



FI Campus 2023

Financial instruments supporting microfinance

Moderator: **Anna Zurek**, Financial Instruments Advisor, European Investment Bank

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Per-Erik Eriksson, Head of Inclusive Finance, European Investment Fund

Katarzyna Pawlak, CEO, Microfinance Centre

Caroline Tsilikounas, General Manager, European Microfinance

Martina Grigorova, Executive Director, SIS Credit, Bulgaria

Andrea Limone, President, PerMicro, Italy

Eduardo Sierra Martin, Financial Instruments Advisory Consultant, European Investment Bank

Microfinance in a broader perspective

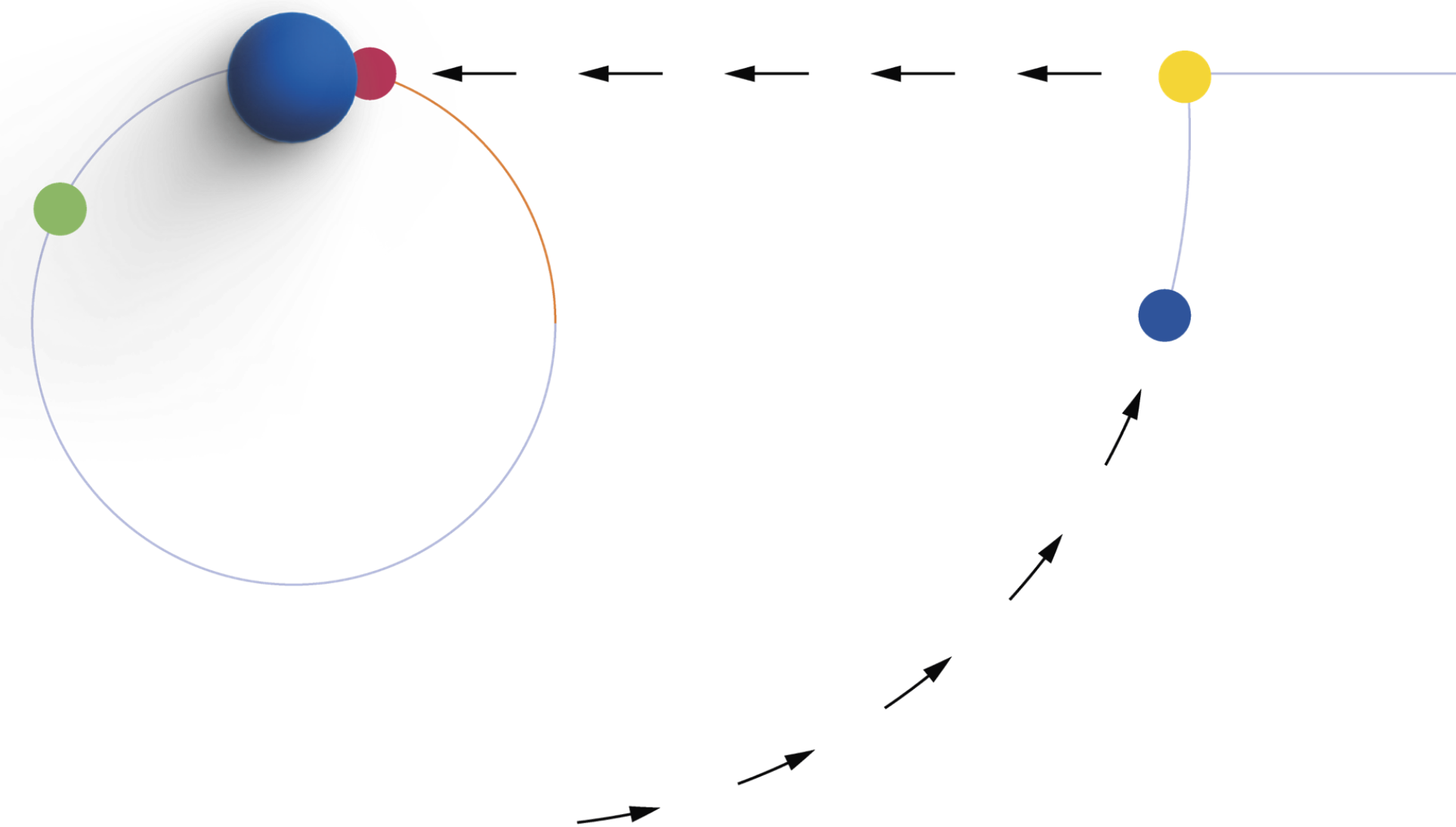




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Lessons learned (EaSI) and the road ahead (InvestEU)

Per-Erik Eriksson, Head of Inclusive Finance, European Investment Fund



EaSI financial instruments & EIF's role

Portfolio guarantee:

Free-of charge first-loss capped portfolio guarantee

EIF acting as guarantee provider

Funded instrument:

Unsecured long-term debt and sub-debt for loan portfolio financing

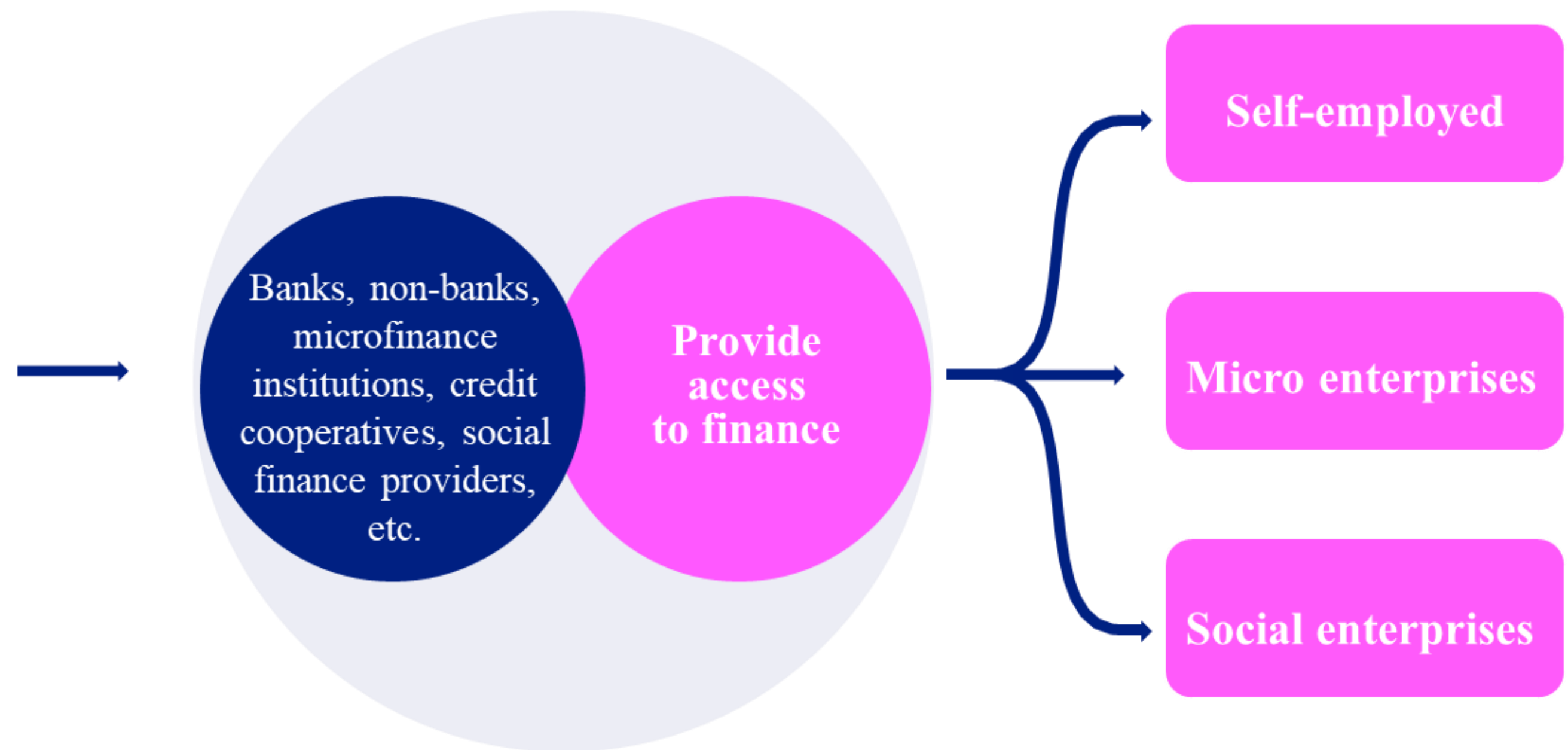
EIF acting as lender

Capacity Building:

Equity and quasi equity to eligible FIs to reinforce their institutional and / or indebtedness capacity

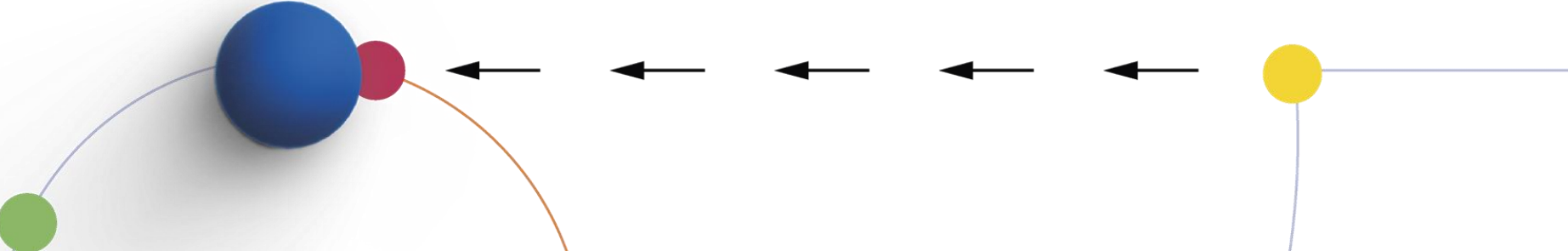
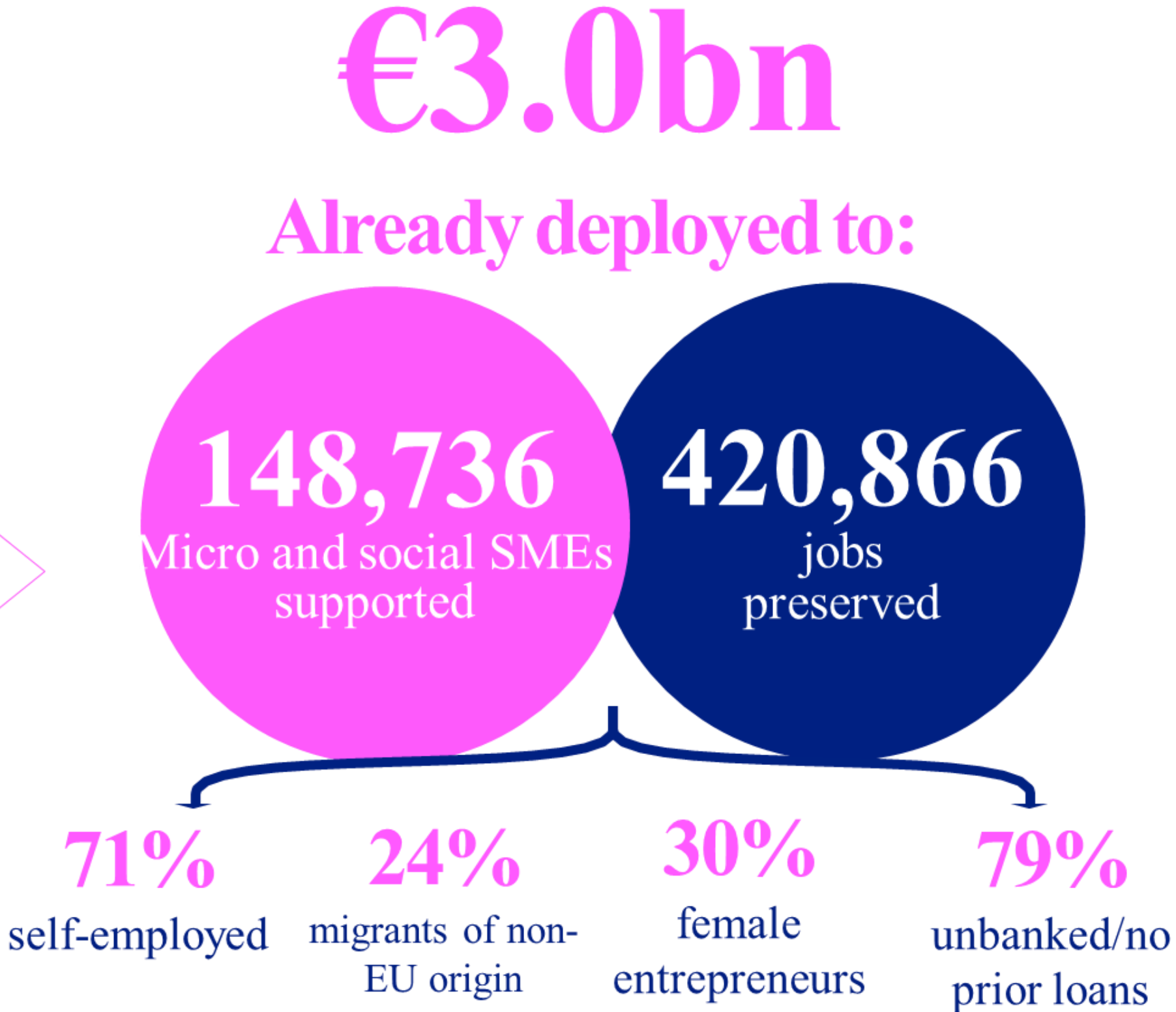
EIF acting as investor

FIs



Final recipients

Examples of EaSI results so far



Overcoming difficulties in terms of:

Application process

Appraisal and Due diligence

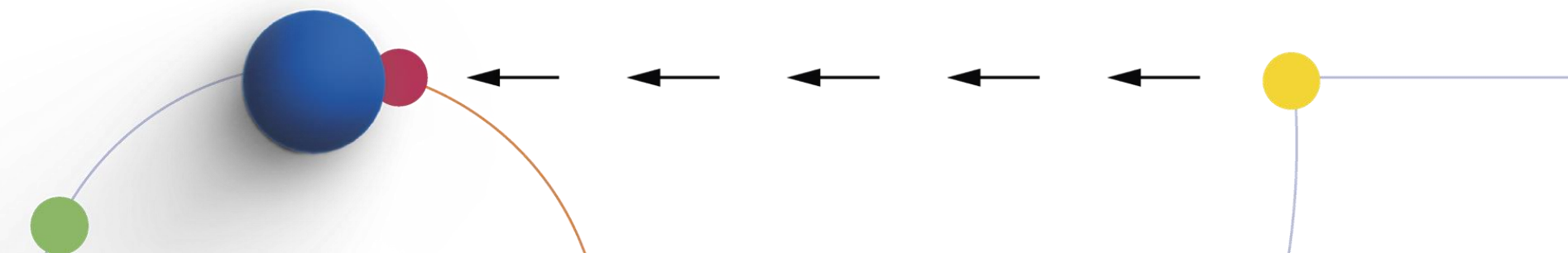
Legal documentation

Reporting, monitoring and audit

Capped guarantees: Participating entity structures

Funded instruments: Long-term funding in local currency / frequent delays in financial reporting

Capacity building investments: Subordinated loan standard terms (Tier-2, Tier-2 like and normal) / difficult to standardize direct equity investments



Invest EU (social window)

Standardisation of legal contracts (structure, legal definitions etc.)

Simplifications (multiple thematic areas covered in one single contract)

Enhancements (e.g. in terms of risk coverage)

