



Inclusive Finance Activity at European Investment Fund

Regional forum

Financial inclusion through Microfinance

Skopje, September 22, 2016

What is the EIF?

“ We provide **risk financing** to stimulate **entrepreneurship and innovation** in Europe ”

OBJECTIVE

To support **smart, sustainable and inclusive** growth for the benefit of European SMEs.

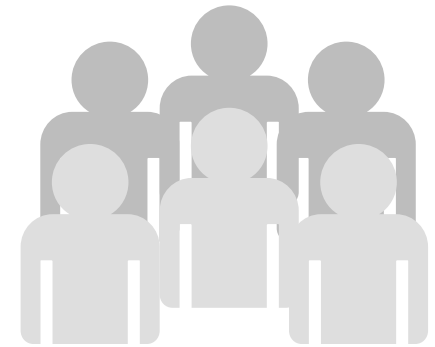
HOW

By offering a wide range of **targeted products to support SMEs**, ranging from venture capital to guarantees and microfinance

WHERE

Working with financial intermediaries across the **EU-28 and EFTA countries, candidate and potential candidate** countries.

“ We work with a wide range of counterparts to support **Inclusive Finance** ”



Resources and Mandators

- **European Investment Bank**
- **European Commission**
- EIF own resources
- Member States/regions
- Managing Authorities



Intermediaries and counterparts

- Microfinance Institutions
- Commercial Banks
- Development & Promotional Banks
- Guarantee Institutions
- Cooperative Banks
- Leasing Companies
- Debt Funds
- Microfinance Investment Vehicles (CoopEst, EFSE)



- **Micro-enterprises**
- **Self-employed SMEs**
- **Social enterprises**

“ A new programme to support **micro-enterprises** and **social entrepreneurship** ”



Microfinance

Objective:

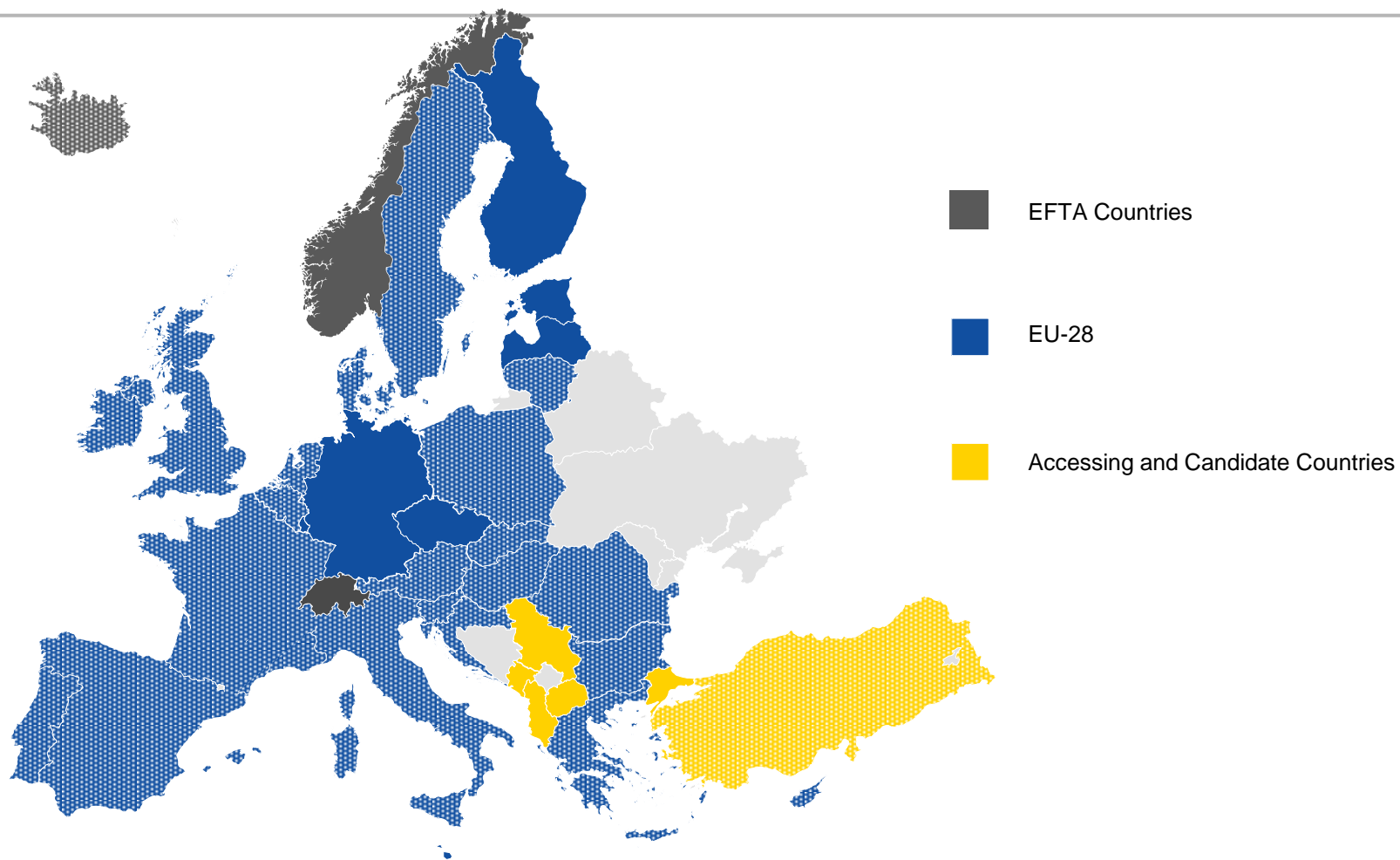
- Increase access to microfinance for **vulnerable persons, micro-enterprises** in both start-up and development phase
- Build up the **institutional capacity of micro-credit providers**

