

International Cooperation, Projects und Partners

Annual Report 2016



Finanzgruppe

Sparkassenstiftung für
internationale Kooperation



Finanzgruppe Sparkassenstiftung für internationale Kooperation

Project volume 2016	EUR 18 million
Staff head office Bonn*	25
Total staff*	215
Number of experts seconded abroad (2016)	100

Finanzgruppe 2016

403 Sparkassen (savings banks)**

Balance sheet total	EUR 1,173.1 billion
Branch offices	13,800
Employees	224,700
Current accounts***	48 million
Savings accounts	42 million
ATMs	25,700
Customer cards	52 million

12 Regional Savings Banks Associations

7 Landesbank Groups (plus DekaBank)

8 Regional Building Societies (LBS)

11 Public Insurers

748 Foundations

* as at 1 April 2017

** as at 15 February 2017: 396 Sparkassen (savings banks)

*** including instant-access savings accounts and money market accounts

Foreword



Georg Fahrenschon
Chairman of the Board of Trustees and President of
the Deutscher Sparkassen- und Giroverband

In 2016, Sparkassenstiftung really had its finger on the pulse. The major uncertainties in international trade relations and geopolitical affairs caused turbulent upheavals on the world's financial markets. Today still, emerging economies remain particularly vulnerable.

As a result, a lot of developing countries and emerging economies are on the lookout for a viable growth model that can strengthen them from within. We are especially pleased that our partners in over 43 countries have chosen to harness the experience of Germany's Sparkassen (savings banks) by engaging in projects with the Sparkassenstiftung für internationale Kooperation. Locally oriented banks especially are a source of economic diversity and an important driver of social stability and sustainable growth – the very concept that led to the formation of Germany's Sparkassen.

Reaching out across the globe, the Sparkassenstiftung für internationale Kooperation aims to make local banks even stronger, and so empower them to assist private and commercial customers to build a sound economic future.

Our approach involves vocational training customised to financial sector needs. Indeed, this constitutes a

priority area of our project work. Likewise, encouraging society to develop a money-saving mindset, promoting small enterprises and advocating financial planning are all integrally important, too. And of course, we aim for a regulatory framework that does not place too many demands on smaller institutions. In short, diversity in economic structures requires diversity in the financial sector.

Our members – consisting of around 250 Sparkassen, Landesbanken (regional banks) and associations and our affiliated partners – form the backbone of the Sparkassenstiftung für internationale Kooperation. And every year, they provide the human resources we need for our long- and short-term expert assignments worldwide. In this way, Sparkassenstiftung's member institutions show that their commitment to public welfare extends beyond their own clientele and region.

For its part, the Sparkassenstiftung für internationale Kooperation tirelessly showcases the qualities that make Germany's Sparkassen 'different'. Its work demonstrates the practical value of the Sparkassen idea – for all the world to see.

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Overview 2016



Heinrich Haasis
Chairman of the Board

Endings and new beginnings

Although we had a lot of new beginnings, we also had to say farewell to certain projects that had run their course by the end of the year under review. This was the case for the PATMIR project in Mexico – probably the most extensive project in our 25-year history. Over a nine-year period, this EUR 25 million project at times employed up to 50 staff members on site. Even longer running was the German-Azerbaijani Fund (GAF). Underway since 2002, this project was under a commission from the Azeri Ministry of Finance at the time of its completion.

In China, we are in a transitional phase. Our long-standing projects (rollout of SME lending operations in City Commercial Banks and our business simulations) have reached completion. However, the cooperation agreed on in March 2017 between the Deutscher Sparkassenverband (German Savings Banks Association – DSGV) and the China Banking Association (CBA) has not yet resulted in any concrete project measures. At the same time, China introduced new legislation for foreign non-governmental organisations at the start of 2017 – which applies to us, too. Consequently, we are now looking to see how we can continue working in China under the amended framework conditions.

In addition to our work in developing nations and emerging economies, we are receiving an increasing number of enquiries from industrialised nations that are keen to establish a savings banks system based on the German model.

Our activities in Ireland in 2016 were extremely intensive, culminating in a major milestone in May 2016 when the new Irish government pledged to investigate the 'German Sparkassen model' as part of its

2016 was an extremely successful and highly industrious year for Sparkassenstiftung. Our growth remains unabated. Indeed, our project portfolio rose from EUR 14.8 million to more than EUR 18 million in 2016. The upshot: more partners and projects and a wider outreach that includes more regions.

Another pleasing development concerns the increase in member institutions. Although a few of our members sadly left, we were able to welcome 13 new members in 2016. We hope this positive trend will continue and that the number of Sparkassen (savings banks) actively supporting our work will increase even further.

We have used these additional resources to expand the range of activities in a large number of ongoing projects and to initiate some new projects, too. In the meantime, operations are now underway in Chile and Mongolia and, after a hiatus of many years, we also have a long-term adviser in Ukraine again. Moreover, in addition to various fact-finding missions in Argentina, Iran, Turkey and Uganda, we are now engaged in our second round of project activities in Zambia and Mexico respectively. In all, that means our work in 2016 spanned some 43 countries – seven more than in 2015.



Niclaus Bergmann
Managing Director

government agenda. Now underway, this investigation enjoys broad cross-party support in the Irish parliament.

Moreover, enquiries from Greece and the USA have also led to extensive exchanges of experience.

The topic of displacement, or more specifically the question as to how we can generate prospects for people in their countries of origin or countries of transit occupies an increasingly important position in our project work today.

Going global – The 'Sparkasse' success model

In more and more countries, we hear our partners using the German term 'Sparkasse'. This is because the English translation 'savings bank' (and the respective terms in other languages) might have negative connotations for some people; for instance, they might think the institution only engages in savings operations while others equate it with – totally different – savings banks models in the USA and Spain. Not only are we convinced that the German term 'Sparkasse' is perfectly acceptable, we believe we should actively promulgate it outside Germany for our branding purposes!

Outlook

Sparkassenstiftung is celebrating its 25th anniversary in 2017. And we have certain activities lined up for this event. In September 2017, we will be holding our next 'Experts' Dialogue'. This is when all of Sparkassenstiftung's long-term experts are invited to come to Bonn to share their professional experience with their colleagues. We have chosen this event to hold our an-

niversary celebrations and expect to welcome around 150 guests. Furthermore, we have also launched a series of articles in the Sparkassenzeitung (Sparkassen magazine) to mark our 25th anniversary. Also, we are currently in the process of redesigning our website.

To disseminate our understanding of financial inclusion, we have chosen the study 'From Microfinance to Inclusive Banking', which was published at the end of 2016. In the interim, we have presented this document to many key figures and institutions engaged in the development-policy field. This study not only describes the rise of local banking systems in Germany and other countries, but provides concrete recommendations for the development of an inclusive financial system.

We would like to thank our staff members in Germany and abroad as well as our seconded experts. Our thanks also go out to all the institutions in the Sparkassen-Finanzgruppe (Savings Banks Finance Group) that have again assisted us in the year under review, either through their membership or most notably by partnering a project on site.

Likewise, we thank all German and international institutions for their financial contributions. We only have to look at how successful our projects are to know that our joint efforts are worth their while!

Partnership between TPB Bank and Sparkassenstiftung



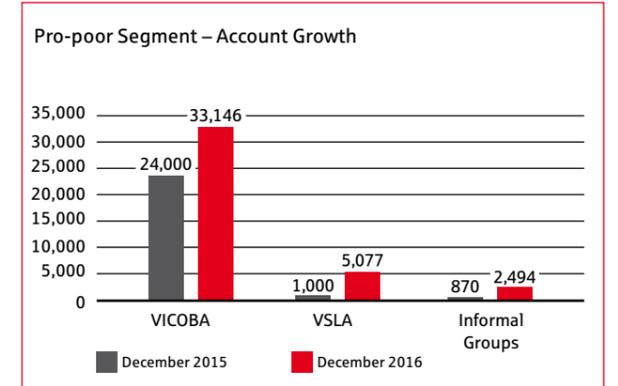
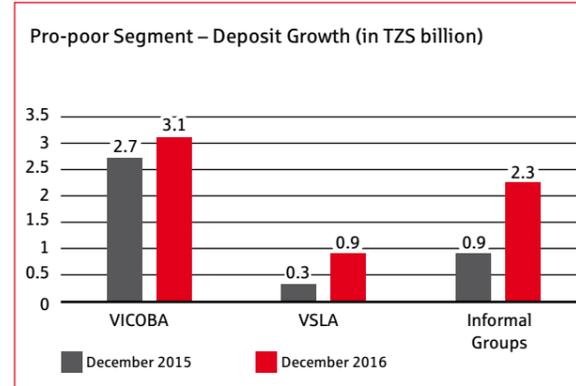
Sabasaba Moshingi
CEO, TPB Bank PLC

TPB Bank PLC has been at the forefront of deepening financial linkages in Tanzania. Tanzania faces major challenges, where 70% of the adult population are financially excluded. This is caused in part by:

- Proximity to a branch is a major challenge as banks have limited outreach solutions.
- Low and erratic income levels hamper an individual's ability to save, let alone operate a bank account.
- Not understanding the benefits of a bank account are some of the major hurdles Tanzanians see to having a bank account.

The reality is that no single entity can solve the financial exclusion challenge by itself. It takes a holistic approach where there is a need to have multiple partners supporting a multi-pronged approach. While digitization is the reality of the day, partnership is the foundation to drive digitization in our eco-system. This is the approach we adopted at TPB and we are proud of what we have achieved through these partnerships.

With 1.1 million customers, TPB has been able to bring on board 500,000 customers in the last five years through its pro-poor dual mobile banking/ agency banking product TPB POPOTE. This was achieved through a combination of:



- Seeking out groups and individuals at the bottom of the pyramid and working to establish financial linkages with them. This called for leveraging our partnership with Tanzania Post Office to widen our outreach, as post offices acted as TPB POPOTE agents giving us a broad geographic reach.
- Determining the right pricing for TPB POPOTE, so that cost would not be a barrier to having a bank account. In disseminating this information to individuals and groups, we partnered and by

- so doing created financial linkages with village community banks (VICOBA), village savings and loan associations (VSLA) and informal groups (IG).
- Embedding TPB POPOTE in the existing eco-system by linking it to all mobile money operators in Tanzania. This partnership also gave us a wider reach across Tanzania as mobile money agents also became cash-in / cash-out points our customers could use.

