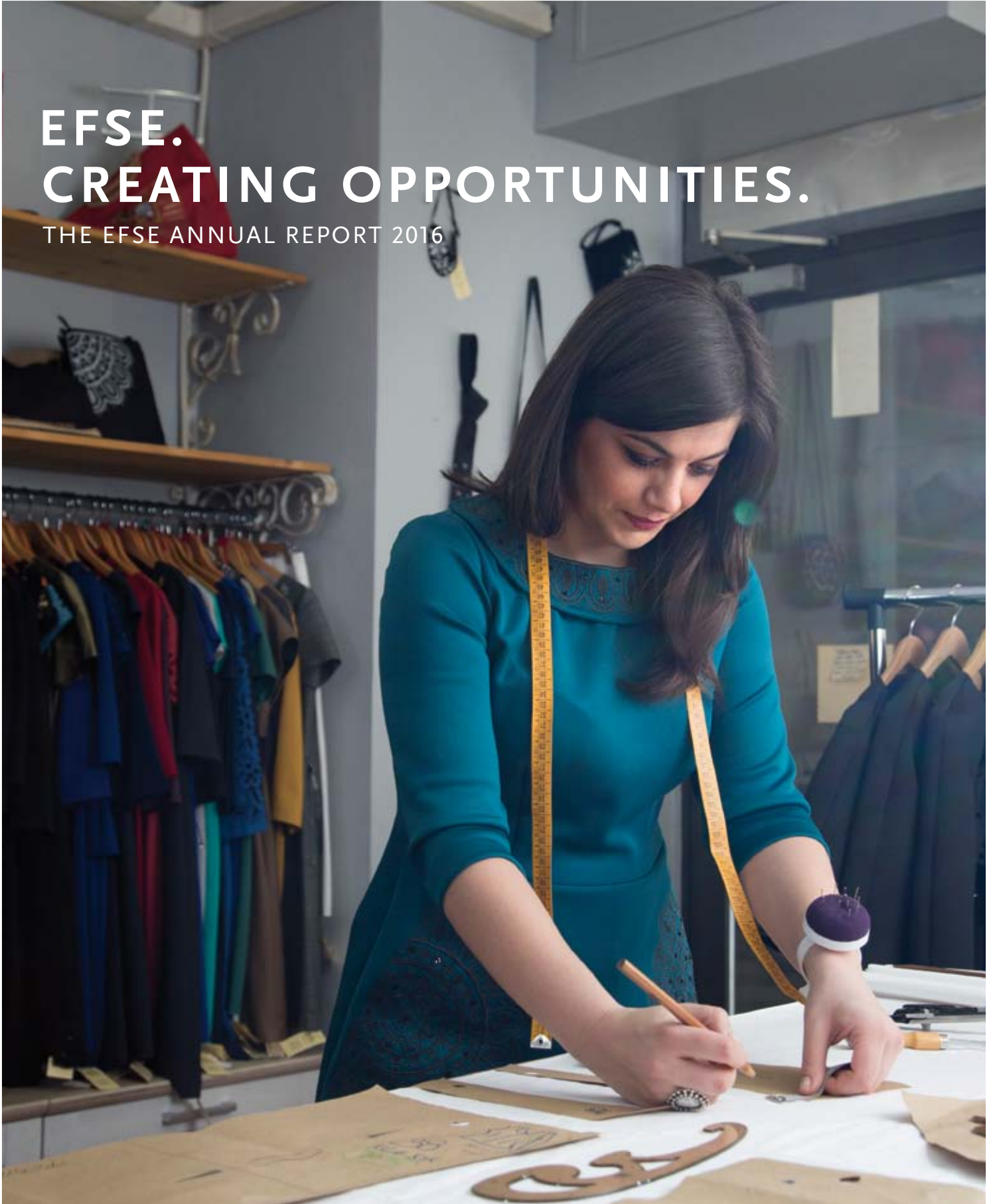


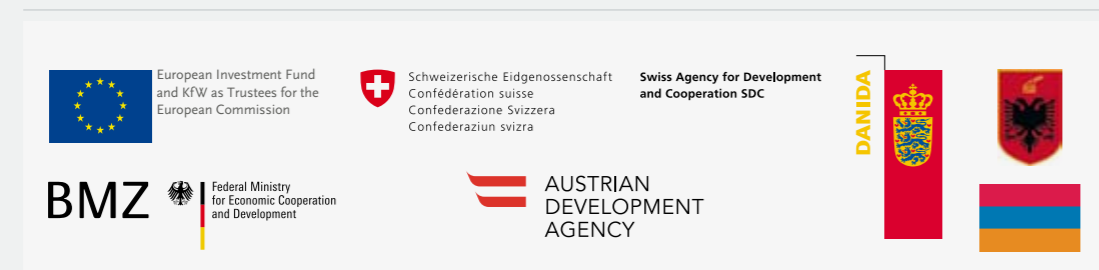
# EFSE. CREATING OPPORTUNITIES.

THE EFSE ANNUAL REPORT 2016

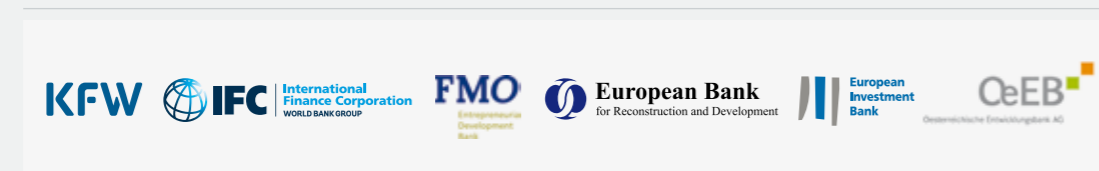


## OUR INVESTORS

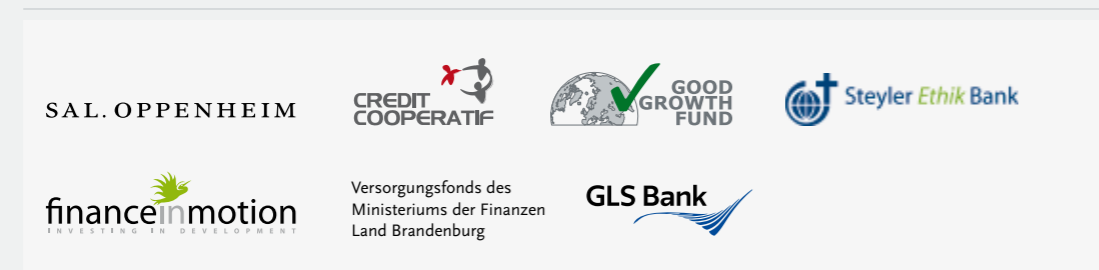
### DONOR AGENCIES



### INTERNATIONAL FINANCIAL INSTITUTIONS



### PRIVATE INSTITUTIONAL INVESTORS



### THE FUND'S OTHER PRIVATE INVESTORS PARTICIPATE VIA



## CONTENTS

- 2 ..... Key Figures 2016
- 3 ..... Mission Statement

### 3 ... EFSE – CREATING OPPORTUNITIES

- 5 ..... Letter from the Chairperson of the Board of Directors
- 6 ..... Greetings
- 10 ..... The ecosystem of successful entrepreneurship

PROMOTING	14 ... The starting point –
FINANCIAL EMPOWERMENT	Investigating youth financial knowledge
	16 ... Early lessons – World Savings Day in Moldova
GROWING	20 ... Starting up startups – The Fincluders programmes
ENTREPRENEURIAL CULTURE	24 ... Supporting new ideas – Ye! BoostCamps
BUILDING	28 ... What to do now – Mentoring startups in Croatia and Bosnia and Herzegovina
KNOWLEDGE AND SKILLS	31 ... Eliminating disconnect – The social enterprise 3Down Print
EXPANDING	36 ... Sowing the seeds of inclusion – Fibabanka in Turkey
ACCESS TO FINANCE	38 ... In for the long haul – A Serbian farmer

### 40 ... OPERATIONAL RESULTS AND DEVELOPMENT IMPACT

- 42 .... Letter from the Fund Manager and Advisor
- 44 .... Overview Investment operations
- 46 .... Overview EFSE DF activities
- 49 .... Financial Statements
- 52 .... Investments
- 55 .... Funding
- 57 .... EFSE Development Facility
- 60 .... Development Impact
- 64 .... Partner Lending Institutions

### 67 ... APPENDICES

- 68 .... Organisational Structure
- 69 .... Board of Directors and Committees
- 72 .... List of Contacts

## KEY FIGURES 2016

**161,390**

active sub-borrowers

**1.0**

BILLION EUROS

in outstanding sub-loans

**987.5**

MILLION EUROS

in investor commitments

**924.3**

MILLION EUROS

in outstanding investments

**72**

partner lending institutions

**16%**

share of private capital invested in the fund (based on investor commitments)

**84%**

share of public capital invested in the fund (based on investor commitments)

**3.2**

MILLION EUROS

for EFSE Development Facility projects approved for institutional capacity building, financial sector support and applied research

## SINCE THE EFSE'S INCEPTION IN DECEMBER 2005

**860,246**

micro and small enterprise and housing loans disbursed

**5.9**

BILLION EUROS

of micro and small enterprise and housing loans disbursed

**>700,000**

jobs secured or created through the EFSE's investment activities

**2.3**

BILLION EUROS

in committed investments to partner lending institutions

**337**

EFSE Development Facility projects approved for institutional capacity building, financial sector support and applied research

**16.7**

MILLION EUROS

for EFSE Development Facility projects approved for institutional capacity building, financial sector support and applied research

**31%**

contribution of partner lending institutions to project costs related to individual technical assistance

# EFSE. Creating Opportunities.

## MISSION STATEMENT

The EFSE aims to foster economic development and prosperity in the Southeast Europe region<sup>1</sup> and in the European Eastern Neighbourhood region<sup>2</sup> through the sustainable provision of additional development finance, notably to micro and small enterprises and to private households, via qualified financial institutions.

In pursuing its development goal the fund will observe principles of sustainability and additionality, combining development and market orientations.

<sup>1</sup> The Southeast Europe region in the context of this Annual Report comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Kosovo<sup>3</sup>, Montenegro, Romania, Serbia, and Turkey.

<sup>2</sup> The European Eastern Neighbourhood region in the context of this Annual Report comprises Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine.

<sup>3</sup> This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

# EFSE. Creating Opportunities.

	<p><b>The ecosystem of successful entrepreneurship</b> p.10</p>
	<p><b>Promoting financial empowerment</b> p.12</p> <ul style="list-style-type: none"> <li>&gt; The starting point – Investigating youth financial knowledge p.14</li> <li>&gt; Early lessons – World Savings Day in Moldova p.16</li> </ul>
	<p><b>Growing entrepreneurial culture</b> p.18</p> <ul style="list-style-type: none"> <li>&gt; Starting up startups – The Fincluders programme p.20</li> <li>&gt; Supporting new ideas – Ye! BoostCamps p.24</li> </ul>
	<p><b>Building knowledge and skills</b> p.26</p> <ul style="list-style-type: none"> <li>&gt; What to do now – Mentoring startups in Croatia and Bosnia and Herzegovina p.28</li> <li>&gt; Eliminating disconnect – The social enterprise 3Down Print p.31</li> </ul>
	<p><b>Expanding access to finance</b> p.34</p> <ul style="list-style-type: none"> <li>&gt; Sowing the seeds of inclusion – Fibabanka in Turkey p.36</li> <li>&gt; In for the long haul – A Serbian farmer p.38</li> </ul>

FOR THE FULL ANNUAL REPORT SEE OUR ONLINE VERSION HERE: [www.efse.lu/AR2016](http://www.efse.lu/AR2016)



## The First Time

Dear Reader,

Many of us remember those special firsts: the first day of a new job, in a new city or country, or the tentative or bold first step of some other journey. There is a special feeling associated with starting something new, an excitement that at times can also be muted by natural scepticism – it's exhilarating, scary, and optimistic, all at once.



This annual report from the European Fund for Southeast Europe (EFSE) is all about new beginnings, too. The fund has continued to expand its support for startups by helping smooth the sometimes rocky path facing new businesses in EFSE regions, areas which have suffered unprecedented disruptions to their economic systems. Since 2005, our people on the ground – in close cooperation with trusted local partners – have been supporting entrepreneurs, so we have learned a great deal about what works.

Some markets, however, still need to improve a number of the elements required for successful entrepreneurship: access to finance, formal education in business and finance, and an environment supportive of both startups and their resulting small and medium enterprises, all of which are continually confronted with new challenges.

“Each startup success also meets the first requirement of our mission statement.”

CHRISTOPH TISKENS

Twelve years ago, the EFSE was just one among many new ventures. The people who currently manage the fund have learned about the pitfalls of starting a business by starting this business. Their hard-earned experience remains vital for supporting today's entrepreneurs. The EFSE has also continuously strived to innovate and evolve, and we have implemented new initiatives and developed new ways of fostering young businesses. In 2016, we created Fincluders, an event to identify and support startups whose technology can spread financial inclusion in the regions we serve (p.20). In addition, we sponsored mentorships, training programmes, and pitching events for entrepreneurs (pp. 24, 28).

These and a wide range of other initiatives serve an important purpose: the EFSE seeks to create thriving enterprises because they hire people and provide income for their employees. Each startup success also meets the first requirement of our mission statement, which is to foster economic development and prosperity.

With that in mind, the fund will continue to provide the best support network possible for those go-getting entrepreneurs and small businesses struggling to improve their lives, and the lives of those around them, in the regions the EFSE serves.

CHRISTOPH TISKENS  
Chairman of the European Fund for Southeast Europe



## GREETINGS

EUROPEAN  
COMMISSION

*“The EFSE is a key player in fostering entrepreneurship and job creation. In its role as first-loss investor, the EU importantly helps the EFSE in attracting private funding. This is in turn crucial for stable and sustainable impact on the ground, strengthening local financial institutions, and reaching out to micro and small enterprises and low-income households.”*

## COLIN WOLFE

Head of Unit for Western Balkans  
Regional Cooperation and Programmes,  
DG Neighbourhood and Enlargement  
Negotiations, European Commission

## BMZ



*“A robust small business sector and a vibrant entrepreneurial spirit remain vital to economic development, which is why the German Ministry for Economic Cooperation and Development supports the EFSE.”*

## DR. GERD MÜLLER

German Federal Minister  
for Economic Cooperation  
and Development

## KFW



*“Impact investing is rising in importance, and the EFSE’s ongoing ability to attract private capital to the sector has earned the fund our unmitigated support.”*

## DR. NORBERT KLOPPENBURG

Member of the Executive Board  
of KfW Bankengruppe







Marko Šunjić founded Koval, which makes cookware for Peka, a dish native to the Balkans. Mentoring sponsored by the EFSE Development Facility helped him organise and prioritise tasks.





PROMOTING ENTREPRENEURSHIP IN THE EFSE REGIONS

# The ecosystem of successful entrepreneurship

HOW THE EFSE FOSTERS AND NOURISHES THE SUPPORT ENVIRONMENT FOR NEW BUSINESSES IN ITS MARKETS

**E**mployment creation is essential to lifting people out of poverty and fostering economic development and prosperity. However, the EFSE regions lag behind some other middle-income regions and advanced economies when it comes to harnessing the transformative power of job creation.

In a number of EFSE countries, unemployment, particularly among youth, remains dramatically high and in some cases above 30%. This, in turn, has led to a high migration of young people, a brain drain that will harm the EFSE regions tremendously in the mid- to long term.

The engines for job creation in the EFSE countries are micro, small and medium enterprises (MSMEs) which are responsible for the majority of existing jobs across the EFSE regions. A conducive and productive entrepreneurship ecosystem that provides a supportive framework for MSMEs with favourable conditions to start and run a business is therefore key for creating and sustaining jobs.