Social Entrepreneurship

Objective:

- Support the **development of the social investment market**
- Facilitate **access to finance** for social enterprises

EaSI country coverage



EaSI financial instruments

Cash product - Senior Loan*

Exposure Limit:	max 100% of Equity
Maturity:	long-term
Currency:	EUR or local currency
Pricing:	market rates, fixed or floating
Security:	None
Disbursement:	In min 2 tranches
Interest payment:	Semi-annually
Repayment:	Individually agreed upon schedule

**Yet to be launched*

Guarantee

- Guarantee rate **up to 80%** – Cap rate **up to 30%** based on E(Losses) of the portfolio, provided that **a 5.5 leverage** is reached (range: 80% with 22.7%; 60% with 30%)
- Guarantee premium does not apply
- **Maximum Loan Amount:** up to EUR 25,000 (MC); EUR 500,000 (SE)
- **Up to 3-5 years availability period** for building up the portfolio

Capacity Building*

EUR 16m window, aiming at reinforcing the institutional capacity of microcredit providers across EaSI eligible countries; primarily via direct and indirect equity investments in (i) micro-credit providers that have not yet reached sustainability, (ii) micro-credit providers that are in need of risk capital to continue growing.

**Yet to be launched*

What's new for microfinance...

■ Code of Good Conduct

- *EU best practices in the Microfinance market*
- *Set of standards in terms of management, governance, risk management, reporting, and consumer and investor relations that are common to the microcredit sector in the European Union.*

■ Provision of Business Development Services

- *Eligibility Criteria*
- *Refers to: mentoring, coaching, training*
- *Services provided directly or indirectly*

EaSI Social Entrepreneurship Guarantee Instrument

■ Definition

„**Social enterprise**“ means an undertaking, regardless of its legal form, and which:

(i) in accordance with its Articles of Association, Statutes or any other statutory document establishing the business, has as its primary objective the achievement of measurable, positive social impacts rather than generating profit for its owners, members and shareholders, where the undertaking provides services or goods which generate a social return and/or employs a method of production of goods or services that embodies its social objective;

(ii) uses its profits first and foremost to achieve its primary objective and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners, in order to ensure that any distribution of profits does not undermine the primary objective;

(iii) is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and/or stakeholders affected by its business activities.