TPB Bank's CEO Sabasaba Moshingi (centre) with Sparkassenstiftung's MD Niclaus Bergmann (left) and Dr. Christoph Gögler (right), Chairman of the board of Kreissparkasse Tübingen at the German Savings Banks Congress in Düsseldorf, Germany.





World Savings Week in Tanzania. The adopted model of the German World Savings Day is a great success in Tanzania, too.

In 2016, our VICOBA deposits grew by 15%, our VSLA deposits grew by 200% and our IG deposits grew by 156% while accounts in these segments grew by VICOBA 38%, VSLA 408% and IG's 187% as reflected in the graph (p. 9).

A key component of being able to reach the last mile is having a staff complement with the right aptitude, global in their thinking and has the appropriate skill-set to be part of this strategic journey. In upskilling our human capital, our partnership with the Sparkassenstiftung has been nothing short of a resounding success. This relationship is based on mutual respect and trust dating back to 2012.

Underpinning this relationship is the importance of international collaboration for savings banks, where – among other things – savings banks benefit by:

- Being able to interact and learn best-practice.
- Being part of a global network that can provide insights into innovative ideas and products.
- Having the ability to greatly improve their skill-set of the employees.
- Being able to strengthen their processes and systems.

Though this journey has been for less than a decade, the outcomes have been momentous to say the least. Sparkassenstiftung has approached this relationship

with a singular focus and has been very supportive in helping strengthen TPB's human capital. Sparkassenstiftung has helped TPB:

- Establish its own training centre and acquire/develop training material.
- Provide training to TPB staff at all levels.
- Supported an educational trip for TPB senior management who were hosted by Kreissparkasse Tübingen so as to learn best management practices.

I look forward to a continued partnership with Sparkassenstiftung and new and meaningful ways to help reduce financial exclusion in Tanzania and by so doing promote a better and stronger financial future.



The Tanzania Postal Bank (TPB) PLC was founded in 1925 under the name of Tanganyika Postal Office Savings Bank. In keeping with various political changes, it was initially registered under Tanzania's postal bank law as a non-bank financial institution in 1991. A few years later – on 17 October 1993 – Tanzania's central bank awarded it with a banking license. On 29 March 2016, it was transformed into a public limited company and registered under the name of TPB Bank PLC.

The bank's purpose at the time of its establishment in 1925 was to provide the Tanzanian people with financial services. Today, its focus is on promoting financial inclusion and on developing a savings culture and access to loans for all members of the population.

The TPB has 44 ATMs of its own and is working with more than 300 private 'agents'. These so-called POS terminals for TPB customers are located in small supermarkets or other businesses, for example. Now that it is possible to conduct financial transactions using mobile devices, the bank has devised a product – TPB Popote – that is proving highly successfully in cities and peripheral urban areas especially.

The TPB and the Sparkassen-Finanzgruppe (Savings Banks Finance Group) share a long history of cooperation dating back to 1986, when initial contact was established with the Deutscher Sparkassen- und Giroverband (German Savings Banks Association – DSGV).

Bhutan: 'Under the red umbrella'



In 1972, the Fourth King of Bhutan declared that 'happiness' was the ultimate goal of the Bhutanese political system. And in 2008, Gross National Happiness (GNH) was enshrined in the constitution. On site since 2011, Sparkassenstiftung is working with its local partner RENEW to establish a microfinance organisation and so help advance GNH from an economic point of view.

Banks Foundation for
tional Cooperation
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Our contribution to gross national happiness

by Christina Heuft / Dr. Ilonka Rühle-Stern

Everything began with a tea ceremony at the King's Palace in Thimphu. In 2010, the Queen Mother asked Sparkassenstiftung to determine whether or not a microfinance institution would be of help to the women of rural Bhutan. Thimphu is the capital city of the Himalayan Kingdom of Bhutan, which is located between India and China. It is around the same size as Switzerland, only more mountainous and with very few properly developed roads. From west to east, there is only one essentially single lane road that winds its way around the mountain slopes.

For the German long-term expert Bernd Bähr it is like this: "Bhutan is a very special country in many respects and one that is shaped by Buddhism. However, what really fascinates me are the people with their warmth, openness and hospitality. Gross national happiness is palpable everywhere, and it is precisely in poor remote areas that people generally lead happy lives with the little they have."



The German long-term expert Bernd Bähr (Kreissparkasse Köln) together with Shakib Ahmed (Kreissparkasse Birkenfeld), a grant-holder from the Eberle-Butschkau Foundation who spent several weeks on assignment to the project in Bhutan. To mark a special occasion, they are both dressed in local costume, the 'gho'.

This small country has been in the public eye for a while now – not just because of its spectacular landscapes and cultural treasures, but because it aspires to Gross National Happiness. Most people here are subsistence farmers, although the country does export hydropower. Tourism, which Bhutan is endeavouring to develop in a way that is ecologically and socially sustainable, constitutes a key source of income. This small kingdom, which only gradually started to open up to the world in the nineties, is reliant on outside help to maintain its incomparable natural beauty and its ancient traditions.

Living on less than USD 1.25 a day

With an annual per-capita income of a little more than USD 2,000, Bhutan is one of the poorest developing countries in the world. More than a quarter of its people have to get by on less than USD 1.25 a day. And, as so often, these difficult living conditions impact women and children the most. The name of the non-governmental organisation RENEW (Respect, Educate, Nurture and Empower Women) spells out its agenda: namely, to strengthen the role of disadvantaged women in Bhutan. However, RENEW's patron, the Queen Mother of Bhutan, wanted more. It was her wish that women should not have to rely on any kind of outside assistance at all. Hence, the microfinance institution that Sparkassenstiftung and RENEW have been working on together since 2011 and which is intended to help women in rural areas to take control of their own lives.

Saving in the region, loans for the region – a Sparkasse in Bhutan

Sparkassenstiftung first seconded an expert to Bhutan in 2011, enabling the MFI to open its first branch office in 2012. Today more than 10,000 customers are able to bank in Thimphu and seven rural regions in Bhutan. The branch offices in Samtse in the west, Tsirang and Dagana in the south, Bumthang and Trongsa in the



Tradition meets modernity: RENEW MFI is relying on modern technology in the form of tablets to lower costs and further expand their scope of business operations.

central region and Trashigang in the east provide the framework. From there, staff drive out to their customers for center meetings at which micro and small savings are deposited, loans paid out and paid back and, last but not least, experience exchanged. The center meetings also provide a platform for teaching basic financial literacy.

Given the country's poorly developed infrastructure and its remote villages, organising center meetings is a major challenge for everyone concerned. While in densely populated countries such as Bangladesh it is possible to hold up to eight meetings of this kind in one day, in Bhutan the maximum is three. This is because RENEW MFI staff and their customers often have to travel extremely long distances to get to a center meeting.

In spite of all the difficulties, RENEW MFI's lending activities have developed very positively and it now earns enough to offset the costs generated by the country's major infrastructural weaknesses. At the close of fiscal 2014/2015, RENEW MFI was able to operate in the black for the first time. Furthermore, tradition is now meeting modernity: namely, RENEW MFI is relying on modern technology to lower costs and further expand the scope of business operations.

The German partner savings bank Sparkasse Gernersheim-Kandel is assisting the project in many different ways. It is helping to set up a management information system, implement efficient processes and also promote understanding of the central values that underpin German Sparkassen, such as support for the local economy and savings mobilisation. This



Christine Eisele – who heads up the Board Secretariat at Sparkasse Gernersheim-Kandel – on a visit to Bhutan where she gained her own impression of the people and their culture. Intergenerational communication was a direct success – even without words.

is particularly important for Bhutan's junior managers who are scheduled to take charge of the institution themselves soon.



Good! Visit in August 2016 by a delegation from Bhutan to Sparkasse Gernersheim-Kandel

In Bhutan, RENEW and RENEW MFI are now household names. In December 2016, the King himself awarded RENEW the nation's Gold Medal for its work in empowering Bhutanese women.

i BHUTAN

Located:	Himalaya
Population:	0.8 million
Religion:	Buddhism
Capital city:	Thimphu
Currency:	BTN (Ngultrum)
Partnering the project is the Sparkasse Gernersheim-Kandel (since 2011).	

Retail Banking

From microfinance to inclusive financial services

The first Sparkassen (savings banks) were founded in Germany more than 200 years ago. Initially, they were intended to give poorer population groups a chance to prepare for life's eventualities. However, they soon broadened their range of services to include loans, money transfers and ultimately insurance, housing mortgage services and asset management.

True to the motto, 'considerate – caring – close by', Germany's Sparkassen have succeeded in interlinking economic efficiency and excellent long-term returns with social responsibility – making them a role model for many of our project partners. Similar to the Sparkassen, some of our partners started out as NGOs or small microfinance institutions and now wish to develop into retail banks that offer a comprehensive range of services.

A successful retail bank regularly serves a large number of customers with a wide range of simple products. Typically, there is a low contribution margin per customer and high overheads (for staff and branch offices). Organisational efficiency enables successful retail banks in developing countries and emerging economies to be economically viable and offer financial products outside the major economic centres.

Strengthening retail banks – rural outreach

Sparkassenstiftung assists partner institutions that also deliver customised products and services to disadvantaged population groups located in more remote regions. Here our partners are up against similar challenges to those faced by the Sparkassen in Germany in that they need to:

- Optimise their organisation structure and workflow processes via customer segmentation, cost calculation and product development

- Enhance their distribution channels via branch offices, online banking, digital services and cooperation with other distribution partners (agents)
- Get to 'know their customers' via customer relationship management (CRM) and proactive risk management

Sparkassenstiftung essentially assists its partners to:

- Develop and introduce efficient business processes
- Create adequate sales structures
- Provide extensive training and HR measures

Retail banking in development cooperation – Latin America, Africa and Asia

In Mexico, Sparkassenstiftung is helping expand operations to rural regions by rolling out market-oriented products and appropriate marketing strategies. In Namibia, it is assisting an MFI to set up new branch offices and to grow into a microfinance bank. In the Philippines, CARD SME Bank is demonstrating how an MFI with just a local outreach can grow into a retail bank that offers an extensive range of products.