Yet, the entrepreneurial ecosystem of the EFSE regions faces some severe constraints that significantly impede an increase in job creation. Major gaps in the ecosystem are a skills mismatch between graduates and the labor market, the high costs of starting and closing a business, excessive taxes on labour, limited access to finance and few options for non-banking financial services for young enterprises, insufficient competitiveness for exporting goods and services, a deficit of effective and coordinated

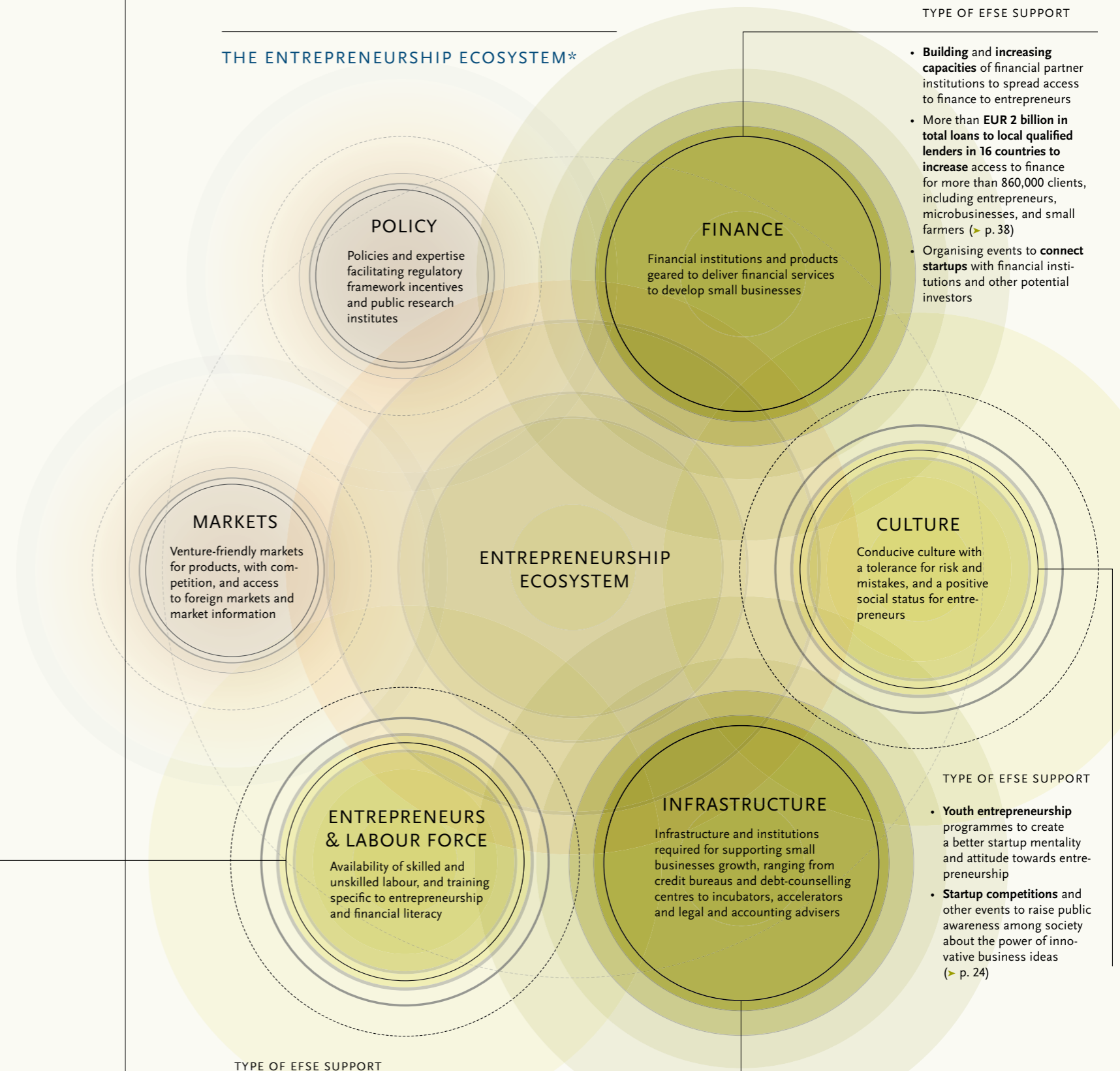
entrepreneurship training and incubation programmes, and a lack of an entrepreneurial culture that accepts risk and failures, to name just a few.

The EFSE's mandate is to continue its support for economic development and prosperity in the regions it serves, and to act as a catalyst for change. To meet this task, the EFSE actively supports enterprises along their life cycle – from innovative startups to more mature businesses – by creating an enabling environment that sustains firms and helps them grow. Key priorities of the EFSE are expanding access to prudent finance; organising business training, mentorship and incubation programmes to start and scale up businesses; increasing the level of financial literacy; and creating both a more entrepreneurship-friendly attitude within society and the required infrastructure to support it. We invite you to learn more about the various activities to which the EFSE was dedicated in 2016.

TYPE OF EFSE SUPPORT

- A study assessing financial literacy of youth and their interest in starting a business (> p. 14)
- Agricultural lending workshops for bank employees (> p. 36)
- Financial education for children and youth (> p. 16)
- Entrepreneurship training or long-term mentorship (> p. 18)
- Training for Syrian refugees in Turkey to increase their ability to start and grow their business and access financial services

THE ENTREPRENEURSHIP ECOSYSTEM\*



TYPE OF EFSE SUPPORT

- Building and increasing capacities of financial partner institutions to spread access to finance to entrepreneurs
- More than EUR 2 billion in total loans to local qualified lenders in 16 countries to increase access to finance for more than 860,000 clients, including entrepreneurs, microbusinesses, and small farmers (> p. 38)
- Organising events to connect startups with financial institutions and other potential investors

TYPE OF EFSE SUPPORT

- Youth entrepreneurship programmes to create a better startup mentality and attitude towards entrepreneurship
- Startup competitions and other events to raise public awareness among society about the power of innovative business ideas (> p. 24)

TYPE OF EFSE SUPPORT

- Developing online platforms for startup-specific questions and peer-to-peer exchanges
- Organising training for credit bureaus across the region to increase institutional capacities and share experiences and best practices
- Supporting credit guarantee facilities to foster operational efficiency and services for small businesses
- Pitching and networking events such as the Fincluders competition, where fintech startups present highly innovative ideas to potential investors and bankers to expand financial inclusion in the EFSE regions (> p. 20)
- Developing and supporting debt-counselling centres that educate people about personal finance management
- Incubation programmes to allow young social enterprises to develop business ideas with clear social impact to test the viability of products

\*Bubble size relative to EFSE activity





EFSE. CREATING OPPORTUNITIES.

# Promoting financial empowerment

Identifying the level of knowledge youths have about the financial system and filling any gaps with proper education solidifies the foundation of entrepreneurship.

One EFSE project teaches schoolchildren how to manage their money and open a bank account.



PROMOTING FINANCIAL EMPOWERMENT

# The starting point

**E**very new business can profit from a clear understanding of the local financial market. A landmark poll identifying knowledge gaps among youth in the Balkans shows where their education is lacking, and their willingness to do something about it.

Half of young adults polled in the one-of-a-kind survey say starting a business in their home markets is either very difficult or virtually impossible. This of course could be interpreted as the other half seeing startups as feasible ventures. Either way, most respondents willing to join the entrepreneurial ranks won't be filing loan paperwork at one traditional lender: only one in five of those surveyed said they would choose a bank as their funding source for a new business.

To discover what the youngest generation in the Balkans knows and thinks about finance, in 2016 the Development Facility of the European Fund for Southeast Europe commissioned what is believed to be the first poll of its kind. The survey, which says the youth in Balkan markets have "partial financial literacy", asked 1,800 people aged 10–24 in Albania, Croatia, Kosovo, FYR Macedonia, Montenegro, and Serbia a range of questions about their local

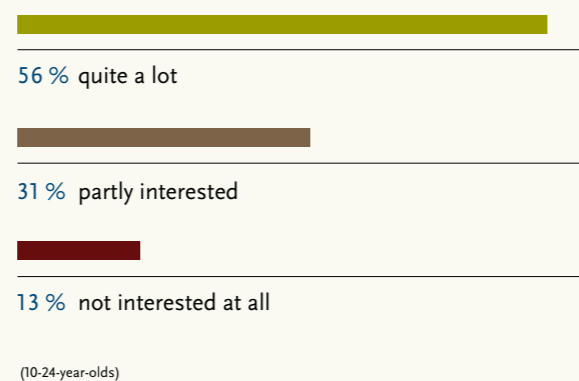


The youngest respondents in the one-of-a-kind poll expressed the most willingness to learn about their local financial systems.

financial systems and economic environments. The facility worked closely on the survey with Child and Youth Finance International, which helps teach children and youth about money, the financial system, and entrepreneurial skills.

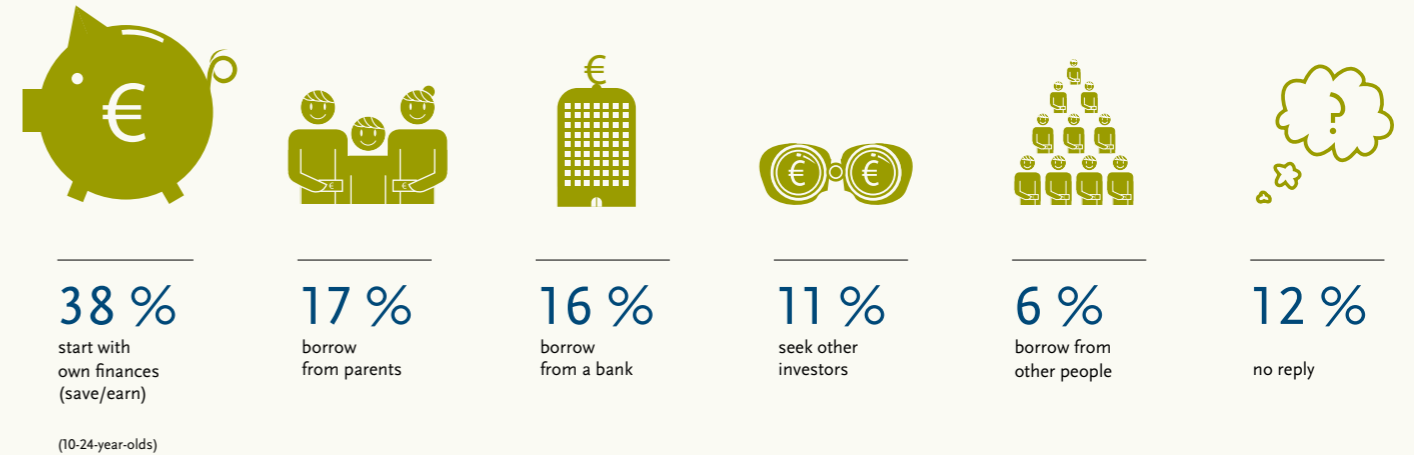
While the poll suggests young people in the region need to learn more about local financial systems, the good news is many of them wish to. The survey says 56% of respondents in the region indicated "quite a lot" of interest in formal financial education, with an additional 31% showing "partial" interest. Primary and secondary school students communicated the most demand for such courses, with college students reporting less desire for additional formal education, probably because of their advanced educational status.

HOW MUCH INTEREST DO YOU HAVE IN LEARNING ABOUT MONEY MATTERS IN THE CLASSROOM?



Fifty-six per cent of young people are quite interested in learning about money matters.

IF YOU WANTED TO START YOUR OWN BUSINESS, HOW WOULD YOU FUND IT?

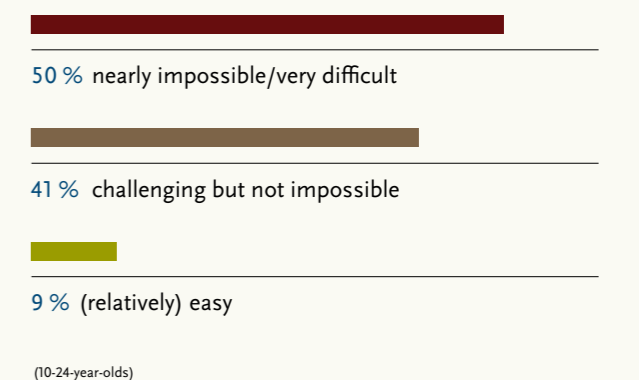


Respondents said they understand the fundamentals of traditional financial products through information garnered from family and personal experiences. Those surveyed also expressed pessimism about the economic situations in their home countries along with their disdain for traditional lenders.

The poll offers important information about the Balkan markets, and it shows the EFSE's ongoing commitment

to learning as much as possible about the regions it serves. Armed with this unique perspective on Balkan youth, the fund and its development facility can fine-tune current training and create new programmes specifically tailored to the financial knowledge deficits in each of these individual countries.

HOW EASY WOULD IT BE TO OPEN YOUR OWN BUSINESS?



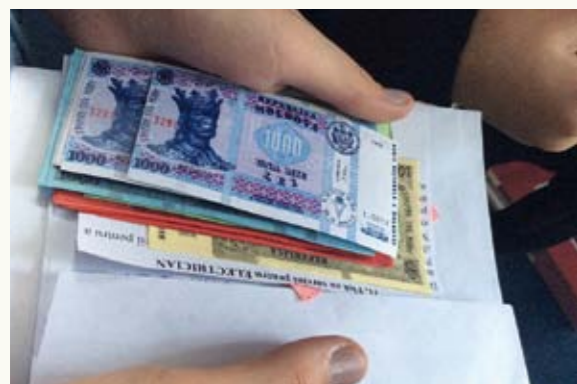
FOR MORE, PLEASE SEE THE ENTIRE SURVEY:

<https://www.efse.lu/studies-publications/studies/>



## PROMOTING FINANCIAL EMPOWERMENT

# Early lessons



**T**he seemingly simple concepts of earning a pay-cheque, saving some of it, and budgeting income are basic skills in today's world, and ones generally not taught in primary school. Perhaps they should be. That's why Moldova's central bank offers workshops to help with a challenge most school kids will invariably face in the adult world: how to deal with money.

With this in mind, the Development Facility of the European Fund for Southeast Europe has been working with the National Bank of Moldova to teach young people how to manage their make-believe earnings. During 2016's Global Money Week and World Savings Day, young students visited the Moldovan central bank to learn about money, only to find out they would be assigned a "job". The workshops were designed as role-playing exercises to let the youngsters act like adults, and to show their teachers how to prepare and present lessons about the financial system. Overall, more than 200 students and some 40 school teachers participated in these workshops in 2016.

National Bank of Moldova Deputy Governor Cristina Harea says the workshops play an important role in increasing financial education in the country, a key

element of financial inclusion. The bank considers these events to be necessary "in light of the low level of financial literacy" among the country's school children, she says.

The bank has been providing financial education programmes since 2013, the central banker says, noting that ongoing cooperation with the EFSE is helping improve financial literacy. "For the National Bank of Moldova, financial education efforts represent additional steps towards broader financial inclusion and towards developing a sound financial sector that better serves the needs of the people. We are very glad to partner with the EFSE in this important project."

### SAVE, LEND OR SPEND?

For the 2016 workshops, trainers handed participants slips of paper with occupations and their corresponding incomes, they outfitted some of the kids and teachers with work clothes to match headgear labelled with job titles like "electrician" or "paramedic", and then they introduced these new members of the workforce to the basics of personal finance. The main goal of the workshops was to teach participants how to assess the value of money by making them first pay their bills before deciding on how to spend the rest. Should they deposit it in a savings account, lend some to friends who spent all their salary on entertainment, or just go shopping?



More than 200 students and some 40 teachers received training on how to deal with money during 2016's Global Money Week and World Savings Day.



During 2016's Global Money Week and World Savings Day, young students visited the Moldovan central bank to learn about money.

Maria Traista, a fifth form teacher, says her students gravitated primarily to learning about wages and budgeting money. "The information about the salary levels of different kinds of workers and the ways to manage these amounts are considered by the children as the most valuable experience from the workshop."

Trainer Angela Botezatu from the Centre of Excellence in Economics and Finance in Chişinău says along with interest in jobs and salary levels, the children enjoyed something many of us may perceive as tedious. "Of greatest interest to the children was simulating transactions in a bank and dealing with money."

Noting that the trainees were already familiar with banks and money, Botezatu says they had the opportunity to learn new skills, something they took up with enthusiasm.