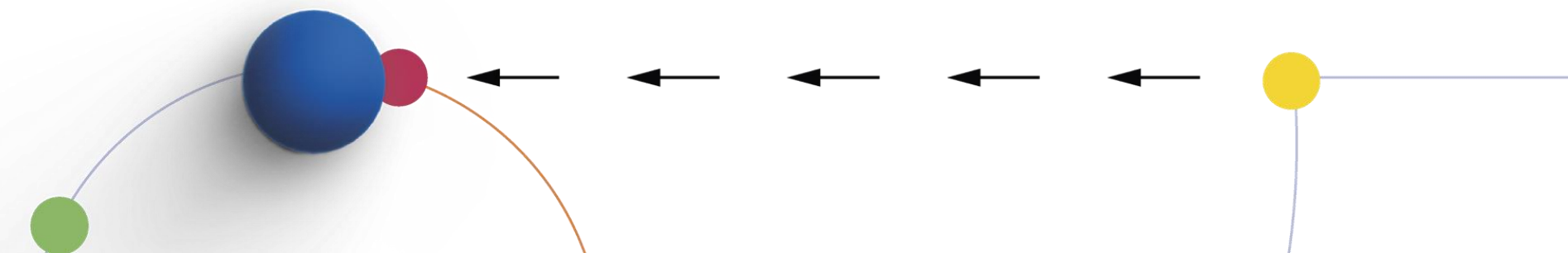
State aid consistent instruments

AML/KYC/ TAX

More detailed review of pricing policies

- Enhanced access to finance

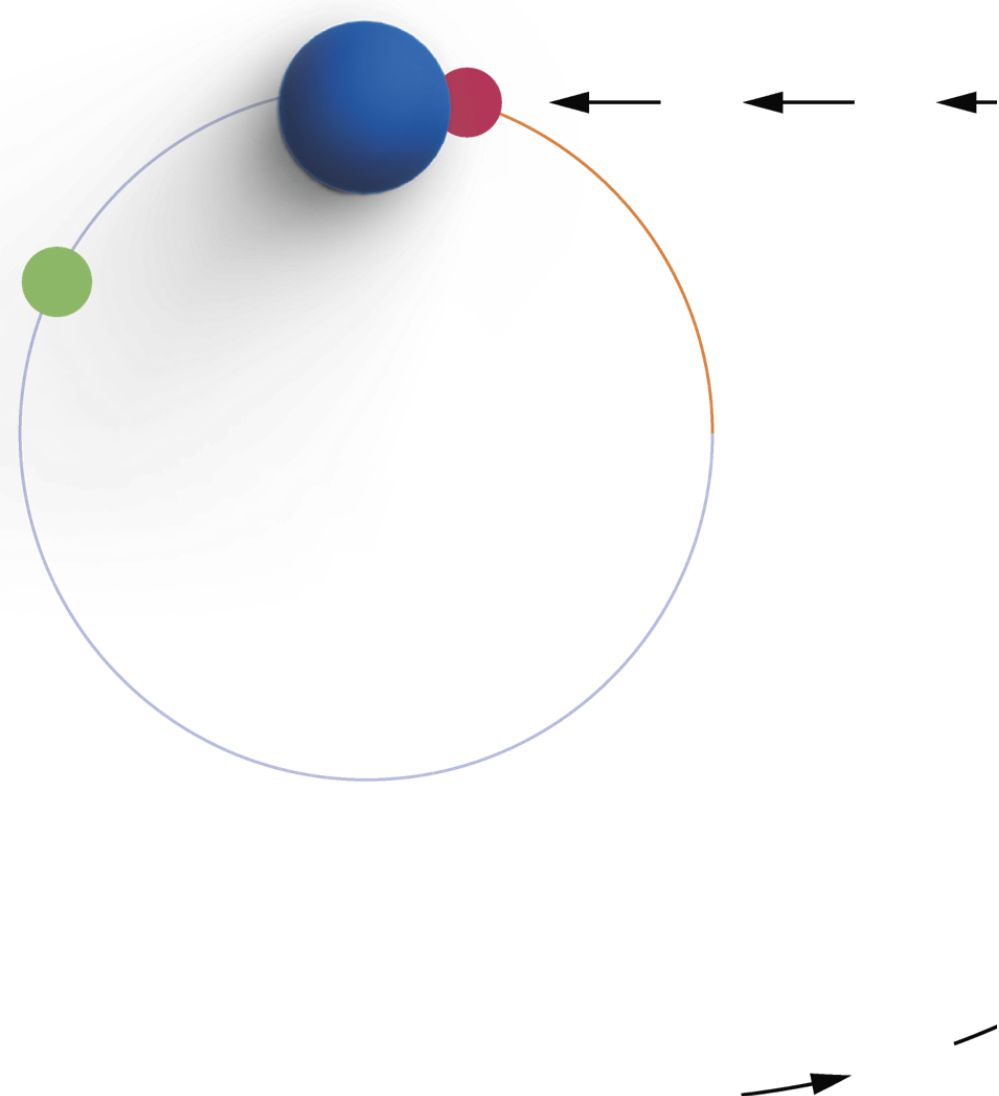
- Limit reputational risk





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Thank you

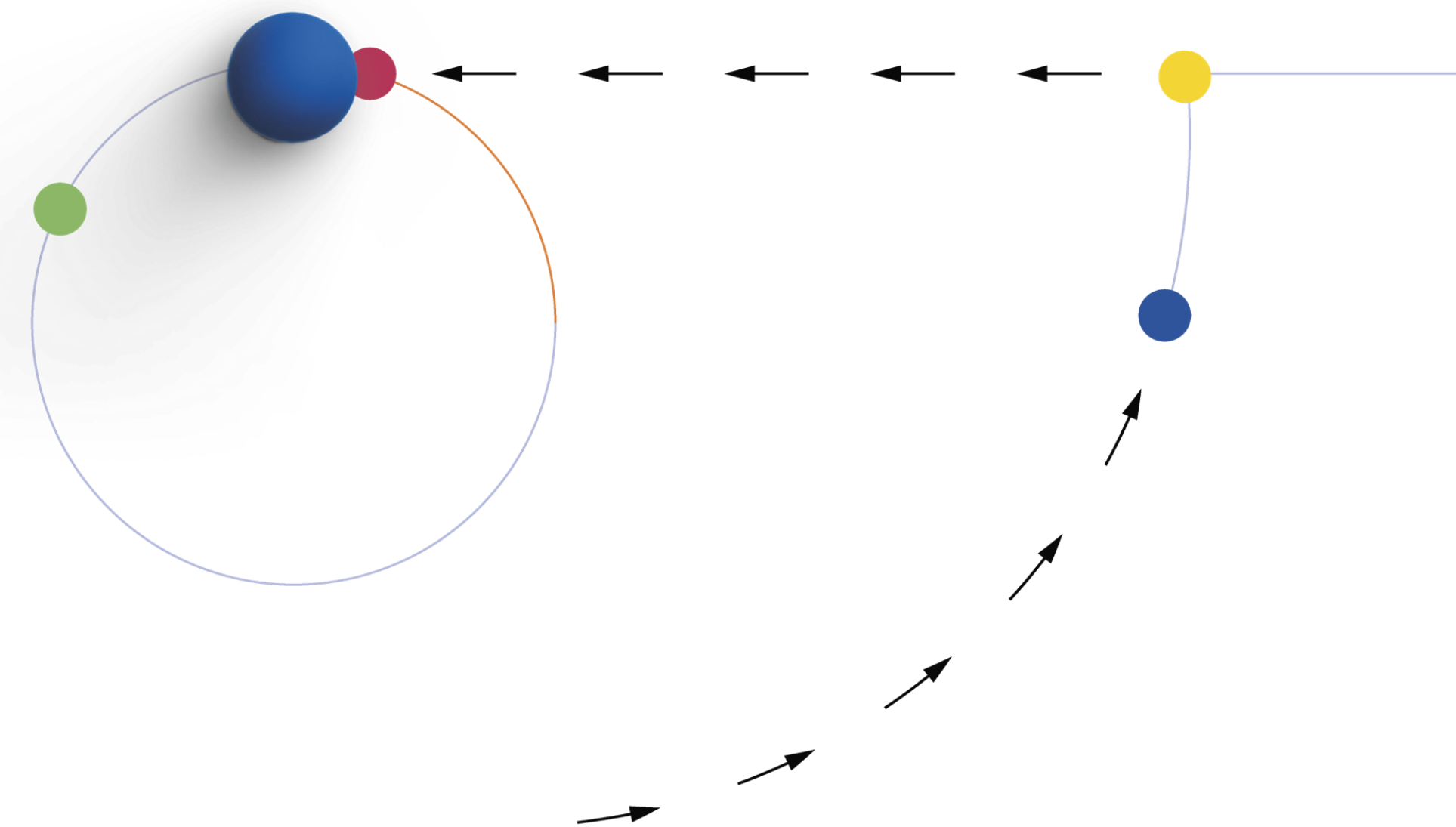




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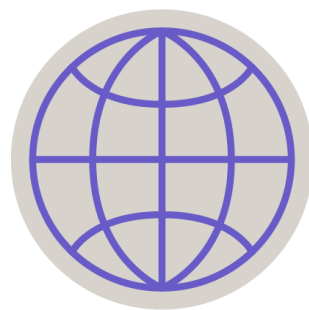
Katarzyna Pawlak, Executive Director, Microfinance Centre



About Microfinance Centre



We are a **social finance network** that promotes **fairness, inclusion, equality** and responsible service. We deliver advocacy, capacity building and networking services.



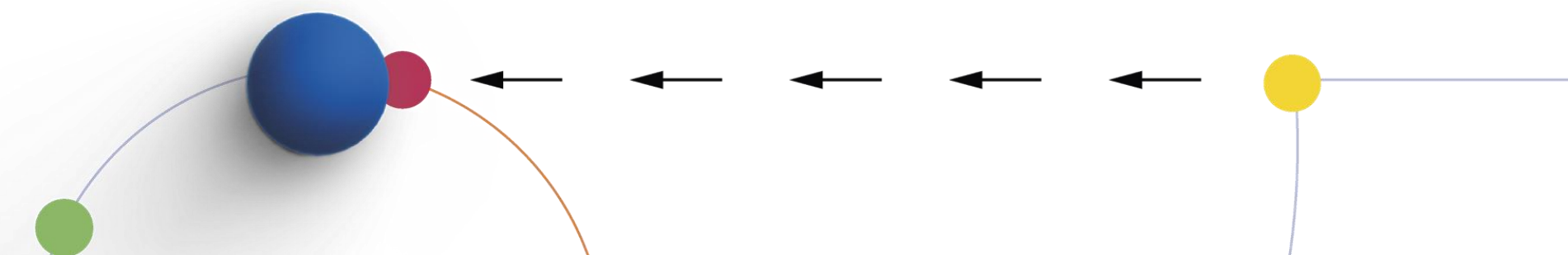
We unite **105 organisations across 36 countries** of Europe & Central Asia: providers of microfinance, social investors and support organizations



We help deliver responsible microfinance services to almost **2,000,000 low-income clients** annually



Our mission is to **empower people and communities through sustainable social finance.**



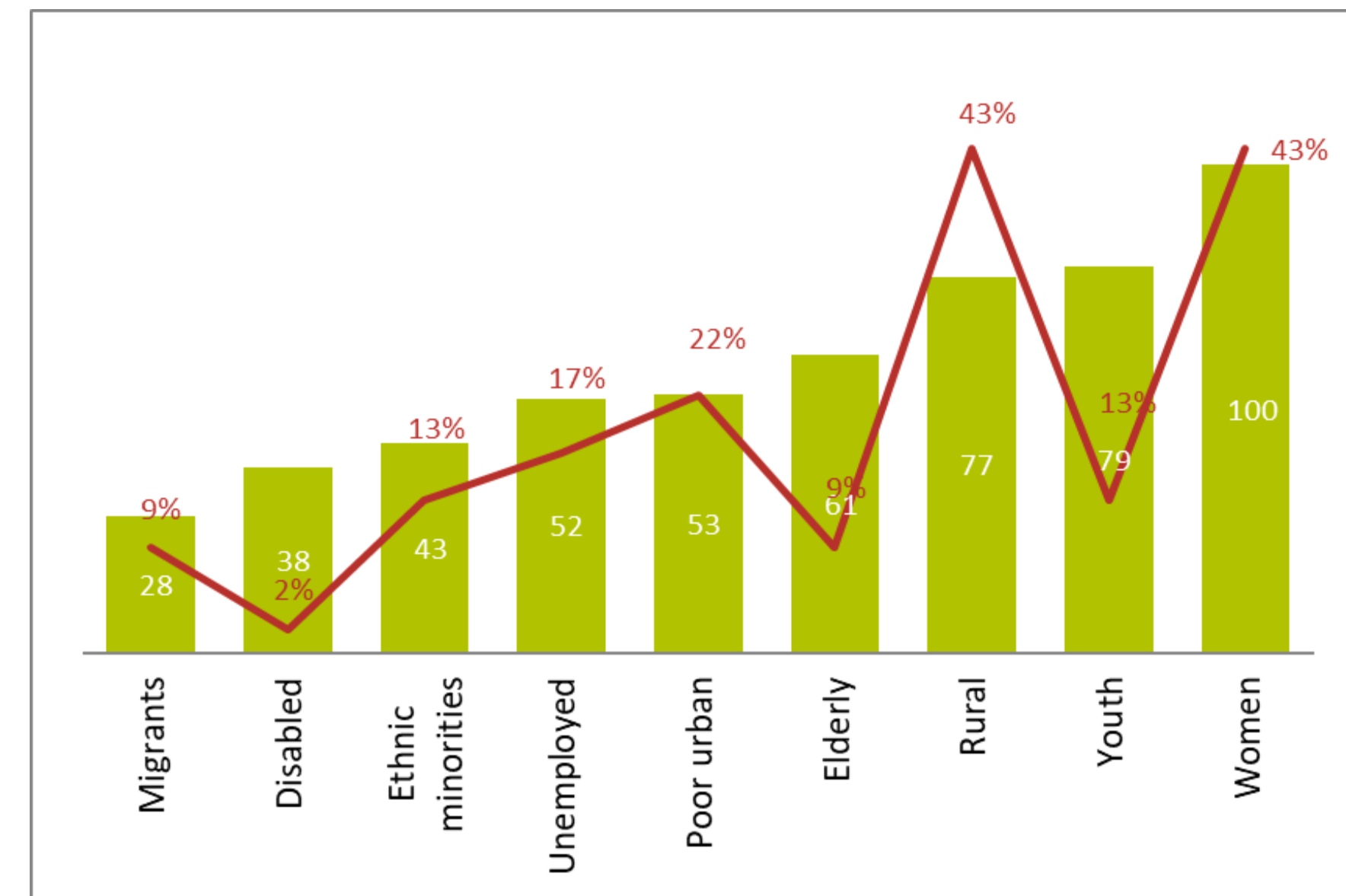
Who are microfinance clients?



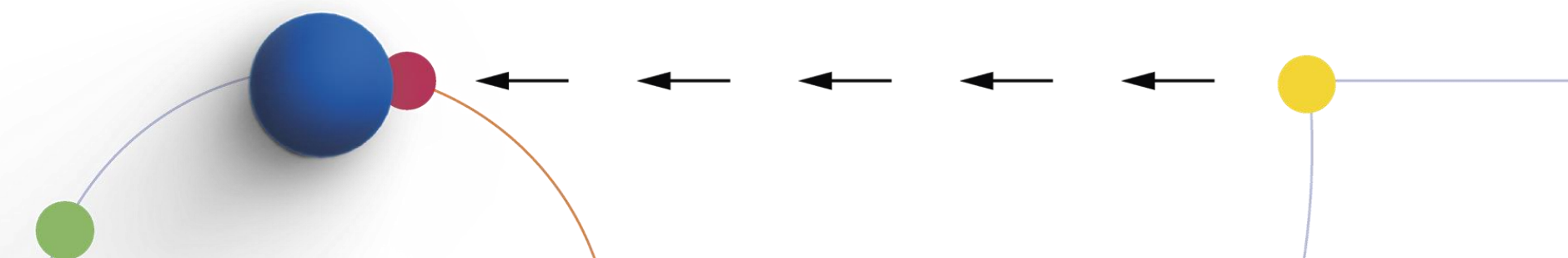
Clients of USTOI, Bulgaria and FEAR, Romania

Women and the rural population are the two main target groups.

A quarter of institutions prioritize migrants/refugees.



Target groups served by MFIs (N=109 for number of MFIs, N=76 for number of borrowers from specific target groups)
Source: EMN_MFC Overview Survey 2022



What is a microfinance loan?



Example of a loan to start or develop a business/Adie, France

For people who are:

- Self-employed, micro-entrepreneur, employee looking for work, student, recipient of social minimum, migrant/refugee, retired, etc.
- Unlikely to get bank financing



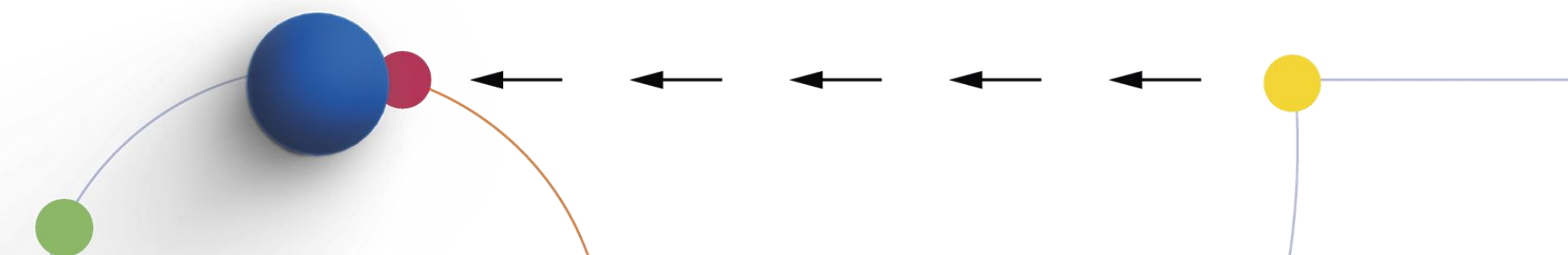
How it works ?

- **Amount:** up to €12,000
- **Repayment period:** from 6 to 48 months
- Possibility to defer the 1st payment for a maximum of 3 months
- **Rate:** 9.75% (fixed rate)
- **Solidarity contribution:** 5% of the amount of the credit to participate in the operation of Adie and allow other people to be financed.

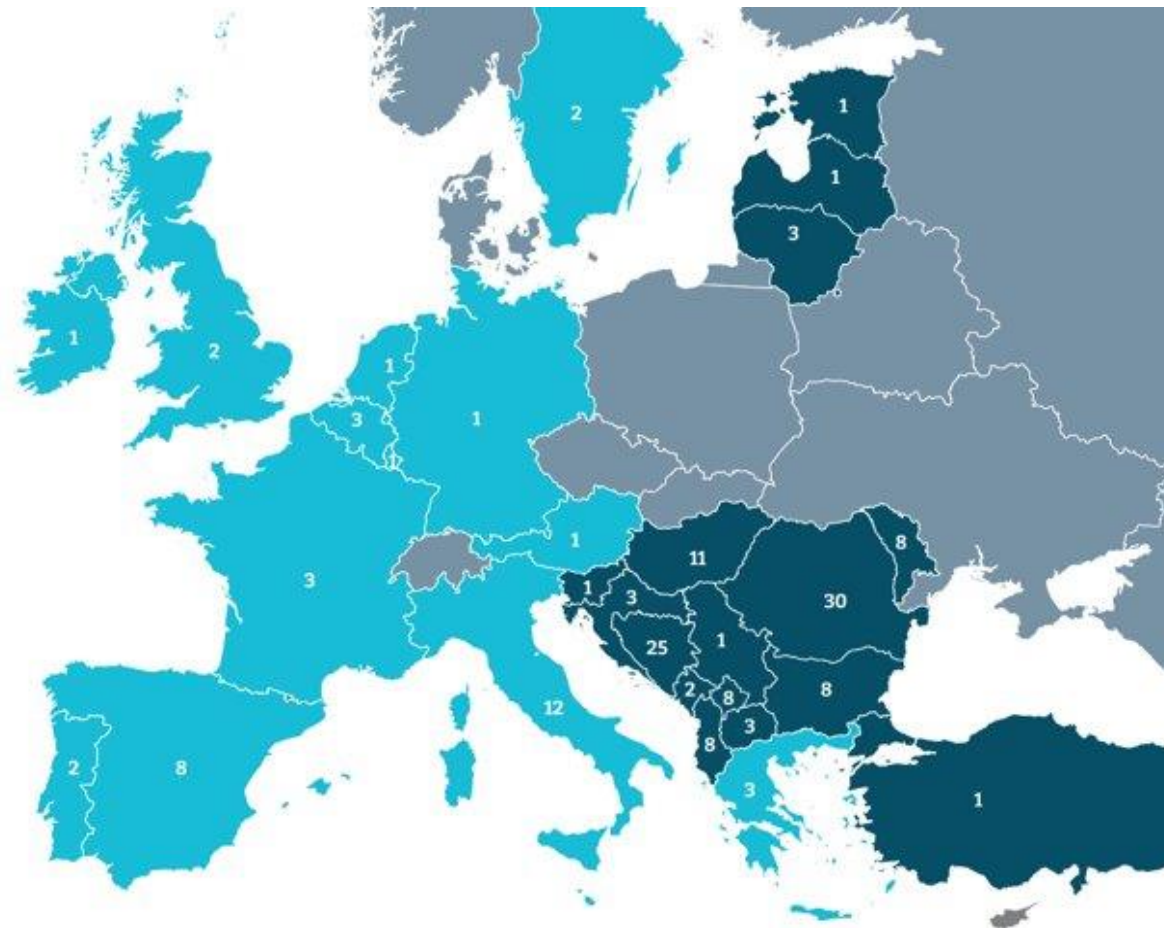
For example :

I borrow €6,000 for the purchase of equipment and I choose to repay my loan over 30 months. My total monthly payments are €226.17.

The monthly cost of my credit is €36.17, and the total cost of financing is €1085.15 over 30 months. The TEG (Global Effective Rate) is 13.96%.



Microfinance sector outlook



156 MFIs from 30 countries;
source: EMN-MFC Overview Survey, 2022



25 million self-employed in EU27/ 977K TCN

Active borrowers at 1.38 million (+4%).

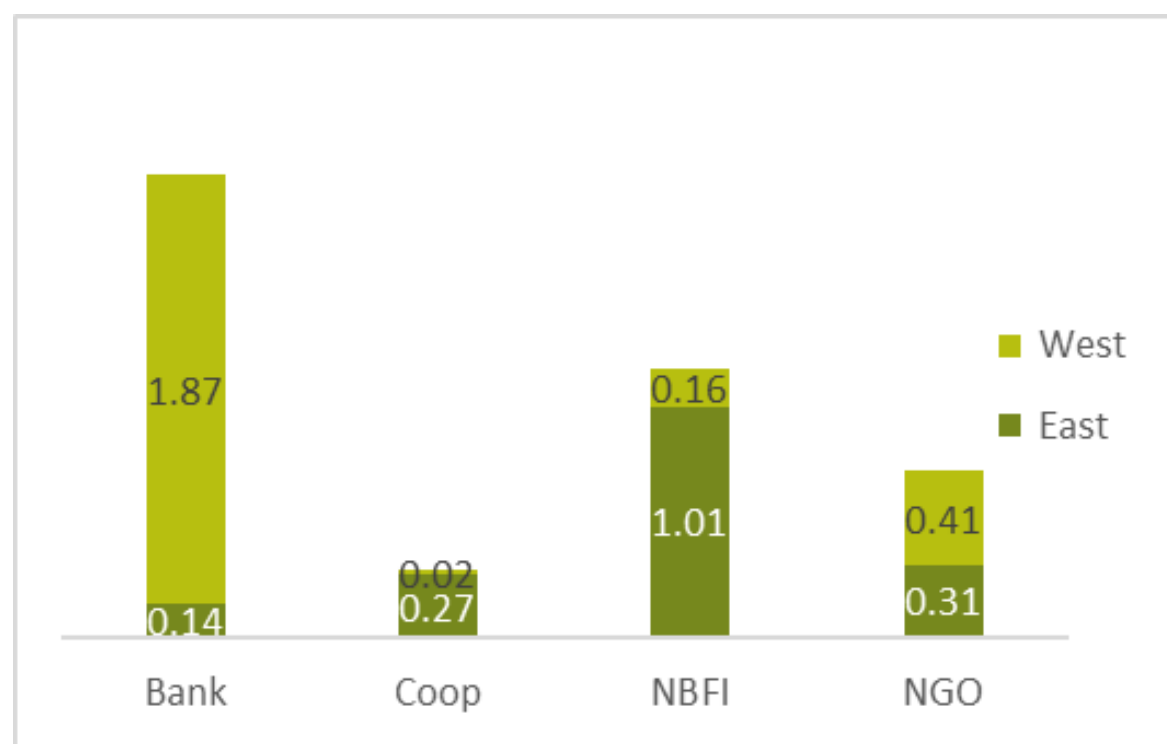
Outstanding gross microloan portfolio EUR 4.3 billion (+11%).