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PROJECT REPORT: PHILIPPINES

CARD SME Bank

Economic development in the Philippines stands or falls on the success of its micro, small and medium-sized enterprises (MSME), which make up some 99.6% of all the companies in the country and are responsible for 61.2% of overall employment and some 35.7% of value added.

The project objective is to strengthen MSMEs in the Philippines by giving them better access to needs-oriented financial services, thus bridging the ongoing supply gap for small and medium-sized enterprises (SME) that have significant market potential. By supporting the development of professional and efficient organisational and operational structures at CARD SME Bank, the project is enabling it to sustainably serve a growing number of SMEs.

Sparkassenstiftung is mandated with designing a further training and HR development system for bank employees and with creating an efficient risk management system. CARD SME Bank also requires assistance with the establishment of permanent structures, such as effective and efficient loan processing procedures, an efficient IT system and a successful marketing and distribution network. Moreover, the project aims to assist CARD SME to generally strengthen its bank management practices.

Based on a market study investigating the satisfaction of regular SME customers and the needs of non-customers, steps were taken in 2016 to improve

the market development and communication strategies. Furthermore, SME loan officers underwent a newly developed customer acquisition training course and the bank's marketing documents were revised. In the HR development sector, a career and personal development plan was devised for SME loan officers. Furthermore, the project developed a training module on business parameters and loan analysis, which was used to coach all loan officers and mid-level managers – both in theory and practice. The appointment of a



CARD SME Bank evolved from the microfinance institution CARD – its purpose is to provide financial services to small and medium-sized enterprises.

'Chief Risk Officer' is yet another milestone in the creation of a central risk management department.

The German project partner is the Sparkasse Rothenburg ob der Tauber, which merged to form the new Sparkasse Ansbach on 1 September 2016.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: MEXIKO

PATMIR III – Bringing financial services to rural areas

In rural Mexico, very few people have access to financial services. In contrast to the cities, these areas often have no financial institutions at all. However, help is at hand in the form of the country's cooperatives and savings banks (cajas). For them, rural areas constitute an attractive market. Moreover, these institutions also have a social mandate. Given the cajas' aversion to the costs and risks involved in establishing subsidiaries in small towns with below-average incomes, a key project component centres on reimbursing a large proportion of their expansion costs.

To be eligible for this support, the cajas concerned have to work with Sparkassenstiftung to map out a concept for expansion. This includes new market-oriented products and technologies, appropriate marketing strategies and measures for enhancing efficiency. Professional training for savings banks' staff and financial education measures for their customers (especially women and indigenous population groups) also form part of this portfolio.

Besides introducing savings and lending products in the savings banks taking part, this project has led to training for marketing staff and to the recruitment and induction of new personnel as well as to the implementation of market studies. Furthermore, it has

resulted in the launch of new branch offices and the formulation and introduction of new marketing measures. At the same time, it has assisted the generally unregulated savings banks with their licensing process, specifically in the field of risk management, internal auditing and treasury management. This package of measures is helping to advance the development of Mexico's savings and cooperative sector.

In the course of the four-and-a-half-year project term, Sparkassenstiftung persuaded around 50 mostly small savings banks in Mexico to take part in the project, resulting in a total of 240,250 new customers by the end of 2016. This is on top of the 144,000 or so new customers acquired by its predecessor project, PATMIR II. Project activities have, therefore, made a key contribution to financial inclusion in rural Mexico.

The project was steered by Mexico's national development bank BANSEFI with financial support from the World Bank as part of a comprehensive programme designed to improve access to financial services.

This very successful project finished at the close of 2016. BANSEFI is currently looking into various options for continuing PATMIR activities.



Small savings and cooperative banks are often the only form of financial service provider that Mexico's rural population come into contact with. Thanks to PATMIR II and III, around 384,000 new customers now have access to financial services.

PROJECT REPORT: NAMIBIA

Strengthening Kongalend MFI



In Namibia, Sparkassenstiftung started working with Kongalend MFI back in 2015.

In spite of the country's good economic growth, the lack of access to financial services continues to hamper development in Namibia. Low financial literacy coupled with the banks' aversion to lending to small enterprises is particularly preventing micro and small businesses from exploiting their full potential.

By helping to improve access to financial services, this project is enabling Namibia's poorer population groups to engage in income-generating activities and thus enhance their quality of life. The project partner in Namibia, Kongalend, is the only microfinance institution in the country that extends loans – including group loans – to micro, small and medium-sized companies, even if they cannot provide collateral in the form of regular income from the government or formal sector. Sparkassenstiftung is assisting Kongalend to become a sustainable bank that mobilises savings and provides access to productive loans.

In the orientation phase, improvements in the branch office network are intended to introduce a wider range

of products to a larger group of customers. To achieve this objective, Kongalend has opened a new branch office – its fifth to date. Furthermore, it has applied to the central bank for special authorisation to manage deposit accounts. This necessitates further improvements within Kongalend MFI itself, e.g. with regard to its reporting and operating processes and the use of business administration instruments to ensure sustainable income.

All of the resources in the credit rotation fund set up in 2016 have been used for customer loans. Furthermore, the design and refurbishment of a model branch office has since served as a basis for the modernisation of other branch offices, including – following site analyses – branch office relocation.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

Financing for Small and Medium-sized Enterprises

Small business – an engine for growth

Small and medium-sized enterprises (SMEs) are a core element of the German economy and a key driver of employment, innovation and economic growth. For their part, Germany's Sparkassen (savings banks) are a reliable partner that provide the financial resources SMEs need to make investments or other purchases.

This direct access to financial services for SMEs is something that often tends to be missing in developing countries and emerging economies. Banks and microfinance institutions lack the know-how, the capacity and frequently even any interest in financing business customers, regarding them as too complicated, too risky and, as a result, not profitable enough.

Practice-oriented knowledge transfer

Sparkassenstiftung assists banks and microfinance institutions on site to build up and expand their SME operations. Activities range from developing suitable products, establishing organisational structures and rolling out lending processes to introducing an adequate risk management system.

In their activities, Sparkassenstiftung's experts comply with international standards and harness their experience from a wide range of international SME projects. Furthermore, they can also tap into the know-how and practical experience of Germany's Sparkassen – the market leaders for SME financing in Germany.

Training for staff and customers – a key factor of success

In all projects, a special focus is placed on extensive theoretical and practical training for loan officers. Likewise, the creation of training facilities is also prioritised. Ensuring responsible lending practices that take account of customers' needs and their ability to repay remains an ongoing objective throughout.

For this reason, Sparkassenstiftung has devised a range of different training courses for small business owners and new start-ups in which they can acquire basic management and planning skills. The use of business simulations specially developed for micro and small entrepreneurs has proved really useful in this context, as they give people an opportunity to play out and learn about economic practices and procedures.

For example, at our Indonesian partner bank BPD Jateng, some 15 experienced loan officers were trained as business game instructors. In future, they will provide training courses for small business owners. Activities like this foster an exchange between the bank and potential customers. In some cases, this has resulted in SMEs accessing funding for investments immediately after their very first trial training session.



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PROJECT REPORT: SOUTH CAUCASUS

Promoting eco-corridors

In rural South Caucasus, Sparkassenstiftung is helping its partner countries to set up special areas to protect various animal and plant species. As a result, local people will have to restrict their business activities or adapt their business practices – in return for compensation to be paid out via local banks. The project



The creation of protected areas for wildlife and plants – as here in Armenia – also has ramifications for the region's economic activities.

therefore aims to identify financial institutions that have the capacity to make efficient and cost-effective payments to a large number of beneficiaries.

The project's first move in 2016 was to assess the framework conditions and then analyse the potential candidates. Suitable institutions have since been identified in Azerbaijan and Armenia, while selection in Georgia is scheduled for early 2017.

The organisations and groups of beneficiaries will be informed about the attendant payment modalities in the further course of the project. Moreover, the project is also planning to roll out financial education measures for them.

Germany's KfW Development Bank and the World Wildlife Fund (WWF) are cofunding this project.

PROJECT REPORT: CAUCASUS, BELARUS, MOLDOVA, UKRAINE

Eastern Partnership – Promoting women in business

According to the G20 Global Partnership for Financial Inclusion (GFPI), women-led small and medium-sized enterprises (women-led SMEs) have great difficulty in obtaining bank loans for maintaining and expanding their business operations. This financing gap is not only a major obstacle for women wishing to start up a business, but most especially for women seeking to grow their small-scale enterprises into medium-sized companies.

To address this situation, the project targets both the demand side, i.e. the female entrepreneurs, and the supply side, i.e. the banks as providers of financial services. On the one hand, it assists financial institutions to develop lending mechanisms that will give the target group stable access to credit facilities, thus promoting entrepreneurship in the countries concerned. At the same time, however, the project networks women-led SMEs in order to give them access to know-how in the field of business management and development. This not only secures work and income for the women entrepreneurs, but also for the people they employ.

At first, the project conducted a baseline assessment to determine which financial institutions had the aptitude for providing services to small and medium-sized

women-led enterprises. This was followed by the design and development of suitable organisation structures, business models and strategies. Furthermore, the project devised processes to support financial institutions with the launch, ongoing implementation and expansion of efficient lending services to this target group. To date, the project has conducted baseline assessments in Georgia, Belarus and Armenia and has started to design and roll out advisory measures in Georgia and Belarus.

The European Bank for Reconstruction and Development (EBRD) is financing this project.



Promoting women: The aim of this supra-regional project is to support women-led small and medium-sized enterprises.

PROJECT REPORT: AZERBAIJAN**German-Azerbaijani Fund (GAF)**

Since the end of the 19th century, the oil industry has been at the heart of Azerbaijan's economy. And although income from oil production has been high in recent years, falling barrel prices showcase the downsides of the country's dependency on this raw material.

The German-Azerbaijani Fund (GAF) not only aims to promote the SME sector, but to consolidate the banking sector as a whole. It also aims to increase people's confidence in their financial service providers and so ultimately help stabilise the political situation in this region. Acting through KfW, the German government already extended an EUR 8.6 million credit line to Azerbaijan in 1999 for onlending to the target group via local banks. These funds are made available at relatively favourable terms on condition they are used for the SME target group. The credit risk rests fully with the partner banks which have been helped to adapt their lending practices to Western standards. The GAF is a rotating fund in the true sense of the word. Since its launch, it has funded over 70,000 loans totalling more than EUR 242 million. However, its influence extends further still, as other



Over the course of time, the GAF has become synonymous with successful SME lending in Azerbaijan.

banks have now started to apply GAF methodology in their SME lending operations, too. Thus, over the course of time, the GAF has become synonymous with successful SME lending in Azerbaijan.

