

Press Release

For immediate release

G-20 initiative honours European Fund of Southeast Europe as one of the best PPP models for SME finance in the world

Frankfurt am Main, 1 November 2010 – At the “G-20 SME Finance Challenge”, the European Fund of Southeast Europe (EFSE) was selected as one of the 14 best Public-Private partnership (PPP) models in the world for the financing of small and medium enterprises (SMEs). 345 competitors from more than 75 countries participated in this challenge. EFSE was the only German competitor amongst the winners. The competition initiated by the G-20 political leaders of industrialised and emerging economies during the 2009 Annual Summit in Pittsburgh was launched to identify catalytic and innovative interventions to unlock private finance for SMEs. SMEs play a major role in economic development, particularly in emerging economies. SMEs are the single largest contributor to employment and job creation, and account for a significant share of GDP around the world. The winners will be invited to the next G-20 Summit in Seoul, South Korea, where the prize will be officially awarded.

EFSE – track record

Incepted in 2005 by the KfW Entwicklungsbank – The German Development Bank –, with the financial support of the European Commission and German Federal Ministry for Economic Cooperation and Development (BMZ), the EFSE has EUR 760 million in capital commitments from public donors, international financial institutions and private investors (as at 30/09/2010). It is managed by Finance in Motion GmbH, a private fund management company specialised in development finance, as well as Oppenheim Asset Management Services S.à.r.l. Starting out in Bosnia and Herzegovina, Serbia, Kosovo and Montenegro in 2005, EFSE now also provides long-term funding for micro businesses as well as SMEs via local financial institutions in the following ten countries: Albania, Armenia, Azerbaijan, Bulgaria, FYR Macedonia, Georgia, Moldova, Romania, Belarus and the Ukraine. The investment portfolio of EFSE has grown consistently since its inception, with the share of private capital having continuously increased to its current level of approximately 68 per cent. To date, EFSE has provided long-term funding to more than 60 local financial institutions (banks and micro financial institutions). These funds have been used to grant loans to SMEs, in particular to smaller enterprises. Dr Klaus Glaubitt, Chairman of EFSE's Board of Directors, explained: *“EFSE has evolved out of four multi-donor credit programmes administered by KfW for the reconstruction of the Balkans via the support of small businesses. EFSE's PPP approach has proven to be highly successful during the global financial crisis. We are delighted that the G-20 rank EFSE amongst the most innovative financing solutions for SMEs”*. Since the fund's inception in 2005, the fund has facilitated over 247,000 loans, totalling just under EUR 1.3 billion. As a result, some 215,000 new jobs have been created. *“EFSE's*

impressive growth demonstrates just how successful the combination of public and private funds on the one hand and the administration by a private-sector fund management company on the other can be. We therefore see EFSE as a blue print for further initiatives in other regions and sectors," said Monika Beck, head of the Competence Center for Financial Sector Development at KfW Entwicklungsbank, adding: "It is our hope that this award will assist us in raising additional public capital, both for EFSE and other similarly structured development funds. This would enable us to reach more private investors, thereby increasing the public appeal of this financing approach and increase its outreach and impact. Within EFSE, we are currently working on the further expansion of local-currency lending and would be particularly pleased if we could boost our financing basis with G-20 funding."

EFSE – plans for the future

At present, EFSE is planning to launch an investment window for the granting of long-term local-currency loans by partner institutions. This reflects the need in the EFSE countries not only for long-term loans but, more specifically, loans in local currency that protect the end-borrower against potential currency risk. By 2014, EFSE plans to financially support 400,000 micro and SMEs across 14 countries via its partner financial institutions. A further 10,000 businesses will benefit from the local currency investment window. Drawing on a total loan volume of EUR 2 billion, it is intended to create a further 400,000 jobs by 2014. In addition, it is intended to expand the investor base by attracting additional public and private investors into the Fund.

About the European Fund for Southeast Europe (EFSE)

EFSE aims to promote the economic development in Southeast Europe and its neighbouring regions. In these regions, EFSE offers long-term funding for qualified local financial institutions to expand the granting of business loans to smaller but also to medium-sized enterprises (SME) as well as housing loans to low-income private households. KfW is the initiator of the Fund, which is based on a public-private partnership model. The capital stock is provided by public donors and international financial institutions as well as institutional private investors. EFSE's investors and shareholders include the European Commission, the German Federal Ministry for Economic Cooperation and Development (BMZ), the governments of Austria, Switzerland, Denmark and Albania, KfW, IFC, FMO (Netherlands Development Finance Company), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), Oesterreichische Entwicklungsbank (OeEB), Sal. Oppenheim and Deutsche Bank. The Fund is administered privately by Oppenheim Asset Management Services and Finance in Motion GmbH as fund manager and fund adviser, respectively.

For further information please visit <http://www.efse.lu/>.

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