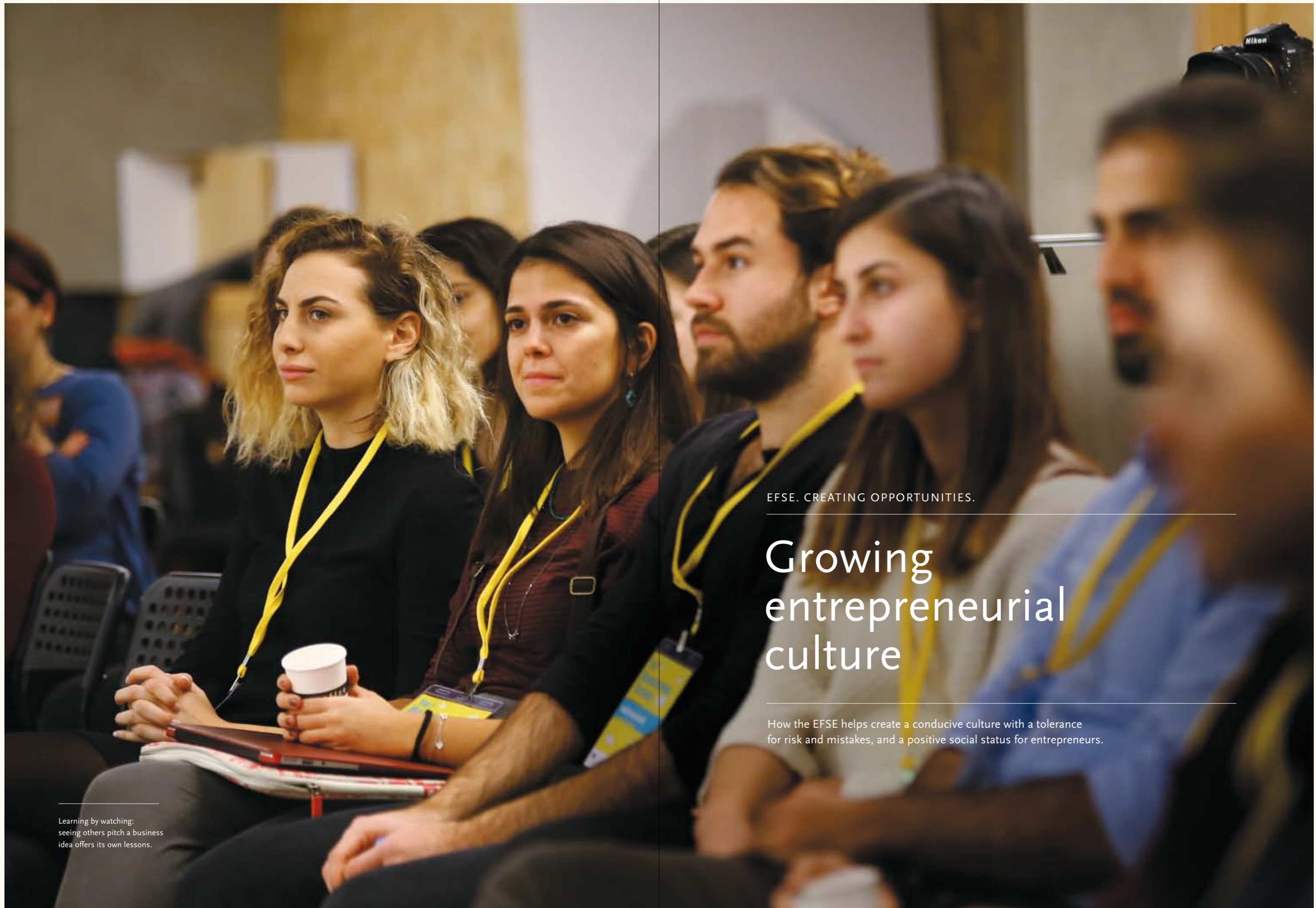
Of greatest interest to children was simulating transactions in a bank and dealing with money.

"Students worked with the concepts of banknotes, savings, budgeting, credit, deposits, and invoicing and billing for utilities. They also enjoyed signing and stamping the payment orders."

These and other tasks have now become more familiar to the children who participated in the workshops. Even if the classroom bank, the children's occupations, and their earnings were simulated, these students now have a much better idea about what challenges to expect once they start making money and incurring expenses.







EFSE. CREATING OPPORTUNITIES.

# Growing entrepreneurial culture

How the EFSE helps create a conducive culture with a tolerance for risk and mistakes, and a positive social status for entrepreneurs.

Learning by watching:  
seeing others pitch a business  
idea offers its own lessons.





GROWING ENTREPRENEURIAL CULTURE

# Starting up startups

**T**he European Fund for Southeast Europe (EFSE) is always on the lookout for the best ways to support entrepreneurs. That's why it created a startup to help startups. But no one could have predicted how this facility initiative would continue to surpass expectations far beyond the closing ceremonies of its first event.

In 2016, employees at the fund's advisor in Frankfurt were having a recurring thought. Members of a working group for the rapidly growing sector of financial technology, or fintech, had been considering ways to foster startups in that area. Any such programme would reinforce the

fund's goal of supporting entrepreneurship. But the working group and members of the investment team wanted to do more. They considered one of the EFSE's other goals: spreading financial inclusion. Some 2 billion adults in the world currently lack access to financial services as common as a bank account, and the fund and its facility are working tirelessly to reduce that number. In August, the idea struck: support employment and new businesses with an initiative for fintech startups, but only for those with products that can increase financial inclusion in the 16 countries the fund serves. The Fincluders programme was born.

The initiative needed to kick off with something special, a landmark event. The working group developed a competition that combined mentoring with a pitching contest. Dubbed the Fincluders Startup Challenge, it would train and fund young entrepreneurs while unearthing new solutions for spreading responsible access to finance.

It didn't take long for the Fincluders idea to catch fire. The project received approval from the Development Facility Committee, and within a month, the organising team was already designing the programme's distinct iconography and logos, contacting possible mentors and judges, and announcing the event to world's mass media and specialty fintech press. The German Ministry for Economic Cooperation and Development soon jumped on-board with its generous support in the form of a EUR 100,000 donation.

The competition's first prize of EUR 15,000 and expected attendance of top-drawer connections to possible financing stoked further interest from fintech startups in the event. By October, a month after announcing the challenge, organisers had received 30 applications; that count nearly tripled by November. The number of prospective contestants to choose from was only one metric that beat expectations: companies from 30 countries representing all six inhabited continents applied for a coveted spot at Fincluders, making the event's appeal truly global.

INVESTORS, EXPERTS JOIN FINCLUDERS

Attracting young companies becomes easier if they have the chance to meet possible financial backers, so the Fincluders organising team baited the hook by selecting mentors, judges, and special guests from Commerzventures, Omidyar, PwC, KPMG, the German Development Bank KfW, EBRD, ProCredit Bank, the EKI Foundation, and EFSE management as well as regulators and financial institutions from the EFSE regions.

DISCOVER MORE ABOUT THE FINCLUDERS PROGRAMME

<http://efse.fincluders.com/>



COMPANIES FROM

# 30

COUNTRIES AND ALL CONTINENTS ENTERED THE COMPETITION

Fintech expert and Fincluders jury member Nasir Zubairi, the CEO of the Luxembourg House of Financial Technology (LHoFT), says every entrepreneur should leap at chances to pitch to juries like the one at Fincluders, which was filled with capital and experience. "These events are very important. The firms get great exposure and credibility, which leads to greater connectivity."



The startups who made the finals faced tough questions from the Fincluders jury.





EFSE Chairman Christoph Tiskens (r.) congratulates Fincluders winner Mehmet Memecan, the founder of Tarfin.

As the competition approached, organisers needed to winnow the applicants from around 90 to a more manageable amount for mentoring. The remaining 15 startups received plane tickets to Berlin and an invite to the finals. The variety of qualifier home countries – 11 in total in Europe, Africa, and the Americas – was as diverse as the business ideas that made the finals, which included the first mobile pan-European bank for the more than 30 million intra-EU expats, and a personal finance assistant based on an artificial intelligence-powered chatbot.

In the German capital, Fincluders mentors met with finalists. “The mentoring was amazing,” says Mehmet Memecan, the founder of Tarfin. His company brings more competitive interest rates to farmers in Turkey, and even

Contestants had to prove their ideas were worth funding to a jury with access to startup capital and years of business experience.

while Memecan was preparing his pitch for the jury, he was already looking beyond: “For example, we got to sit with a number of guys who are active in the fintech world, not on the advisory side, but on the ground in Africa. To see how they started from an idea to a multi-country lending platform showed us this is doable.” More real-world ideas developed during visits to leading startups in Berlin, one of Germany’s main fintech hubs. Memecan said a stop at a core banking service supplier provided vision and “lit up that lightbulb in our heads” about the next steps for scaling up.



The 15 startups in the final round came from 11 different countries.

“I cannot stress enough how impressed I was with the top pitches. They were not only good businesses in fintech in emerging markets. I would just say they are good businesses.”

**NASIR ZUBAIRI**  
CEO OF THE LUXEMBOURG HOUSE  
OF FINANCIAL TECHNOLOGY

#### FACING THE BEAST

Following instruction from top industry mentors and discussions with some of Berlin’s leading young entrepreneurs, Fincluders finalists faced their moment of truth: Each would present their business ideas and product concepts to a jury in a format similar to the television shows “Dragon’s Den” and “Shark Tank”. Basically, contestants had to prove their ideas were worth funding to people who had money and years of business experience.

How viable were the ideas? Just ask fintech expert Zubairi: “I cannot stress enough how impressed I was with the top pitches. They were not only good businesses in fintech in emerging markets. I would just say they are good businesses.”

Memecan and his company Tarfin won the pitching event with its system for providing competitive lending rates to Turkish farmers buying on credit, and he has already invested the cash prize. “I was 15,000 euros richer, but now that money’s gone.” Tarfin paid to create a proprietary algorithm for assessing a farmer’s credit risk because the company hopes to eventually underwrite loans. Memecan said while in Berlin he learned how much funding was available for sustainable agriculture, especially through the EFSE. “Fincluders was an eye-opening event and gave us the courage to start this. It has broadened our horizons about what we can do and how much is out there. I’m a big Fincluders fan.”

So as the fund prepares a follow-on programme to accelerate fintech solutions in the EFSE countries, it is also advising its sister fund SANAD about how to host a similar pitching and mentoring event in the Middle East and North Africa. Furthermore, the discerning selection process for Fincluders finalists and winners was confirmed as some of these companies have already received venture capital and additional innovation prizes.

#### FINCLUDERS WINNERS

##### First Place: Tarfin

Tarfin won EUR 15,000 sponsored by the EFSE Development Facility for its cloud-based platform. With Turkey’s first credit rating system for farmers, Tarfin provides them with lower interest rates. The system allows farmers who buy on credit to do so via financial institutions, which eliminates the risk for retailers in the agricultural industry who often provide credit to farmers.

##### Second Place: FarmDrive

Kenyan-based FarmDrive (photo) earned EUR 10,000 sponsored by Finance in Motion, which advises the EFSE. FarmDrive connects smallholder farmers with financial institutions via mobile phones, alternative data sets, and sophisticated data analysis.



##### Third Place: Quotanda

Mexico-based Quotanda enables organizations (schools, lenders, foundations, and government agencies) to set up student financing programmes that make education more affordable. The company received EUR 5,000 in prize money gifted by PwC, which also provided Fincluders mentors.

##### Honourable Mentions

A special prize went to Georgia’s Optio AI for a personal finance assistant based on an artificial intelligence-powered chatbot. Norway’s Taqanu received an honourable mention for plans to create a digital bank for refugees so they can become eligible for regulated financial services. Taqanu also won further mentoring from KfW and jury member Nasir Zubairi, CEO of the Luxembourg House of Financial Technology (LHoFT).

## GROWING ENTREPRENEURIAL CULTURE

## Supporting new ideas

**T**he Development Facility of the European Fund for Southeast Europe spent much of 2016 supporting young entrepreneurs to strengthen their businesses and social projects, and prepare them for participation in the financial system.

Acting as the technical assistance arm of the fund, the facility partnered with representatives from Child and Youth Finance International and its Ye! Community of young entrepreneurs to organise mentoring seminars for youth-run businesses in Kosovo, Ukraine, and Turkey. These sessions, the “Ye! BoostCamps,” taught some 120 young entrepreneurs financial and marketing skills important for businesses and social projects. The camps culminated in pitch contests, and the winning idea in each market highlights the diversity of the entries.

Representatives from the winning projects recently sat down to talk about their experience. Kosovo’s **RRON BEQIRI** works for Architecture for Humans, a group of social entrepreneurs developing furniture for disabled people. The company says when it creates furniture, the aim is to help disabled people become more integrated and active

“The mentoring has helped us refine our idea and the path we want to take.”

**RRON BEQIRI**  
ARCHITECTURE FOR HUMANS

in society. **ANDRIY PAVLOVSKIY** is the founder of Ukraine’s Department Action, a network of local journalists, lawyers, and civic-minded organisations that exposes public sector criminal activities such as fraud. To reduce corruption in the country, the startup’s structure promotes cooperation among members so they can take legal action against public officials accused of wrongdoing. And **SELIN UZUNOĞLU** represents Personal Gene Lab, which has arrayed the interest of the company’s partners in biotechnology to develop the Personal Gene Lab Kit. This desktop laboratory allows science students to perform experiments quickly and easily in the classroom.

#### Why did you start your organisation?

**RRON BEQIRI:** For us, it was low wages, a lack of job variety, and trying to solve problems we encounter in our everyday lives.

**ANDRIY PAVLOVSKIY:** Over the past five years, my journalist colleagues and I had been asking the same question: How can we make our profession interesting not only for us, but also useful for society?

**SELIN UZUNOĞLU:** This idea emerged while I was in a bio-engineering graduate program. Finding time [for research] in biotechnology laboratories is very difficult, even at university, so I wanted to make biotechnology more accessible.

#### How would you describe the environment for new businesses in your country?

**PAVLOVSKIY:** I do not think conditions [in Ukraine] today are very favourable, but I am trying not to pay attention to this and move forward nevertheless.



The “Ye! BoostCamps,” taught some 120 young entrepreneurs financial and marketing skills important for business.

The EFSE DF, together with Child and Youth Finance International, set up mentoring seminars for youth-run businesses in Kosovo, Ukraine, and Turkey.



**UZUNOĞLU:** Entrepreneurship is now very popular in Turkey. Product development and production processes can progress rapidly, especially in Istanbul. There are many advantages for hardware startups.

**BEQIRI:** The overall bureaucratic process of running a business [in Kosovo] is becoming easier by the day. However it is still difficult to function in a regular manner due to issues such as the black market, corruption, and lack of regulations.

#### How did you feel when you learned you had qualified for the BoostCamp mentoring for young entrepreneurs?

**PAVLOVSKIY:** Frankly speaking, it was amazing. These were incredible emotions because by that stage, I’d had concerns as I thought only companies that have a working model and are already up and running could win.

**UZUNOĞLU:** I’m actually still quite surprised. All the other participants were pretty good.

#### Why did you enter, and what did you expect from the competition?

**UZUNOĞLU:** For us, one of the main goals was to improve our business model so we could become more competitive.

**BEQIRI:** We wanted to understand the basics of running a business, especially those facets dealing with the area of finance.

**PAVLOVSKIY:** There is a huge temptation for a project financed inside the country to be used [by someone who may not be trustworthy] for a massive public relations campaign. We didn’t have money to pay for this project, but if an individual from inside the country were to back us, they would have definitely wanted something in return.

#### Can you describe specific examples of how the training or mentoring has already helped your day-to-day business?

**BEQIRI:** It has helped us refine our idea and the path we want to take, which has led us into finding a niche market that we are currently targeting.



**PAVLOVSKIY:** I don’t even remember one day that you could say wasn’t useful. Or a time when one of the mentors or teachers said something irrelevant.

**UZUNOĞLU:** It especially helped us with the markets we needed to focus on. For example, genetically modified organism analysis for better education and better health.

#### What are your business’ prospects?

**UZUNOĞLU:** I hope the desktop DNA analyser we developed penetrates into the education sector. The [market] variations and options are unlimited.

**BEQIRI:** The main goal now is to move towards production.

#### Has there been any rise in demand or interest in your company since winning the competition?

**UZUNOĞLU:** We received our first orders after this competition. It was great for us.

**BEQIRI:** Yes, but mainly from [job] applicants since we have not launched yet.

The EFSE continues to sponsor these and many other types of programmes to promote entrepreneurship in the regions, and combines them with other concrete measures for new companies so they can further develop their businesses.



The winners of the Ye! BoostCamp in Kosovo





EFSE. CREATING OPPORTUNITIES.

# Building knowledge and skills

How the EFSE helps improve the availability of skilled labour and provides training specific to entrepreneurship and financial literacy.

Crafting wooden eyeglass frames is hard enough without having to worry about how to run a business.



## BUILDING KNOWLEDGE AND SKILLS

# What to do now

**S**tarting a new business can be tough. Fortunately for entrepreneurs in two Balkan countries, the Development Facility of the European Fund for Southeast Europe (EFSE) has been helping steer startups in the right direction, enabling them to both grow and thrive.