PROJECT REPORT: MEXICO**Strengthening the agricultural sector and promoting rural development**

Mexico is the second largest economy in Latin America. However, it only produces 53% of the foodstuffs required to feed its people. This poor food supply situation is due, amongst other things, to low levels of



Having access to suitable financial products is vitally essential for Mexican small farmers and agri-businesses.

productivity and profitability in the agricultural sector. Other contributory factors include the limited use of technology and a lack of innovation. For small farmers and agri-businesses, having access to suitable financial products is vitally essential.

Launched on 1 September 2016, this project is designed to strengthen the agricultural sector and promote rural development in Mexico by securing the provision of adequate financial services and new market-oriented technologies. Ultimately, this is intended to enable low-income rural population groups, agricultural as well as micro and small businesses (MSMEs) to stabilise their income and so improve food security.

Besides fostering rural development by improving the range of financial products and advisory services, the project also aims to raise the level of financial literacy amongst agricultural workers and MSME staff.

As a result, project activities are geared both to the framework conditions and to the respective target groups. At the macro level, the project is advising government institutions on the coordination of adequate promotion programmes and assisting government institutions and the rural financial sector to engage in effective cooperation. It is also advising savings banks in rural regions on the development of demand-oriented products and cashflow-based credit analyses. With regard to financial and entrepreneurial literacy, the project is coaching MSMEs based in rural and agricultural areas – an ideal context for applying the business simulations and other practice-oriented materials developed by Sparkassenstiftung.

In the first few months, the project engaged in an intensive exchange with the various actors involved,

including savings and cooperative banks in rural regions, universities that train agricultural engineers and government-run support schemes. Moreover, it exchanged experience on agricultural finance with Peruvian savings banks and conducted various studies in order to gauge the situation in the agricultural sector and investigate the level of supply and demand for financial services amongst small farmers and agricultural enterprises. In addition, the project is also exploring the options for improving financial services through digitalisation.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: CHINA**Introducing SME lending**

With its dynamic economy, China looks set to be one of the main forces shaping the world's financial markets in the years ahead. China's regulatory authorities are currently engaged in a staggered process of reform which, to all intents and purposes, shows no signs of letting up.

China's regional banks, the City and Rural Commercial Banks, have a consolidated market share of more than 25%. Focused mainly on their local regions, these financial institutions tend to engage more in lending activities with small and medium-sized enterprises than is the case with other banks in China.

As part of its project activities, Sparkassenstiftung has advised Nantong Rural Commercial Bank on the design of a separate department specifically for organising lending operations. The objective was to expand and optimise lending operations for micro, small and medium-sized companies and to transfer this department's know-how to the rest of the bank. Project implementation was a joint cooperation effort by the bank's management staff and Sparkassenstiftung's team of experts.

Funded by Nantong Rural Commercial Bank itself, the project was successfully completed at the end of September 2016.



China's regional banks have a market share of more than 25%. Over a period of several years, Sparkassenstiftung successfully advised China's Commercial Banks on the expansion of its SME lending operations.

PROJECT REPORT: MYANMAR**Bank and finance sector development**

The extensive process of transformation underway in Myanmar is beset with a multitude of social, political and economic challenges. In this context, great importance is attached to improving the quality of life across the population at large; for example, by promoting small-scale entrepreneurship as a means of reducing poverty and securing social peace.

In April 2014, Sparkassenstiftung launched a project designed to introduce and expand SME lending in three selected partner banks in Myanmar: Kanbawza Bank (KBZ), Yoma Bank and the Small and Medium Industrial Development Bank (SMIDB).

Sparkassenstiftung is assisting these three partner banks with SME financing, specifically with the systematic rollout of a loan product for SMEs and the development of suitable organisation structures. A key focus of the measures is on basic and further training of staff, working in the credit departments, as well as branch office managers and trainers. Furthermore, the project organises specialised training and coaching for loan officers and trainers targeting the treatment of non-performing loans.



Promoting small-scale entrepreneurship is a good way of fighting poverty.

GIZ is funding project activities and also co-implementing them with the Cologne-based ICON Institute.

PROJECT REPORT: INDONESIA**Assisting the regional development banks (BPDs) to decentralise financial service provision**

The major challenges in Indonesia centre on promoting economic growth and reducing poverty, especially in the country's more remote regions. And it is in this context that Sparkassenstiftung is assisting the regional development banks (Bank Pembangunan Daerah) or BPDs for short. The BPDs have substantial development potential. Taken together, they are already the fourth largest group of banks in Indonesia and the second largest branch network in the country.

A major project objective therefore focuses on strengthening the institutional capacity of the BPD's umbrella association ASBANDA. A coordinated business model and a viable structure, together with the growth of professional expertise within the association, are intended to help advance cooperation within this group of regional development banks and ultimately strengthen each individual BPD in its own right.

Sparkassenstiftung is supporting a transformation programme initiated by the Indonesian government that aims to turn the BPDs into a stable and efficient



People in Indonesia are now also being trained to use Sparkassenstiftung's microenterprise simulation.

financial group made up of independent banks. Since Germany's Sparkassen (savings banks) are the role model for this project, high-ranking representatives of the Indonesian Ministry of Home Affairs, the Bank of Indonesia, the country's financial supervisory authority and the BPDs undertook an official exposure visit in 2016 to find out more about the workings of the Sparkassen-Finanzgruppe (Savings Banks Finance Group).

At the same time, Sparkassenstiftung continued to cooperate with individual BPDs – particularly in Central Java and Papua – on the rollout of a market-oriented

microlending product for micro and small entrepreneurs. Furthermore, people are now being trained to use Sparkassenstiftung's microenterprise simulation, the Micro Business Game, in order to teach local business owners some of the core elements of business management in a fun and relaxed way.

Sparkassenstiftung is operating at four sites in Indonesia. The team consists of two international long-term experts and five local staff members.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: EASTERN CARIBBEAN**Financial inclusion of small and medium-sized enterprises in the Eastern Caribbean Currency Union**

The Eastern Caribbean Currency Union (ECCU) consists of a total of eight small island states that are vulnerable to the trade cycles of their neighbouring developed economies, in particular the USA. One of the major challenges in the region is the lack of access to financial services for small and medium-sized enterprises (SME).

As a result, this project aims to give ECCU-based SMEs needs-oriented efficient and sustainable access to financial services while concomitantly improving their business proficiency. As part of this process, the project intends to strengthen the capacity of financial institutions to provide demand-oriented products. It also aims to improve their SME service culture, too. As for the SMEs, they are to build their basic entrepreneurial literacy, specifically with regard to informal credit risks, knowledge of financial institutions and products, entrepreneurship and the compilation of financial data.

The first partner to join the project is the First National Bank of St. Lucia. Cooperation with this bank focuses in particular on the analysis and strengthening of SME-centric business activities and on target-group-oriented training measures for bank staff. On the entrepreneurial literacy side, Sparkassenstiftung is working with the St. Lucia Chamber of Commerce, Industry and Agriculture. Here the focus is on designing a strategy for basic financial and entrepreneurial literacy, holding corresponding literacy courses and selecting and instructing local trainers.

In November 2016, the afore-mentioned partners and other stakeholders, such as the Eastern Caribbean Central Bank and the responsible ministry, embarked on an exposure visit to Bonn and Lübeck. Their objective was to experience first hand the way in which Germany's Sparkassen-Finanzgruppe (Savings Banks Finance Group) gears its services to SME



The Eastern Caribbean Working Group set up with the help of Sparkassenstiftung meets for a workshop on financial inclusion.

clients. They also wanted to find out more about other forms of support available to SMEs in Germany, i.e. via chambers and associations. Inspired by this visit, the Eastern Caribbean Working Group came into being and has already implemented initial ideas.

The German project partner is the Sparkasse zu Lübeck.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

Microfinance

Microfinance is an important aspect of financial inclusion. Being financially included means having access to responsibly and sustainably delivered essential financial services, such as savings schemes, loans, insurance, and transfers. Microfinance offers a means of achieving financial inclusion with small amounts of money. Besides access to financial services, financial inclusion is also about user competence – e.g. financial literacy – and the frequency of service use. Furthermore, it has to do with the quality of the services provided, and that applies to consumer protection, too.

Basic principle underlying German Sparkassen

For the past 200 years, Sparkassen (savings banks) have been responsible for securing financial inclusion in Germany. What started out as one of the first microfinance institutions in the world has evolved into a fundamental holistic principle. The business culture of Germany's Sparkassen automatically places customers at the centre of its activities, attuning them to their needs. This is why the Sparkassen business model also incorporates advisory services into its financial and economic financial literacy agenda, for example the 'Sparkassen-SchulService' for schools or the 'Geld und Haushalt' advisory service to help private households manage their money. And all of this is economically viable – in spite of, or perhaps even because of, the social responsibility shouldered by Germany's Sparkassen. Economic efficiency and a social mandate are not a contradiction in terms. However, economic efficiency is essential for the sustainable development of Germany's Sparkassen.

Implementation in other countries

Sparkassenstiftung's projects support the 2030 Agenda for Sustainable Development. The 17 Sustainable Development Goals (SDGs) may not refer explicitly to financial inclusion and microfinance, but in many

cases they do constitute a decisive factor for their achievement. Sparkassenstiftung is, therefore, supporting the creation and ongoing development of microfinance institutions in Bhutan, Cambodia, Laos, Myanmar and Vietnam. Furthermore, it is also implementing financial education measures in Mexico and Rwanda. With their focus set firmly on practical application and the transfer of knowledge from German Sparkassen, these measures are customised to the local context with the help of our partners on site. Enabling customers to develop and grow – from microfinance customers into small and medium-sized enterprises – while aligning products to fit changing customer needs is also conducive to financial inclusion and therefore integral to Sparkassenstiftung's activities. Cooperation with microfinance associations, as in Burundi and Rwanda for example, helps intensify our project impacts. This is because associations often work closely with central banks and are in a position to drive forward topics such as consumer protection across the board. Consequently, the three cornerstones of financial inclusion (access, usage and quality) are mainstreamed throughout all projects of Sparkassenstiftung.

