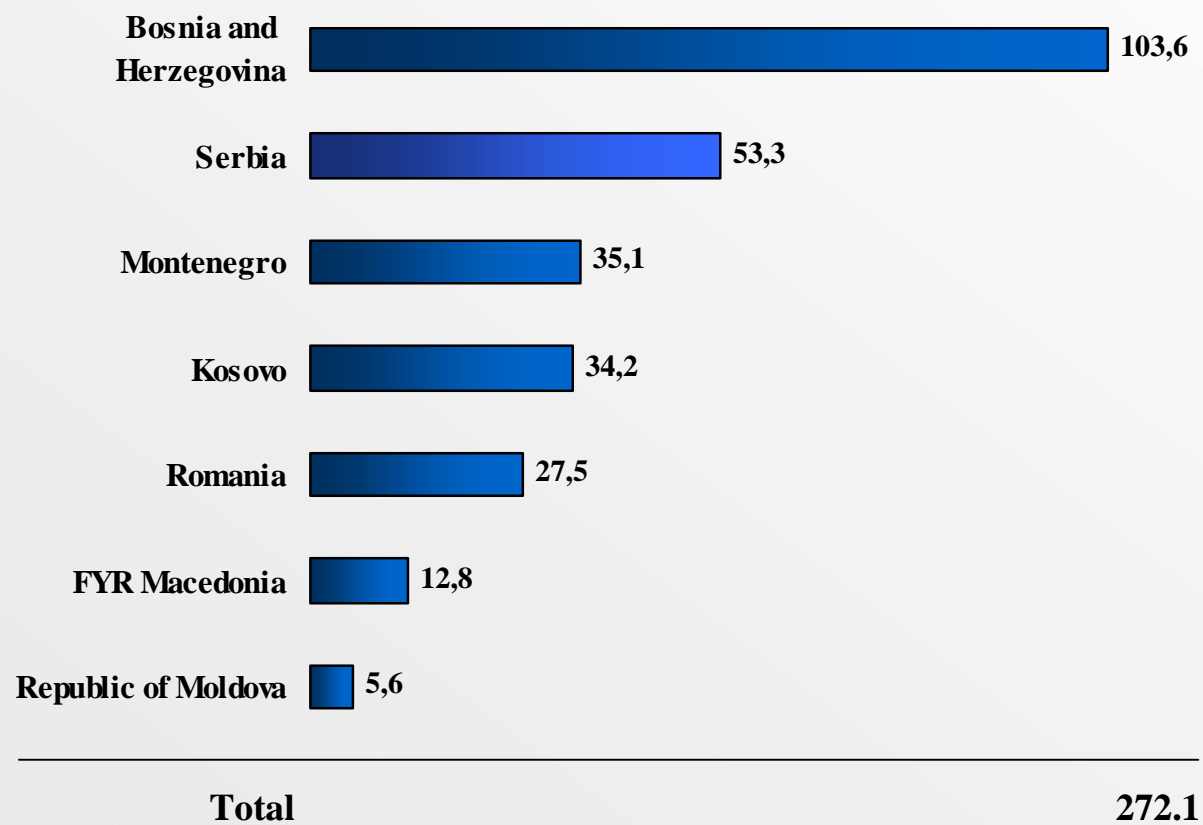


## EFSE – First Class Shareholders and Efficient Private Management

- **Shareholders:**
  - **Public Investors:** EU (EIF), German, Swiss, Austrian Government, (Kosovo, Montenegro, Bosnia and Herzegovina, Serbia)
  - **International Finance Institutions:** IFC, EBRD, FMO, KfW, (EIB)
  - **Private Investors:** Bankakademie, Credit Cooperatíf, Bankhaus Oppenheim, Deutsche Bank AG
- **Structuring Investor / Promoter: KfW**
- **Advisory Group**
- **Funds Manager: Oppenheim Pramerica Luxembourg & Bankakademie Frankfurt**
- **Administration Agent: Citibank Luxembourg**