■ Legal Forms of a Social Enterprise

- | | |
|------------------------------|-------------------------------|
| ■ Company Limited by Shares | Limited Liability Partnership |
| ■ Community Interest Company | Cooperative |
| ■ NGO/NPO | Association |
| ■ Foundation | Charity |
| ■ Sole Trader | Other |

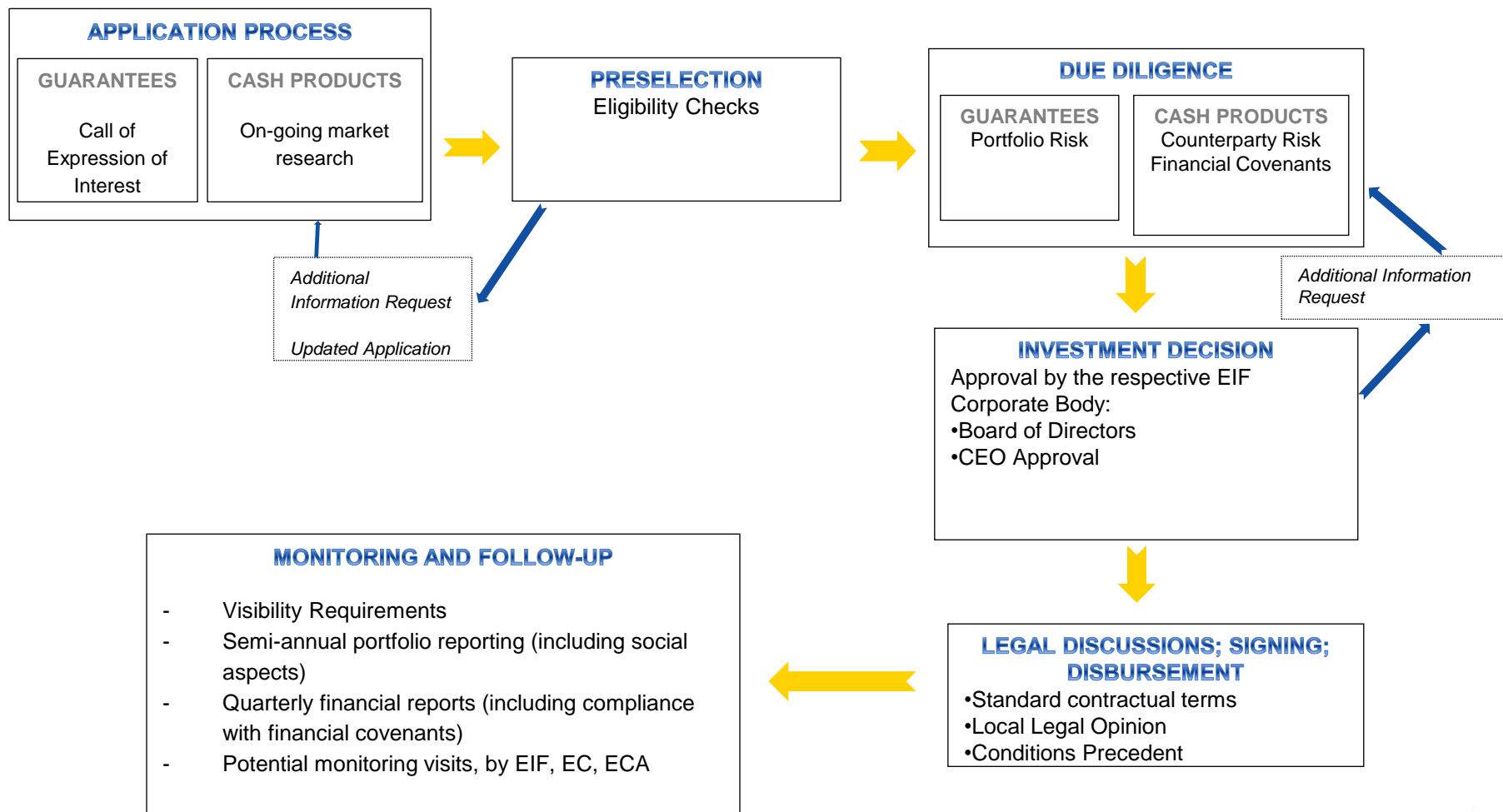
EaSI Guarantee

...Transfer of benefit

➤ Guarantee fee does not apply, but participating intermediaries have to transfer the benefit of the free of charge guarantee to Final Recipients:

“...the Final Recipients Transactions shall, for the purpose of reflecting the benefit of the EaSI Guarantee, have more favorable features for the Final Recipient than it would have without the EaSI Guarantee (for instance (i) increased maturity; (ii) reduction of interest rate/fees; (iii) reduction of collateral requirements...)”

Investment cycle



Application - Information Requirements

☐ General Description of the Intermediary's Activity

☐ General Info

- ☐ Organization structure, corporate governance, history, market position
- ☐ State Aid Compliance

☐ Lending Products Offered to the target group

☐ MIS and IT Systems – Ability to comply with the reporting requirements

☐ Mentoring/Training Services

☐ Adherence to the EU Code of Good Conduct (only for Microcredit)

☐ Co-operation with IFIs

- ☐ Prior Relationship with EIF/EIB Group
- ☐ Co-operation with other IFIs or NGOs

☐ Financial Standing

☐ Annual reports for the last 3 years

☐ Funding Sources

☐ Dependence on Grants (if any!)

☐ Operating Principles

☐ Lending Policies

☐ Risk Management Policies

☐ Recovery Policies

Application - Information Requirements

☐ **Loan Portfolio**

☐ **Outstanding Loans**

- ☐ Numbers
- ☐ Volumes

☐ **Annual Origination**

- ☐ Numbers
- ☐ Volumes

☐ **Pricing Policy**

- ☐ Including structure of the pricing (cost of funding, admin costs, cost of risk)

☐ **Credit Risk Track Record**

- ☐ Vintage Analysis for the last 3-to-5 years
- ☐ Cumulative Defaults
- ☐ Cumulative Recoveries

☐ **Proposed measures to increase access to and availability of microfinance under EaSI**

- ☐ New or existing product
- ☐ Outreach to specific vulnerable target groups (women, start-ups, self-employed, unemployed etc)
- ☐ Envisaged volumes
- ☐ Implementation Strategy
 - ☐ Marketing and Promotion of EU Support

□ Off-Site Due Diligence

- For the Pre-Selection of the Intermediary
- Assessment on a “first come, first assessed basis”
- Checking of the eligibility criteria
 - Qualitative
 - Impact

□ On-Site Due Diligence

- Mainly:
 - To check the origination potential
 - To assess the feasibility of the business plan
- To determine the cap-rate – thorough analysis of the vintage tables

☐ Semi-Annual reporting on the included portfolio

- ☐ Reporting Manual to be provided

☐ Monitoring Visits

- ☐ From EIF – checks on the implementation of the program
- ☐ From EC – checks on implementation of the program, with focus on:
 - ☐ Outreach to vulnerable groups
 - ☐ Visibility requirements
- ☐ From ECA – during potential EU wide audit exercises

Visibility Requirements

- ❑ **Final Recipients** must be informed about **the EC support** through high visibility – specific contractual clauses
- ❑ **Promotion** from the Financial Intermediary is expected, through website, case studies, press release
- ❑ **Financial Intermediary** should provide **two case studies / success stories** of supported Micro-entrepreneurs / Social enterprises

How to be informed about the EIF products/programs dedicated to Inclusive Finance

- **EIF Website – www.eif.org**
 - Calls of Expression of Interest for the EaSI Guarantee Instrument
http://www.eif.org/what_we_do/microfinance/easi/index.htm
 - List of existing Intermediaries
 - Press releases on all our transactions, jointly issued by EIF and the Intermediary
 - Case Studies, illustrating the benefits of the programs/instruments
 - Working Papers
- **EU Commission Website - <http://ec.europa.eu/social/main.jsp?catId=1084&langId=en>**
 - Legal base
 - Case Studies
 - Implementation reports
- **EIF – MicroFinance Team**
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Thank you