Outlook

In the meantime, the G20 states have agreed on 'High-level Principles for Digital Financial Inclusion'. Digital financial inclusion fosters efficient networking amongst the relevant stakeholders. And although it is not the only factor, digital technology will lead to significantly greater levels of financial inclusion in all developing countries and emerging economies thanks to their capacity for lowering costs, creating economies of scale and widening access to financial services.



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PROJECT REPORT: BHUTAN

Building and strengthening the microfinance sector in Bhutan

As in many other countries in Southeast Asia, low-income households have absolutely no access at all to financial services. The low rate of monetisation, sparse population density, poor infrastructure, low human resource capacity and unclear regulations make it difficult to establish financial institutions capable of covering their costs on a sustainable basis.

The project, therefore, aims to drive forward financial inclusion amongst the rural population by establishing and operating microfinance institutions.

Working in close cooperation with RENEW (Respect, Educate, Nurture and Empower Women), the project has succeeded in establishing a microfinance institution that operates in the capital city of Thimphu and also in six other regions across Bhutan, amassing a customer base of around 8,500 by end 2016. In this respect, RENEW MFI is akin to a 'Sparkasse' (savings bank). Furthermore, since the end of fiscal 2014/2015,

RENEW MFI has reached break-even point. At present, Sparkassenstiftung's technical support is focusing on expanding operations as well as on strengthening institutional capacity. However, it is also vital to build local managers' capacity, thus enabling them to take charge of the institution in the medium term. As of May 2015, a former staff member of Kreissparkasse Köln is working as Sparkassenstiftung's long-term expert on site in Bhutan.

Partnering the project is the Sparkasse Germersheim-Kandel which, together with the Kreissparkasse Köln, hosted a visit from a Bhutanese delegation in August 2016. The objective was to give participants a better understanding of the German 'Sparkassen model' and thus to provide financial services to a broader group of people.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



With annual per-capita income at around USD 2,000, Bhutan is one of the poorest countries in the world. As a rule, its people barely have any access to financial services.



In this project, children – like here in Tanzania – are introduced to the topic of financial literacy at an early age.

REGIONAL PROJECT FOR EAST AFRICA

Vocational training to strengthen the microfinance sector

The challenges in the East African finance sector are as diverse as the project countries themselves. **Burundi**, one of the poorest countries in the world, has a relatively weak formal financial sector in which fewer than 10% of the population are banked. In contrast, **Rwanda's** financial sector has developed in leaps and bounds over the past 15 years. As a result, almost 50% of Rwandans have a bank account today. This figure is comparable with **Tanzania**, a relatively large country that faces different challenges to its neighbours. The fact that people do not properly understand financial services is yet another factor inhibiting financial inclusion, as is the low level of MFI staff training. Nonetheless, financial inclusion remains a precondition for sustainable economic growth in East Africa.

In view of this, the regional project is pursuing three objectives:

1. Improve basic vocational training in the banking and commercial sectors
2. Build partner institutions' institutional capacity
3. Improve access to financial services by getting financial institutions to offer needs-oriented products and services and to provide financial literacy measures

In 2016, the project assisted Burundi's microfinance network RIM to develop training modules and produce a strategic business plan for a microfinance academy. Events marking World Savings Day were also a great success. In the IT sector, the project looked into the rollout of a new joint core banking system. Furthermore, RIM was also advised on the development of a new strategic roadmap.

In Rwanda, the project worked with the Association of Microfinance Institutions (AMIR) and the Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance (RICEM) to develop coaching concepts for microentrepreneurs and microfinance institutions. Furthermore, a curriculum and syllabus were devised for the dual vocational training scheme on microfinance; the attendant legal framework conditions were created, too. While World Savings Week again succeeded in achieving a major outreach in Rwanda, consultancy for AMIR concerning the rollout of a standardised audit and core banking system also remained on track.

In Tanzania, work with TPB Bank PLC focused on optimising the curricula, training methodology and HR selection process. The project assisted the Tanzania Association of Microfinance Institutions (TAMFI) with the acquisition of new members and with its strategic positioning efforts, a process that culminated in the organisation of an East African Microfinance Summit. Following the successful piloting of World Savings Week together with the grassroots NGO Karagwe Rural Development and Environmental Conservation Agency (KARUDECA) in the Karagwe area, it is now planned to introduce further measures designed to improve basic financial literacy.

The German project partners are the Sparkassen associations of Baden-Württemberg (Sparkassenverband Baden-Württemberg) and Rhineland-Palatinate (Sparkassenverband Rheinland-Pfalz) together with Kreissparkasse Tübingen.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



Very often, financial dealings in this region are conducted in temples. And many women undertake long journeys to get to them.

REGIONAL PROJECT FOR FORMER INDOCHINA AND MYANMAR

Strengthening the microfinance network

Accessing financial services is a major challenge in former Indochina and Myanmar. However, for low-income households and micro and small-scale entrepreneurs in particular, adequate financial products are essential if they are to escape poverty.

As a result, this project aims to provide these target groups in **Vietnam, Laos, Cambodia and Myanmar** with a network of microfinance institutions that will enable them to access long-term, sustainable and customer-centric financial services. Besides helping to improve the lives of rural and women-led households especially, these activities are giving micro and small-scale entrepreneurs a chance to secure the credit products they need to make investments and finance their business operations.

Cooperation between partner institutions in this regional project is strengthened by a regional network which is helping to professionalise operations. The priority is to give low-income households access to financial services.

Stakeholders in Vietnam include the Vietnam Women's Union (VWU), the microfinance institution TYM, the Fund for Poor Women (FPW) and the Microfinance Training Center (MFTC). In Laos the players include the Lao PDR Women's Union (LWU), the microfinance institution Women & Family Development DTMFI (WFDF)

and the village banks. In Myanmar, the actors include the MFIs Myanmar Development Partners (MDP) and CARD Myanmar Co. Ltd. In Cambodia, the partner is the microfinance institution SAMIC Plc.

In addition to the joint activities, Vietnam was also able to celebrate World Savings Day for the first time in 2016 thanks to Sparkassenstiftung's support. The WFDF in Laos has developed a risk management system in the year under review and has successfully launched lending activities to micro and small-scale enterprises (MSEs). Furthermore, the village banks in Laos piloted the introduction of IT-based processes. Also, LWU has adopted the rules Sparkassenstiftung developed for monitoring internal processes within the village bank system, rendering them compulsory for more than 90 banks. The MDP, too, has successfully started to extend its first MSE loans. CARD Myanmar is currently getting ready to start MSE lending but its focus in 2016 was mainly on its further expansion. In Cambodia, the project was able to resume cooperation with SAMIC again in mid-2016.

The German project partner is Sparkasse Essen.

Funding for project activities is from Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

HR Development and Training/ Business Games

Education, training and life-long learning are decisive success factors in a fast-changing and – also for poorer population groups – globalised world. On the one hand, there is a growing pressure and need to harmonise training contents in keeping with international regulations and integration processes, also with an eye to increasing immigration flows. And on the other, newly developed training contents constantly have to be adapted to national and regional specifications.

Sparkassen-Finanzgruppe and its training services

For Sparkassenstiftung, the German Sparkassen (savings banks) and their affiliated partners offer a pool of ideas and knowledge it can tap into. With more than 17,000 trainees, the Sparkassen are one of the largest providers of vocational training for young people in Germany. However, thanks to their regional academies, Management Academy and the University of Applied Sciences, the Sparkassen-Finanzgruppe (Savings Banks Finance Group) also offers numerous advanced and further training courses for staff and management employees of all levels.

Sparkassenstiftung's educational work

Through its work, Sparkassenstiftung implements these ideas at an international level, thereby fostering the growth of societies and financial institutions in its respective project countries. At the macro level, Sparkassenstiftung helps establish and hone systems and structures in line with international best practices and standards in order to create the necessary framework conditions. At the meso level, Sparkassenstiftung helps establish institutions that deliver basic and further training measures on a sustainable and stable economic basis. And at the micro level, Sparkassenstiftung supports individual financial institutions by supplying tried-and-tested training and teaching materials adapted to the

local context. It also trains multipliers and coaches management staff one-on-one.

In many projects, Sparkassenstiftung makes use of its own specially designed business games to successfully train intermediate and higher management levels in fields such as general bank management as well as sales and risk management. On the customer side, Sparkassenstiftung works with local partners to train micro and small enterprises as well as private individuals. Attracting more than 50,000 participants to over 2,200 seminars, Sparkassenstiftung has had a concrete impact across many different project activities. Training thus extends far beyond individual measures and, via local trainers and multipliers, also has a rural outreach. The ongoing development of Sparkassenstiftung's range of business games in 2015 and 2016 saw the addition of the 'Savings Game' and the 'Farmers Business Game' – simulations that give private households and agri-business owners an opportunity to learn new skills in an interactive and interesting way.



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PROJECT REPORT: MONGOLIA

Strengthening the banking sector

The project aims to strengthen the banking sector in Mongolia by professionalising training and bringing it into line with international standards. The rollout of new education standards is intended to promote practice-oriented learning in public schools and vocational training facilities across the country. However, the gap between rhetoric and reality remains large. Having attended training courses that are not geared to job market demands, graduates of the country's state and private vocational training establishments discover they are underqualified and therefore often unable to find suitable work. Banking sector employees are no exception here, as their training is not governed by any statutory requirements either. Most banks recruit staff directly from universities and tertiary level training institutions – none of which offer any practical (bank-specific) training.

The project promotes technically sound, practice-oriented training that will enable banking staff to

adequately advise a wide range of customers on various financial products. Training takes as its role model Germany's dual system of vocational education and training, albeit customised to meet Mongolia's specific needs. Additional measures, such as the introduction of World Savings Day, are intended to help enhance the population's financial literacy and build customer confidence in the Mongolian banking system.

The project got off the ground in December 2016 with a train-the-trainer seminar at the Potsdam-based Nord-Ostdeutsche Sparkassenakademie (North-East German Savings Banks Academy). Initial measures for 2017 include the design of a practice-oriented curriculum for dual vocational education and training (VET) for banking-sector staff as well as specialisation courses to advance existing staff's skills.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



Many families still live in a typical Mongolian yurt.