## Investment Portfolio (March 2007)

In EUR million



## Development Performance (March 2007)

Number of active borrowers

54,048

Average loan outstanding to micro and small enterprises

4,002

Loans to micro and small enterprises below EUR 10,000

92%

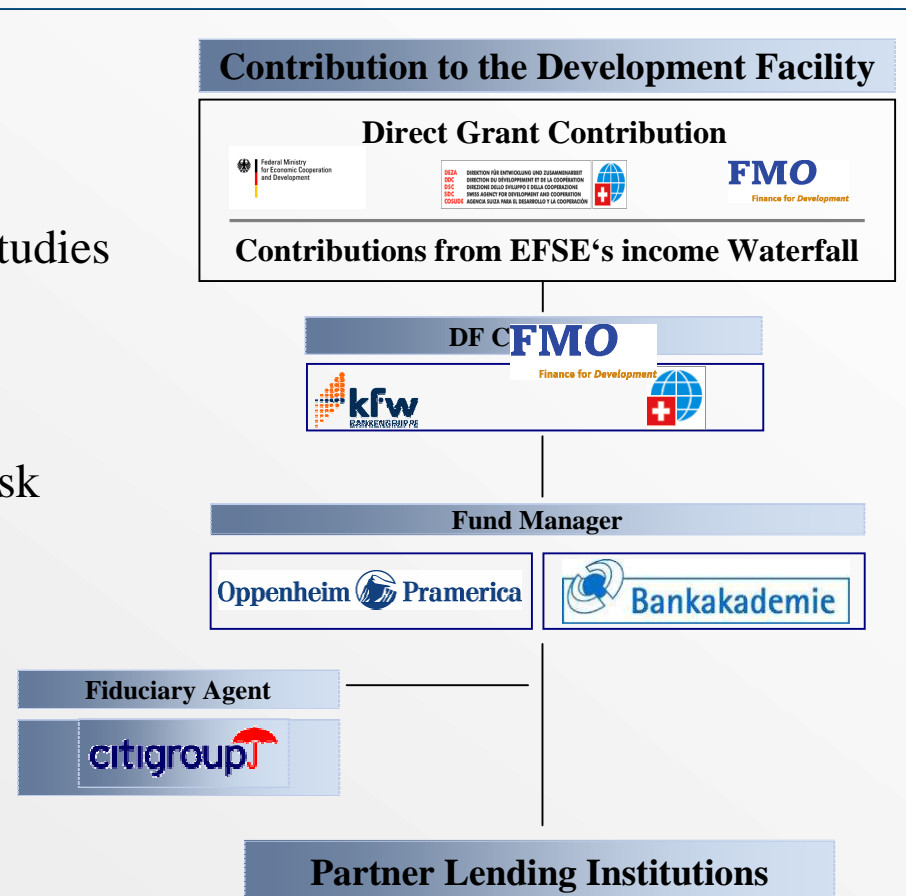
## Development Facility

### Complementary non-financial services:

- Technical assistance (TA) for PLIs
- Research & Development / Impact Studies

### Principles of TA:

- Enlarging outreach and addressing risk
- Focus on key processes
- Cost sharing by PLIs
- Development of TA packages
- Cooperation with other Donors
- Transparency





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## **2. FAER and LAM**

**Transformation and support**



## Key issues to qualify for an investment

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- Performance
  - Lending operations and portfolio quality
  - Operating costs and profitability
- Management and governance
  - Management capacity
  - Board level guidance
  - Transparency (& reliable audit)
- Vision
  - Target group orientation
  - Strategic planning
  - Long term vision: graduation and transformation

## Vision – growth and commercial refinancing?

### Taking on commercially priced debt has to fit with the MFI's vision

#### Dimensions

- Increase efficiency
- Passing on higher funding costs to clients
- Realising the full (rural) market potential
- Fostering growth, scaling up
- From passive to active marketing
- Management attitude
- Long-term vision

#### Action plan FAER and LAM

- Raise PF yield
- Product development
- Growth by minimising cash
- Maintain PAR – Improve analysis and monitoring
- Incentive system
- Efficient MIS
- Maintain low operating costs
- Merger (equity, scale-up)

## EFSE TA support



*(completed)*

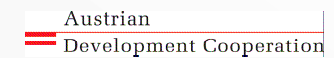
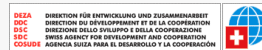
- Exposure to EFSE partner MFI

*(under implementation)*

- Support in product design
- Support in strategic planning (incl. merger preparation)

*(potentially)*

- Credit operations
- Management tools and capacities
- In-house market study
- Facilitation of the merger process
- Marketing and sales training
- Internal control and audit training



# Public Private Partnership for Development Finance in Southeast Europe