Marko Šunjić is a man with a plan – actually, a number of them. Metalworking skills learned at his father's company gave him confidence to found Koval, which makes cookware for Peka, a dish native to the Balkans. Running the Croatia-based company alone proved challenging from the start, especially when he tried to organise and prioritise tasks. "I had to do all the paperwork and make the products," he says. Even in its earliest days, his company faced one of the main questions confronting many startup managers: what do you do when you don't know what to do? And, there was perhaps an even bigger challenge: how to find out what you don't know.

## DIFFERENT COUNTRY, SIMILAR PROBLEM



Damir Bajraktarević (above) was at an impasse. The guitarist had started making his own instruments to sell, but prices for international shipping from his company in Bosnia and Herzegovina were cost-prohibitive, and the



One of the main questions startup managers are confronted with is, what do you do when you don't know what to do?

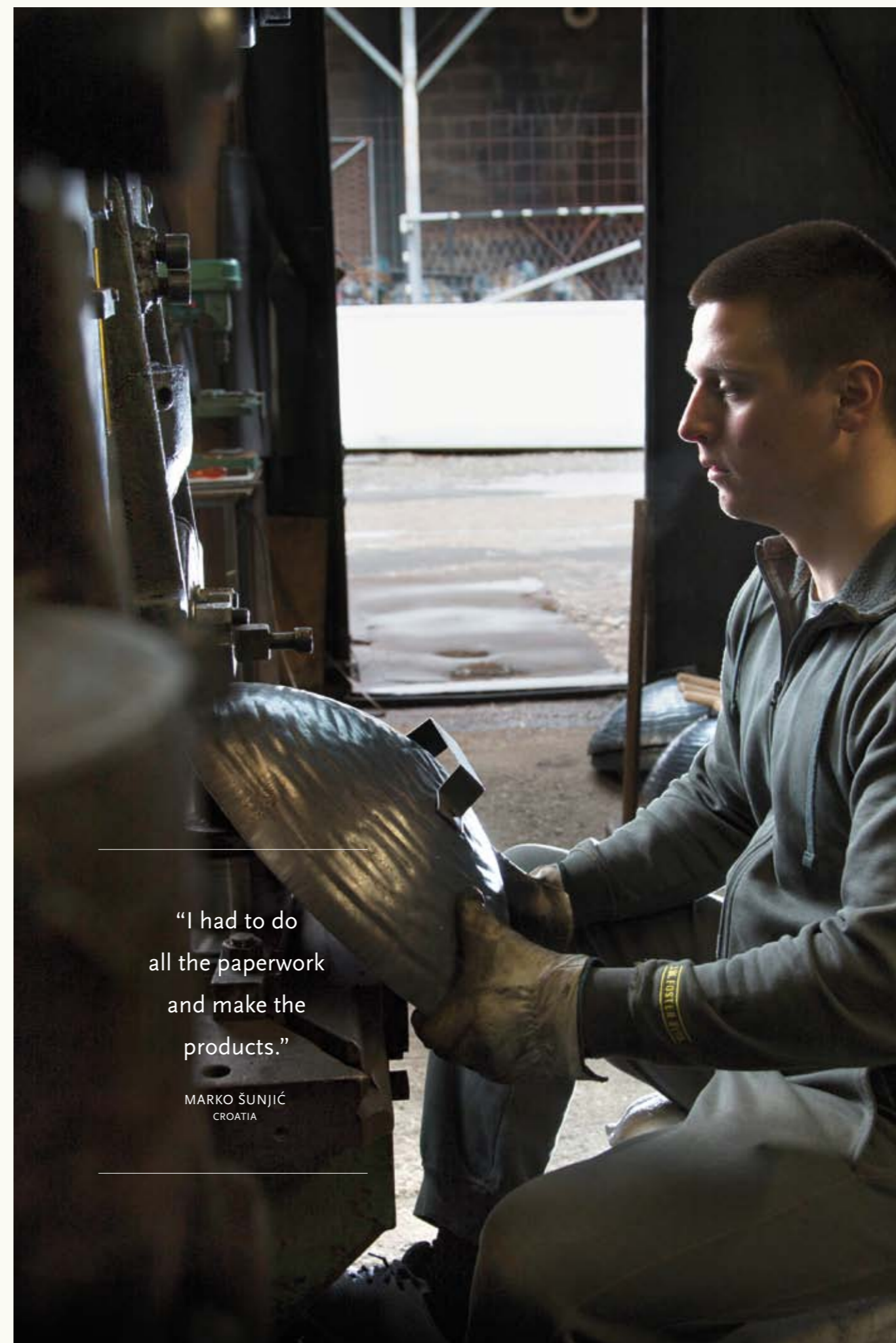
local market was failing to muster enough demand. This left him with a workshop full of equipment for shaping a material he had come to love: wood. Then inspiration struck in the form of eyeglass frames. Less expensive to ship and a trendy fashion statement, the frames attracted orders for his new company, Dawood.

But like his startup colleague in Croatia, Bajraktarević was also a one-man show, and the show wasn't that good. "My problem was organising the production process," he says. "I could not do the same thing for five days. Instead I was doing part of one process, then part of another one, and then part of another. It wasn't very efficient."

Fortunately for the young entrepreneurs, programmes that foster businesses in their home countries offered the kind of support they needed. In Croatia, the fund's development facility teamed with the SME and Entrepreneurship Policy Centre CEPOR for an initiative called Supporting



The Development Facility of the EFSE has been helping steer startups in the right direction, enabling them to both grow and thrive.



"I had to do  
all the paperwork  
and make the  
products."

MARKO ŠUNJIĆ  
CROATIA





After just three mentoring sessions, Dawood's production of wooden eyeglass frames nearly doubled.

Youth Self-Employment. Its workshops and mentoring sessions helped bring Šunjić's company on track. Mentors showed him management and organizational skills, and that he could no longer go it alone. "I first asked my brother to help, and he agreed. Then I asked my father to step in, too, when I was busy."

With helping hands in place, production ramped up to meet demand, so Koval was forced to hire two fulltime employees. "We had a lot of work. Not only for Peka cookware, but also for grills." That's right, in its first year the startup expanded both the number of its products and its workforce. Šunjić says his company has already secured a lucrative contract to make high-value grills for a restaurant chain owned by German brewery Paulaner, improv-



ing the B2B position of the business as suggested by his mentor; the next goals are to expand into grill production for consumers and hire a young trainee.

In Bosnia and Herzegovina, the EFSE Development Facility funded 50 hours of business training for 30 startups in partnership with the Sarajevo Economic Region Development Agency (SERDA), which provides mentors. Dawood's Bajraktarević says he began following the suggestions of his mentors as soon as he received them, and it did not take long before he felt things were going smoother. After just three mentoring sessions, Dawood's production of wooden eyeglass frames nearly doubled. "One thing I really needed was someone to tell me how to organise things."

Once only able to supply direct orders, Dawood now makes enough frames to stock shelves at retailers and distributors. That's just a start. "I've been advised to hire

Mentors taught the startups management and organizational skills.

"Once I start to supply my products internationally, I'll need even more help."

DAMIR BAJRAKTAREVIĆ  
DAWOOD EYEWEAR, BOSNIA AND HERZEGOVINA



For startups, it's vital to be able to consult someone with experience.

an apprentice from the woodworking vocational system," adding that it will become a fulltime position in 2017. The frame-maker has already mapped out further steps. "I plan to expand to the global market, and once I start to supply my products internationally, I'll need even more help."

Mentoring has made these two startups stronger, and they are already creating jobs. And this is just the beginning for them and many others taking advantage of the CEPOR and SERDA programmes sponsored by the EFSE Development Facility.



### ELIMINATING DISCONNECT

The social enterprise 3Down Print in Bosnia and Herzegovina offers 3D printing services while it prepares people with Down's Syndrome for the job market through paid internships. With four fulltime employees and 10 slots for its trainees, the company is also expected to earn a profit.

For the past decade, the country's Association for Down's Syndrome has been establishing programmes to help those afflicted, says 3Down Print CEO Amra Krvavac. "After years of working with children with Down's Syndrome, we learned that after high school, they would go home and just stay there. They didn't work. They didn't do anything. So we wanted to prepare young people for the labour market because working is a human right." With this in mind, 3Down Print has two goals: operating a sustainable business for the association, and preparing young people for the labour force by teaching them how to operate 3D printers and machines for binding and cutting, along with other marketable job skills. SERDA's mentorship programme is helping the company meet these challenges.

The first SERDA mentoring session laid the groundwork for the second, a half-day workshop at the business' premises focused on the relationship between management and ownership and a proposed reorganization of work tasks at the business premises. The advice proved pivotal to 3Down Print's success, Krvavac says. "For new companies, it's very important to be able to consult with someone with experience."

The mentoring has helped the company remain profitable despite the loss of a donor that was baked into the business plan. And by ensuring management is running smoothly, the company was able to turn its focus to other important aspects of the business: making 3D parts and training the less fortunate for a role in the job market.





Marija Milković, the owner of clothing company ETNO Mara, said the participation in the CEPOR workshops and mentoring sessions was a great learning experience.







EFSE. CREATING OPPORTUNITIES.

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# Expanding access to finance

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How the EFSE helps gear financial institutions and products toward delivering financial services that develop small businesses.



## EXPANDING ACCESS TO FINANCE

# Sowing the seeds of inclusion

**T**he European Fund for Southeast Europe has always worked to spread access to financial services to people living in the regions it serves. Support for this strategy also comes from the fund's Development Facility, which provides specialised training for local partners wishing to further develop their operations, especially their ability to finance micro and small enterprises.

In 2016, employees from Turkey's Fibabanka participated in facility-sponsored courses on practices proven to improve agricultural lending. **BAHADIR DOGAN**, manager of the Bursa branch office, and **MUSTAFA ANITSEV**, a loan officer in Bursa, explain how the training is contributing to a major shift in both the branch's portfolio and the bank's approach to opening new offices in the region.

**How have the seminars affected your day-to-day agricultural business?**

**BAHADIR DOGAN:** After the training, we, as the branch's agricultural sales team, felt much more comfortable communicating with clients, so understanding their needs became easier. We also were able to organise more visits to agricultural clients than ever before.



Bahadır Doğan underscores how the training helped communicating with clients.

**“Agricultural products have different harvest seasons that must be taken into consideration when defining the maturity of the loan.”**

**MUSTAFA ANITSEV**  
LOAN OFFICER, FIBABANKA, BURSA, TURKEY

**What stood out from the training?**

**DOGAN:** The most helpful lesson is that we need to understand the financing needs and production cycle of the client very well so we can arrange the amount and maturity of the loan accordingly.

**MUSTAFA ANITSEV:** Agreed. For example, agricultural products have different harvest seasons that must be taken into consideration when defining the maturity of the loan. We need to propose the correct maturity for clients according to their products.

**How have the courses impacted your focus on agricultural clients?**

**DOGAN:** In 2015, only 5% of the Bursa branch's loans were in agriculture. After the training, we increased the ratio to 24% at the end of 2016. For 2017, our target is to raise agricultural lending to half of the portfolio because the non-performing loan ratio is very low in agriculture.

**ANITSEV:** At the moment we are finalizing an average of two agri loans a day.



A major challenge: to propose the correct loan maturity for clients and their products.

**Your branch disbursed some 300 agricultural loans after the workshops, of which around 10 were to first-time borrowers. What is it like to work with new customers?**

**ANITSEV:** Personally, I now feel happier when introducing a client to the banking sector for the first time, but I also feel more responsible in that I need to provide more detailed information than I would to existing clients about



the basics of loan utilisation, repayment, credit cards, and other facets of finance. I also call and visit first-time borrowers more frequently after the loan is disbursed.

**What about the market as a whole?**

**DOGAN:** Agricultural production in Turkey totals some EUR 60 billion, of which 80% – or EUR 48 billion – is producer costs. We know total agricultural loan disbursements by all the banks in Turkey is around EUR 20 billion. Considering 60% of agriculture loans are working capital loans and 40% are investment loans, EUR 12 billion is the total for loans used by agricultural producers for their production. The difference between EUR 12 billion and EUR 48 billion is the huge potential market for agricultural loans in Turkey for the banks.

**“In 2015, only 5% of the Bursa Branch's loans were in agriculture. After the training, we increased the ratio to 24%.”**

**BAHADIR DOGAN**  
BRANCH MANAGER, FIBABANKA, BURSA, TURKEY

**Do you think this kind of training would suit other loan officers in Turkey?**

**ANITSEV:** Yes, I think that it is very important. Fibabanka has not been active in agriculture for a long time and we want to increase our exposure in the sector not only in Bursa, but also in other cities. We have two branches in Bursa and expect to have a third one in 2017 which will focus only in agriculture, and those new employees will need to be trained to provide a high level of specialised service to farmers.



EXPANDING ACCESS TO FINANCE

# In for the long haul

It's late spring in the sprouting fields outside Obrenovac, some 40 minutes south of the Serbian capital Belgrade, and the type of sunny day when it's good to be a farmer. But those who till the earth for a living know the weather can change in a snap.

That's why when Branko Trifunović gazes down the empty dirt road running past his farm, his mood darkens. He points to the top of a utility pole to show visitors where the floods crested in 2014. A year later, a drought dried up the region, drastically reducing his corn harvest, which forced him to thin his herds of cows, pigs and sheep. "We had to keep the numbers down and cut back the feed."

They say tough times don't last, but tough people do. One reason farmers like Trifunović are still working their fields is support from Opportunity Bank Serbia (OBS). A partner of the European Fund for Southeast Europe (EFSE), the bank has more agricultural clients than any other lender in the country. It also employs nearly 80 client advisors to help them. "That's double the number of all the other banks combined," Dejan Milovanovic says. He leads Opportunity's rural lending department and is proud his bank deploys the most staff in the country working in agricultural finance. The bank focuses on small-scale farmers, and the dedication of their staff on the ground, far from the comfort of a desk chair, is augmented by how the lender deals fairly and responsibly with the realities and possibilities of rural life. These attributes are what makes Opportunity a favoured borrower of the EFSE and a recurrent beneficiary of the fund's technical assistance funding via its development facility.

Trifunović and other farmers need competent guidance as they face both dangerously fickle weather and highly unpredictable shifts in the market price for their crops



Branko Trifunović decided to start farming full-time six years ago.

and goods. Ivica Jovičić, Opportunity's local client advisor, has been supporting Trifunović since he decided to start farming fulltime six years ago. Jovičić explains Opportunity Bank's philosophy: "We have a clear vision of our target group. They are people who really don't get any support from other banks. What is important is that the people feel they can lean on us."



Trifunović and his favourite of the flock, his "Cuddle Chicken"



Over the years, Opportunity Bank loans have helped keep Trifunović's farm running, which has also allowed his son to study at university.



EFSE's partner lending institution Opportunity Bank Serbia has more agricultural clients than any other lender in the country.

Jovičić is part of the neighbourhood, too, after growing up in the area, where he learned how to pilot a tractor and feed the livestock. Such local knowledge is important to the EFSE. It relies on people who grew up in Serbia to manage the fund's financing for partners like Opportunity, which on-lend the money to qualifying farmers like Trifunović. In addition, the fund's development facility sponsors tailored training to support the bank's institutional growth and deliver targeted instruction and mentoring to those working the fields.

Opportunity has found an adamant client in Trifunovic. "We have maximum cooperation and understanding," he says. "I really want to emphasize this because this is my

fifth loan." Over the years, that credit has helped keep the farm running, which has also allowed Trifunović's son to study at university.

These achievements and impact illustrate the importance of the fund's continued focus on the development of rural areas and the agriculture sector, as well as the strength of good and smart partnerships.



Livestock on the farm rely on the success of each year's harvest.



ANNUAL REPORT 2016

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# OPERATIONAL RESULTS AND DEVELOPMENT IMPACT

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LETTER FROM THE FUND MANAGER AND ADVISOR  
INVESTMENT OPERATIONS  
EFSE DEVELOPMENT FACILITY

## LETTER FROM THE FUND MANAGER AND ADVISOR

Dear Reader,

Those familiar with the regions the EFSE serves – Southeast Europe and the adjoining European Eastern Neighbourhood region – are also well aware of the challenges facing the people who live, work, and manage businesses there. Depending on the area in question, residents are contending with rural flight, high unemployment, capital shortages, weak local currencies, limited access to finance, and a slew other factors pressuring economic growth and prosperity.

This is the world in which the EFSE operates. One of our central goals is to create a climate supportive of micro and small medium enterprises in the EFSE regions. By helping the fund identify qualified local lenders, money feeds into businesses that have already gained a foothold in their respective markets. But we also extend our support beyond established companies to create or assist new ones. From this perspective, one of our main goals at the fund is to nourish the ecosystem for entrepreneurs in many different dimensions. We are therefore working on a broad menu of support activities, including funding, technical assistance, and capacity-building, along with sector dialogue. By the same token, we also understand that effectively fostering the ecosystem for entrepreneurs is an enormous task, one that cannot be accomplished by the EFSE alone. Here we actively seek to develop and enhance our partnerships, including those with other funders, local and international NGOs, associations, and government or international support programmes, to mention just a few.