PROJECT REPORT: PHILIPPINES**Expanding dual vocational education 'K to 12'**

In this joint project, Sparkassenstiftung is cooperating with other German partners – AFOS/BKU, DEG (through to the end of September 2016), DIHK/AHK, GIZ, sequa and ZDH – as well as with private and governmental organisations and companies in the Philippines in a bid to make vocational education more practice- and needs-oriented. The aim is to increase levels of employment and income amongst young people and their families by promoting a dual approach to vocational education – a move that is also intended to meet job market demands for better qualified candidates.

Within the scope of this joint project, Sparkassenstiftung is implementing the 'Finance Dualized Education (FDE)' component. As such, it is responsible for rolling out dual vocational training in the country's microfinance sector. Besides identifying and selecting umbrella associations, microfinance associations and schools willing to create training clusters, the focus is essentially on formulating syllabuses and textbooks

for the microfinance and bookkeeping courses and on training school and workplace trainers.

The two courses – microfinance and bookkeeping – were introduced at the end of the first main project phase in September 2016 and currently have a total of 300 trainees between them. Sparkassenstiftung is presently working with seven microfinance institutions and 13 partner schools in Mindanao, Luzon, Bicol and Metro Manila.

The focus of the second main phase, which got underway in October 2016, is essentially on engaging microfinance associations in these dual vocational training schemes. To date, cooperation agreements have been signed with the Mindanao-based cooperative federation MASS SPECC, the Mindanao Microfinance Council (MMC) and the Bicol Microfinance Council.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



Promoting a dual approach to vocational education and training: This project is working to raise employment and income levels amongst young people and their families in the Philippines.



In the youthful societies of Central Asia, people think highly of an apprenticeship in the banking sector.

REGIONAL PROJECT FOR CENTRAL ASIA**Introducing dual vocational education and training to the finance sector**

This regional project involves the countries of **Tajikistan, Turkmenistan and Kyrgyzstan**. The context is very similar in each of them: The slow pace of political and economic reform is holding back business sector development – the banking sector included. These developmental delays are impacting workplace professionalism as well as the quality of bank service delivery. Another characteristic common to each of the project countries is the comparatively youthful age of their societies. Better qualified bank employees are absolutely vital, if the financial sector in the respective countries is to make a significant contribution to economic and social stability, especially in rural regions. This is because good quality advisory services and more financially literate customers make for better product use, which ultimately benefits the banks and their clients alike.

The project thus aims to strengthen the banking sector in the countries concerned by making training more professional. It also aims to raise people's confidence in the banking system by conducting financial education measures, especially in schools. Furthermore, it also plans to roll out World Savings Day.

This project is strong on regional cooperation. This manifests, inter alia, in regular regional meetings for trainers and central bank managers, too. Furthermore, as of 2016, the countries' respective education ministries are now also on board.

In addition to 12 seminars for trainers and courses for 40 local dual vocational training professionals, a total of 12 further training measures were implemented for teachers in 2016. As a result, 168 teachers are working as financial literacy multipliers in these countries – also for the savings simulation developed by Sparkassenstiftung. The project, which operates in 14 regions across the three countries and is supported by 69 local banks, already achieved its sub-target of 1,000 successful graduates of dual vocational education and training by December 2016.

The German project partners are the Ostdeutscher Sparkassenverband (East German Savings Banks Association), Saalesparkasse in Halle and the Sparkasse Wittenberg.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: ZAMBIA**Micro Business Game for the UN World Food Programme**

In Zambia, Sparkassenstiftung has successfully implemented simulations for micro and small-scale entrepreneurs since 2012. A firm favourite, the Micro Business Game features a microenterprise that produces and sells orange juice. Using a simple accounting system, it presents the many different challenges this business has to contend with as well as the business decisions it has to make. Many people have used this simulation which is accredited with a positive impact on employment, investment and sustainability.

Aware of the good results achieved with the simulation, the World Food Programme (WFP) and the UN Food and Agriculture Organization (FAO) commissioned Sparkassenstiftung to train 20 agricultural extension officers as simulation facilitators at Mansa, Choma and Chipeta. Following a train-the-trainer seminar, the officers implemented individual simu-

lations for farmers themselves before subsequently undergoing additional coaching for their certification course scheduled for September 2016.

Cooperation, which has since been completed, focused on customising local training to the farmers' needs and on adapting it to the agricultural extension officers' low level of economic know-how. In spite of various delays due to planting and harvest times, the project was deemed to be very positive. Today, a total of 45 certified trainers are available to train agricultural microentrepreneurs.

The project was funded by the World Food Programme and the Food and Agriculture Organization of the United Nations.

The Micro Business Game features a microenterprise that produces orange juice.

Here the participants – most of whom are women – learn the basics of business management.

**PROJECT REPORT: GHANA AND THE GAMBIA****Strengthening credit unions and other microfinance institutions in Ghana and The Gambia**

In both of these project countries in English-speaking Western Africa, the lack of access to financial services constitutes a core obstacle to development. Major contributory factors include the poorly qualified staff members and functionaries in the microfinance sector, as well as the customers' sketchy basic knowledge about financial and entrepreneurial topics.

In both countries, the credit unions have a large outreach and a development mandate – which is why they were chosen as the starting point for project work. The objective is to strengthen the credit unions and other microfinance institutions in Ghana and The Gambia, including their associations, by means of demand-oriented and affordable vocational training measures. To this end, support focuses on the vocational services provided by Ghana's Credit Union Training Center (CUTraC) and its Microfinance Institutions Network (GHAMFIN). The project is also assisting the National Association of Cooperative Credit Unions in Gambia (NACCUG) to meet the credit unions' needs for human capacity building. Cooperation aims to promote mutual learning and encourage the two countries to share good practices.

In the course of 2016, the project acquired a new partner, namely the Ghana Microfinance Institutions Network (GHAMFIN), thus widening its outreach beyond Ghana's Cooperative Credit Unions Association (CUA) to six more microfinance associations. The bank simulation that Sparkassenstiftung conducted at the kick-off event marking this new cooperation met with a very good response. Together with CUA, work is now

underway to align the jointly developed courses more closely with the differing demands of the participants and the credit unions they represent. This means that, alongside closer working relations with the 500 or more institutions, education has now become even more customer-centric.



Sparkassenstiftung supports among others the vocational training provided by CUTraC.

In its cooperation with NACCUG, the project has concentrated on transferring courses developed in Ghana but also on training trainers and improving the methods used to organise training and measure its success.

The German project partner is the Rheinischer Sparkassen- und Giroverband. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

Financial Sector Development

If the financial sector does not work, neither will the economy. This applies to industrialised nations as much as it does to developing countries and emerging economies. The extent to which today's economies depend on a stable financial sector last became apparent during the global financial crisis of 2007. A financial sector should be inclusive and offer a suitable range of products and services to all levels of society. It is not just major companies that need access to financial services, micro, small and medium-sized enterprises (MSME) and start-ups do, too.

Diversity as a success factor

A highly concentrated financial sector often results in higher prices and inferior quality products and services. If there is a wider range of providers, competition becomes stronger and customers ultimately benefit from lower prices. However, having different business models coexist side by side also makes for a more stable financial sector. In developing countries, too, a broad-scale financial sector consisting of private banks, state development banks, cooperative banks, microfinance institutions and other facilities has proved its worth. And it is the best form of protection against systemic crises.

Financial services in rural areas

Often economic development tends to centre on urban conurbations, resulting in negative spin-off effects, such as environmental problems, rural exodus or the impoverishment of rural regions. Rural development is a priority area of the German government's development cooperation activities – and one that requires the existence of financial services on site. Local banks or other on-site financial service providers and decision-makers are therefore an indispensable component of a sustainable financial infrastructure.

Making decentralisation efficient

Often it is small banks or microfinance institutions (MFI) that drive the local economy in rural areas and small towns. And they face some major challenges: Their small-scale business model serving a wide range of different customers is very labour- and cost-intensive. As 'lone warriors', every MFI has its own IT, develops its own products and trains its own personnel itself. Cooperation with other institutions that enables them to outsource back-office functions to a central service provider can be a meaningful solution here. Consequently, Sparkassenstiftung is assisting microfinance and cooperative bank associations in places like Cameroon or Ecuador to become providers of key services for their member institutions – a move that will lower the burden of costs each individual institution has to bear and make banking cheaper for customers, too.

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PROJECT REPORT: PROMOTING SAVINGS BANKS IN THE EU

Introducing the German Sparkassen model to Ireland

Ireland was one of the countries worst hit by the Eurozone crisis. To save the banking system, the Irish government went to great financial expense to recapitalise the country's largest banks. At the same time, certain restrictions were imposed that forced banks to considerably scale back their business operations. As a result, numerous branch offices closed down, particu-

Intensive cooperation with IRL and many discussions, also with political decision-makers, have prompted the government to state in its agenda that it "will thoroughly investigate the German Sparkassen model for the development of local public banks" – thus paving the way for the possible rollout of the Sparkassen model in Ireland.

Sparkassenstiftung's current task involves drafting concrete proposals for the foundation of Irish savings banks. The concept provides for a pilot bank in the Midland region and the later expansion to eight to ten independent regional institutions as well as the creation of a central service provider that will essentially see to their back-office functions.

Sparkassenstiftung's role consists in concept design, political advocacy and advice on rollout. Once the pilot bank is officially launched, Sparkassenstiftung will be required to provide hands-on support in the first three years to help it get established and to consolidate operations. According to the business plan, the bank should break even during this period. Likewise, practical support is also scheduled for the Irish savings banks' central service provider. By the end of 2016, activities had resulted in a business foundation concept, a business plan and a pilot savings banks model. Furthermore, a draft 'Irish savings banks law' was also formulated.

Besides further work on the legal framework, the next major steps include stipulating possible equity capital scenarios and the question as to which core banking system can be used.

The conference 'A New System of Banking for SMEs', which was held in the Royal Dublin Society in November 2016, underscored the key function and importance of a viable regional banking model. In December 2016, the Irish government announced it would officially launch its investigation into the German savings banks model in January 2017.



Key persons attending a conference by the Association of Irish Local Government (AILG), from left to right: Harald Felzen, Sparkassenstiftung, Minister Simon Coveney, Noel Kinahan (IRL), Minister Pat Breen.

larly leaving small and medium-sized companies with extremely limited access to credit. Given the strong public discontent at the banks' previous misconduct and their subsequent failure to support the economy, a great many people and organisations are now seeking an alternative model for the financial sector.

