



EU and EFSE unleash additional EUR 40 million in response to coronavirus crisis

Longstanding partners enable vital financing for micro and small enterprises in Western Balkans and EU Eastern Neighbourhood Region

Luxembourg, [date] 2021 – The European Commission has invested an additional EUR 40 million into the European Fund for Southeast Europe (EFSE) to help combat the economic effects of the coronavirus pandemic in the Western Balkans and EU Eastern Neighbourhood Region. The capital will be used to bolster the ability of local financial institutions to support micro and small enterprises in overcoming the challenges of the crisis.

Micro and small enterprises play a significant role in income generation and employment creation in these regions. Yet the majority of entrepreneurs in the Western Balkans and EU Eastern Neighbourhood have reported severely negative consequences on their businesses from the coronavirus outbreak, including suspension of operations and drastic declines in revenue. According to a [study](#) conducted by the EFSE Development Facility, 4 out of 5 small businesses in these regions have experienced ‘negative to extremely negative impact’ on their operations, with others reporting temporary layoffs that could become permanent. By providing new and restructured business loans, local financial service providers play a key role in keeping these enterprises afloat. In 2020, EFSE’s funding to 66 financial institutions in these regions facilitated 40,000 new loans to entrepreneurs and households, helping sustain over 91,000 jobs. Over 57% of these loans were provided in local currency.

To support these efforts, the EU has invested an additional EUR 40 million into the fund. EFSE was one of the first vehicles to use a blended finance structure that leverages public capital to mobilise private investments for impact. The EU has invested in EFSE since the fund was established in 2005, contributing to the publicly funded “risk cushion” that allows EFSE to guide more capital into markets that private investors alone may otherwise perceive as uncertain terrain. The new funding will contribute to providing financial institutions in the EFSE target region with the means to continue serving micro and small enterprises. A significant portion of the sum has been specifically designated for financing in local currency – providing an extra level of security by safeguarding borrowers from exchange rate risk.

EFSE Board Chairperson Klaus Müller said: “Micro and small enterprises are particularly vulnerable to the large-scale market standstill resulting from efforts to control the coronavirus outbreak. We must strengthen our partners’ ability to meet the needs of small-scale borrowers, whether these are in the form of new liquidity or revised payback schedules. This new funding from the EU has added wind to EFSE’s sails and increased our ability to deliver impact. We are happy to add this milestone in our longstanding partnership to promote sustainable development in the Western Balkans and the EU Eastern Neighbourhood Region.”



Katarína Mathernová, Deputy Director-General for the European Union's Directorate General for European Neighbourhood Policy and Enlargement Negotiations, said: "The EU is committed to the stability and socio-economic prospects of our surrounding community. That is why the European Commission is taking action to help our neighbours confront the challenges of this crisis. For over fifteen years, EFSE has proven a valuable partner in effectively directing capital for impact, and we are glad of the opportunity to once again join forces to fortify entrepreneurs and the infrastructures that support them."

About EFSE

An impact investment fund established in 2005, the European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the Eastern Neighbourhood Region by investing in the success of micro and small enterprises as well as improved living conditions for private households. As access to financial services is key to developing this segment, EFSE focuses on helping local financial sectors strengthen their ability to provide responsible financing for this target group. Alongside its investment activities through local partners, EFSE multiplies its impact through the EFSE Development Facility, which provides technical assistance, training, and other nonfinancial support to entrepreneurs and institutions.

EFSE was initiated by KfW Development Bank with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. As the first public-private partnership of its kind, EFSE draws its capital from donor agencies, international financial institutions, and private institutional investors.

Finance in Motion GmbH, Germany, serves as EFSE's advisor and Hauck & Aufhäuser Fund Services S.A., Luxembourg, acts as manager.

For more information on the European Fund for Southeast Europe, please visit: www.efse.lu

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