The EFSE is a financial enterprise, but it was once a startup, too. We understand what is needed to advance enterprise development because we ourselves have gone through the different stages of that development within challenging operating environments in the same way as many of our partner lending institutions and their business clients. And we are keenly aware of the components critical for successfully developing a business: understanding local market conditions and always being accessible to our business partners, adjusting with agility and flexi-

bility to changing conditions, entering into partnerships and leveraging networks, and continuously innovating and developing creative solutions.

Let's provide you with some key examples to highlight the above: with some 40 people on the ground in the EFSE regions, the fund seeks active dialogue with our more than 70 partner lending institutions. We have entered into strategic partnerships with several local business development initiatives, and we also helped create new, important forces in the ecosystem of enterprise financing, such as the establishment of the first debt counselling centres in the Western Balkans, which started in Bosnia and Herzegovina several years ago. Fincluders, our startup challenge for identifying and sponsoring creative fintech applications for our partners – both at the level of our partner lending institutions and the level of the end-clients (p. 20), shows we are supporting innovation and leveraging technical know-how that not only exists within the region, but is also available internationally and suitable to meet local challenges.

The fund's performance underlines its success. Our outstanding portfolio of EUR 924.3 million at year-end and EUR 265.3 million of new disbursements during the year supported more than 160,000 end-clients. The large majority of these loans – 89% – bolstered microenterprises, particularly agricultural producers. The portfolio at risk of the fund's refinanced sub-loan portfolio was well below the sector average, proving the solid quality of the EFSE's partner selection process and the strength of the institutions with which it cooperates.

But funding is just one important element of the ecosystem that nourishes businesses. Equally important is the provision of technical support. In 2016, the Development Facility Committee approved 37 projects valued at EUR 3.2 million, a 12% rise from the previous year. Over the course of 12 months, the facility managed a record 110 projects worth EUR 8 million, a significant increase from 95 projects with a total budget of EUR 5.7 million in 2015. The main area of focus in 2016 was business promotion, including but not limited to startups, as you will appreciate from the common thread of this report.



JENS GILTJES

Vice President,  
Oppenheim Asset  
Management Services

FLORIAN MEISTER

Managing Director,  
Finance in Motion

SYLVIA WISNIWSKI

Managing Director,  
Finance in Motion

ELVIRA LEFTING

Managing Director,  
Finance in Motion

THOMAS ALBERT

Managing Director,  
Oppenheim Asset  
Management Services

Combining financial support with technical assistance and sector activities, we hope to foster current businesses and nurture startups as we promote ecosystems conducive to entrepreneurship on the ground in 16 target markets.

Finally, we thank all key stakeholders of the fund for their ongoing support. The success of the EFSE in its 11th year

of operation would not have been possible without the continuous guidance and encouragement of the Board of Directors, the Investment Committee, and the Development Facility Committee. These decision-makers provide a mixture of persistence and inspiration that has allowed us to enter the new business year with confidence as we strive to further increase prosperity and economic development in the regions we serve.



## INVESTMENT OPERATIONS – A STRONG BACKBONE FOR ENTREPRENEURSHIP

The EFSE has been providing financial support to micro and small enterprises (MSEs) in the regions it serves for over a decade. Despite constant fluctuations in key markets, the fund continues to provide much needed support to the development of various economic sectors in its target countries.

Financial institutions faced great challenges in 2016, much like in the years before. Market volatility remained high, even increasing in some areas, with regulatory changes making life even more difficult. Meanwhile, challenges in key markets and pressure on local currencies combined to stifle growth in the EFSE countries. Low-income households and MSEs, EFSE's key target groups, failed to make significant financial inroads due to the slow recovery of many economies, not to mention those still languishing in recession. Further drops in employment in a number of markets were another unfortunate result. Unsurprisingly, investment activity was low at the MSE and household level despite sufficient liquidity being available to banks in the regions the fund serves.

All in all, the EFSE disbursed EUR 265.3 million across 42 investment projects in 2016. By year's end, total investment portfolio volume had reached EUR 924.3 million. Altogether, since its establishment in 2005 the fund has provided EUR 2.2 billion to EFSE's partner lending institutions (PLIs) to finance MSE projects and low-income households, covering some 382 investment transactions.

By the end of 2016, the EFSE had collaborated with 72 PLIs, these being made up of a relatively equal share of microfinance

institutions (MFIs) and large commercial banks, as well as a number of non-banking financial institutions (e.g., leasing companies). Here, diversification continues to be the key: the EFSE cooperates with institutions of most every size and variety to meet the demands of its target groups, from small, local MFIs servicing rural areas to some of the regions' biggest and most advanced commercial banks.

With such a diversity of partners and clients, it's not surprising that investment volume was similarly varied, ranging from EUR 0.5 to EUR 25 million. Of the 44 investments approved in 2016, 15 were made in non-EUR currency, an increase of non-EUR financing from 25.9% of the total portfolio share in 2015 to 32.2% in 2016. Three key areas shared EFSE's financing volume in equal measure (33%), namely housing, rural development, and MSEs. A record on-lending rate of 109% was achieved in 2016, underlining the PLIs' determination to support households and MSEs by supplementing EFSE funds with their own.

Notably, the EFSE also continued its support of the Ukrainian economy, making it one of only a very few international lending institutions to provide local currency funding to Ukrainian banks.

In spite of the many achievements of 2016, the EFSE recorded its first-ever principal loss, although one of only circa USD 41,000. The fund nevertheless concluded the year with a low level of impairment allowances (only 0.5% of the portfolio), a testimony to the strength of its partners operating in challenging environments.

**A record on-lending rate of 109% was achieved in 2016, underlining the PLIs' determination to support households and MSEs by supplementing EFSE funds with their own.**

At the end of 2016, for the first time since EFSE's inception, the level of outstanding sub-loans reached EUR 1.0 billion, consisting of 161,390 loans to active sub-borrowers. Since inception, sub-loan disbursements, meanwhile, have amounted to EUR 5.9 billion, spread out across 860,246 sub-borrowers. Overall, the EFSE is currently distributing close to EUR 1 billion a year through its PLIs, underlining the fund's significance and the relevance of its products across the entrepreneurial spectrum.

By the close of 2016, 46% of outstanding sub-loans were denominated in local currency, thus helping to eliminate currency risks at the MSE and household level. The latter objective remains one of the most important of the EFSE and its PLIs.

As regards specific allocation of funds, the agriculture sector is clearly the fund's key beneficiary, receiving close to half of all sub-loans disbursed to MSEs and rural MSEs. Some 27% of the funds disbursed for business purposes went to this sector, an important contribution to the development of this segment as well as rural areas and livelihoods.

The volume of funds allocated to housing loans rose in 2016 to 25% from 21% in the previous year. These two statistics underline the EFSE's desire to support the sector in the regions it serves by providing housing to low-income families and supporting the agricultural sector in its efforts to promote prosperity and economic development.

### AT A GLANCE

#### INVESTMENT OPERATIONS

Total outstanding investment portfolio	On-lending rate	Sub-loans disbursed to the agricultural sector (by number)	Impairment ratio	Sub-loans disbursed to the agricultural sector (by volume)	Share of non-EUR financing in 2016
EUR 924.3 million	109%	44%	0.5%	27%	32.2%



## EFSE DEVELOPMENT FACILITY – INCREASING OUTREACH

The EFSE Development Facility (DF) enjoyed another top-performing year in 2016, with significant growth and outreach that accompanied and supported the success of EFSE investments. During the year, the DF focused on providing high levels of project quality and satisfaction to partner lending institutions (PLIs) and strengthening core capacities in various areas of their operations. In addition, the DF partnered with a record 66 development organisations and financial institutions in the majority of the 16 EFSE markets. The DF also activated important new initiatives and operational expansions in 2016:

- **Pilot projects overcame barriers** for young entrepreneurs, social enterprises and fintech startups. The competitions, mentorship, and coaching included the new and highly successful Fincluders programme, which identified top concepts and business ideas for spreading financial inclusion in the EFSE regions with the support of financial technologies (p. 20). It will continue its mission in the coming years.
- Broad experience emerged from **cooperation with major actors in the entrepreneurial ecosystem**, including central banks, PLIs, financial and business organisations, fintechs, and national and international support networks for startups. The partnerships strengthened advisory and other support services for startups and MSEs.

- A combination of **individual and direct technical assistance (TA) promoted agrilending** at a partner bank in Turkey by providing training tailored to client farmers, loan officers, and bank managers (p. 36).
- **The strong focus on financial education continued** through existing partnerships with central banks and other organisations. Projects developed financial education strategies and action plans, expanded debt counselling services, and taught journalists about the financial sector.

In 2016, the Development Facility Committee approved 37 projects; project volume rose 12% year-on-year to EUR 3.2 million. Since the inception of the EFSE, PLIs have contributed 31% of their own money for individual TA projects, a high share demonstrating their commitment and ownership of implemented projects. In 2016, the DF managed a record 110 projects compared to 95 the year earlier. Project value rose to EUR 8 million from EUR 5.7 million in 2015. At the same time, the DF streamlined internal processes and increased efficiency.

DF projects concentrated largely on tailored and rapid individual PLI support in various forms – including training and consultancy – with the goal of allowing partners to operate efficiently, responsibly, and profitably, and to respond to market changes. In 2016, the EFSE DF managed 53 individual TA projects. They led to, among other things, the introduction of risk-based internal auditing at an Armenian partner bank, better operational efficiency of a bank in Serbia through an agricultural finance application, and streamlined lending operations at a microfinance institution in Kosovo. The EFSE DF also piloted initiatives to directly train and coach PLI clients in areas such as ecological farming and business plan development.

DF projects concentrated largely on tailored and rapid individual PLI support in various forms with the goal of allowing partners to operate efficiently, responsibly, and profitably, and to respond to market changes.

In 2016, the DF supported 47 projects in cooperation with regulators and industry associations in EFSE countries. These included a workshop on recent fintech advancements for members of Armenia’s financial community, a three-day conference on IFRS implementation in Ukraine’s banking sector, and a seminar in Serbia about Basel III and asset and liability management. For financial sector training, the DF partnered with groups such as the Kosovo Banking Association, and the association of banks in the Ukraine.

In applied research, some of the 10 EFSE DF studies in 2016 examined market trends, the financial requirements of small businesses and farmers, and the impact of development finance and over-indebtedness. Moreover, the Kosovo Banking Association selected a DF study on digital financial services in Kosovo for public presentation, and the findings have motivated local banks and microfinance institutions to explore ways technology can reduce costs and increase outreach to remote clients.

In 2017, developing strategic partnerships to support enterprises from startup to maturity will remain crucial, as will

promoting entrepreneurship development. Replicating successful partnerships with local enterprise development organisations and cooperating with new ones will support this approach. So will bolstering responsible finance activities with sector partners, and identifying and applying fintech solutions at EFSE PLIs.

Finally, demand-oriented individual TA remains a priority. Such projects are expected to feature bilateral collaboration similar to previous partnerships with FedInvest in Albania, KrK and AFK in Kosovo, Credo and Crystal in Georgia, and Finansbank and Fibabanka in Turkey.

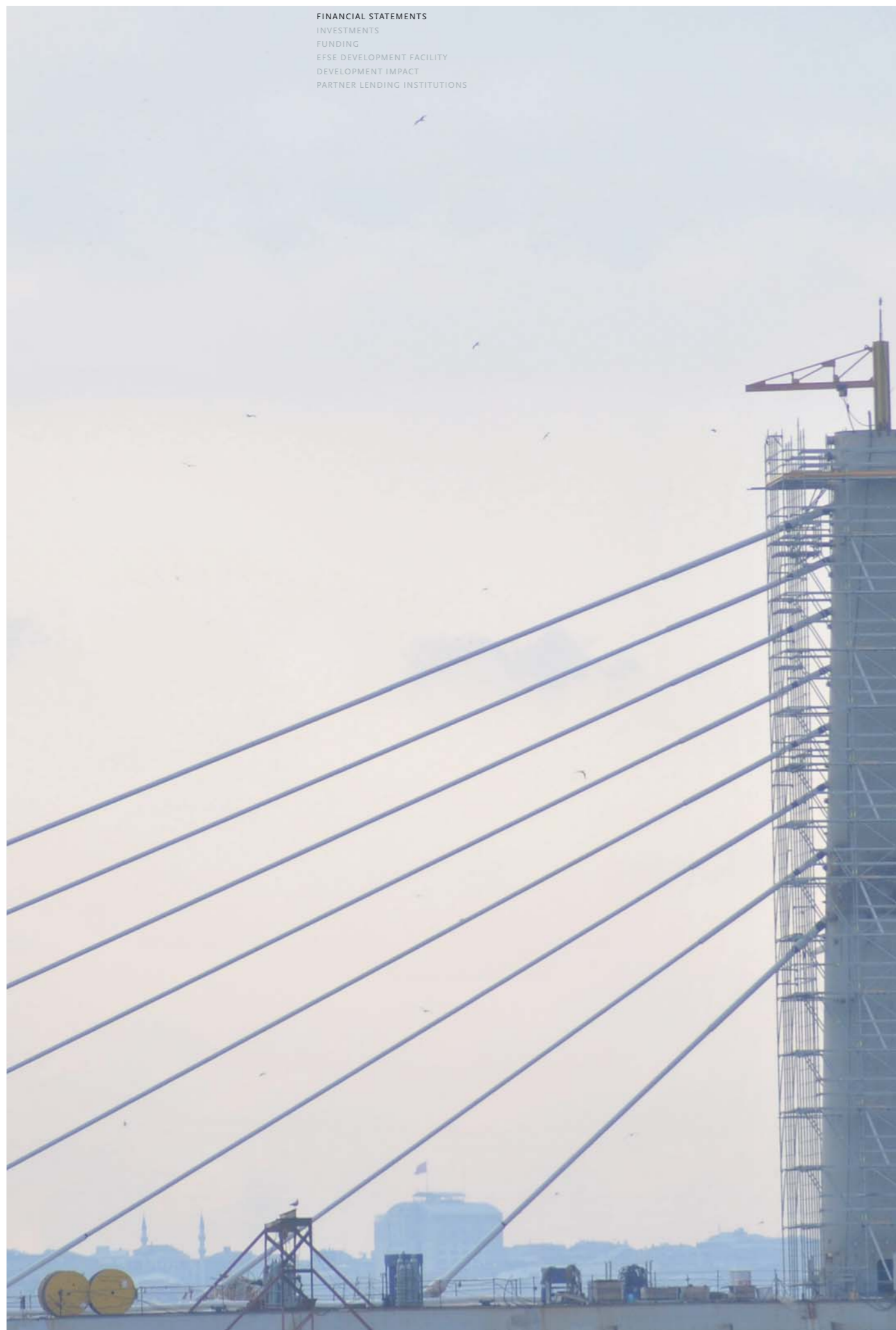
### AT A GLANCE

#### EFSE DF HIGHLIGHTS

Ongoing projects under management	Projects approved in 2016	Number of partners receiving TA in 2016	Total volume of funds disbursed by TA since inception	Average cost sharing by PLIs for individual TA since inception
110	37	66	EUR 16.7 million	31%



FINANCIAL STATEMENTS  
 INVESTMENTS  
 FUNDING  
 EFSE DEVELOPMENT FACILITY  
 DEVELOPMENT IMPACT  
 PARTNER LENDING INSTITUTIONS