In 2014, Sparkassenstiftung was invited to present the German Sparkassen model in Ireland. The concept of decentralised savings banks under municipal trusteeship aroused a great deal of interest, also amongst numerous political parties. As a result, Sparkassenstiftung and Irish Rural Link (IRL) have been working together since 2015 to formulate concrete proposals for the establishment of savings banks – proposals that are then fed into the political decision-making process.

PROJECT REPORT: CAMEROON**Partnership project to strengthen village savings banks**

A member of the Central African Economic and Monetary Community (CEMAC), Cameroon stands out by virtue of its substantial economic performance, but also because of its relatively stable political situation. And yet, its microfinance sector is still fraught with undercapitalisation and a lack of professionalism. To a large extent, this is due to the limited opportunities for basic and further training.

One of the ways people access financial services, especially in rural areas, is via the network of around 240 village savings banks (Caisses Villageoise d'Epargne et de Credit Autogérée – CVECA). The CVECA are organised in five regional associations that also exercise normative and control functions. They were founded by the nationwide microfinance service provider Microfinance et Développement (MIFED) which has a government mandate to set up and monitor village savings banks.

Sparkassenstiftung's project is part of Cameroon's national financial inclusion strategy. Its objective is to give the rural population better access to financial

services by making village savings banks more accessible and affordable and by improving the quality of services provided. The project also aims to build MIFED's institutional capacity and so enable this national service provider to fulfil its mandate in terms of supporting village savings banks and promoting sector-specific vocational training.

In 2016, the Sparkassenstiftung team on site was able to strengthen organisational structures at MIFED and in regional associations, too. The team was also able to harmonise cooperation between independent networks by arranging regular meetings. Thanks to the support of the team on site, the associations were able to agree on a joint response to the regulations poised for rollout in CEMAC Member States. Moreover, this partnership project includes numerous decentralised training measures for the village savings banks and their customers.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



Cameroon's national strategy for financial inclusion aims to give the rural population better access to financial services by strengthening the 240 or more village savings banks.

PROJECT REPORT: RWANDA**Restructuring the Umurenge SACCO sector and establishing a cooperative bank**

There are almost 500 independent microfinance institutions operating in Rwanda today and most of them are savings and credit cooperatives (SACCOs). Consequently, people have relatively good access to financial services everywhere in the country. At the end of 2015, some 89% of the Rwandan population was considered to be financially included. Nonetheless, the quality of services is frequently not up to standard. Small institutions in rural areas in particular lack the financial and human resources required.

As a result, there are plans to merge 416 of these very small SACCOs – one of which is located in each administrative sector (Umurenge) – to form 30 larger SACCOs at district level. According to estimates by Rwanda's Ministry of Finance, the Umurenge SACCOs currently bank 34% of the adult Rwandan population. The scheduled mergers can generate economies of scale and make the SACCOs more professional. They also have the capacity to improve the range of services, especially for the rural population and microenterprises. The second phase of the project is dedicated to establishing a central credit institution along the lines of a clearing house. This central facility will be tasked with providing the new district SACCOs and customers with a range of favourably priced financial services the SACCOs cannot provide on their own, such as access to the national payment transaction system and digital financial services.

Sparkassenstiftung has been advising and supporting the project partners since 2015 on the planning, preparation and implementation of the mergers as well as on the follow-on phase. Activities include strategic and business planning, communication with customers/members, staff and management as well as local opinion leaders, the selection of key staff members and the definition of standard processes.

In 2016, the project and its partners initiated and implemented the following measures:

- Creation of a financial database for all Umurenge SACCOs for the partially automated compilation of financial forecasts for all district SACCOs
- Nationwide awareness-raising measures for all Umurenge SACCO representatives at province level in preparation for the mergers
- A series of workshops lasting several months with all relevant stakeholders in the districts in order to prepare the business plans
- Preparation of process manuals and work instructions for the district SACCOs

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



One of the project objectives is to improve the quality of services delivered by small financial institutions in rural Rwanda.



"It's never too early to get started..." Our photo shows a World Savings Day event taking place in a school.



The brochure 'Yo y mis finanzas' (My Money and Me) is helping microentrepreneurs in Latin America and the Caribbean learn how to handle their money better.

REGIONAL PROJECT FOR THE CAUCASUS, UKRAINE AND IRAN

Responsible finance, financial education and consumer protection

Our partner countries – **Armenia, Azerbaijan, Georgia** and **Ukraine** – all share a Soviet past. As a result, people have little confidence in banks and the financial sector. In **Iran** too, the financial landscape is now evolving.

As a consequence, the project aims to promote responsible finance. Essentially this means achieving a fair balance of interests between the two sides involved: a financial institution with its customers and business partners on the one hand and its shareholders and donors on the other.

The project's responsible finance activities centre on the following: financial education, consumer protection and the creation of a range of responsible financial services. Sparkassenstiftung's main priorities are to sensitise the parties involved to the topic of responsible finance and to develop country- and partner-specific strategies and materials for teaching financial literacy. We also aim to conduct training courses and to expand the range of financial services, particularly in rural regions. This also extends to the design of a demand-oriented range of savings and loan products (to help prevent people getting into too much debt). Other activities are geared to raising the efficiency of work processes at financial institutions and thus helping improve the quality of customer advisory services.

In the meantime, Sparkassenstiftung has succeeded in establishing training structures in the Caucasus. Financial education measures are intended to target young adults in particular and are embedded in the respective countries' central bank-approved financial education strategies. Sparkassenstiftung is assisting the project countries' central banks in their efforts to raise transparency in the financial sector. Training courses on consumer protection are now available for financial sector staff and have been implemented in numerous institutions. Thanks to project support, selected institutions in each of the countries are now practicing responsible finance. In Armenia, financial education is set to become part of the school curriculum. Also, work is now underway to develop corresponding lessons for school pupils of various ages.

Following a fact-finding mission, project activities were successfully launched in Ukraine. At the same time, contact was made with suitable Iranian institutions that are scheduled to become involved in project work as of 2017.

The German partner savings bank is Sparkasse Märkisches Sauerland Hemer-Menden.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

REGIONAL PROJECT FOR LATIN AMERICA AND THE CARIBBEAN

Improving sustainable access to financial services by strengthening education and association structures

In 2014, Sparkassenstiftung launched a regional project spanning **Bolivia, Colombia, Cuba, Ecuador, El Salvador, Mexico** and **Peru**. In 2016, activities were extended to **Chile, Honduras** and **Panama**. The objective of this project is to improve access to financial services and to make them more sustainable by strengthening education and association structures.

Four sub-targets have been set for this purpose:

1. Introduce a dual training scheme for banking clerks in at least three project countries as a benchmark for basic training for microfinance professionals.
2. Establish and expand further training services with associations in El Salvador (FEDECRÉDITO), Ecuador (UCACSUR), Colombia (ASOMICROFINANZAS) and Peru (FEPCMAC).
3. Strengthen associations' capacity to represent their members' interests and to deliver key services.
4. Promote financial literacy amongst the general population and help people improve the way they manage their personal finances.

Local project partners include individual savings and cooperative banks or microfinance institutions, associations and their training facilities as well as govern-

ment-run institutions (e.g. consumer protection agencies, development banks, supervisory authorities etc.). The project prioritises regional exchanges of experience between project countries and partners in a bid to enhance its development-policy impact.

El Salvador's first intake of trainees graduated in 2016. Twenty-two of them have now successfully transitioned to working life and are highly respected customer advisers in their savings banks (cajas). Coinciding with the second intake of trainees in July 2016, the project welcomed on board another seven cajas that are willing to provide in-company training. This in itself speaks volumes about the training programme's success.

Further training focuses on coaching local trainers to act as multipliers, e.g. for deposit-taking and risk management, for practice-oriented simulation-based training – and here MFI strategic management especially – and for the rollout of e-learning.

Work with partner associations in the various project countries has concentrated on improving communication and delivering services to members. Besides providing training services for the associations, the

Basic Financial Literacy and Savings Mobilisation

project has – among others – assisted Peru's savings banks to standardise their IT and to implement ratings and benchmarking.

By December 2016, the project had succeeded in delivering financial education to more than 412,000 people – children, young people, female heads of households, micro and small-scale entrepreneurs, indigenous people and also more than 1,800 multipliers, including teachers and MFI staff members. A lot of training was conducted within the scope of national financial education strategies. Devised and implemented with Sparkassenstiftung's support, these strategies involve the use of target-group-specific and practice-oriented materials, including Sparkassenstiftung's simulations for microentrepreneurs as well as a savings simulation and other innovative tools, such as the 'My Money and Me' smartphone app which enables users to keep an overview of their personal finances. Attended by representatives of central banks, bank supervisory

authorities and various associations, a seminar was conducted together with GIZ in June 2016 to assist the various actors with the design of a national financial education strategy.

The success of the project in Cuba is particularly noteworthy. Together with the Banco Popular de Ahorro, the largest bank outside Havana, customers and staff underwent financial education using the micro-entrepreneur simulation. At the same time, new loan products developed for Cuba's microentrepreneurs were subsequently piloted in the Trinidad region. In 2017, the project plans to step up its cooperation with Cuba's central bank.

The Ostdeutscher Sparkassenverband (East German Savings Banks Association) is partnering the associations in Latin America. Funding for project activities is from Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

Basic financial literacy contributes to financial inclusion and is one of the most important factors behind universal access to financial services. Financial education is an integral component of nearly all of Sparkassenstiftung's projects, either as a direct or indirect project objective. The focus here is always on educating children, young people and adults to fulfil their roles as consumers, wage earners and economic citizens. Financial education, therefore, covers various areas which, depending on the definition, can be defined more narrowly or widely. Without any doubt, however, the following constitute core elements: economic, business, vocational, financial and consumer education and education about sustainability.

Systematic approach

Having a basic understanding of the way money works is especially beneficial for poor households, as it makes them better prepared for emergencies and protects them against rogue providers and a life of debt. For their part, financial education measures – and those in rural regions especially – create the critical mass of customers. As a result, financial institutions can offer services there.