95% offer enterprise loans

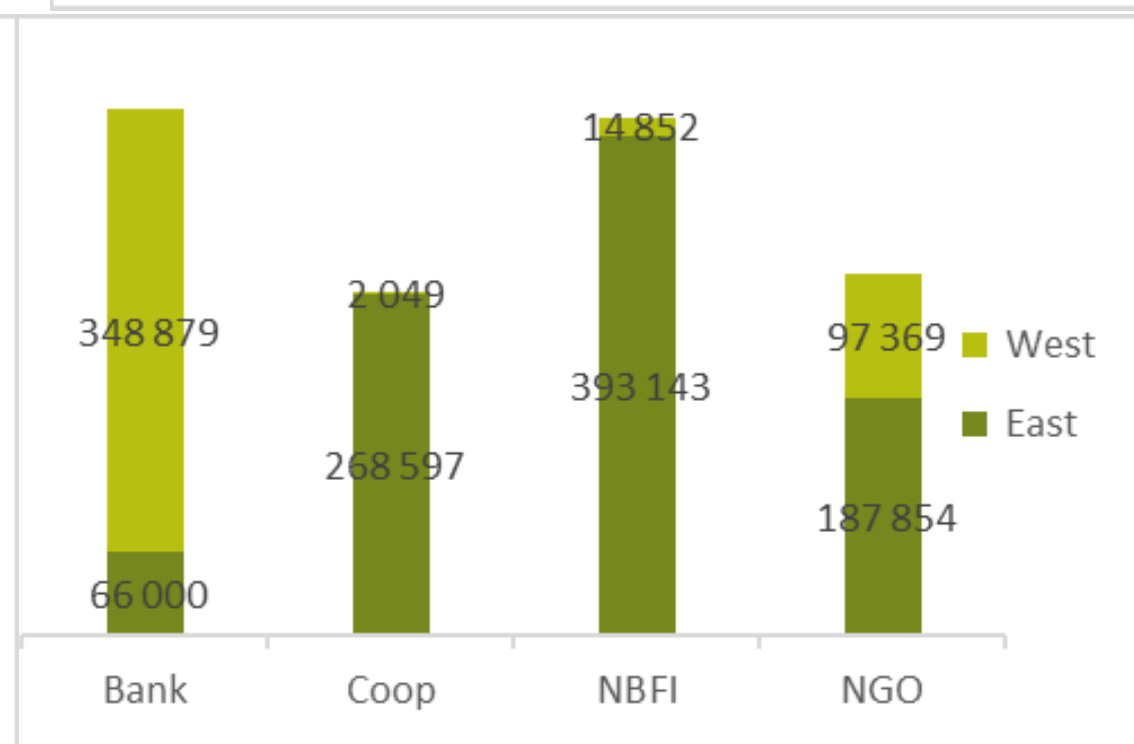
76% offer non-financial services

67% financial inclusion mission

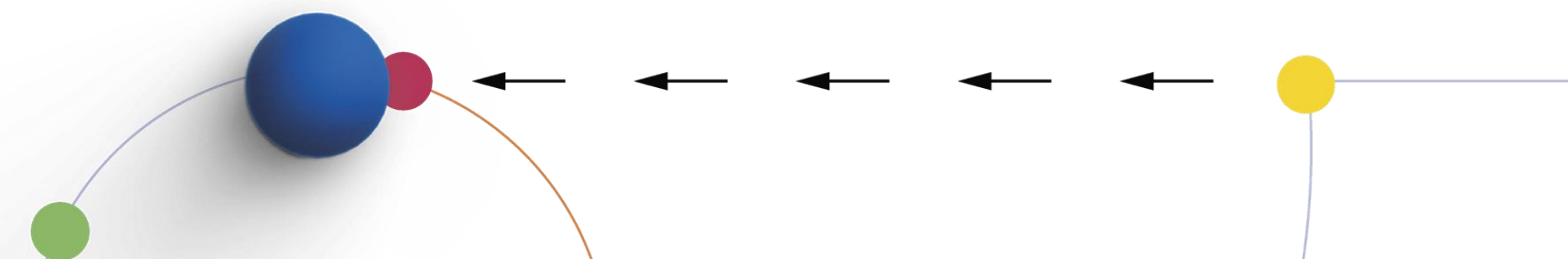
Average PAR30 – 9.9%



Distribution of the total gross loan portfolio and institutional type (N=115)



Distribution of active borrowers by region by region and institutional type (N=137)



Future outlook & sector priorities



 Digital Transition

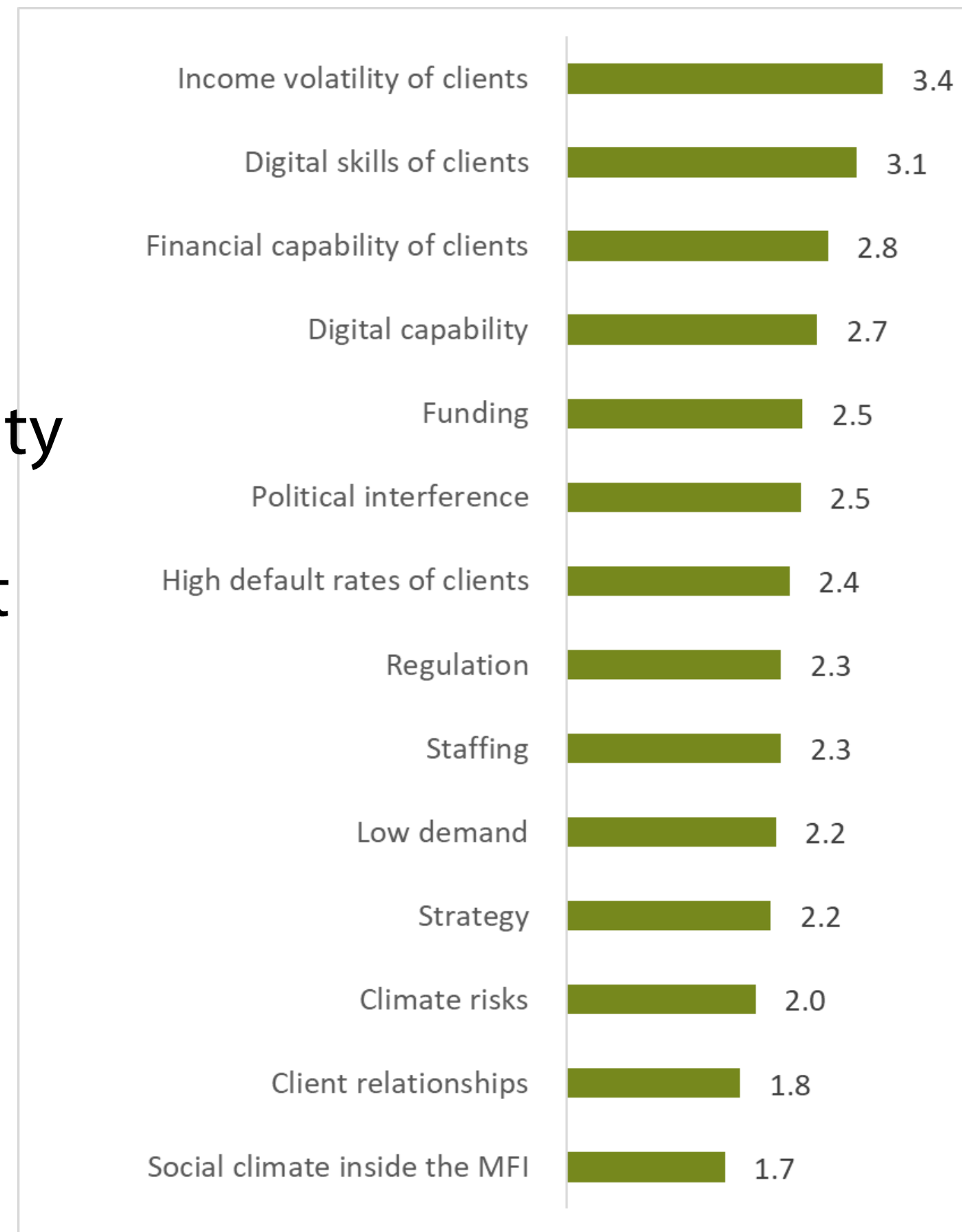
 Green transition

 Raising prices and food security

 Future of work & labor market reorganization

 Resilience & post pandemic recovery

 Migration



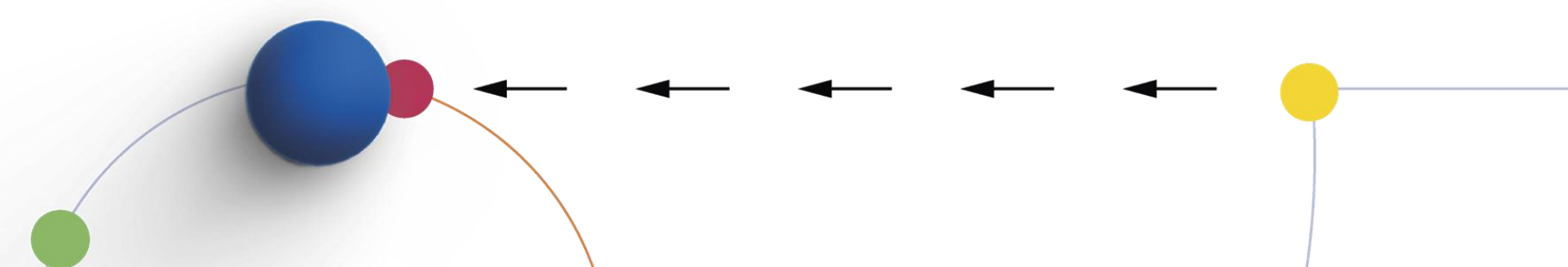
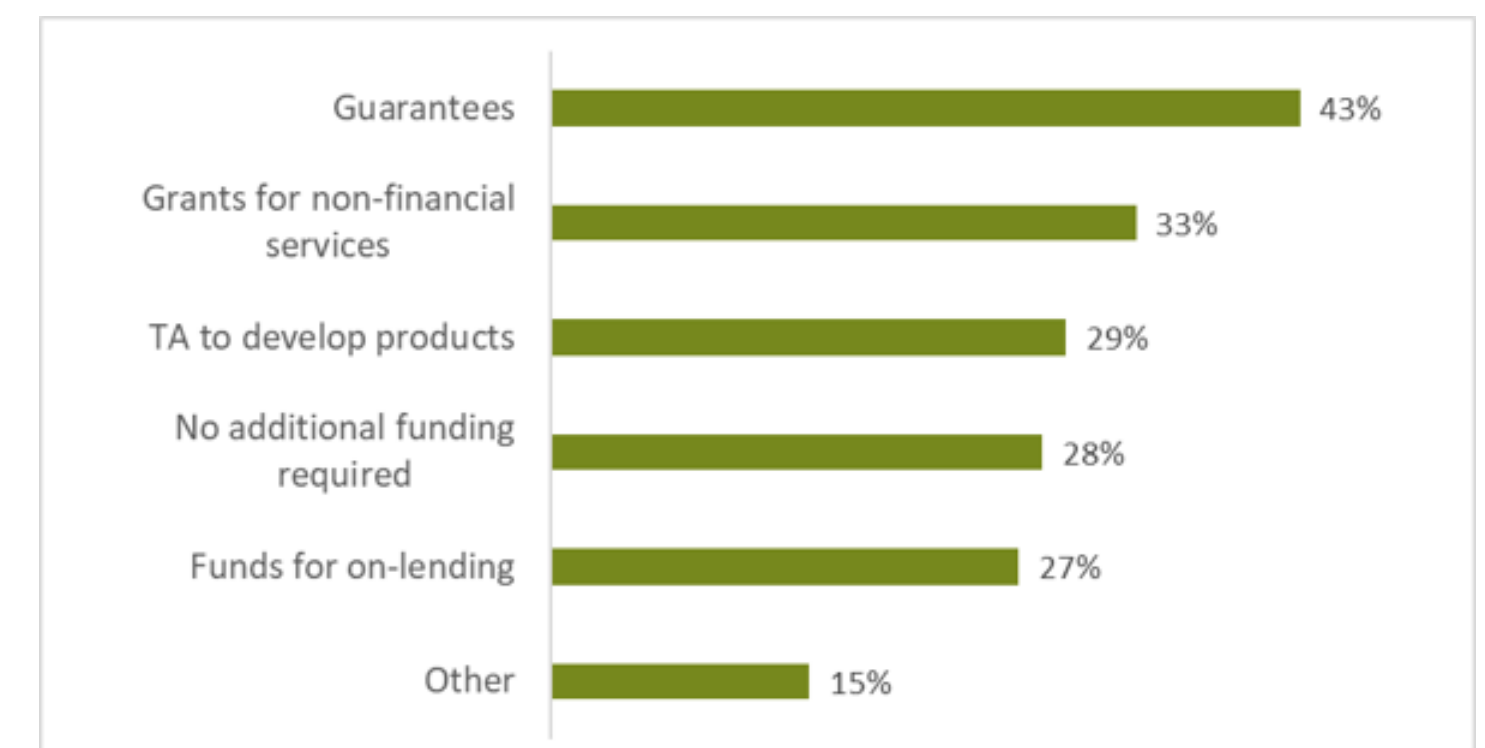
Average severity of challenges (from 1-negligible to 5-significant) (N-110)

80% of MFIs perceive their current situation as good or very good.

71% of MFIs expect that their situation will improve.

Key challenges identified by MFIs relate to their **clients' capability**.

Guarantees & grants in need





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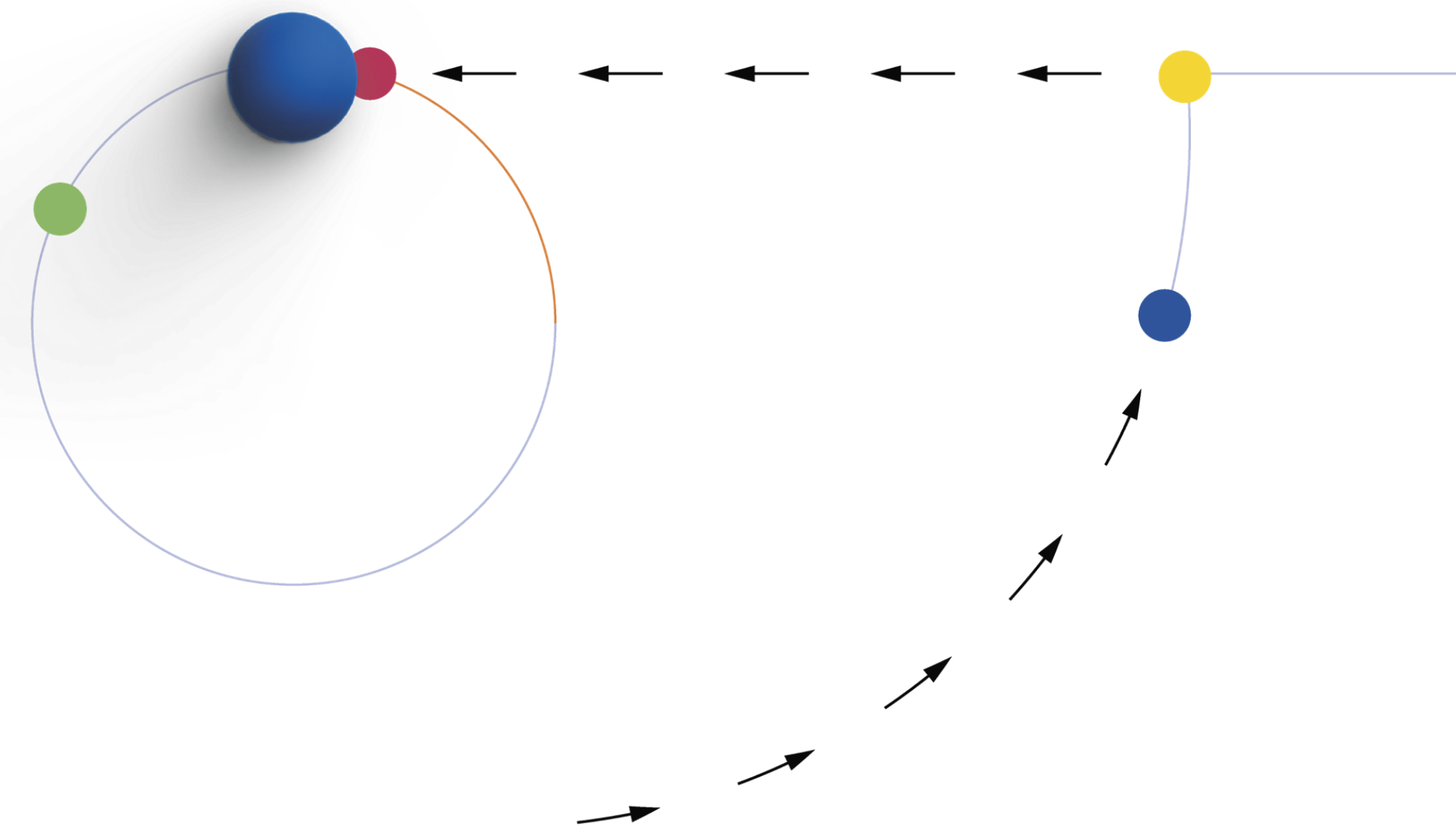




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Financial instruments supporting microfinance

Martina Grigorova, Executive Director, SIS Credit, Bulgaria



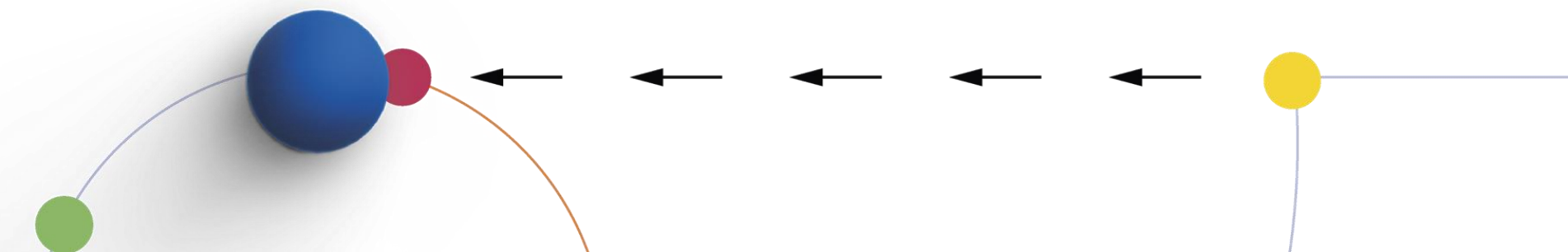
SIS CREDIT is a leading microfinance institution in Bulgaria, certified under the European Code of Good Conduct for Microcredit Provision that provides loans and non-financial services to start-ups, micro and social enterprises.

Partnership with European Investment Fund, Fund manager of financial instruments in Bulgaria and Bulgarian Development Bank.

Member of Microfinance Centre and European Microfinance Network.

Recognized partner of NGOs that are dealing with the topic of social entrepreneurship and financial inclusion of vulnerable groups (including mentoring support and joint projects).

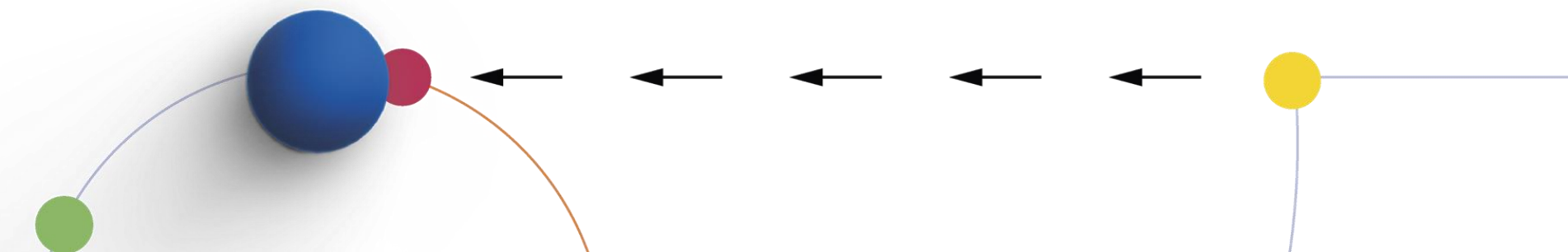
Advocacy ambassador at national and European level to rise the awareness of the importance of microfinance sector for support of inclusive entrepreneurship and the need of financial instruments in the next program period.



Since 2018 SIS CREDIT is piloting the implementation of the Risk-Sharing Microfinance Facility (FI that aims at improving access to financing for start-ups and supporting social entrepreneurship), funded under Operational Programme Human Resources Development 2014 — 2020, co-financed by the ESF+ and managed by Fund of Funds (case study available at www.fi-compass.eu)

Main features of the FI:

- Focus on vulnerable and non-bankable entrepreneurs;
- Up to 85% of the funding (loan by loan basis) provided at 0% interest rate under the FI;
- Up to 85% of the risk of non-payment is covered by the FI (loan by loan basis, no portfolio cap);
- Up to 10 years repayment schedule and up to 24 months of grace period for final beneficiary.



