

EFSE and GGF team up to raise awareness on the power of local currency in Georgia

“Two Sides of the Coin: The Currency Debate” event discusses the nuances of lending in local currency with industry experts spearheading the topic

Luxembourg and Tbilisi, 22 October 2021 – Today, the European Fund for Southeast Europe (EFSE) and the Green for Growth Fund (GGF) teamed up to organise an event which explores the nuances of local currency lending in Georgia and the larger E.U. European Neighbourhood Region. Governor Koba Gvenetadze, Chairperson of the Board of the National Bank of Georgia, and Mr. Aleksi Aleksishvili, Chairperson of the Board and CEO at Policy and Management Consulting debated the topic and shed light on the benefits, timelines and regulations surrounding local currency finance, with specific focus on the Georgian economic context.

The hybrid event was attended by participants tuned in from several countries in the E.U. Eastern Neighbourhood Region and beyond for insights and exchange on various topical aspects, including the exchange rate policy and timelines in the context of the de-dollarisation process, as well as savings in local currency. The debate explored how robust and efficient local capital markets create access to long-term local currency finance, which predicates a well-functioning private sector that drives business development, empowers entrepreneurs, and increases climate resilience.



The event also included a dedicated signing ceremony to confirm several new EFSE and GGF investments in local financial institutions for on-lending to borrowers in Georgia. These loans were provided in local currency, thanks in large part to the generous contributions made to both funds by the European Union and the German Federal Ministry for Economic Cooperation and Development.

The new investments were:

- **GGF** has boosted support to **Bank of Georgia** with a USD 20 million equivalent in Georgian lari for energy efficiency measures and renewable energy solutions.
- **TBC Bank**, a longstanding partner of **EFSE**, received a loan equivalent to EUR 10 million provided in Georgian lari to support micro, small and medium-sized enterprises and finance traditionally underserved groups such as rural businesses, as well as female and young entrepreneurs in Georgia.
- **EFSE** formed a new partnership with **TBC Leasing** with USD 6 million in Georgian lari to facilitate capex investments by Georgian small and medium-sized enterprises.

In 2020, EFSE approved a record EUR 279 million to its financial partners, facilitating 40,000 new loans to MSEs and households in the fund's target regions and helping maintain nearly 91,000 jobs. EFSE's mission to foster economic development and prosperity is demonstrated by the fact that 75% of EFSE-facilitated loans to rural and MSE borrowers in the past year were provided in local currency.

Since GGF's expansion to the E.U. European Neighbourhood Region in 2012, the fund has invested more than EUR 310 million to partner institutions – investments which have unleashed positive green growth for businesses and households.

EFSE Board Chairperson Klaus Müller said, "We are delighted to host this event with the Green for Growth Fund and highlight the importance of local currency financing amongst players in the financial system. An integral part of the EFSE's approach to responsible finance has always been to help facilitate these resources in local currency. Lending in local currency is an important safeguard that shields already-vulnerable cash flows from the risk of exchange rate fluctuations – particularly relevant given the widespread currency depreciation against the euro in 2020, especially in the E.U. European Neighbourhood Region."

GGF Board Chairperson Olaf Zymelka added, "We have seen how local currency investments spur green finance, helping businesses and households mitigate and adapt to climate change faster. That's why boosting affordability, for example, by eliminating currency fluctuation risks, is crucial as economies recover at different rates from the pandemic. And by hosting events such as this, we hope to spread awareness of the benefits of lending in local currency and how it can boost sustainable economic growth."

"The EU is committed to strengthening the economy of Georgia by providing targeted support to the region's micro, small, and medium enterprises," said Bernard Schembri, Programme Manager, Financial Instruments Eastern Partnership, DG NEAR European Commission. "Expanding the ability of the local financial sector to serve these businesses with financing in their own currency means contributing to sustainable growth on both an institutional and individual level. In EFSE and GGF, we have expert partners who are perfectly suited to helping us generate this impact and pursue two key elements of the EU Economic and Investment Plan for the Eastern Partnership: supporting SMEs and strengthening institutions in the region."

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
For more information on Finance in Motion, please visit: www.finance-in-motion.com

ABOUT THE GGF

The Green for Growth Fund invests in measures designed to cut energy use and CO₂ emissions, and improve resource efficiency in 19 markets across Southeast Europe, the Caucasus, Ukraine, Moldova, the Middle East and North Africa. The fund provides such financing directly to renewable energy projects, businesses and municipalities or indirectly via selected financial institutions. The GGF's Technical Assistance Facility maximizes the fund's investment impact through support for capacity building at local financial institutions and partners.

The GGF was initiated as a public-private partnership in December 2009 by Germany's KfW Development Bank and the European Investment Bank, with financial support from the European Commission, the German Federal Ministry for Economic Cooperation and Development, the European Bank for Reconstruction and Development, and the Austrian Development Bank (OeEB). The fund's growing investor base comprises donor agencies, international financial institutions and institutional private investors, including the International Finance Corporation, the Dutch development bank FMO, and the German ethical bank GLS. The GGF is advised by Finance in Motion GmbH, one of the world's leading impact asset managers, with over EUR 2.6 billion in assets under advisory/management. MACS Energy & Water GmbH, acts as the technical advisor.

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