## FINANCIAL STATEMENTS

### BALANCE SHEET

In EUR as at 31 December

	2016	2015
<b>ASSETS</b>		
Gross loans to partner lending institutions	912,066,518	943,414,130
Unamortised discount	(3,243,866)	(3,501,295)
Loan-loss allowance	(5,035,000)	(3,500,000)
Loans to partner lending institutions	903,787,652	936,412,835
Derivative financial instruments	7,238,800	7,904,222
Equity investments	4,715,591	4,305,072
Share of investment in associates	2,226,506	2,004,351
Held-to-maturity investments	11,299,553	–
Other receivables	651,483	639,447
Deposits and cash collateral	23,026,803	–
Cash at bank	19,857,812	132,905,631
<b>Total assets</b>	<b>972,804,200</b>	<b>1,084,171,558</b>
<b>LIABILITIES</b>		
Derivative financial instruments	2,621,460	114,871
Accrued expenses	3,579,665	3,979,043
Payable resulting from savings related to Double Taxation Treaties	3,062,426	1,784,806
Withholding tax payable	2,616,906	3,271,695
Payable resulting from interest on Notes	24,982	380,680
Other payables	3,568,667	64,125
Deposits and cash collateral	2,754,872	–
Distribution to holders of redeemable ordinary shares payable	17,119,475	14,856,837
Net assets attributable to holders of redeemable ordinary A shares	329,297,072	387,250,054
Net assets attributable to holders of redeemable ordinary B shares	80,970,642	93,940,221
Notes	152,147,328	219,997,961
<b>Total liabilities</b>	<b>597,763,495</b>	<b>725,640,293</b>
<b>EQUITY</b>		
Total share capital (C Shares)	330,593,214	312,581,169
Total share premium (C Shares)	2,182,591	2,408,127
Available-for-sale reserve (C Shares)	1,284,291	873,772
Total retained earnings (C Shares)	40,980,609	42,668,197
<b>Total equity (C Shares)</b>	<b>375,040,705</b>	<b>358,531,265</b>
<b>Total liabilities and equity</b>	<b>972,804,200</b>	<b>1,084,171,558</b>



## INCOME STATEMENT

In EUR for the period 1 January to 31 December

	2016	2015
<b>REVENUE</b>		
Interest income on loans	49,307,436	46,408,613
Interest income on deposits	171,186	134,563
Share of the profit of associates	222,155	199,729
Net change in discount amortisation on loans	257,429	332,234
Net change in discount amortisation on held-to-maturity investments	2,430	0
Other income	12,861,177	5,791,124
Change in unrealised gain on derivatives	626,230	7,572,688
Realised gain on derivatives	645,670	2,232,440
Realised and change in unrealised gain on exchanges	15,253,851	28,490,648
Reversal of loan loss allowance	0	285,486
<b>Total investment income</b>	<b>79,347,564</b>	<b>91,447,525</b>
<b>EXPENSES</b>		
Interest expenses on Notes	4,438,629	4,917,868
Investment management fees	12,025,518	12,340,153
Withholding tax on interest income	539,675	1,486,706
Direct operating expenses	3,688,728	3,756,904
Development Facility	1,765,288	1,398,454
Other expenses	12,806,175	6,111,549
Change in unrealised loss on derivatives	3,798,241	65,537
Realised loss on derivatives	1,017,834	8,686,405
Realised and change in unrealised loss on exchanges	17,181,751	31,864,163
Realised loss on loans	39,119	114,604
Loan loss allowance	1,535,000	0
<b>Total operating expenses</b>	<b>58,835,958</b>	<b>70,742,343</b>
<b>Operating profit before tax</b>	<b>20,511,606</b>	<b>20,705,182</b>
Savings related to Double Taxation Treaties	(1,277,620)	(1,779,620)
<b>Total net result attributable to shareholders*</b>	<b>19,233,986</b>	<b>18,925,562</b>

\* This includes net income of -1,687,588 2016 and -70,187 2015, attributable to the equity shareholders (C Shares) according to the waterfall rules in the Issue Document. These effects can be unrealised and temporary. The loss for 2016 was mainly driven by the increase in the loan-loss allowance during the year.

## CASH FLOW STATEMENT

In EUR as at 31 December

	2016	2015
<b>OPERATING PROFIT BEFORE TAX</b>	<b>20,511,605</b>	<b>20,705,182</b>
<b>Adjustment for non cash items</b>		
Discount amortisation on loans to partner lending institutions	(257,429)	(332,234)
Discount amortisation on Notes	682,728	686,113
Discount amortisation on held-to-maturity investments	(2,430)	-
Loan loss allowance	1,535,000	(285,486)
Net foreign exchange impacts	7,340,115	11,321,793
Savings related to Double Taxation Treaties	(1,277,620)	(1,779,620)
<b>Operating profit after adjustments for non cash items</b>	<b>28,531,969</b>	<b>30,315,748</b>
Net (increase)/decrease in other accrued income and prepaid expenses	(430,682)	434,676
Net (increase)/decrease in other receivables	(12,036)	(494,446)
Net increase/(decrease) in accounts payable and accrued expenses	522,544	(121,672)
Net increase/(decrease) in other payables	3,504,542	(25,289,854)
Net increase/(decrease) in deposits and cash collateral	(20,271,931)	-
Net increase/(decrease) in withholding tax payable on interest income	(654,789)	921,996
<b>Cash flow from operating activities</b>	<b>11,189,617</b>	<b>5,766,448</b>
<b>Cash flow from investing activities</b>		
Cash paid on loans to Partner Lending Institutions granted	(322,683,768)	(254,385,730)
Cash received on loans to Partner Lending Institutions matured	354,530,200	251,051,742
(Increase) in share of investment in associates	-	(45,000)
(Increase) in held-to-maturity investments	(10,847,685)	-
<b>Cash flow from investing activities</b>	<b>20,998,747</b>	<b>(3,378,988)</b>
<b>Cash flow from financing activities</b>		
Cash received on Notes issued	-	120,680,000
Cash paid on Notes redeemed/matured	(68,533,361)	(88,962,574)
Cash received on shares issued	107,880,974	77,464,091
Cash paid out on shares redeemed	(165,924,861)	(40,000,000)
Distributions paid to holders of redeemable ordinary shares	(18,658,936)	(17,054,082)
<b>Cash flow from financing activities</b>	<b>(145,236,184)</b>	<b>52,127,435</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(113,047,820)</b>	<b>54,514,895</b>
<b>Opening cash and cash equivalents</b>	<b>132,905,631</b>	<b>78,390,736</b>
<b>Closing cash and cash equivalents</b>	<b>19,857,811</b>	<b>132,905,631</b>

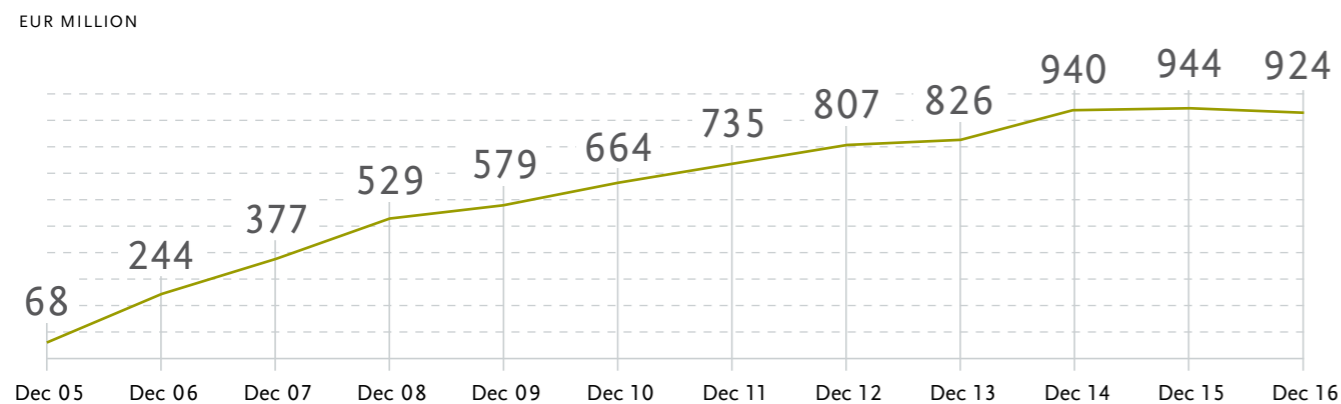


# INVESTMENTS

## OUTSTANDING INVESTMENT PORTFOLIO

Since inception in December 2005

Total outstanding investment portfolio on 31 December 2016: EUR 924.3 million

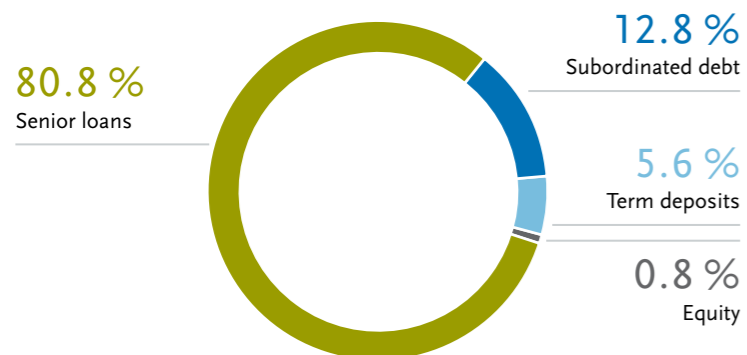


The fund's outstanding investment portfolio declined EUR 20 million in 2016 to EUR 924 million at year's end following repayments of some EUR 370 million.

## OUTSTANDING INVESTMENT PORTFOLIO BY FINANCIAL INSTRUMENT

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2016: EUR 924.3 million



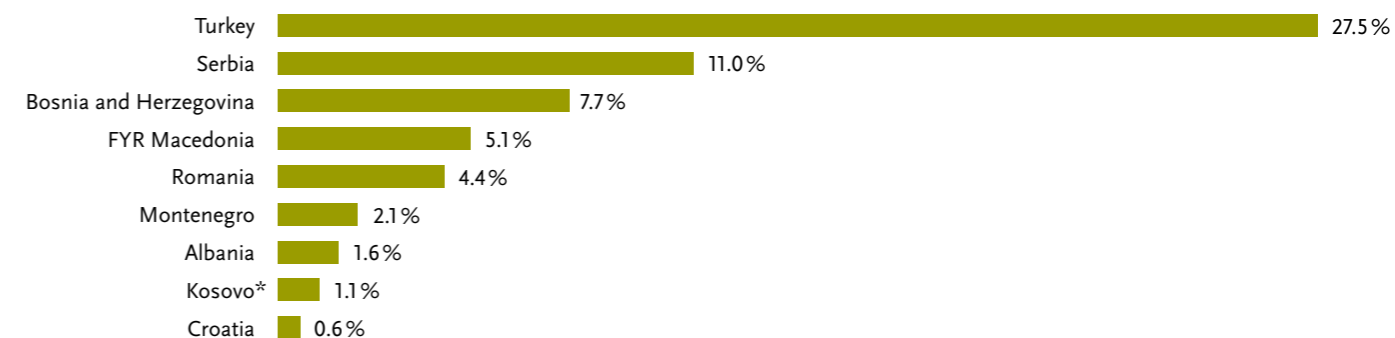
Senior debt instruments continued to play the main role in the EFSE investment portfolio with a share of more than 80%. The percentage of subordinated debt declined in 2016 while the portion of term deposits increased.

## OUTSTANDING INVESTMENT PORTFOLIO BY COUNTRY

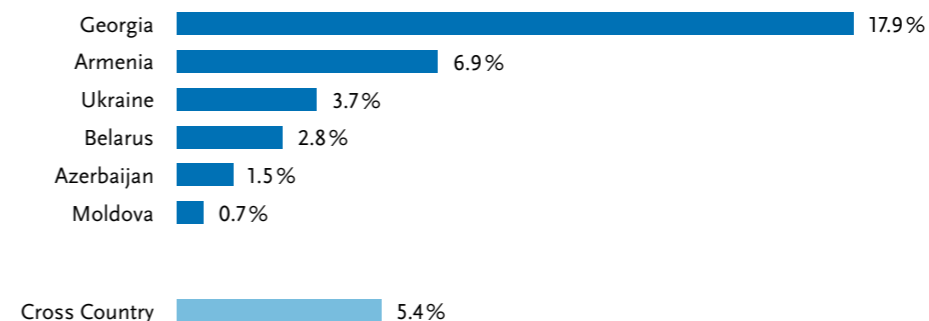
Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2016: EUR 924.3 million

### Southeast Europe (SEE)



### European Eastern Neighbourhood Region (ENR)



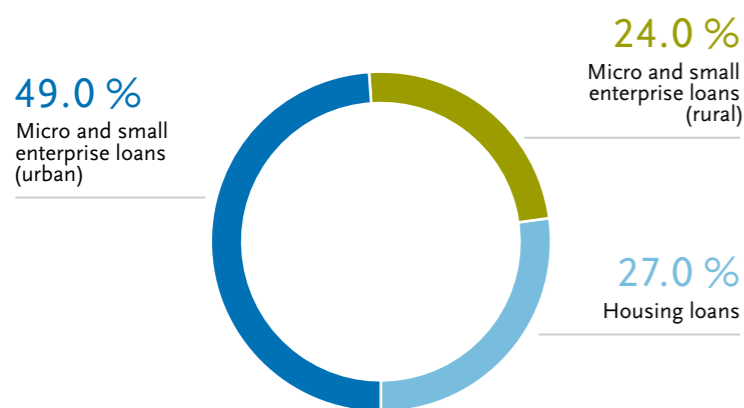
In 2016, the SEE share of the investment portfolio fell six percentage points to 61% at year-end, with Turkey maintaining its top spot in the region. For the ENR portfolio, Georgia's share rose six points to 18%, which helped increase the ENR portfolio four points to 33.5% of the fund's overall investment portfolio.

\*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

### OUTSTANDING INVESTMENT PORTFOLIO BY PRODUCT

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2016: EUR 924.3 million

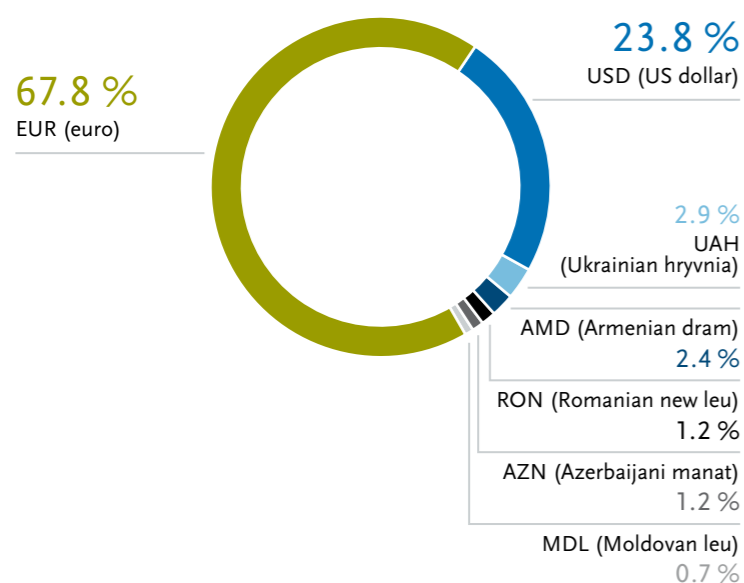


The portfolio share of rural MSE loans increased by three percentage points during 2016 to 24% of the overall investment portfolio. Housing loan products gained relevance during the year with a portfolio share of 27% on 31 December 2016 (up from 20% in 2015), and urban MSE representation in the portfolio decreased to 49%.

### OUTSTANDING INVESTMENT PORTFOLIO BY CURRENCY

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2016: EUR 924.3 million



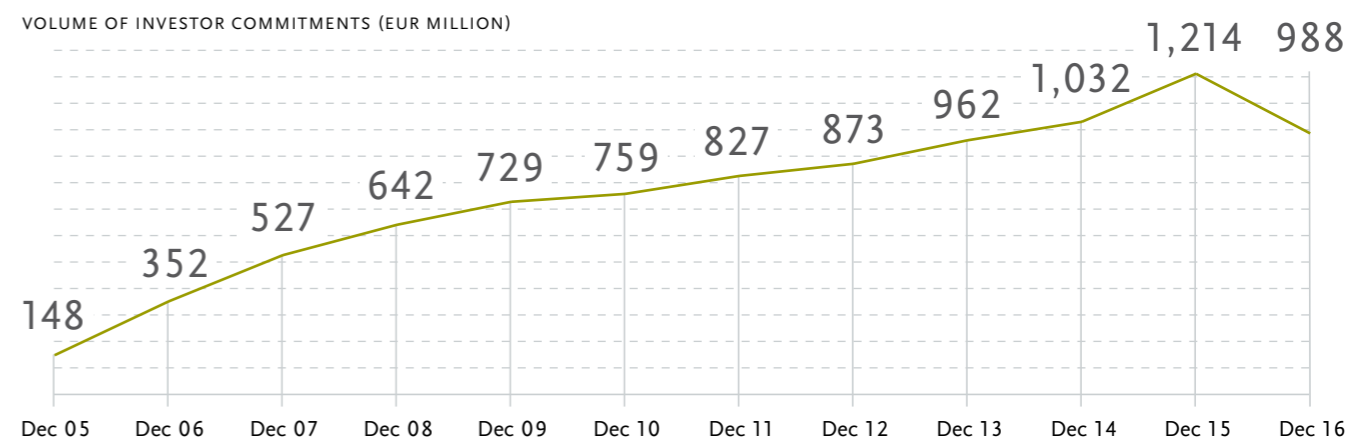
During 2016 the share of local currency and USD investments have increased to 8.4% (from 5.2% in 2015) and 23.8% (from 20.7% in 2015), respectively, due to disbursements of synthetic local currency facilities in Ukraine and Armenia and local currency loans disbursed in Romania. This shows the increasing importance and demand for local currency lending in the EFSE target countries, a trend expected to continue in coming years.