Results achieved so far

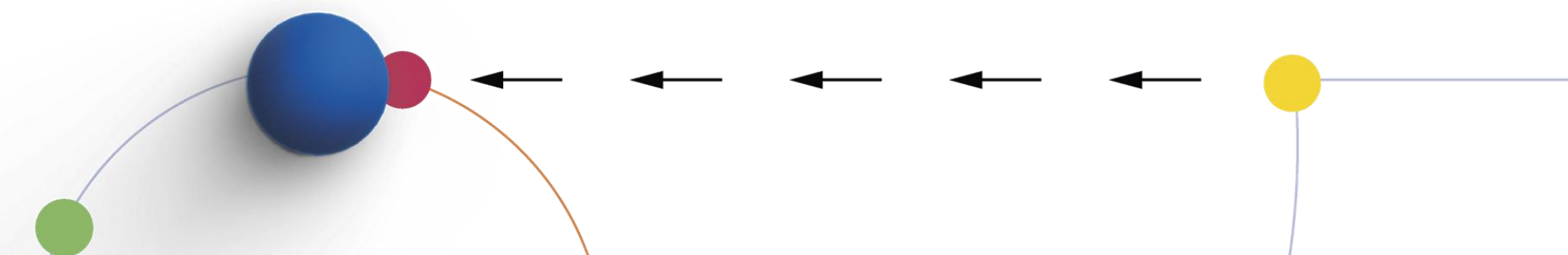
- Total amount disbursed: EUR 3M +
- PAR < 5%
- Total number of loans: 250 +, including:

70 + start-ups of beneficiaries who are under 29 years of age/ with disabilities/ unemployed for more than 6 months

9 social enterprises

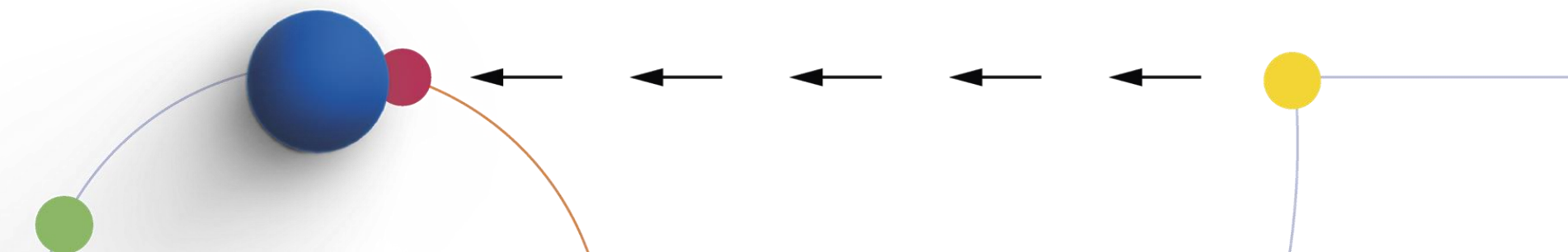
3 start-ups of refugees

- Number of sustainable jobs created thanks to the financial instrument: 350 +



FI with positive effect for all parties

- Benefits for the **final beneficiaries**- approval of loan even before registering a company; free-of-charge consultancy, annual effective IR starting from 2.7%; no additional fees; long grace period; long repayment schedule; focus on the business idea and flexible collateral requirements;
- Benefits for the **financial institution**- testing new markets and following its mission for financial inclusion by entering into riskier client segment with up to 85% covered risk; increasing portfolio with funding that is not negatively affecting D/E ratio; receiving annual management fee by FoF;
- Benefits for the **Government**- supporting social entrepreneurship through loans (with grant component); recycling of funding and investing it back to the economy; lifting many entrepreneurs from the grey economy; sustainable self-employment and job creation.





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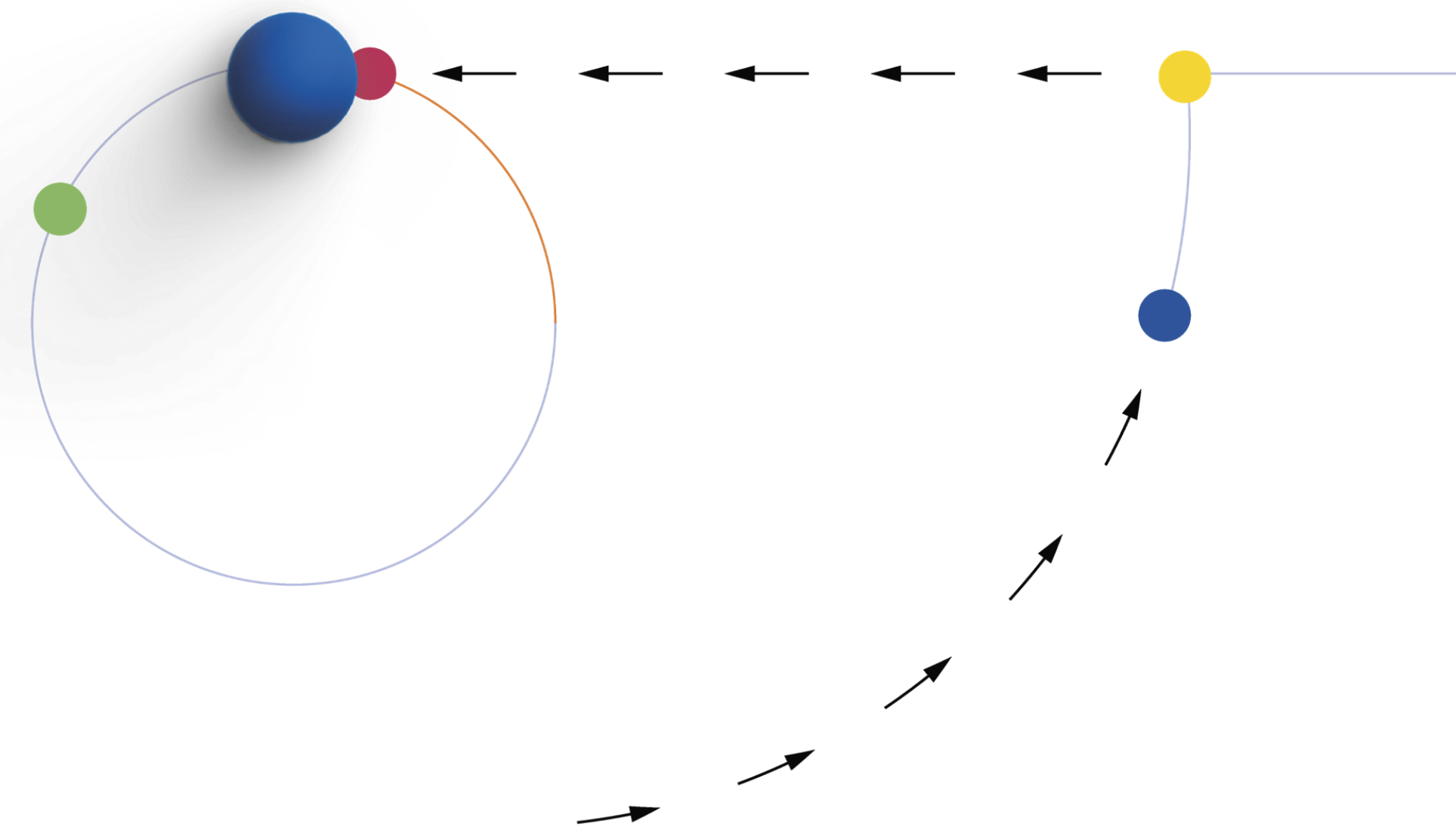
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Case study: PerMicro

Andrea Limone, President at PerMicro, Italy



MISSION

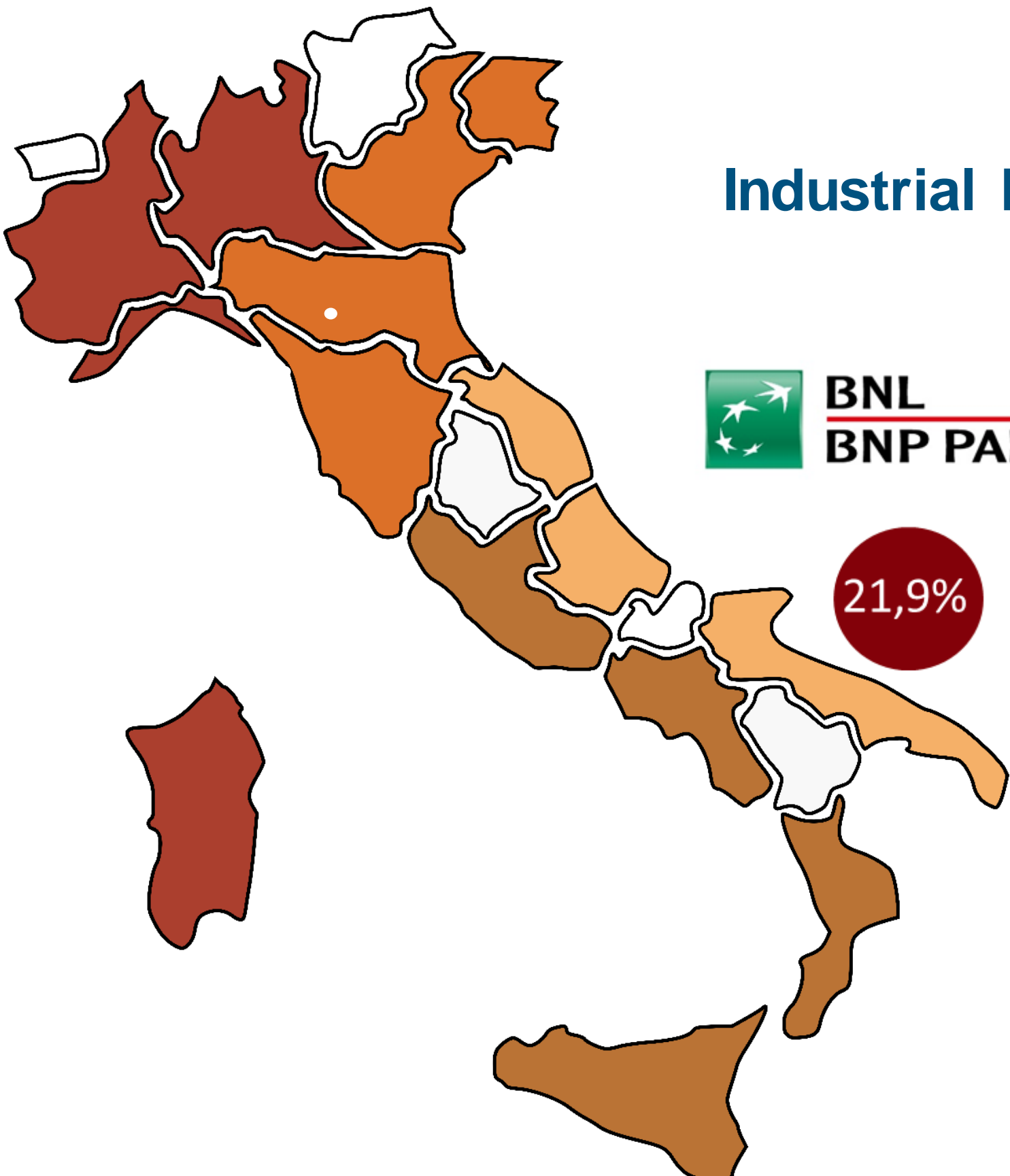
“We create **employment** and **social inclusion** through professional disbursement of credits and **microcredits**, financial education and services for starting-up and supporting enterprises, with the aim of reaching the complete sustainability of our activity.

We address to professional people with a good entrepreneurial idea and to people with primary financial needs (home, health, education), who are excluded from traditional credit channels because of insufficient credit history or precarious working position.”



Distribution and shareholders

22 branches
 15 Italian regions
 39 on-field colleagues



Industrial Partner

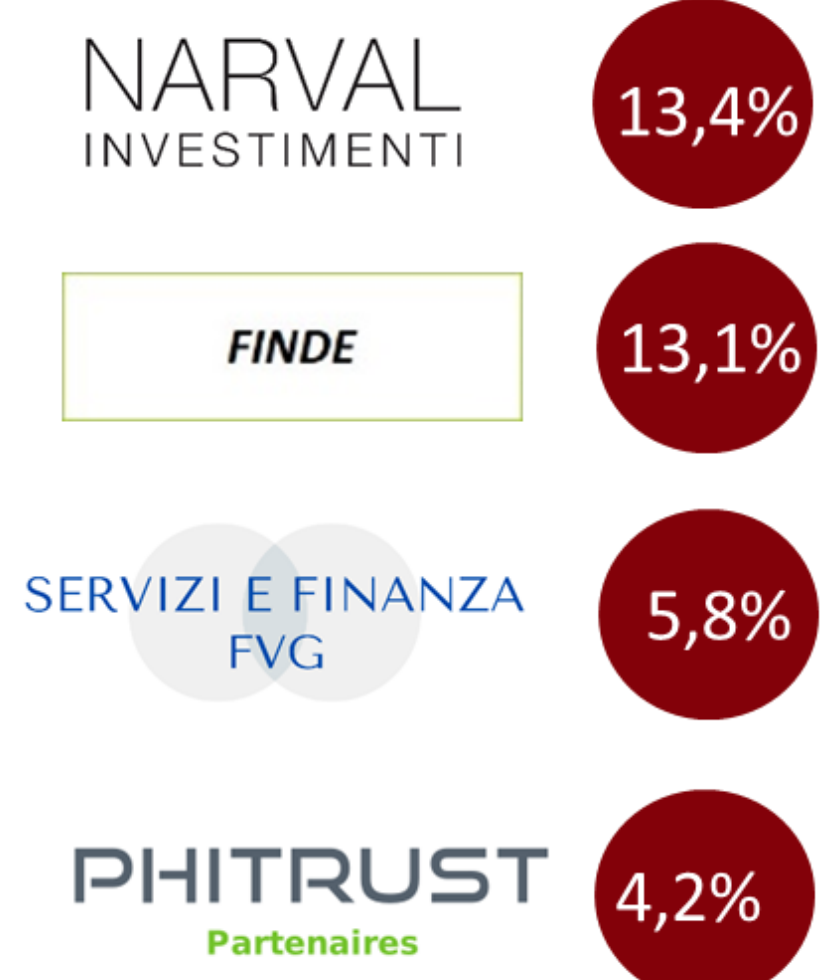


21,9%

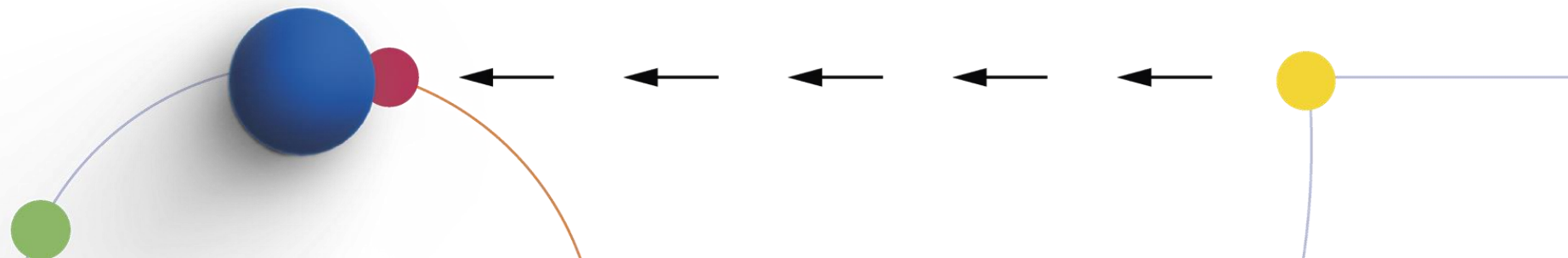
Banks



Private equity



Institutional investors



PerMicro's portfolio since 2007

BUSINESS CUSTOMERS



54% start-up
47% under 35 customers
67% men
33% women
38% migrants

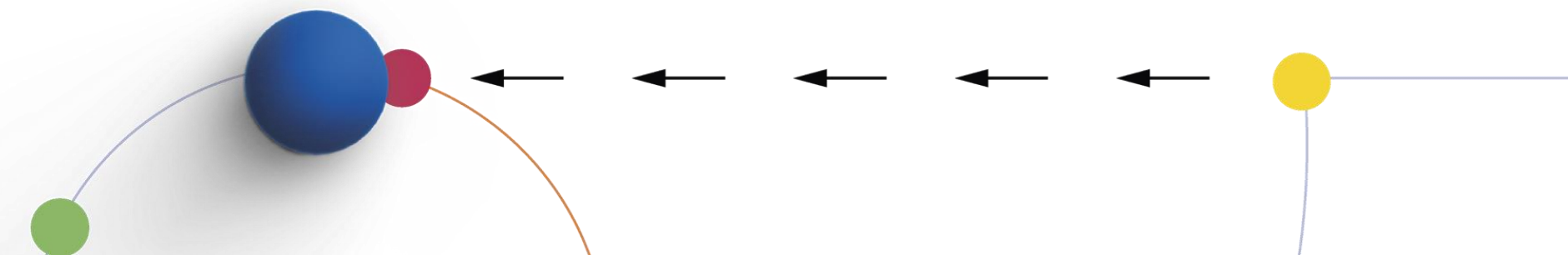
FAMILY CUSTOMERS



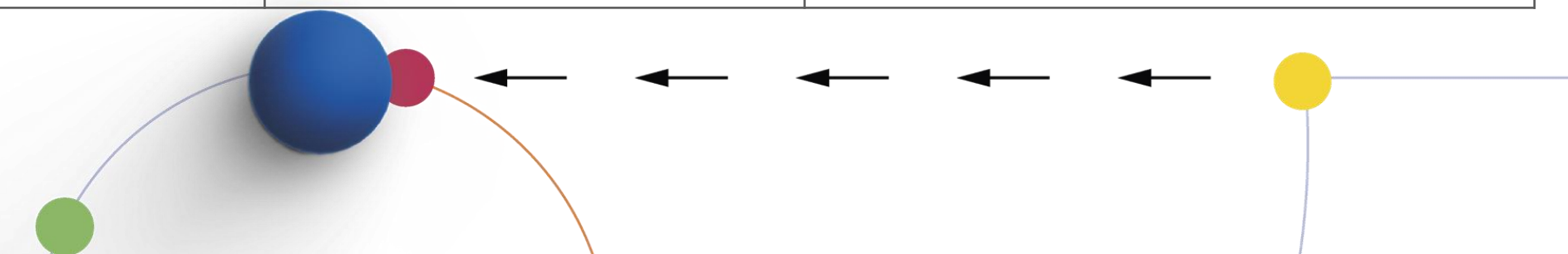
32% under 35 customers
50% men
50% women
89% migrants

PerMicro so far has granted
34,936 microloans
(4,987 loans to businesses
29,949 loans to families)

