Equity for social innovation
EIB Group Financing Social Innovation

Kim Kreilgaard, Lisbon Head of Office, European Investment Bank
The European Investment Bank Group

- Providing finance and expertise for sound and sustainable investment projects
- Leading developer of risk financing for innovative smaller and medium-sized companies
EIB – Biggest multilateral investment bank in the world

➢ We raise our funding on the International capital markets, based on our AAA rating

➢ We transfer the benefits of our attractive funding to our clients, the promoters of investment projects

Support some 450 projects a year and operate in more than 160 countries

Based in Luxembourg
40 offices worldwide

Over 3,000 colleagues supporting investments

➢ Diversity, not just financing experts but rather also colleagues with deep experience in engineering, markets and economics, social and environmental issues

➢ Over 60 years experience in financing projects

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EIB Group activity 2018

Our priorities

Innovation  EUR 13,500m
Environment  EUR 15,200m
Infrastructure  EUR 12,200m
SMEs  EUR 23,300m
Financing of EIB Group in Portugal in 2018

- **EUR 1,979m signed**
- **26 signed operations**

- 3º country ranking in the EU with regard to financing relative to GDP
- 7º country ranking in the EU by volume of EIB group financing
- EIB Group financing in 2018 was equivalent to 1% of Portugal’s GDP

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Growth in Financing in Portugal

Loan signatures

Em 2018, a atividade do Grupo BEI em Portugal continuou a crescer
Activity of EIB Group in Portugal

Financing by priorities

Financing of SMEs: EUR 904m in 2018

3,950 PMEs Financed by EIB Group
Employees supported: 153,000
Average loan amount per SME*: EUR 216,000

* Average of EIB SME financing

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“A Social Enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner, in particular, involves employees, consumers and stakeholders affected by its commercial activities.” European Commission (2011)-one of many.
Social Innovation – Financing Challenges (1)

Some general observations on Social Innovation:

• **Innovation**
  • inherent risks and asymmetries of information
  • Immature, limited risk capital markets – fragmented
  • Cultural constraints in Europe

• **Mismatch between supply and demand**
  • Informational deficiencies
  • Differences in national regulatory framework
  • Spatial disconnect between supply and demand
  • Demand = very localised; supply = not wide spread
Some general observations on Social Innovation:

• Ambiguous concept, intuitive at first, but difficult to define
• Pragmatism is desired
• Substantial SE sector in Europe, but unevenly distributed
• SE face challenges on external financing markets

Still substantial efforts are needed to close financing gap!
## EIB Group – Diversity of Financing
Offer for all enterprise stages and risks

<table>
<thead>
<tr>
<th>Equity &amp; equity-like</th>
<th>Debt</th>
<th>Advisory</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIB Group major FoF investor in Europe</td>
<td>Senior and subordinated debt available for more mature companies (cashflow visibility)</td>
<td>Support to innovative companies – improve their investment readiness</td>
</tr>
<tr>
<td>Intermediated investments (via TT, VC and PE funds) across all sectors and geographies</td>
<td>Available both directly at the EIB and via EIB’s partner intermediaries</td>
<td>Explore financing options within and outside the EIB Group</td>
</tr>
<tr>
<td>A new equity-like instrument for young, innovative companies directly available at the EIB</td>
<td>Flexible and generally more favourable terms</td>
<td>Help develop a credit / equity narrative for investors</td>
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**InnovFin and European Fund for Strategic Investments (EFSI)**

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EIB Group Advisory and Debt based support for Social Innovation

EU Programme EaSI for Microfinance and Social Entrepreneurship (EC)

Financial Instruments:
- Guarantees
- Funded Instruments
- Funding for capacity building

Technical Assistance for capacity building (under fi-compass until March 2018)

Rating & Assessment
Code of Conduct

Both Strands are Independently Accessible

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Equity based – SIA model of a fund-of-fund

• How does EIF support impact investment – the FoF equity model

• Approach – Supporting the ECO System

• New teams – key considerations for an investment

• Results to date
Investment in Incubators/Accelerator Structure

EFSI

European Fund for Strategic Investments (EFSI)

Elf as (co-)investor

Private/Institutional Investors

Incubators/Accelerators

Financial Intermediary (Typically venture capital funds)

Services

Equity/Preferred Equity/Hybrid Debt-Equity/Other mezzanine financing

Portfolio of Social Enterprises (and other eligible beneficiaries) established or operating within the EU ranging from pre-commercial stage up to early growth

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Social Impact Investing Activities
EUR 243m capacity - Investments to date*

- 19 Impact funds backed by SIA across Europe
  - c. EUR 235m committed to date
  - c. EUR 393m aggregated investment capacity

- Geo outreach: FI, ES, DE, DK, FR, IT, NL, UK, PT, HU

- 2 PbR signed: FI & NL
- 2 Social Accelerator/Incubator signed: ES & FR
- 1 Seed impact fund signed in HU
- 14 Impact funds backed by SIA across Europe

*Indicative, not EIF official figures
Fund of Funds investment model
Insights to the process and criteria

First Screening
Understand concept
Based on preliminary questionnaire / concept note

Second Screening
Investment readiness
Physical meeting (typically in Luxembourg), opportunity to articulate investment opportunity, understand EIF

Due Diligence
Stress testing and verification
EIF team conducts on site visits (min. 2 days). May, or may not lead to term sheet

Board Approval
Legal documentation
After EIF BoD approval, legal docs drafted on behalf of Manager. EIF review. Importance of legal counsel

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6-12 months
Investment considerations for sustainable Funds and ultimately VC/PE Ecosystems

First Screening  Second Screening  Due Diligence  Board Approval

- Partner institutions
- Market
- Investment strategy
- Dealflow
- Potential Investors
- Investment process
- Team
- Track record
- Governance
- Management co.
- Economics
- Remuneration / incentives
EIB Institute’s contribution
Innovation and Social Entrepreneurship

- EIB Institute – the EIB Citizenship initiative for social, cultural and academic cohesion
- Social Innovation a key topic
- Innovation Tournament (SIT)
  - Competition (SIT – Social Innovation Tournament)
  - SIT (Social Innovators and Transformers) Impact Bootcamp
  - Mentoring and Alumni Network
- IRIS – Incubadora Regional de Inovação Social
If you are already an EIB client, you should contact your regular link person.

If you are a new client, you should contact the EIB Group Office in Lisbon or the Division of Lending Operations in Portugal (EIB), or EIF headquarters, respectively, in Luxembourg:

- **European Investment Bank (EIB)**
  - **Lending Operations in Portugal**
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    - L-2950 Luxembourg
    - Tel.: +352 4379-1
    - Fax: +352 437704
    - [www.eib.org](http://www.eib.org), [info@eib.org](mailto:info@eib.org)

- **Banco Europeu de Investimento (EIB)**
  - **Escalario de Lisboa**
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- **European Investment Fund (EIF)**
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For further information, in particular intermediate operations, you may search **EIB** or **EIF** respective websites.
Obrigado!

Watch the video!
(https://www.youtube.com/watch?v=9cNdzAtD9Y4)