## FUNDING

### TOTAL COMMITMENTS

Total volume of committed funds from investors as at 31 December 2016: EUR 987.5 million.

VOLUME OF INVESTOR COMMITMENTS (EUR MILLION)



Due to the considerable amount of scheduled redemptions throughout 2016, total commitments from investors decreased around EUR 230 million to EUR 987.5 million at year's end. Following the extremely high volume of newly committed capital at the end of 2015, only EUR 18 million of fresh capital was committed in 2016.

### INVESTOR COMMITMENTS AND SUBSCRIPTIONS BY INVESTMENT CLASS

As at 31 December 2016

INVESTMENT CLASS*	VOLUME (EUR MILLION)	SHARE (%)
Notes	153,000,000	15.5
A shares	360,109,984	36.5
B shares	95,970,643	9.7
C shares	378,440,158	38.3
<b>Total</b>	<b>987,520,785</b>	<b>100.0</b>
<b>Subscribed (NAV)**</b>	<b>938,308,411</b>	

\* All commitments are shown as gross commitments.

\*\* Not all commitments in shares and notes were subscribed on 31 December 2016.

95% of the fund's capital commitments were subscribed at the end of 2016. Private investors were responsible for 16% of committed capital at the end of 2016.



## INVESTORS BY TYPE OF INVESTMENT CLASS

As at 31 December 2016

NOTES	B SHARES – MEZZANINE TRANCHE
Crédit Coopératif	Central Bank of Armenia
GLS Gemeinschaftsbank eG	European Bank for Reconstruction and Development
Private Investors via Deutsche Bank	European Investment Bank
Steyler Bank	Finance in Motion
Versorgungsfonds des Ministeriums der Finanzen Land Brandenburg	The Netherlands Development Finance Company (FMO)
	International Finance Corporation
	Kreditanstalt für Wiederaufbau (KfW)
	Oesterreichische Entwicklungsbank (OeEB)
A SHARES – SENIOR TRANCHE	C SHARES – JUNIOR TRANCHE
BN&P – Good Growth Fund	Central Bank of Armenia
European Bank for Reconstruction and Development (EBRD)	European Commission (with European Investment Fund and KfW as Trustees)
European Investment Bank (EIB)	Government of Austria (ADA)
The Netherlands Development Finance Company (FMO)	Government of Denmark (DANIDA)
International Finance Corporation (IFC)	Government of Germany (BMZ)
Kreditanstalt für Wiederaufbau (KfW)	Government of Switzerland (SDC)
Oesterreichische Entwicklungsbank (OeEB)	Oesterreichische Entwicklungsbank (OeEB)
	Republic of Albania

## EFSE DEVELOPMENT FACILITY

## TOTAL SCOPE OF ACTIVITIES

Based on total project volume

	CUMULATIVE, FROM 2006 TO 31 DECEMBER 2016		2016 APPROVAL	
	Volume (EUR)	Share (%)	Volume (EUR)	Share (%)
MSE Lending	9,439,037	56.6	2,118,022	68.3
Agricultural and Rural Finance	1,577,298	9.5	225,911	7.3
Housing Finance	157,832	0.9	–	0.0
Local Currency Lending	602,997	3.6	–	0.0
Mobile Financial Services	151,069	0.9	38,720	1.2
Responsible Finance	3,447,344	20.7	687,839	22.2
Other	1,301,968	7.8	32,184	1.0
<b>Total</b>	<b>16,677,545</b>	<b>100.0</b>	<b>3,102,676</b>	<b>100.0</b>

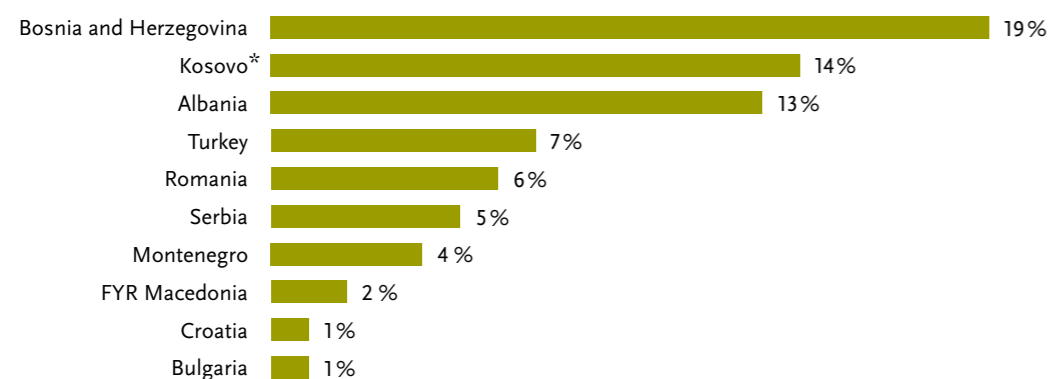
The EFSE Development Facility (DF) offers tailored technical assistance and training to the fund's partner lending institutions, it conducts high-level research that includes development impact assessments, and it contributes to strengthening the region's financial sector through advisory support at the governmental agency level and by actively fostering responsible finance. The DF implements projects covering a range of relevant topics, including the key areas of micro and small-enterprise lending, responsible finance, and agricultural and rural finance.

### TECHNICAL ASSISTANCE (TA) PROJECT DISTRIBUTION BY COUNTRY

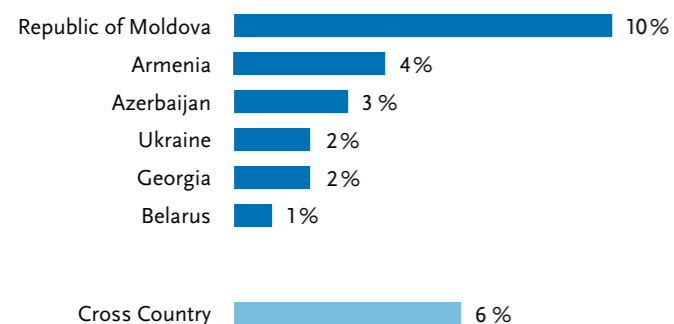
Based on number of projects

Cumulative, from 2006 to 31 December 2016

#### Southeast Europe (SEE)



#### European Eastern Neighbourhood Region (ENR)



The largest share of technical assistance activities (by project volume) has been in Bosnia and Herzegovina (19%), followed by Kosovo (14%) and Albania (13%); these three countries account for just under half of the total projects implemented since inception.

\*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

### TECHNICAL ASSISTANCE (TA) FUNDING CONTRIBUTIONS BY FUNDING SOURCE

Based on amount approved

All projects

Cumulative, from 2006 to 31 December 2016

	IN EUR	SHARE (%)
<b>TOTAL NUMBER OF PROJECTS: 337</b>		
Total project budget	16,677,545	100
Partner contribution (PLIs and sector institutions)	3,842,780	23
EFSE DF contribution	11,998,522	72
EFSE DF donors (and third parties)	836,243	5

Since inception, partner lending institutions and third parties have contributed 28% of project budgets.

Individual technical assistance projects

Cumulative, from 2006 to 31 December 2016

	IN EUR	SHARE (%)
<b>NUMBER OF PROJECTS: 208</b>		
Project budget	10,844,475	100
PLI contribution	3,393,768	31
EFSE DF contribution	6,622,465	61
EFSE DF donors (and third parties)	828,242	8

Since inception, partner lending institutions have contributed 31% of the costs relating to project costs for TA projects targeting partner lending institutions (individual TA).

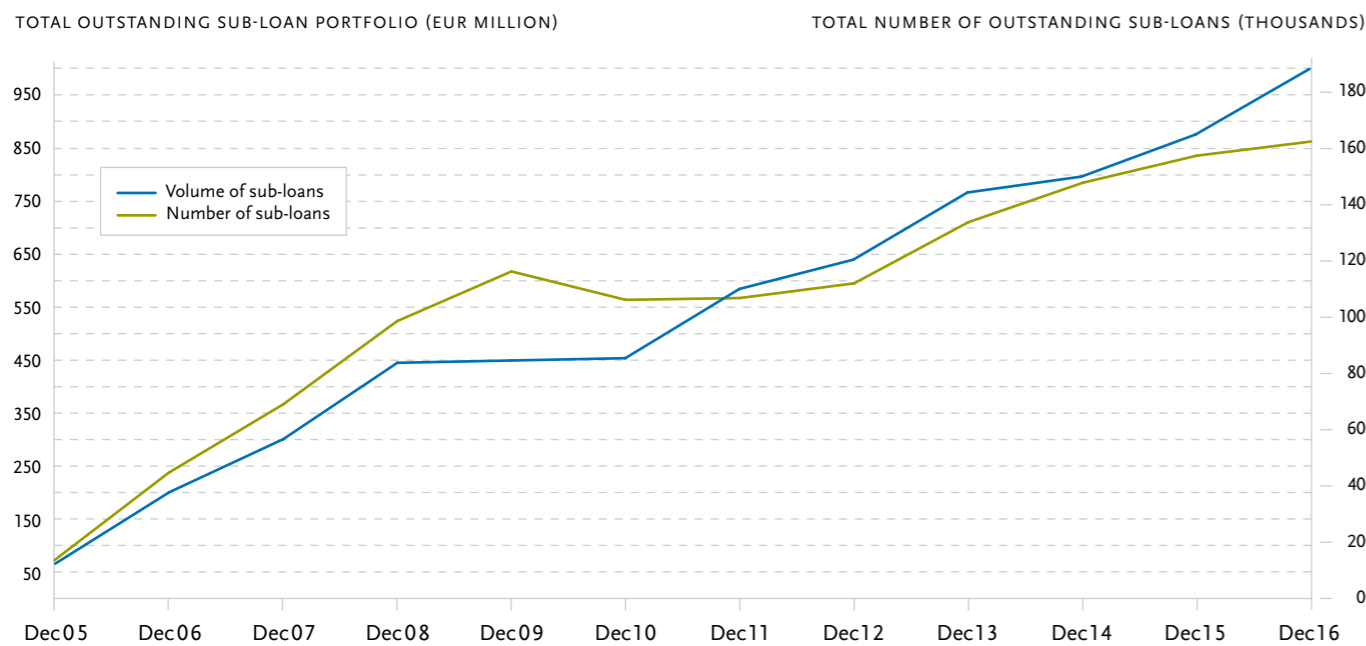


## DEVELOPMENT IMPACT

### OUTSTANDING SUB-LOAN PORTFOLIO

As at 31 December 2016

Total outstanding number of sub-loans on 31 December 2016: 161,390  
 Total outstanding sub-loan portfolio on 31 December 2016: EUR 1.0 billion



In 2016, the number of outstanding sub-loans continued to increase and reached 161,390 at the end of the year. Considering the more pronounced rise of outstanding volume in 2016, the average sub-loan amount rose slightly to EUR 6,225.

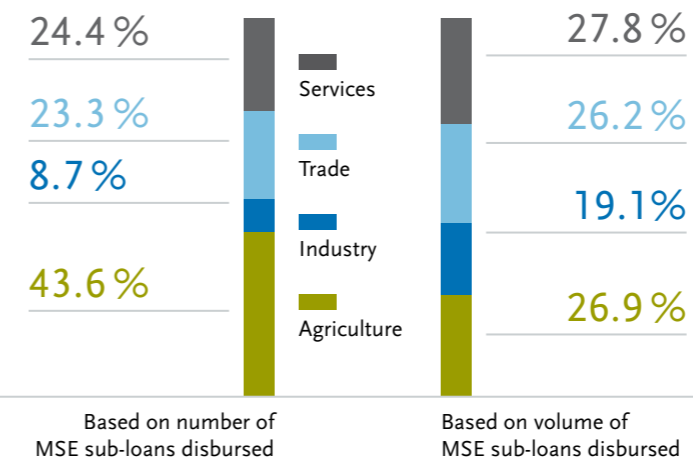
### OUTSTANDING SUB-LOAN PORTFOLIO BY PRODUCT

As at 31 December 2016

	2016	2015
<b>Outstanding sub-loan portfolio to end-borrowers (EUR million)</b>	<b>1004.7</b>	879.0
Micro and small-enterprise loans – urban & rural	748.9	693.4
Housing loans	255.8	185.6
<b>Number of active end-borrowers</b>	<b>161,390</b>	156,404
Micro and small-enterprise loans – urban & rural	148,071	145,603
Housing loans	13,319	10,801
<b>Average outstanding sub-loan amount (EUR)</b>	<b>6,225</b>	5,620
<b>Total sub-loan volume disbursed in 2016 (EUR million)</b>	<b>848.8</b>	879.9
Micro and small-enterprise loans – urban & rural	710.6	828.0
Housing loans	138.2	51.8
<b>Total number of sub-loans disbursed</b>	<b>137,195</b>	126,064

### SUB-LOAN DISBURSEMENTS BY ECONOMIC SECTOR IN 2016 – MICRO AND SMALL-ENTERPRISE (MSE) LOANS ONLY

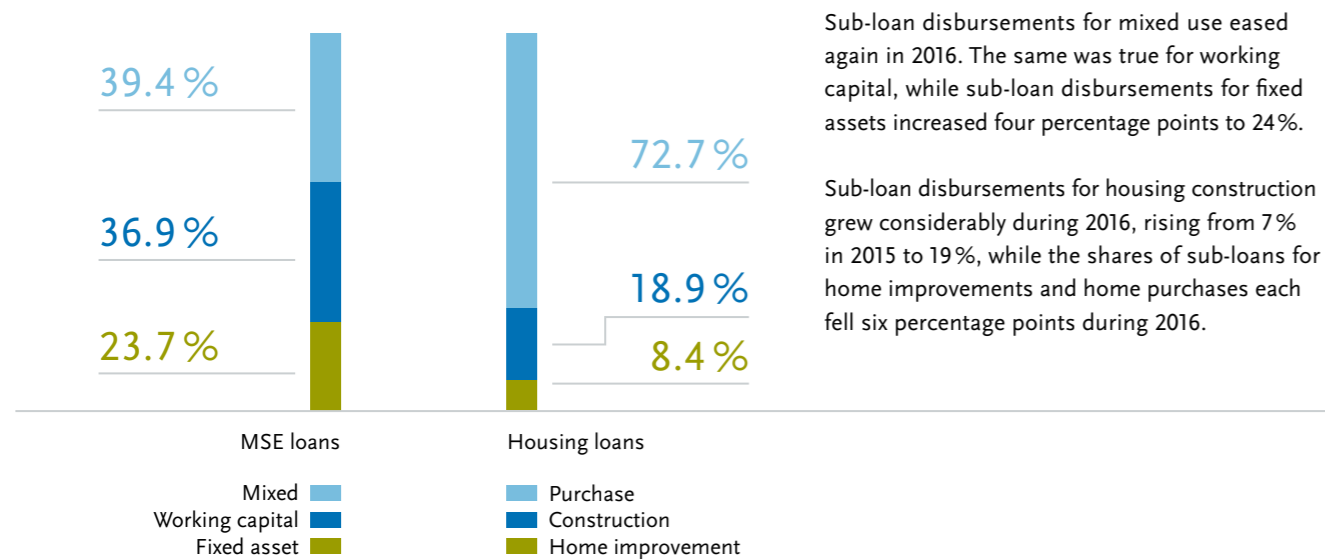
Total number of MSE sub-loans disbursed in 2016: 130,683  
 Total volume of MSE sub-loans disbursed in 2016: EUR 710.6 million



The agricultural sector received the largest number of disbursed sub-loans. In volume terms, disbursements were fairly equally distributed among three of the four economic sectors, with only industrial end-clients accounting for less than 20%. Compared to 2015, the shares of the agricultural and industry sectors eased in terms of number and volume, while those for trade and services rose.