Total disbursement of
273.652.974 euro



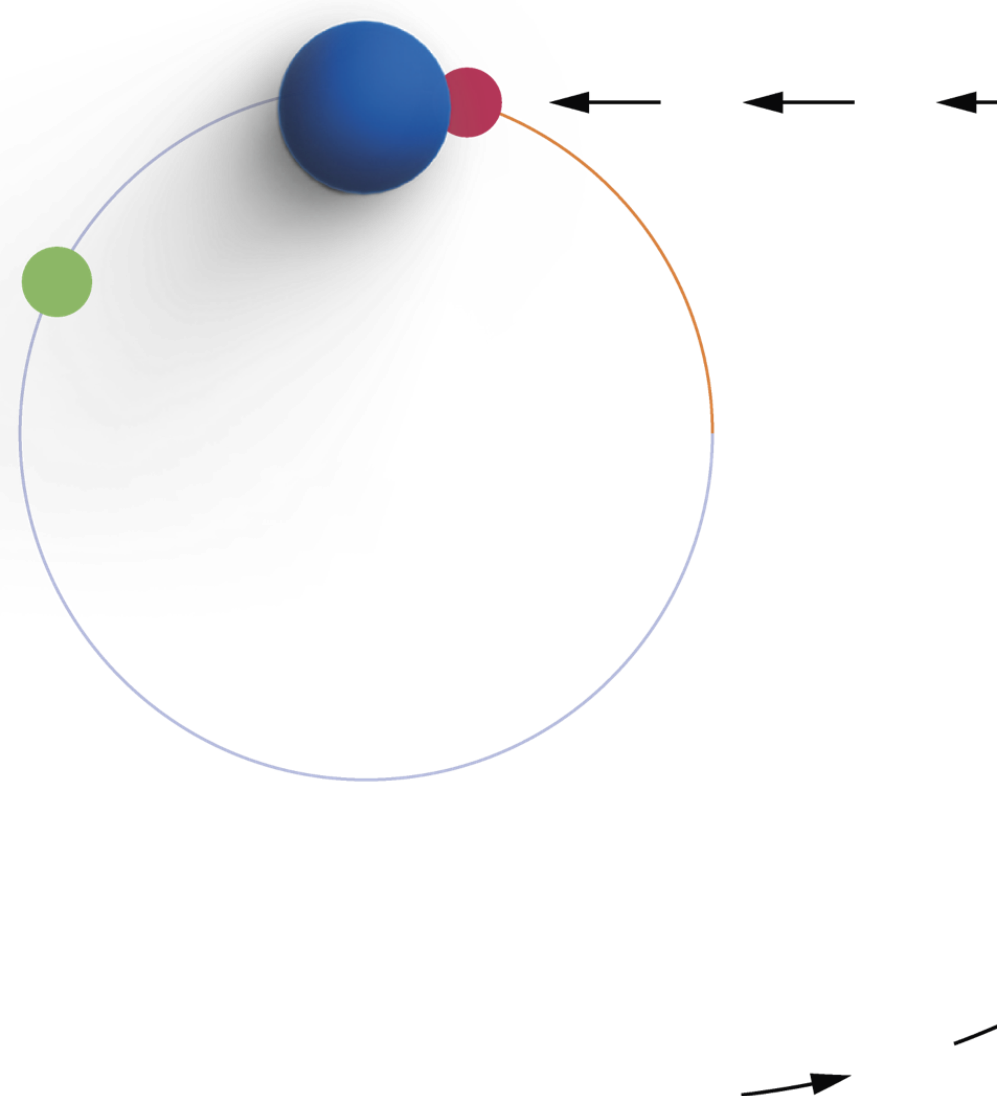
Project name	Item	Funder, management	Period	Notes
EaSI Guarantee fund I EaSI Guarantee fund II	Guarantee fund for microcredit to microenterprises	EU - EASI	2016 - 2018	
			2018 - 2023	
EPPA	Seed funding	European Parliament EIF	2011 - 2019	1M euro > 20,4% shares
Technical Assistance Jasmine	Improve MFI technical skills	European Commission, EIF, Fi-compass - EaSI	2016, 2017, 2020	
Institutional Rating EPMF Senior Facility	Evaluate MFI Senior Loan	EU - EaSI - MFR EIF	2016, 2018, 2021 2015 - 2019	Rate BB+ € 2.85M
BDS Facility	Integrations of migrants through entrepreneurship	EIF	2020 - 2023	€ 400 per loan, up to a total of €100.000,00
Loans	Promote financial and social inclusion for microenterprises and vulnerable people	CEB - Council of Europe Development Bank	2014, 2015, 2021	€ 2.85M x 2times € 3.6M
EMPOWER, PAFMI 2 call	Integrations of migrants through entrepreneurship and	CEB	2023 - 2024	€ 59.000
Women to be free	Financial Education, empowerment, technical assistance for women victims of violence	CEB	2022	
Ricomincio da Qui (I Start Over from here)	For people who have served non-custodial criminal sentences to find a path to employment via entrepreneurship	CEB	2020 - 2021	€ 175.500
CBI - Subordinated Loan	Support MFI development	EASI > EIF - CDP Italy	2019 > 10yrs	€ 4.05M
EMN Peer to peer visit	Visit to Montecredit, Qredits, ADIE	EU and EMN	2021, 2022	





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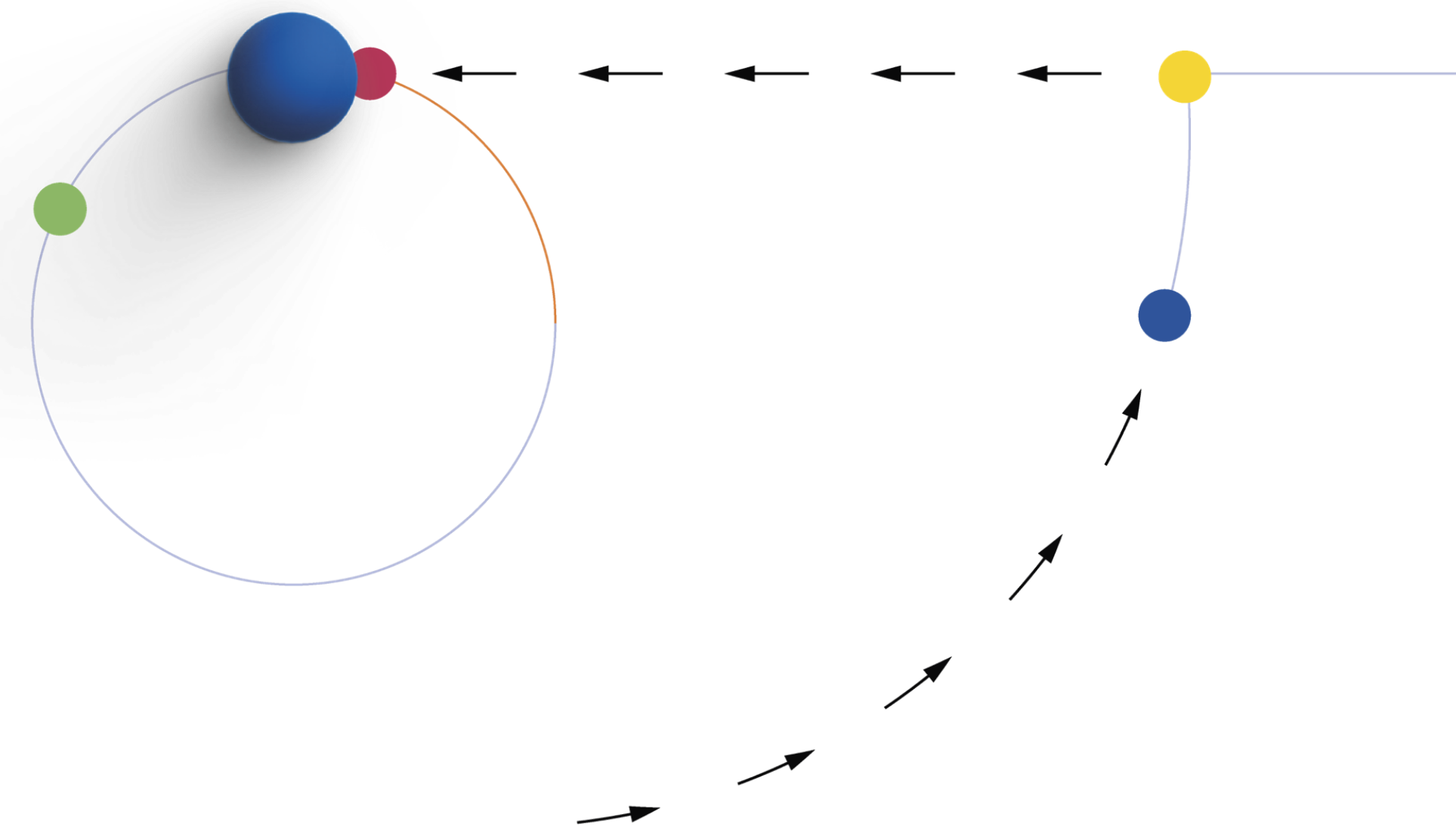




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Eduardo Sierra Martin, Financial Instruments Advisory Consultant,
European Investment Bank

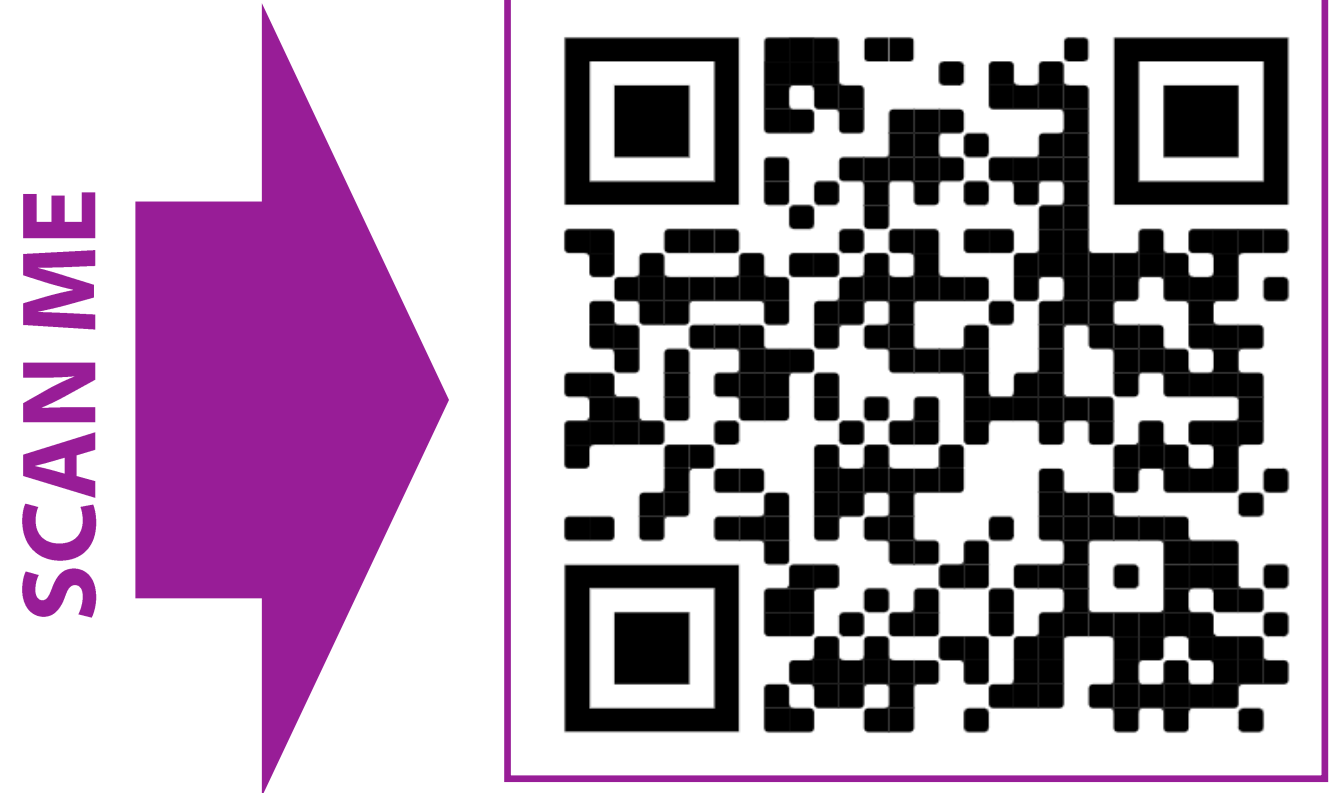
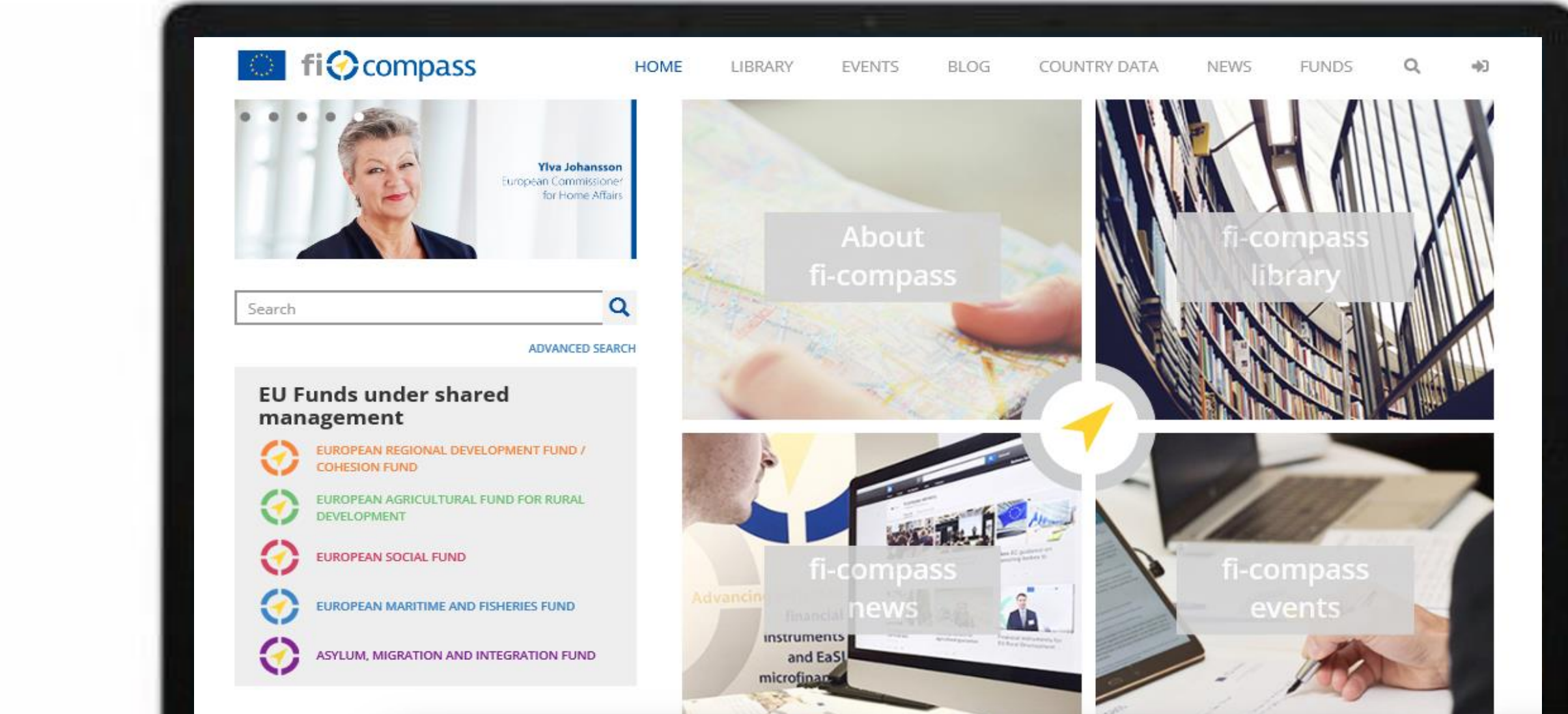


fi-compass advisory support for Financial instruments (FIs) FI Campus 2023

A broad spectrum of tools to support stakeholders wanting to learn more on FIs

www.fi-compass.eu

The one-stop-shop for resources on financial instruments in the 2021-2027 Multiannual Financial Framework (MFF)



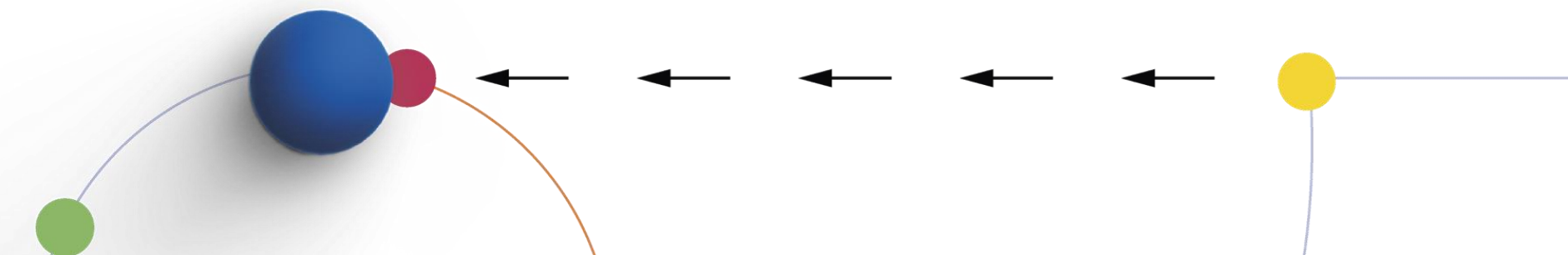
Support to allow an informed decision to use FIs to support the integration of migrants

- **Policy context:** [EC Action plan on Integration and Inclusion 2021-2027](#)



- **Union Action 2020 – 2 components:**

- Awareness raising and capacity building → EIB:
- Pilot projects → PAFMI



fi-compass AMIF study

Market assessment and design options for potential FIs in the area of integration of migrants

Objective:

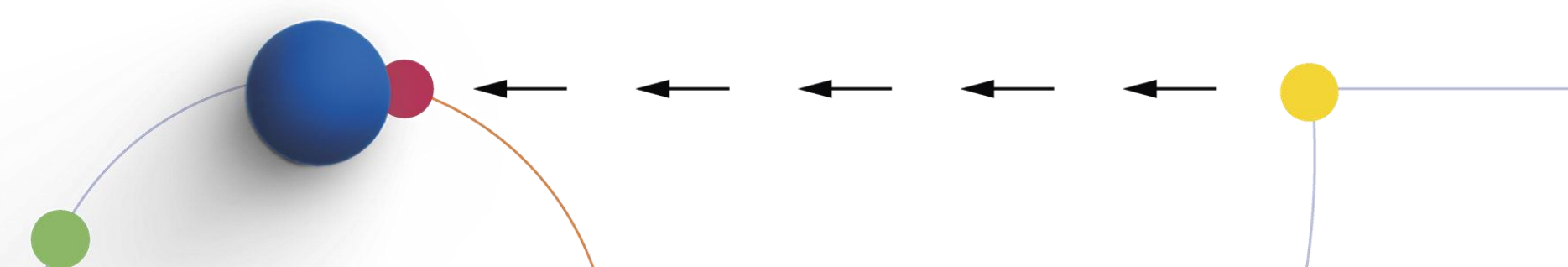
- To explore the potential of using FIs to support the integration of migrants, especially in three areas: microfinance, housing and social impact investing
- To provide market assessment information that can be used to make an informed decision if to implement financial instruments in 2021-2027
- To describe the potential design options for FIs

Methodology:

- Desktop research
- Engagement with the key stakeholder groups: interviews, focus groups, workshops

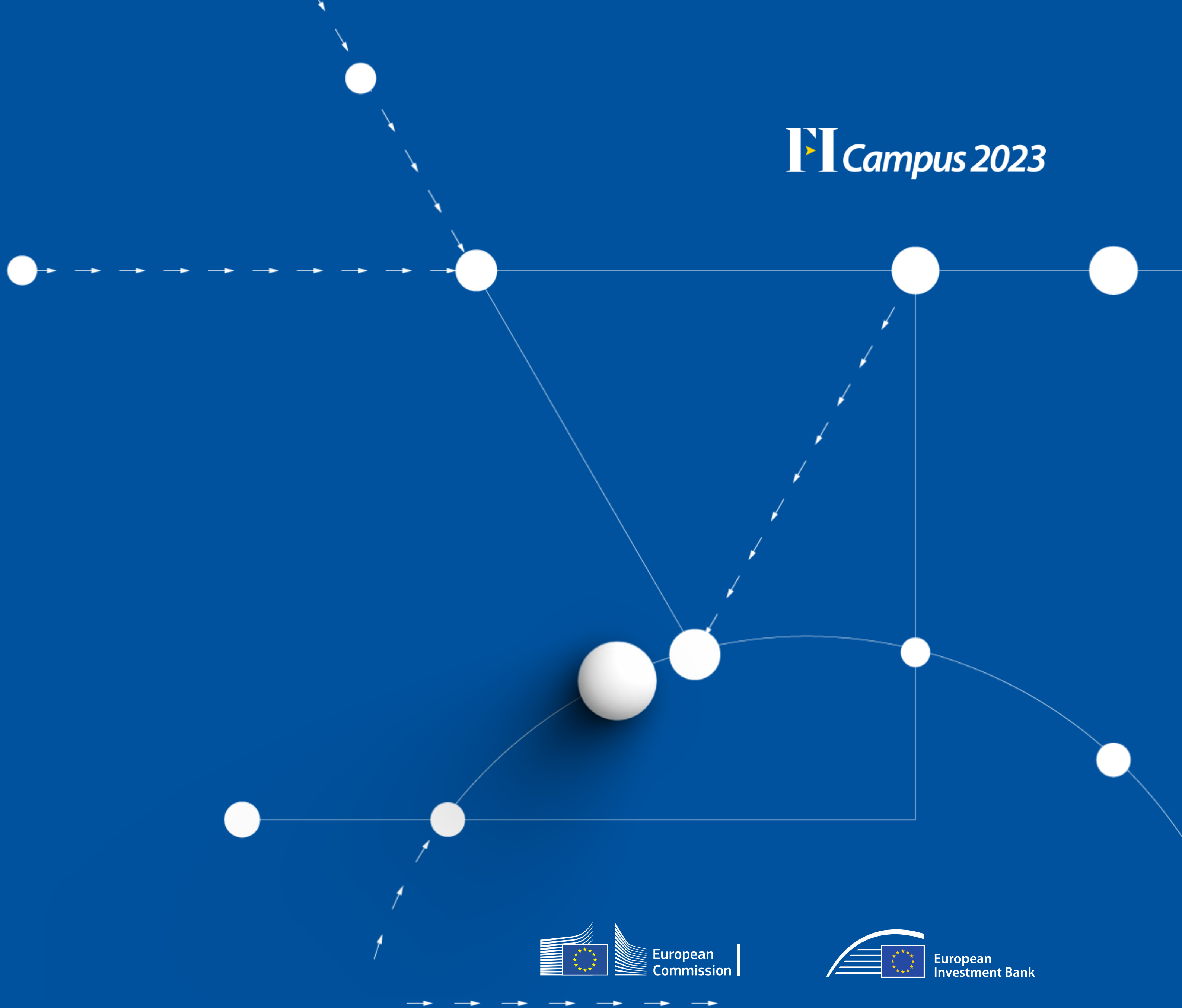
Study results:

- Reports with main findings and lessons learned available in 2023.



