



ESF financial instruments in Bulgaria - Risk-sharing instrument for microfinance

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SIS Credit - leading microfinance institution in Bulgaria

Introduction

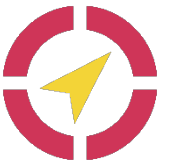


- SIS Credit is established in 2006 and is the second largest MFI in Bulgaria;
- It offers loans and BDS to micro and small enterprises, agricultural producers, start-ups and social enterprises;
- The mission of the company is job creation and support of entrepreneurship;
- The strategy for development of the MFI is based on strong social focus including mentoring of entrepreneurs, assistance in selling production for agricultural producers, educating clients in budgeting and avoidance of over-indebtedness;
- SIS Credit is among the first European microfinance institutions that endorsed the European Code of good conduct for microcredit provision launched by the European Commission, is first certified in 2018 and re-certified in 2021;
- The company is member of European Microfinance Network and Microfinance Centre.



Implementation of the ESF financial instrument

Milestones



- In December 2017 SIS was selected as a partner of Fund manager of Financial instruments in Bulgaria under the Risk-Sharing Micro-Finance Facility and signed the first operational agreement;
- In June 2019 SIS Credit signed another contract under the second phase of the instrument;
- December 2021: successful completion of the first operational agreement;
- Total amount of available funding to final beneficiaries under the financial instrument: EUR 2.5 M (including funding from OPHRD- EUR 2 M and co-financing from SIS Credit- EUR 0.5 M);
- End-date for final beneficiaries to benefit from the financial instrument: 31 December 2023.



Terms of the loan product of SIS Credit

Low-interest loan for micro enterprises, self-employed and social enterprises



- Loan amount: up to EUR 25 000;
- Flat annual interest rate: 2.7%;
- Term: up to 60 months for working capital and up to 120 months for investment purposes;
- No additional fees for disbursement and management of the loan;
- No fees for prepayment of loan;
- Up to 2 years grace period for payment of principal;
- Free-of-charge consultancy in business planning and development;
- Flexible collateral options.



Benefits from the FI for entrepreneurs

Tailor-made solution for their needs



- Free-of-charge consultancy for business planning;
- Low interest loan because of the 0% funding provided under OPHRD;
- Fast approval process;
- No specific collateral requirements- focus on the entrepreneur and the idea;
- The long grace period allows the business to become sustainable before starting to repay principal;
- Support of the entrepreneur in management the business during the whole life of the loan.



Achieved results as of April 2022

Creation of sustainable employment



- Total amount disbursed: **EUR 1.6 M**
- Number of loans (final beneficiaries who received funding) in total: **112**
- Average loan amount: **EUR 14 000**
- Number of social enterprises that received funding: **6**
- Number of entrepreneurs from vulnerable groups who were supported (entrepreneurs with disabilities, people under 29, unemployed for more than 6 months): **39**
- New jobs created: **187 (1.7 on average per loan)**.



Implementation of the financial instrument

Challenges and opportunities for the MFI



Main challenges:

- Entering into riskier client segment market;
- Adjustment of risk management rules in order to assess companies without history;
- Implementation of specially designed entrepreneur-centric rating model that allows entrepreneurs with good ideas to receive loan even without collateral;
- Learning to assess repayment capacity of non-profit companies;
- Teaching vulnerable entrepreneurs and social enterprises who are used to grant funding to manage loans;

Main opportunities:

- Sustainable growth (increasing the loan portfolio of the MFI by the full amount under the instrument, not only the co-financing part);
- Risk-sharing on loan-by-loan basis without a portfolio cap;
- Following the mission for job creation by supporting the most vulnerable entrepreneurs;
- Receiving an annual management fee of 1.5% by FoF that partially covers also the free-of-charge BDS provided to clients.



Successful stories

Examples for supported social enterprise



Bulgarian association for personalized medicine

- Funding: EUR 15 000
- NGO unifying researchers, medical and health care professionals and commercial structures in health care with the objective to raise the awareness of the personalized medicine approach.

Synergia Foundation

- Funding: EUR 12 500
- The mission of the NGO is to improve the well-being of visually impaired people by implementing successful social entrepreneurship practices



DeafNow!

- Funding: EUR 25 000
- A project by ListenUp foundation that aims at providing support and proper education to deaf people and their families.

Foundation Doctor Boris Dimitrov

- Funding: EUR 7 500
- Foundation that provides scholarships to young people to receive medical education.



Successful stories

Examples for supported start-ups



Master class Borcheff

- Funding: EUR 25 000
- Project: Young entrepreneur with disability under 29 who has started a family bakery in the remote village of Dren.

Made Right

- Funding: EUR 17 500 (no collateral)
- Creation of innovative online platform for tailor-made shirts production. Successfully launched and start of production in the city of Pleven. Jobs created after funding: 13.



Hranimpex Commerce

- Funding: EUR 10 000
- The entrepreneur decided to return to Bulgaria after long time of working abroad and to open a restaurant in the city of Plovdiv. Jobs expected to be created after launch: 5.

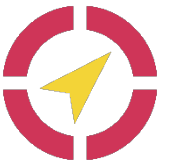
HR Partners

- Funding: EUR 12 500
- Young woman under 29 who is producing and selling online organic cosmetics in the city of Smolyan. The loan helped her to launch new product line and become sustainable.



Lessons learnt

From MFI's perspective



- Successful FI that is meeting the needs of entrepreneurs;
- The FI is a precondition for building an entrepreneurial ecosystem in the country;
- Pilot attempt for the transition of grant support for vulnerable groups to loan product that is perceived positively by all parties;
- Good example for partnership between government bodies and MFIs and joint forces for promotion of the FI;
- Meeting the ESF and Government' goals for financial inclusion through comprehensive and market-based support of vulnerable groups;
- The FI is contributing to the stable growth of MFIs and the promotion of microfinance as a powerful tool for sustainable job creation.





Thank you!

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