Sparkassenstiftung assists its project partners in developing countries and emerging economies to enhance levels of basic financial literacy on site. From the introduction of a family budget planner in Mexico or Uzbekistan to the foundation of school savings groups in Burundi or Rwanda and the introduction of World Savings Day in Vietnam, Rwanda, Burundi or Central Asia.

Financial education is something that needs to be delivered systematically and over the long term. Basic financial literacy measures can only take hold sustainably, if we strengthen the supply and demand side and positively reinforce the enabling conditions all at the same time.

School and home

Money matters should not be a taboo in the home. According to a study by the German Institute for Economic Research (DIW), financial education and childhood experiences of money have a greater impact on financial literacy than school does. Having and handling pocket money is an essential early lesson in money management. In this context, Sparkassenstiftung is promoting the rollout and application of a country-specific pocket money planner in a large number of projects. These planners can either take the form of a brochure or an electronic app.

In Sparkassenstiftung's projects, there is generally a close relationship between basic financial literacy and savings mobilisation. Indeed, mobilising local resources is vital for economic development – total dependency on outside funding does not work. Saving money is not only meaningful and important from an individual perspective but can also – if the deposits are used to extend loans – set in motion a process of economic development.

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PROJECT REPORT: UZBEKISTAN**Developing a national strategy to enhance the basic financial literacy of the Uzbek population**

Uzbekistan has around 30 million inhabitants, making it the most densely populated country in Central Asia.



Basic financial literacy forms part of a larger GIZ project designed to foster economic development in Uzbekistan. This knife-sharpener from Bukhara stands to benefit, too.

Some 60% of the people live in rural regions. Activities are part of a larger GIZ-backed project designed to foster inclusive and environmentally sound market-oriented growth in Uzbekistan.

Based on an analysis of general financial literacy in Uzbekistan, a gender-specific national strategy was developed to raise the level of basic financial educa-

tion of the Uzbek population. This 5-year strategy details the objectives, structures, methods and target groups of financial education in Uzbekistan. Furthermore, a two-year action plan was devised, listing specific activities, responsibilities, a timeframe and budget for the strategy's implementation.

Sparkassenstiftung completed all of this work by the close of 2016. In all, some 13 Uzbek ministries and institutions helped co-design the action roadmap and the financial and cost plans as well as the monitoring concept.

Project activities for the year under review also include several further training inputs for different actors. Courses for local trainers featuring simulations for financial budget planning and the promotion of small-scale enterprises have proven particularly successful in this context. Despite

the delay in the adoption of a gender-specific strategy due to the elections of December 2016, the project is continuing to meet the high demand for its further training measures.

The project is funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

PROJECT REPORT: ARMENIA**Giving Syrian refugees access to Armenia's economic system**

The civil war in Syria has forced a large number of Syrians with an ethnic Armenian background to seek refuge in Armenia. Faced with the unstable situation in Syria and deteriorating prospects in the main refugee target destinations, many of them are very willing to contribute to the Armenian economy. For its part, the Armenian government hopes that the integration of more than 70,000 refugees will deliver a major boost to the country's economy.

The project aims to promote the refugees' integration in Armenia by holding introductory seminars explaining key areas of daily life – in particular the way in



Armenia is planning to integrate around 70,000 Syrians of Armenian descent. The Armenian government hopes this will give the country's economy a substantial economic boost.

which Armenia's financial sector works. For their part, Armenian financial institutions are to be empowered to reach out to these target groups. Furthermore, refugees interested in working freelance are to receive training in small business management.

The micro business simulation developed by Sparkassenstiftung has come in useful here. Following instruction, trainers from the target group are now acting

as multipliers and disseminating their knowledge. Furthermore, a small revolving credit fund is also available to enable participants to realise their business ideas.

The project is funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

PROJECT REPORT: GEORGIA**'People on the move' – support for controlled migration**

Georgia is committed to EU rapprochement and many Georgians hope to improve their personal living conditions by seeking employment in the EU. Today already, a large number of Georgian women have found work, caring for the elderly in various European countries. To help potential migrants and also returnees to prepare for the challenges that await them in their new environment, Georgia's municipalities offer a range of different courses – to which Sparkassenstiftung has now added a financial education course consisting of specially adapted teaching materials. Furthermore, it has trained suitable trainers and even developed a system for monitoring the quality of training.

The project is being implemented in cooperation with the German Association of Adult Education (DVV) with financial support from the EU.



Sparkassenstiftung is supporting municipal efforts in Georgia designed to financially educate potential migrants and returnees.

PROJECT REPORT: IRAN AND TURKEY**Appraisal missions to strengthen the financial sector of the Islamic Republic of Iran and the Republic of Turkey and to support the local population and the hosted refugees**

Today, the number of displaced people is higher than at any time since the Second World War. In the past, countries such as Iran and Turkey have both taken in particularly large contingents of refugees, especially from Afghanistan and Syria. Their integration poses yet another challenge for both of these countries. However, if refugees are to contribute their potential, it is important for them to have long-term prospects – and access to financial services, too. At the same time, certain local population groups are still not completely financially included. Therefore, to preserve social peace, support measures need to target both groups.

In 2016, Sparkassenstiftung undertook two appraisal missions to assess concrete possibilities for enhancing the financial inclusion of refugees and their host communities.

There are three possible areas on which support could concentrate in Iran: i) financial inclusion of insufficiently included or totally excluded groups; ii) development of suitable processes and products for refugees in the banking and financial services sector and iii) improvement of financial and entrepreneurial literacy amongst refugees and microenterprises. The target group for



Iran and Turkey have both taken in a particularly large number of refugees, especially from Afghanistan and Syria. Integrating them is a major challenge for both countries.

tung could undertake additional efforts to financially include the weakest members of Turkish society, with a view to improving their living conditions and harnessing their economic potential in the long term. A special focus, here, should be on promoting the financial and entrepreneurial literacy of women, children and microentrepreneurs. Microenterprises are important because entrepreneurial activities generally stimulate the economy and create jobs – and it is estimated that the Turkish job market will have to create up to one million new jobs in order to absorb the refugees from Syria.

all three areas consists of refugees, local communities and microentrepreneurs.

For Turkey, the most developmentally meaningful approach would be to involve refugees and their host communities in the financial sector. Sparkassenstif-

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) funded the appraisal missions, which were completed on schedule at the end of December 2016.

PROJECT REPORT: MOZAMBIQUE

Promoting financial literacy

Mozambique is one of the most underdeveloped countries in the world. But it also has enormous economic potential. The informal sector plays an important role in the everyday lives of many families in Mozambique, especially in rural regions. Large swathes of the mostly poor rural population are still without access to financial services and have an extremely low level of financial literacy.

The project, therefore, aims to promote financial inclusion – amongst the people but also amongst microentrepreneurs – with a view to reducing poverty, particularly in rural areas. Education, and financial education in particular, are important if people are to improve their economic situation. For this reason, the project is working to enhance people's basic financial literacy and so create a basis for their participation in the formal financial sector.

Training measures conducted as part of the project are geared primarily to the rural population and women. Microentrepreneurs

are also a key target group, as the promotion of entrepreneurial literacy is regarded as a vital impetus for their development. However, training also extends to the staff of (micro) financial institutions, who, once sensitised to the importance of financial literacy, can act as multipliers.



Training measures in Mozambique are geared primarily to the rural population and women.

Sparkassenstiftung is thus building on its experience gained with a project that introduced World Savings Day to Mozambique in 2014 and 2015 in order to promote financial literacy in Mozambique.

The project started in September 2016. Its first activity centred on an extensive analysis of the ongoing situation and the need for financial education in Mozambique. Project activities are set to develop a comprehensive programme for promoting financial and entrepreneurial literacy, using practice-oriented

materials that are customized to the target groups, including the business simulations developed by Sparkassenstiftung. Preparations have already been made to adapt the micro business game to the Mozambican context, including a version in Portuguese, Mozambique's official language. In this way, local people can be trained as multipliers of financial literacy.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: ZAMBIA

Strengthening basic financial literacy

Zambia's positive economic development cannot mask the challenges caused by the country's sheer size and its dependency on commodity prices. Since a great many Zambians, especially in rural areas, subsist below the poverty line, their government has adopted a national financial education strategy to promote income-generating activities.

Against this backdrop, Sparkassenstiftung has been assisting the Bank of Zambia since 2012 to implement measures to educate micro and small enterprises in matters of financial and entrepreneurial literacy. By educating people about financial services, the project enables them to make better use of the products on offer. As a result, population groups that were formerly excluded from financial services are now able to participate in economic life. Amongst other activities, 60 project-trained local instructors from 18 partner institutions have coached more than 5,000 microentrepreneurs nationwide, using a business simulation created by Sparkassenstiftung. In addition to developing specialist media, the project conducted an impact analysis which concluded that training had a positive effect on employment, investment and the utilisation of bank services by microentrepreneurs.

Furthermore, Sparkassenstiftung supported Financial Literacy Week, which has a nationwide outreach in



Sparkassenstiftung is assisting Zambia's central bank to roll out its national financial education strategy.

Zambia. In 2016, World Savings Day was implemented in four regions of the country, attracting large numbers of participants and considerable public interest – thanks also to the pro-active efforts of the national savings bank NATSAVE.

A pilot measure focusing specifically on financial education for market women was successfully combined with the introduction of a specially supervised first bank account.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.

PROJECT REPORT: UZBEKISTAN**Financial inclusion**

Uzbekistan is the most densely populated country in Central Asia. Some 60% of its people live in rural regions.

The project aims to promote micro, small and medium-sized enterprises (MSMEs) and to foster economic development in Uzbekistan, especially in rural areas. To this end, it is working to improve people's and also MSMEs' understanding of money matters, economic interrelationships and entrepreneurship. The project partner on site is the Women's Committee of the Republic of Uzbekistan.

In 2016, the project focused on introducing financial education to secondary schools and on helping the 14 independent non-bank advisory centres to continue

their work to the benefit of MSMEs – especially small-scale farmers and entrepreneurs. In all, more than 100,000 pupils attended over 3,600 school events on financial topics where they learned about meaningful ways of using their pocket money and mobilising their savings. The women's advisory centres provided seminars and intensive one-on-one financial counselling for more than 70,000 women.

The German project partners are the Ostdeutscher Sparkassenverband (East German Savings Banks Association) and the Saalesparkasse in Halle.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) is funding project activities.



Financial inclusion is a key aspect of economic development in Uzbekistan.

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