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SIFTA





SOCIAL INVESTMENT
AND SKILLS

Social Inclusion Finance Technical Assistance (SIFTA)

Project advisory,
Capacity building
and market
development

Rating, Assessment
and Evaluation

Geographical eligibility

- EU-27

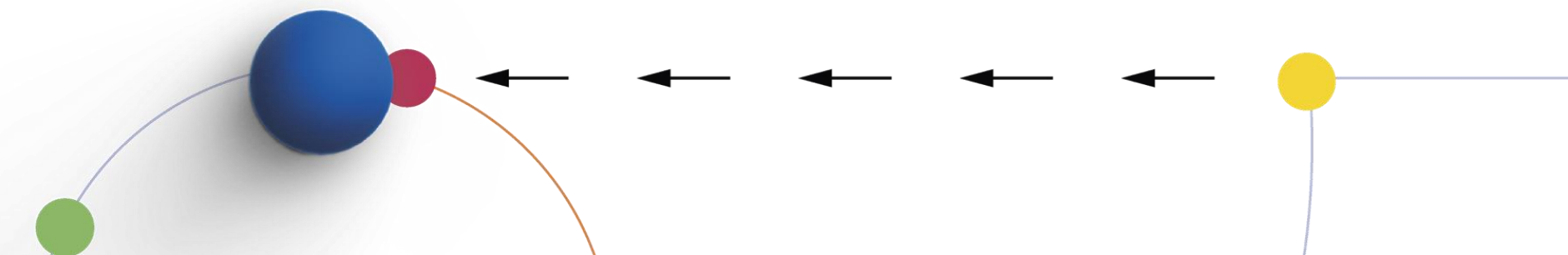
Timeframe of the initiative

- Initial budget available until December 2024

Beneficiaries

- **Microfinance providers** such as banks and non-bank microfinance institutions
- **Social enterprise finance providers**, such as:
 - investment funds,
 - impact investors,
 - incubators,
 - accelerators (among others)

that offer or are in the process of widening their scope with a view to providing accompanying financial support to social enterprises



Specific services to beneficiaries

Capacity building

- Provision of an institutional assessment, institutional rating and social rating
- Impact assessments
- Tailored trainings/coaching
- Investment readiness trainings

Dissemination of good practices

- Peer-to peer trainings
- Study visits

European Code of Good Conduct

- Training/coaching on the implementation of the Code
- Code Compliance Evaluation and renewals
- Post-evaluation capacity building

Portfolio analysis and pipeline building

- Improve the capacity of MF/SE providers who are engaged with the EIB Group
- Provide expertise in building portfolios and evaluating associated risks

to selected MF/SE finance providers

To selected MF providers only

Horizontal services

Market development, Communication and Awareness Raising

- Organisation /participation in events, conferences and networking events
- Communication / preparation of communication materials
- Help Desk

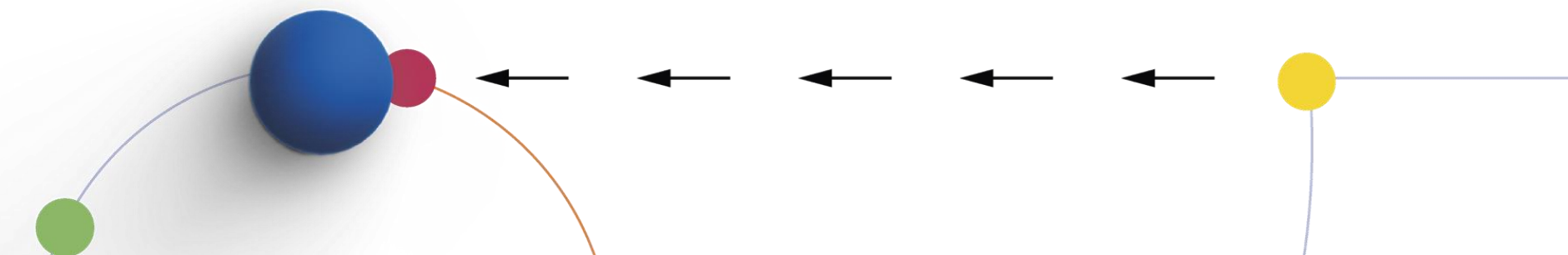
Analytical support

- Provide guidance to MF/SE providers on funding

Dissemination of good practices

- Workshops

to all MF/SE finance providers



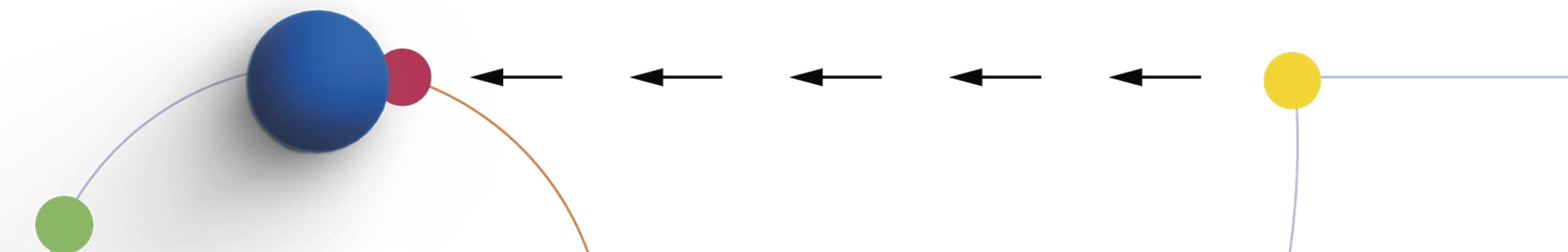
58

**institutions
have shown
interest in
SIFTA**

26

**institutions
have submitted
the application**

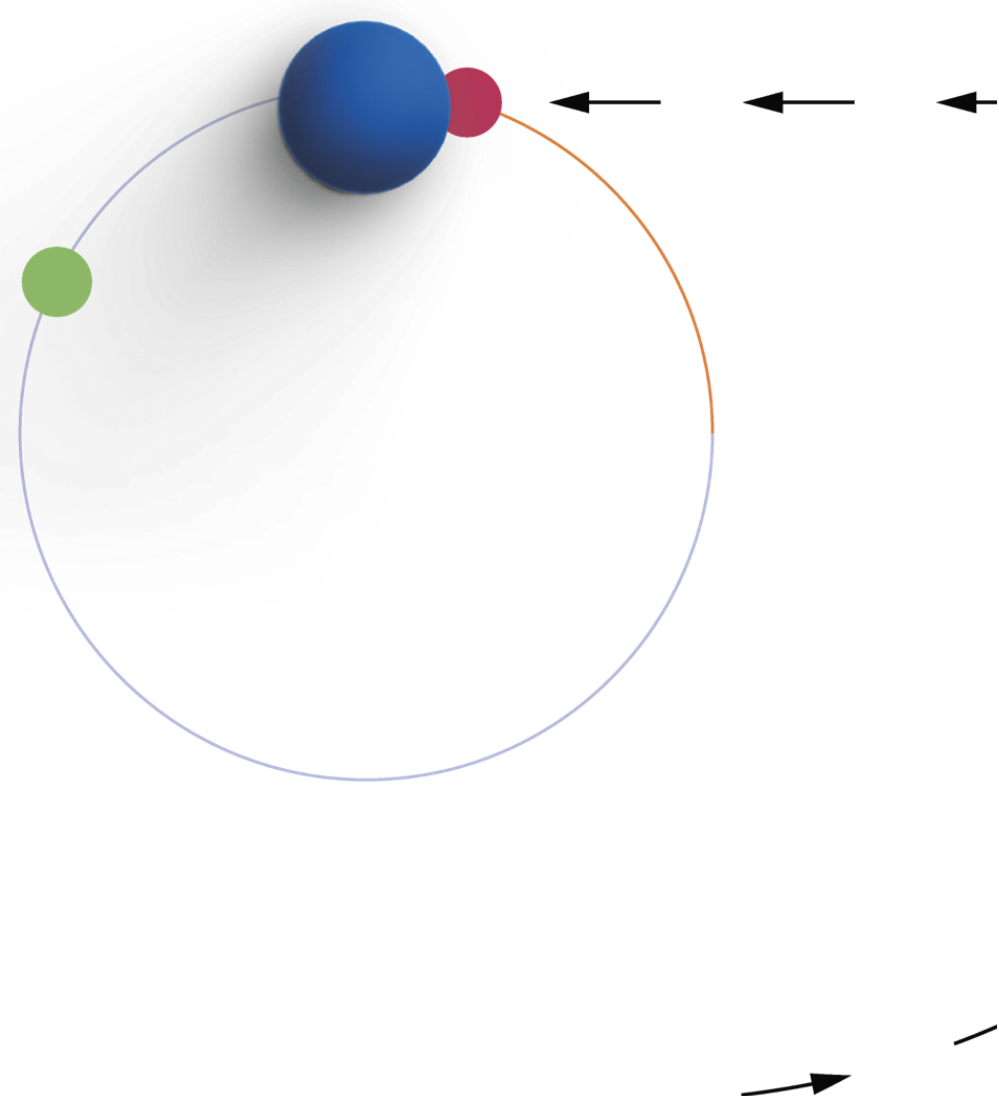
**More applications
are expected in the
coming weeks**





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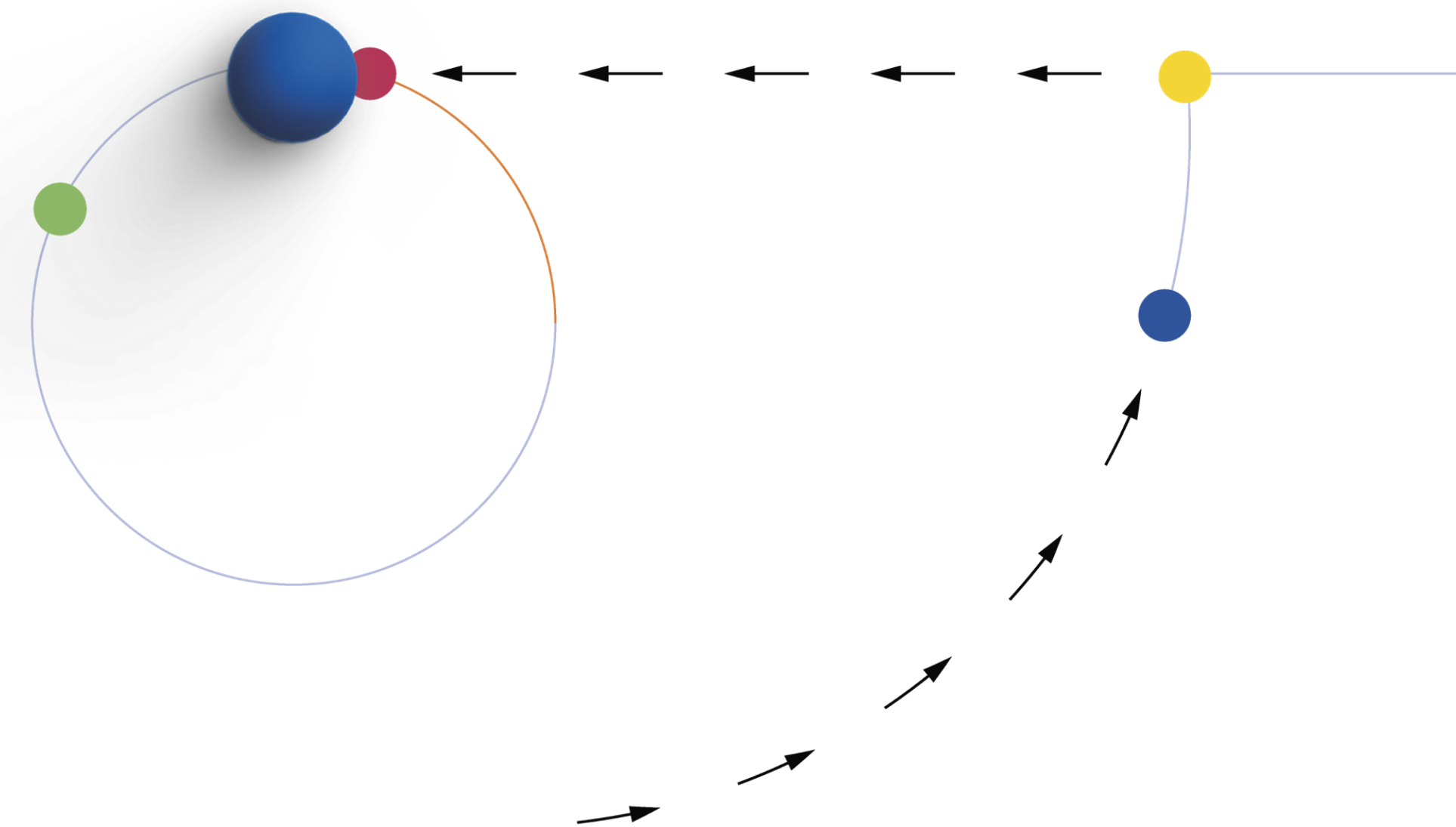




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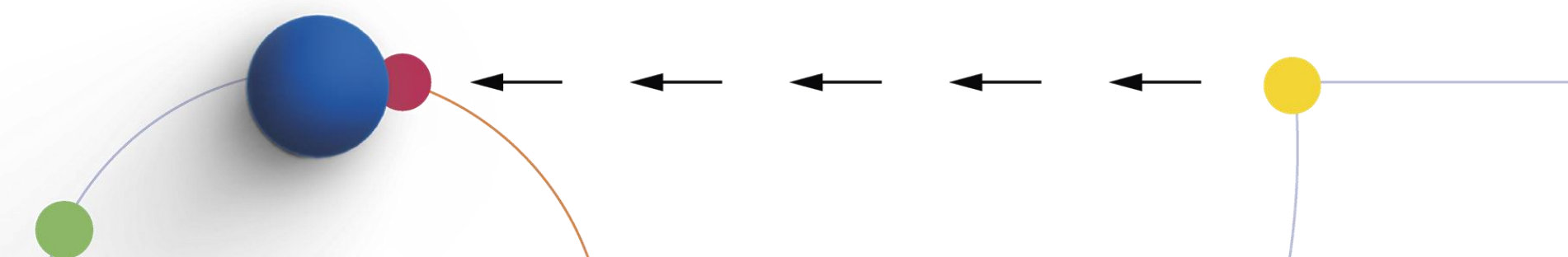
European Microfinance Network – Organisation portfolio

Caroline Tsilikounas, General Manager, European
Microfinance Network

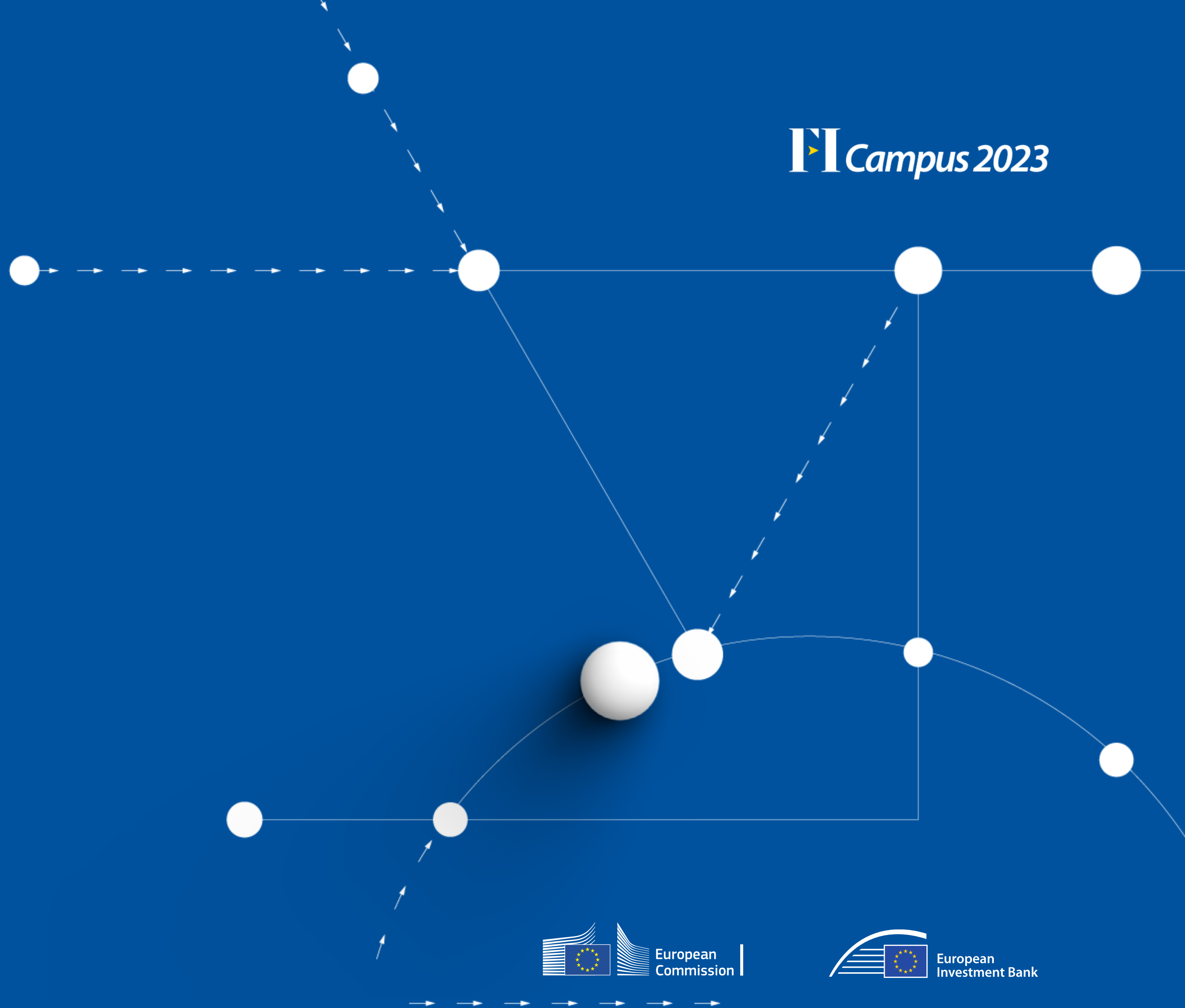


What we do

- **Advocacy & lobbying**
- **Capacity building** (Easi TA & SIFTA programmes)
- **Support of National Networks**
- **Research** (overview survey, EMN research award, partnership with academics)
- **Events & communication campaigns** (Annual Conference, P2P visits, webinars and workshops, dissemination campaigns)
- Members of **DG FISMA's Financial Services User Group (FSUG)** and **OECD-EU'S Youth Entrepreneurship Policy Academy (YEPA)**