### SUB-LOAN DISBURSEMENTS BY PURPOSE IN 2016 – MICRO AND SMALL-ENTERPRISE (MSE) AND HOUSING LOANS

Total volume of MSE sub-loans disbursed as at 31 December 2016: EUR 710.6 million  
Total volume of housing sub-loans disbursed on 31 December 2015 EUR 138.2 million

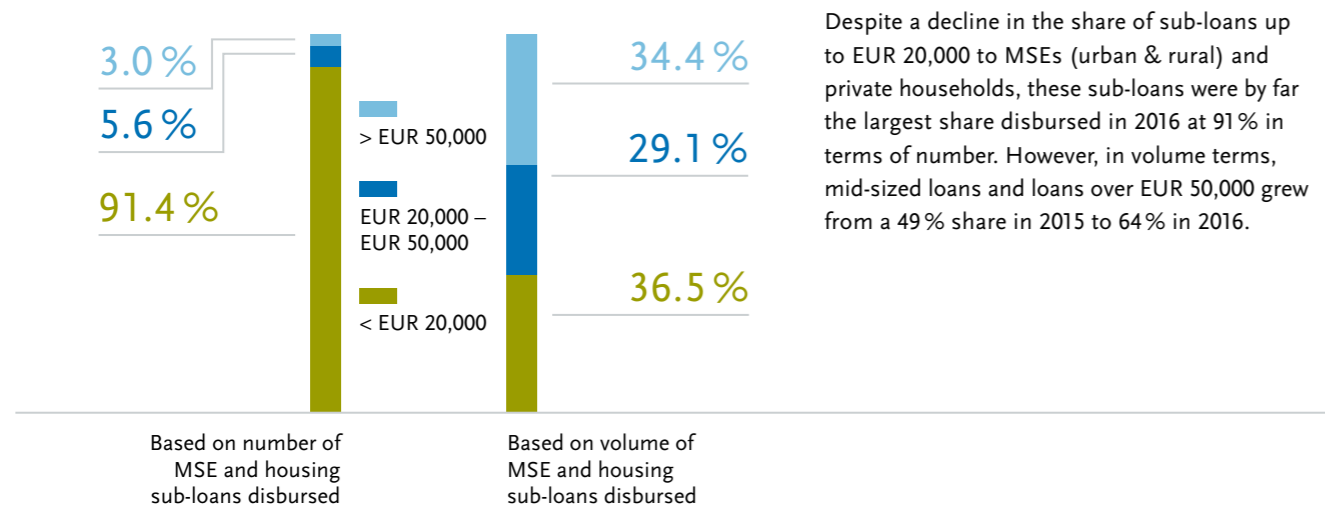


Sub-loan disbursements for mixed use eased again in 2016. The same was true for working capital, while sub-loan disbursements for fixed assets increased four percentage points to 24%.

Sub-loan disbursements for housing construction grew considerably during 2016, rising from 7% in 2015 to 19%, while the shares of sub-loans for home improvements and home purchases each fell six percentage points during 2016.

### SUB-LOAN DISBURSEMENTS BY SIZE IN 2016 – MICRO AND SMALL-ENTERPRISE (MSE) AND HOUSING

Total number of MSE and housing sub-loans disbursed for the year to date as at 31 December 2016: 137,195  
Total volume of MSE and housing sub-loans disbursed for the year to date as at 31 December 2016: EUR 848.8 million

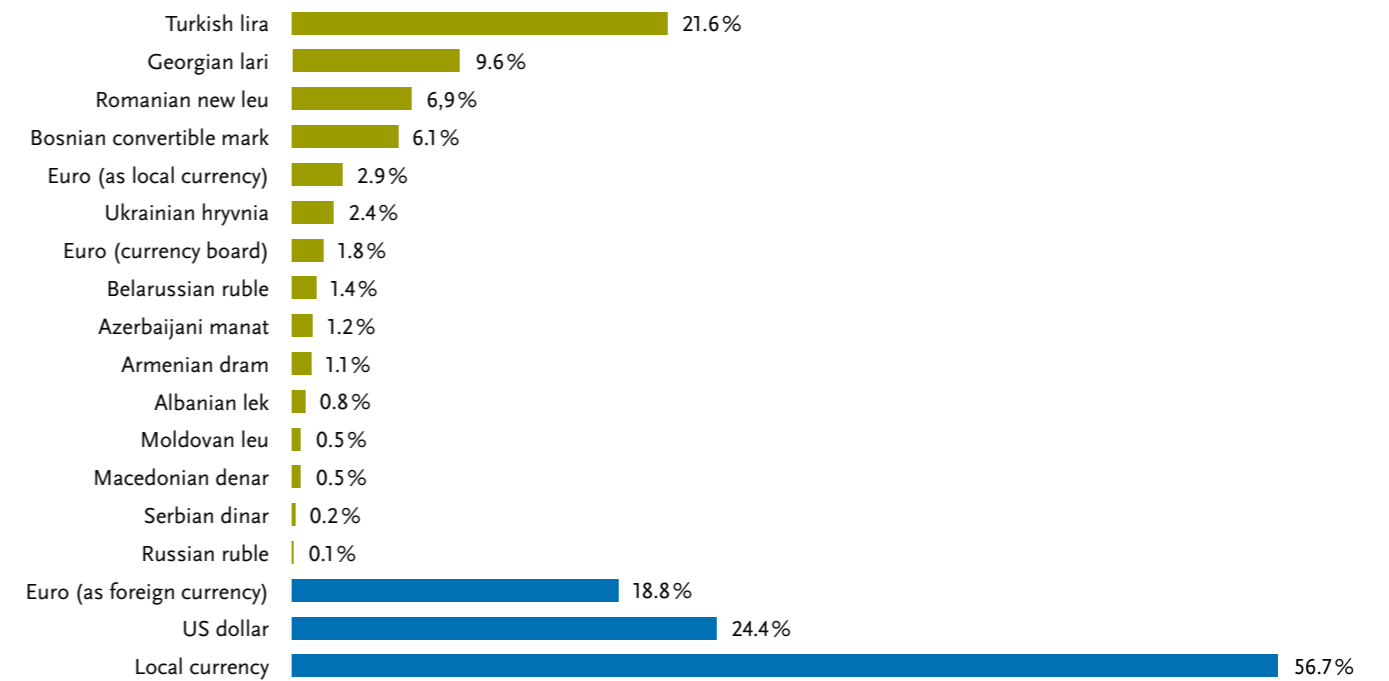


Despite a decline in the share of sub-loans up to EUR 20,000 to MSEs (urban & rural) and private households, these sub-loans were by far the largest share disbursed in 2016 at 91% in terms of number. However, in volume terms, mid-sized loans and loans over EUR 50,000 grew from a 49% share in 2015 to 64% in 2016.

### OUTSTANDING SUB-LOAN PORTFOLIO BY CURRENCY

Based on total outstanding sub-loan portfolio

Total outstanding sub-loan portfolio as at 31 December 2016: EUR 1.0 billion



The share of local currency in the sub-loan portfolio grew from 50.1% in 2015 to 56.7% in 2016, reflecting the increased importance of local currency lending. In terms of the local currency portfolio, the Turkish lira led with the highest share of local currency loans (22.0%).

The Georgian lari also gained importance, increasing from 3.6% in 2015 to 9.6% in 2016. At the same time, the portion of euro-denominated sub-loans fell, slipping from 29.7% in 2015 to 24.4% in 2016, and the US dollar-denominated sub-loan portfolio was little changed.



## PARTNER LENDING INSTITUTIONS

### OVERVIEW BY COUNTRY

COUNTRY		
<b>ALBANIA</b>	Commercial banks	Banka Kombetare Tregtare Sh.A. Banka Kombetare Tregtare, Kosovo Branch
	Microcredit organisations	Fondi BESA Sh.A. NOA Sh.A.
<b>ARMENIA</b>	Commercial banks	ACBA – CREDIT AGRICOLE BANK CJSC, Armenia Araratbank OJSC Inecobank CJSC
	Non-bank financial institutions	ACBA Leasing CO CJSC, Armenia
<b>AZERBAIJAN</b>	Commercial banks	Bank Respublika, OJSC
	Microcredit organisations	FINCA Azerbaijan Non-Bank Credit Organization LLE
	Microfinance banks	AccessBank CJSC
<b>BELARUS</b>	Commercial banks	Belarusky Narodny Bank OJSC Belorussian-Russian Belgazprombank Joint Stock
<b>BOSNIA AND HERZEGOVINA</b>	Commercial banks	Intesa Sanpaolo Banka d.d. Komercijalna Banka a.d. Banja Luka NLB Banka a.d. Banja Luka NLB Banka d.d., Sarajevo Raiffeisen Bank d.d. Bosna i Hercegovina Sberbank BH d.d. Sarajevo
	Microcredit organisations	Partner Mikrokreditna Fondacija, Tuzla MCF MI-BOSPO Microcredit Company Mikrofin LCC Microcredit Company EKI LLC Sarajevo Microcredit Foundation EKI
	Microfinance banks	MF Banka a.d. Banja Luka ProCredit Bank d.d. Sarajevo

COUNTRY		
<b>CROATIA</b>	Commercial banks	Zagrebačka banka d.d.
<b>CROSS COUNTRY</b>	Non-bank financial institutions	ProCredit Holding AG & CO. KGAA
	TCX	TCX
<b>FYR MACEDONIA</b>	Commercial banks	Halkbank a.d., Skopje NLB Tutunska Banka a.d. Skopje Ohridska Banka a.d., Skopje
	Microcredit organisations	Mikrokreditna Fondacija HORIZONTI Skopje
<b>GEORGIA</b>	Commercial banks	Joint Stock Company BGEO Group JSC Bank of Georgia JSC Bank Republic JSC TBC Bank, Georgia
	Microcredit organisations	JSC Microfinance Organization "Crystal" Micro Finance Organization Credo LLC
	Microfinance banks	JSC ProCredit Bank, Georgia
	Commercial banks	Banka Për Biznes Sh.A.
	Microcredit organisations	Agjencioni për Financim në Kosovë KEP Trust Kreditimi Rural I Kosoves LLC
<b>MOLDOVA</b>	Microfinance banks	CB ProCredit Bank S.A.
<b>MONTENEGRO</b>	Commercial banks	Erste Bank a.d. Podgorica NLB Banka a.d. Podgorica Societe Generale Banka Montenegro AD
	Microcredit organisations	MFI Alter Modus DOO Podgorica
<b>ROMANIA</b>	Commercial banks	Banca Transilvania S.A.
	Microcredit organisations	Patria Credit IFN S.A. S.C. Opportunity Microcredit Romania IFN S.A. – OMRO
	Non-bank financial institutions	Agricover Credit IFN S.A. Motoractive IFN S.A.

\* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

## OVERVIEW OF PARTNER LENDING INSTITUTIONS BY COUNTRY

COUNTRY		
<b>SERBIA</b>	Commercial banks	Raiffeisen Banka a.d., Beograd UniCredit Bank JSC
	Microfinance banks	Opportunity Bank a.d., Novi Sad ProCredit Bank a.d., Belgrade
	Non-bank financial institutions	Intesa Leasing d.o.o., Beograd
<b>TURKEY</b>	Commercial banks	Alternatifbank A.Ş.
		Burgan Bank A.Ş.
		Denizbank A.Ş.
		Fibabanka A.Ş.
		Finansbank A.Ş., Turkey
		Odea Bank A.Ş.
Non-bank financial institutions	Şekerbank T.A.Ş.	
	Finans Finansal Kiralama A.Ş.	
	Garanti Finansal Kiralama A.Ş.	
<b>UKRAINE</b>	Commercial banks	Yapı Kredi Finansal Kiralama A.O.
		Megabank, PJSC
	Microfinance banks	JSC ProCredit Bank, Ukraine

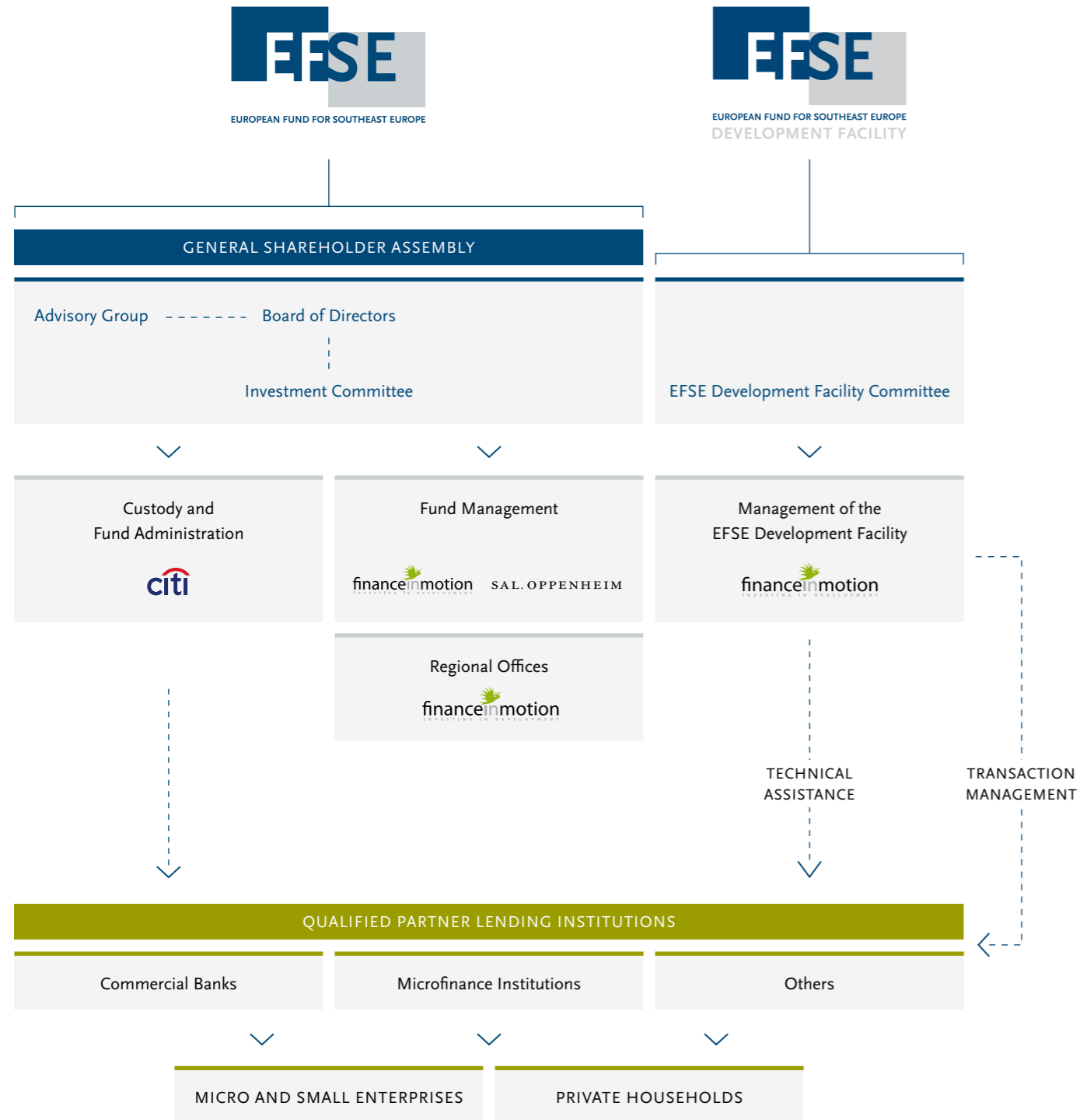
ANNUAL REPORT 2016

## APPENDICES





## ORGANISATIONAL STRUCTURE



Initiator and lead investor: **KFW**

## BOARD OF DIRECTORS AND COMMITTEES

### BOARD OF DIRECTORS



FRONT ROW (FROM LEFT):  
Dr. Christoph Achini  
Christoph Tiskens, Chairperson  
Peter Reiniger

BACK ROW (FROM LEFT):  
Nico Pijl  
Syed Aftab Ahmed  
Franz-Joseph Flosbach  
Hubert Cottogni  
Dominik Ziller  
Roland Siller



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FROM LEFT TO RIGHT  
 Markus Aschendorf,  
 Esther Gravenkötter (Chairperson),  
 Karlo de Waal,  
 Peter Reiniger,  
 Syed Aftab Ahmed

EFSE DEVELOPMENT FACILITY COMMITTEE



FROM LEFT TO RIGHT  
 Markus Aschendorf (Chairperson),  
 Natasha Suhecki,  
 Hans Ramm

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The Advisory Group to the EFSE's Board of Directors comprises high-ranking representatives from central banks in the regions the fund serves. With unique perspectives on local realities, concerns and needs, its board members meet to share their views and make recommendations about fund policies and operations. The Advisory Group plays a pivotal role in forging successful regional cooperation.



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