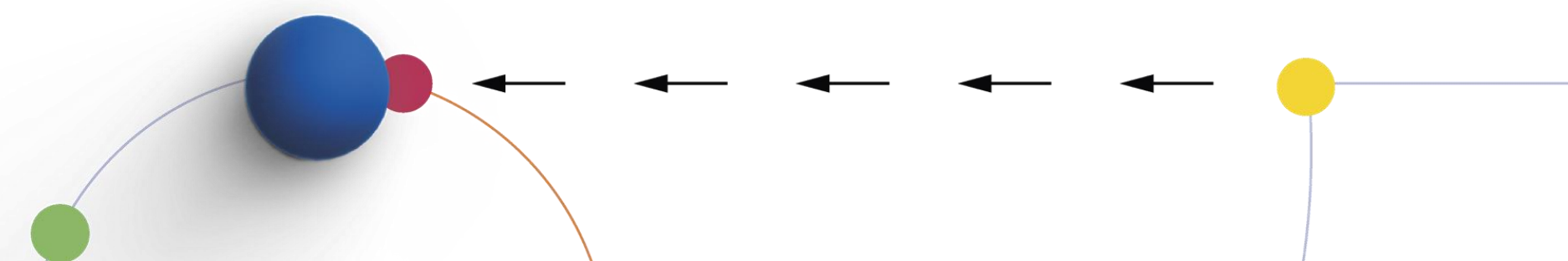
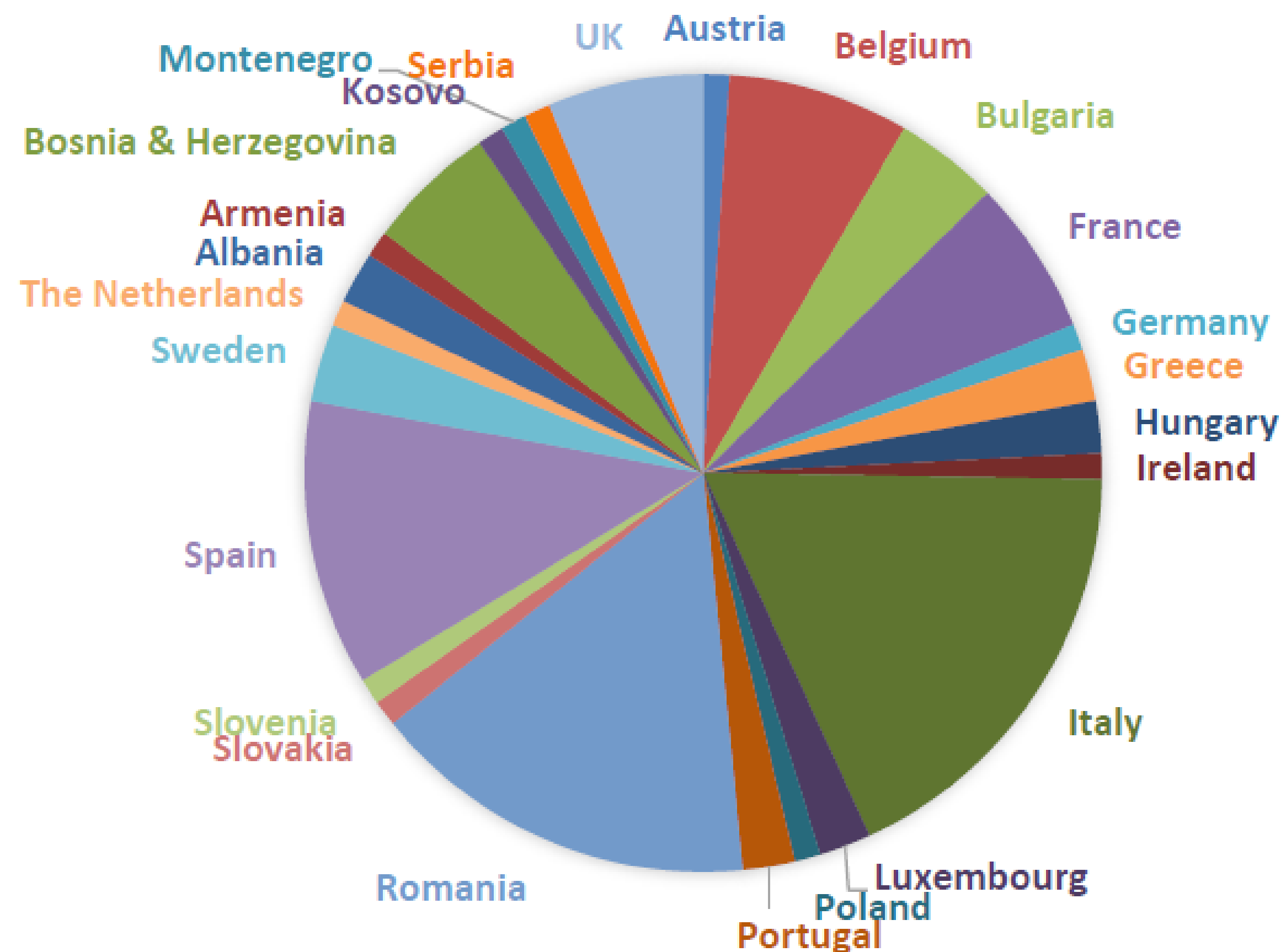
Our Membership



Current Members

- **95 Members**
- **25 Countries (82% EU Countries, 18% NON-EU Countries)**
- **Type of members:** 50% Practitioners, 36% Partners, 14% Corporates
 - MFIs & support Organisations: 55
 - Service providers: 11
 - Investors: 5
 - Banks: 6
 - Academics: 1
 - Others: 17

MEMBERS BY COUNTRY

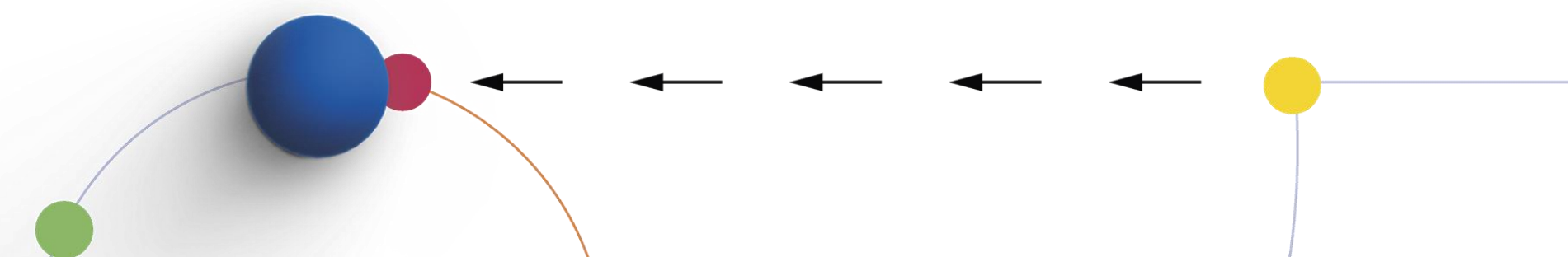


Non-financial services for Stakeholders

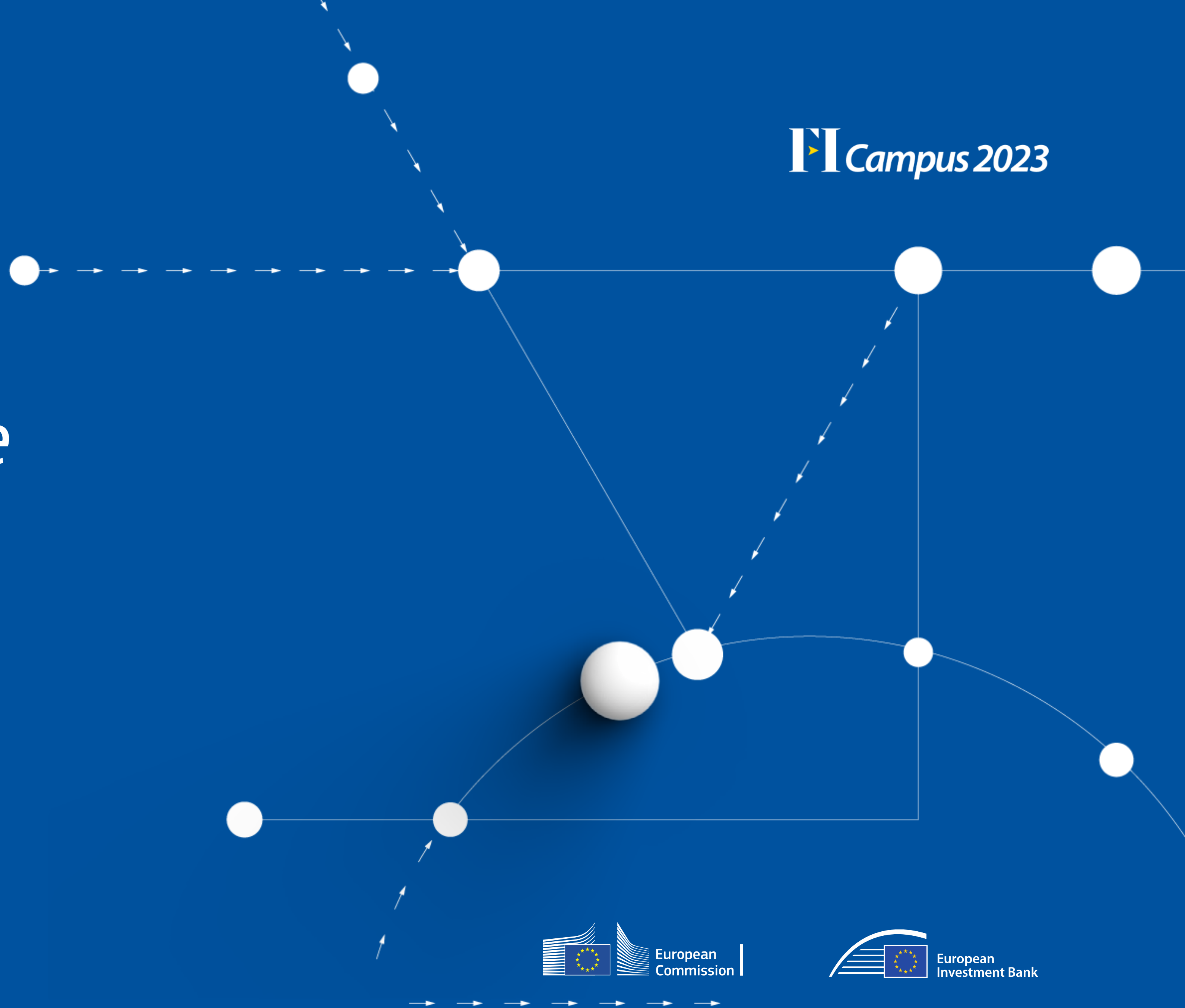


Non-financial services

- **76% of MFIs in Europe** provide non-financial services to underserved people - 87% in Western Europe
- **42% of all MFIs that provide NFS in Europe** (38/90 MFIs) **are EMN members** - 39% of them target migrant/refuges (15/38 MFIs)
- **70% of EMN membership** (65/91) **consists in organisations that directly engage in the provision of financial and/or non-financial services to vulnerable people re**
- Almost 1 out 5 of these organisations is a NFSP (11/65)

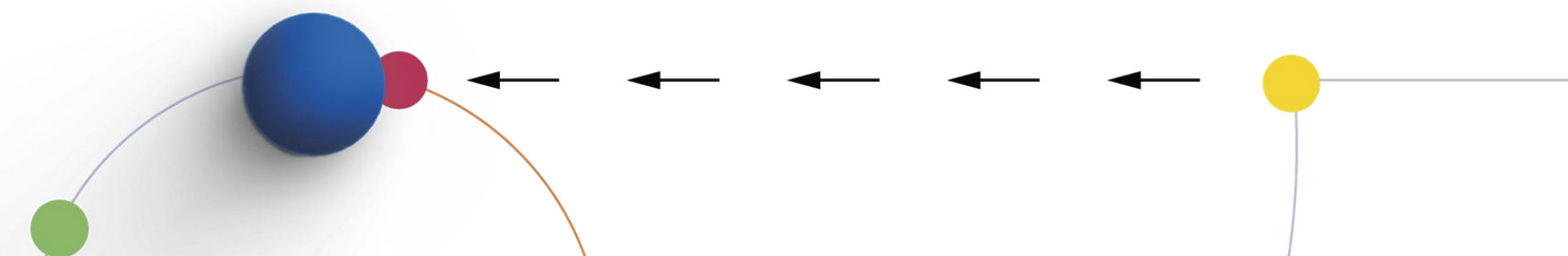


EaSI TA programme



EaSI TA – Technical Assistance for Microfinance (2014-2022) (SIFTA predecessor)

- Capacity building
- TA on EU CoGC
- Helpdesk
- Events (workshops, European Microfinance Week, EMN Annual Conference, etc...)
- P2P visits
- Webinars & workshops
- Tailor-made trainings

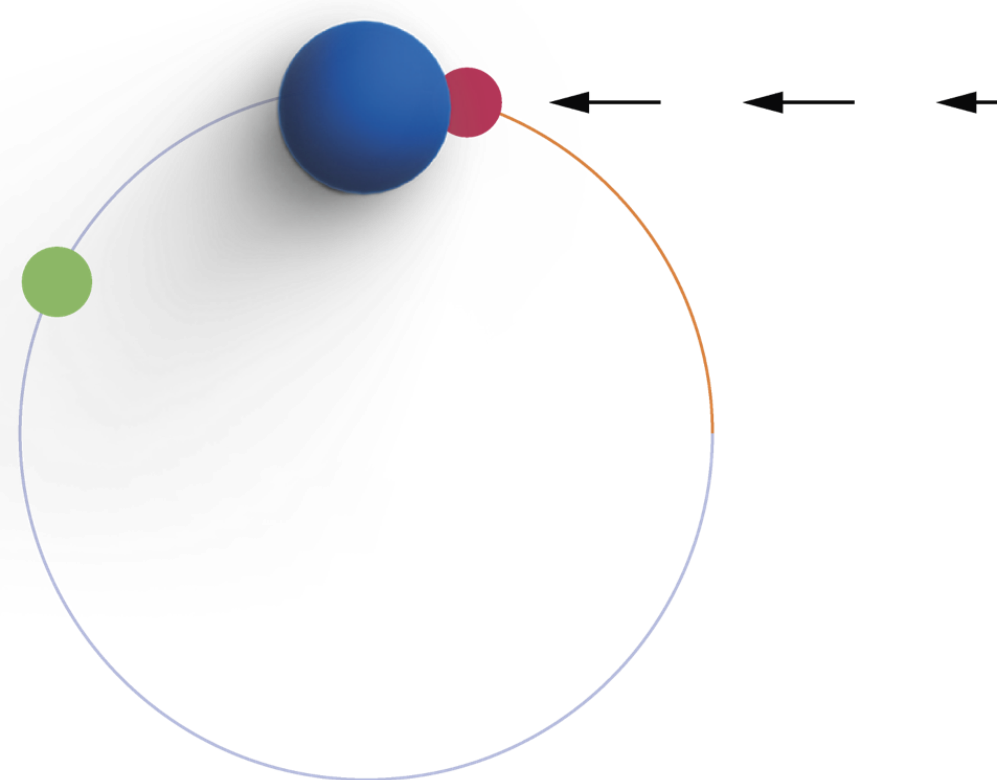


Microfinance supporting third-country nationals in the EU



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Thank you

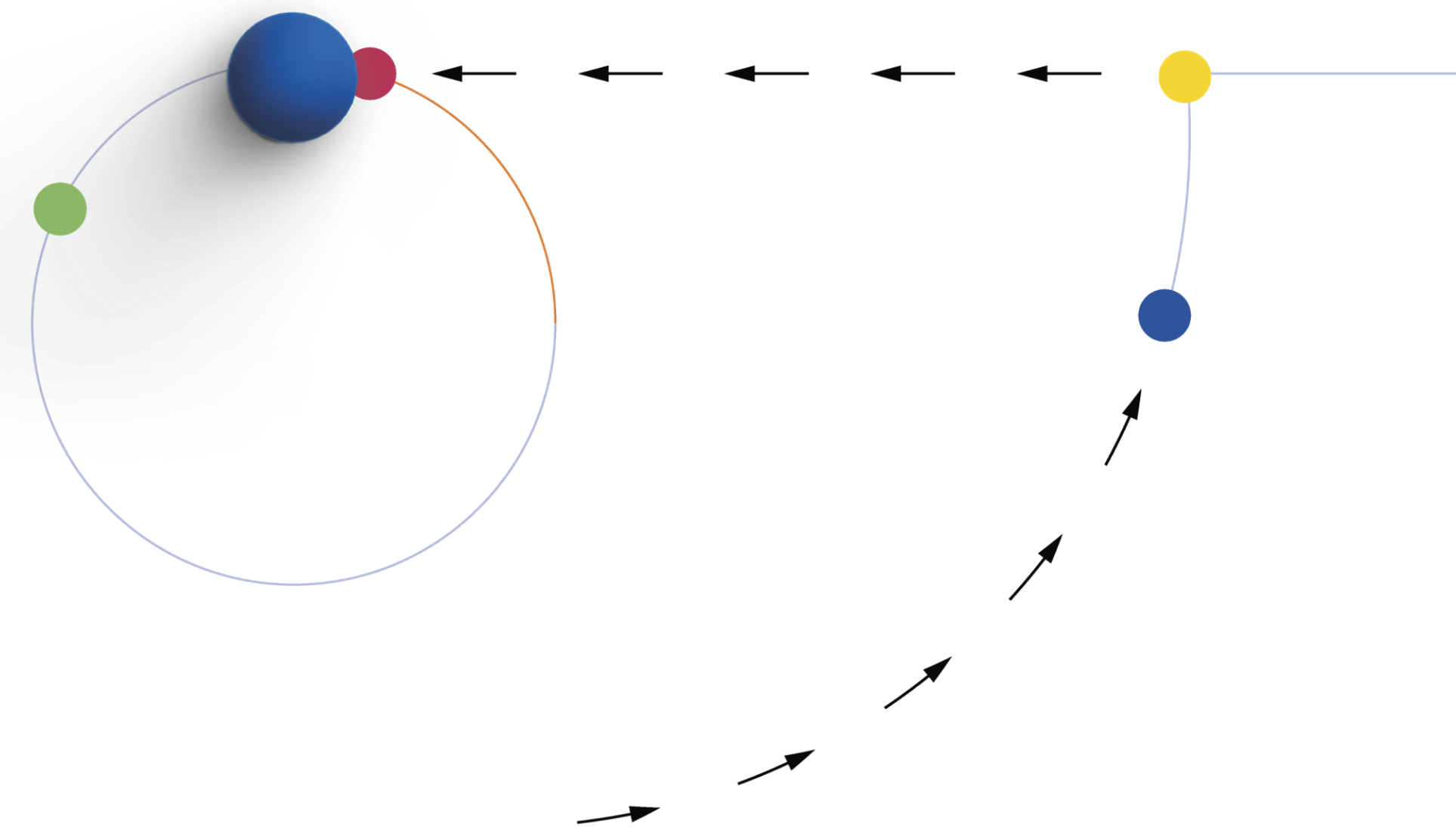


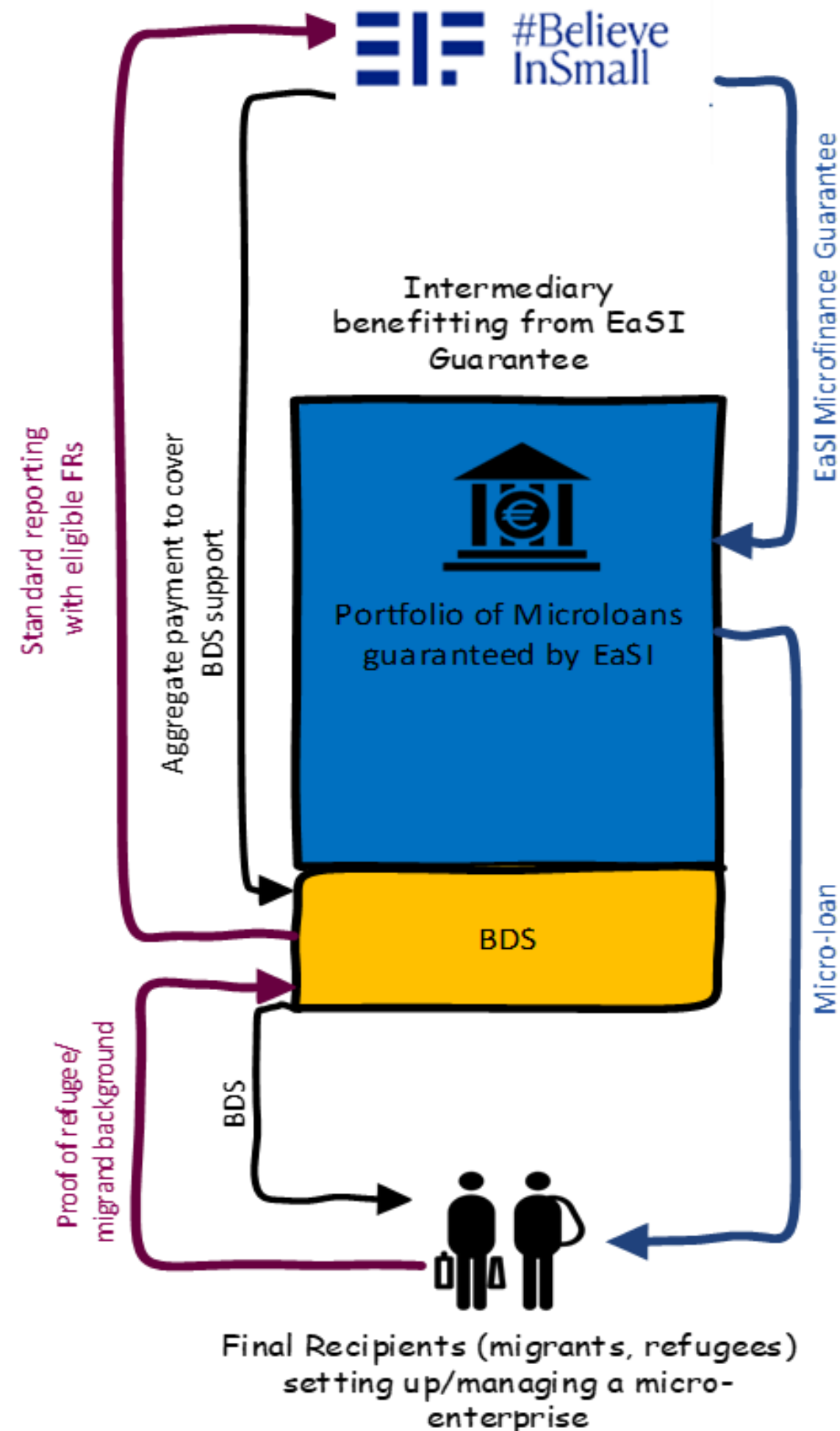


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BDS pilot under EaSI GFI

Per-Erik Eriksson, Head of Inclusive Finance, European Investment Fund

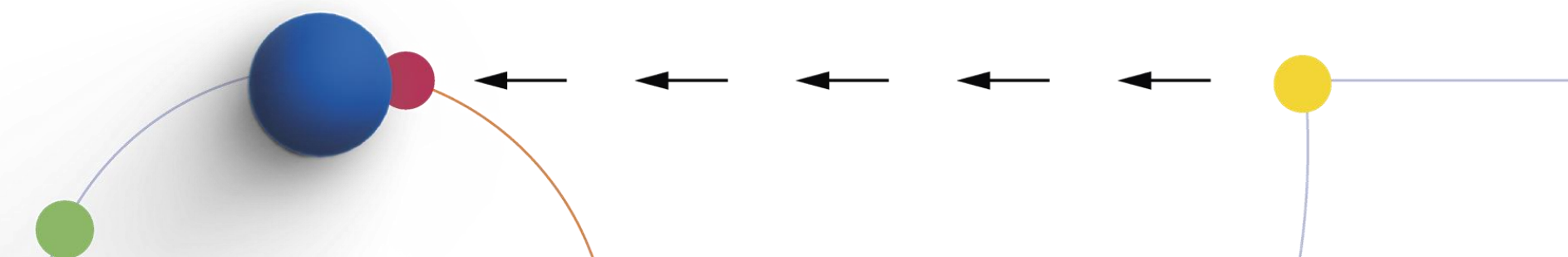




- Costs incurred by FIs when providing BDS to such migrants and refugees prove to be higher than for any other mainstream micro-enterprise/micro-borrower (for instance, because of language or administrative barriers)
- Through EaSI, such costs can be partially offset, enabling intermediaries to provide such services and therefore boosting entrepreneurship amongst vulnerable communities
- EUR 400 per Final recipient qualifying as migrant or refugee for a total available budget of EUR 1m

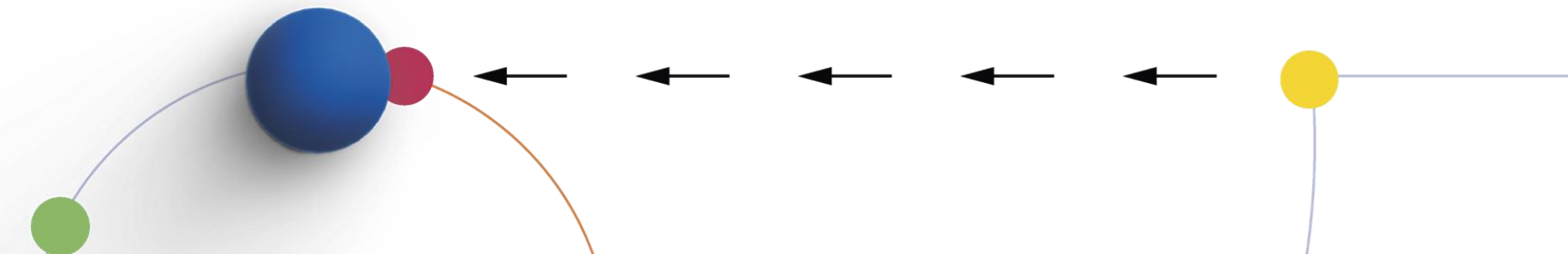
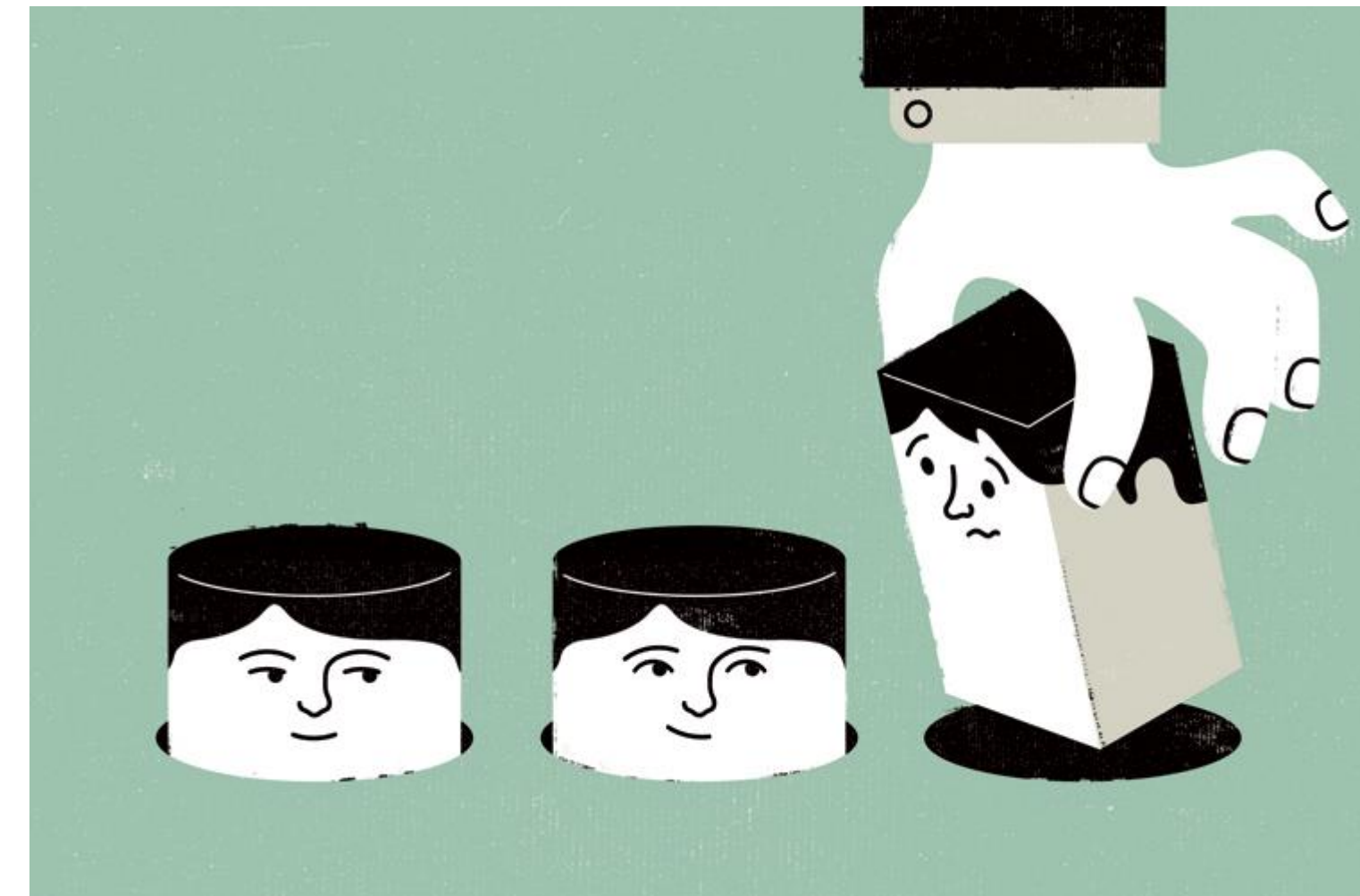
Results to date

- ✓ **1,750** migrants and refugees have benefitted so far
- ✓ **Nine** intermediaries located in Spain, Luxembourg, Netherlands, Greece, Italy, Belgium, France and Sweden



EaSI BDS considerations

- Contractual implementation and operational aspects
- Fixed amount (EUR 400)
- Difference providers of BDS
- Restricted set of BDS recipients





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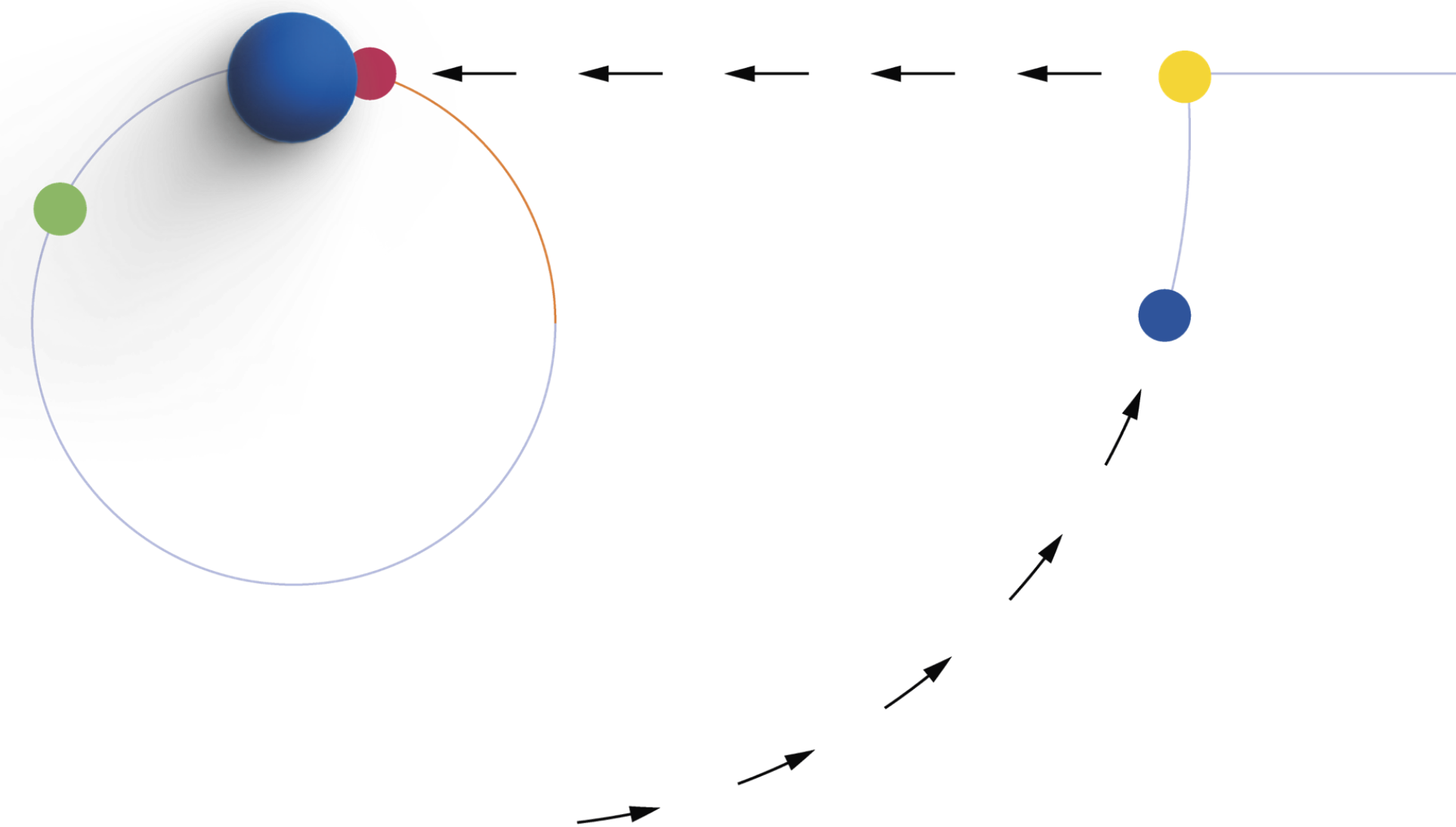
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Microfinance supporting third-country nationals

Martina Grigorova, Executive Director, SIS Credit, Bulgaria



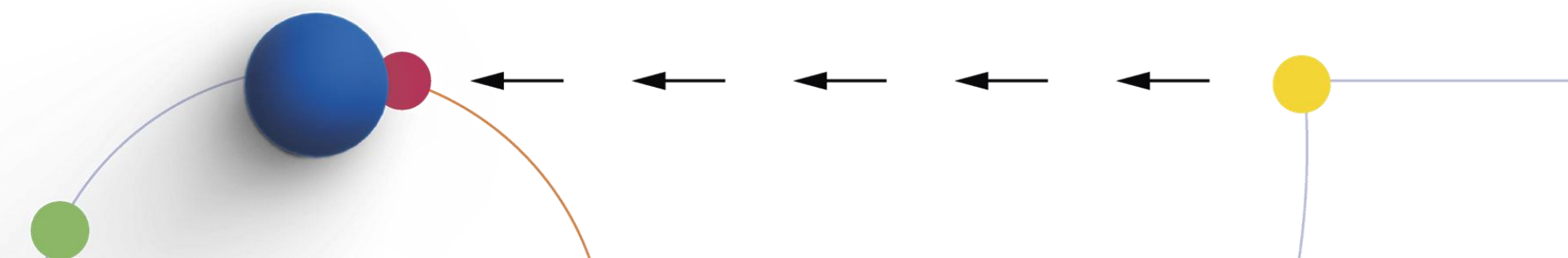
The face of the support provided by the FI

This is Sara. She finished university and used to work in the banking sector.

When she crossed the Turkish-Bulgarian border on foot in 2016 as a refugee from Afghanistan, Sara was nine months pregnant.

She started her life from scratch thanks to the support provided by Bulgarian NGOs by educating her in language, documents handling and business skills, together with small funding provided under the FI.

Sara opened the first Afghan restaurant in Sofia—Khaala Sara Foodz and is extremely happy by being self-employed single mother. And most important—by being free.





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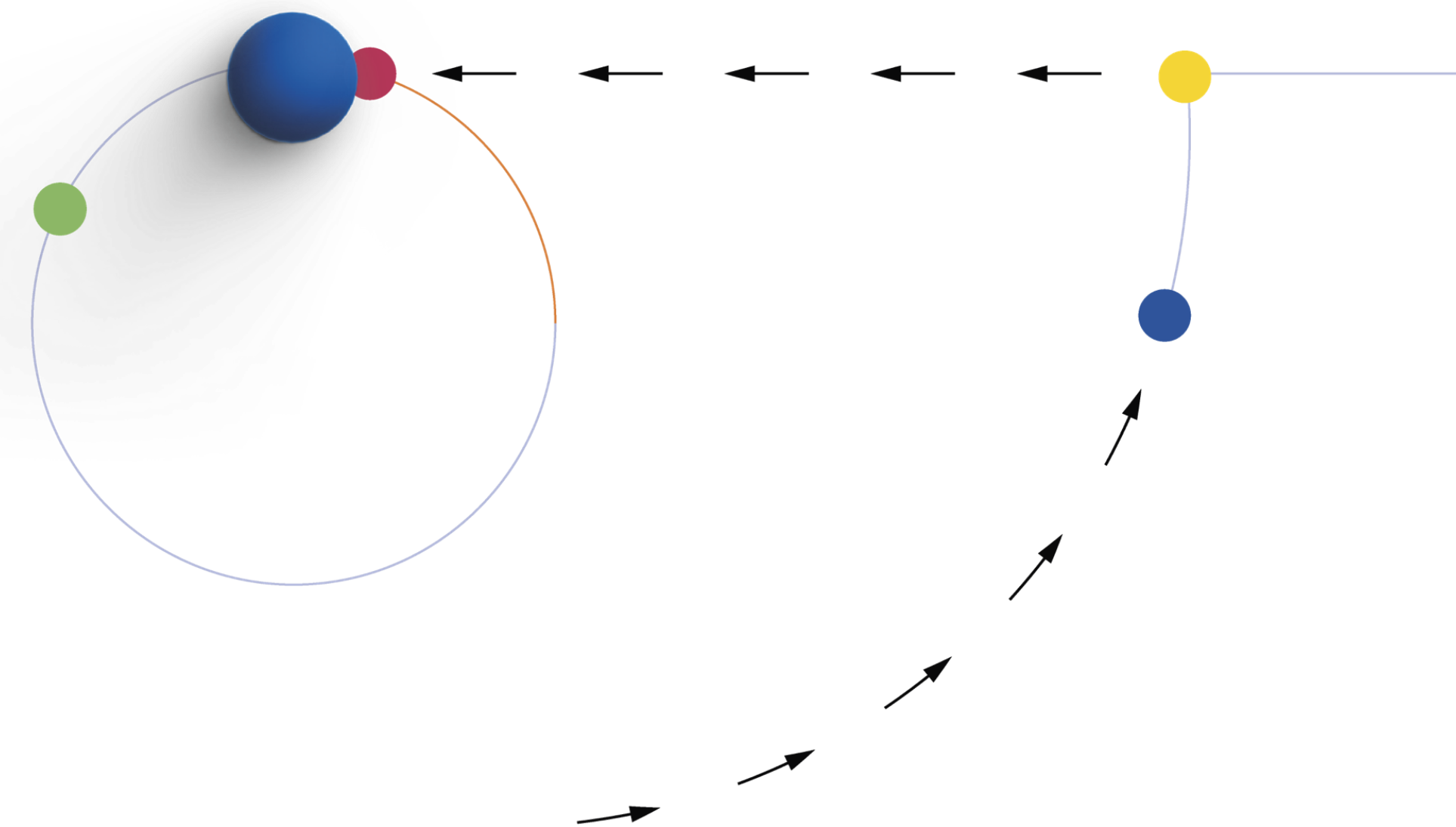
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Microfinance supporting third-country nationals

Andrea Limone, President, PerMicro, Italy



Ukrainian Women Fund

Final purpose: support Ukrainian women to help relatives, friends, communities dealing with migration.

What: Guarantee Fund (up to 1 Mllion euro) in order to cover losses on single loan basis, with leverage x3

Product: Microloans 2k-15K euro for responding family/community needs.

Beneficiaries: Ukrainian women living in Italy

Partners:

- 1 - an Italian NGO/association, very well known, that will manage the Guarantee Fund;
- 2 - PerMicro, as financial institution that will deliver loans;
- 3 - donors for contributing initial fund;
- 4 - Ukrainian Consulate in Italy.



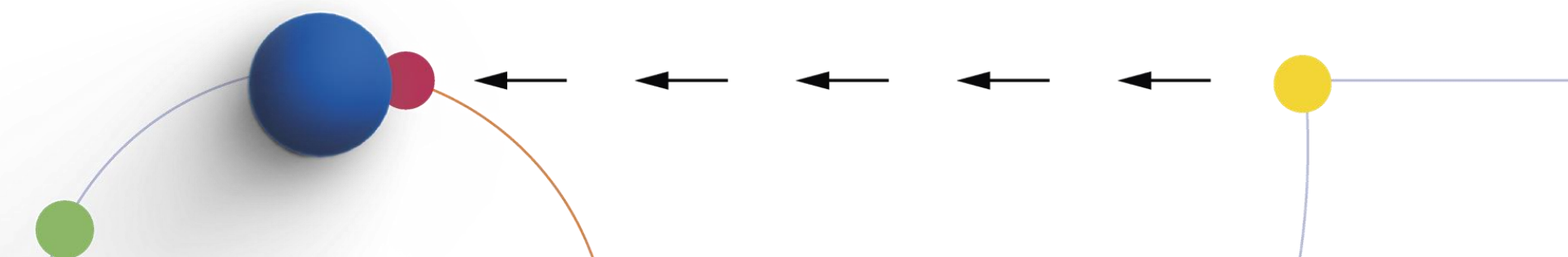
Ania K.

Ukrainian PerMicro Customer

-

Nails & beauty esthetician

*Ukrainian community in PerMicro:
sixth place among migrant communities
1,1M euro outstanding – 2,7% on Family Portfolio
good repayment behaviour*



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Thank you

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