EaSI product financing for the agriculture sector

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Microfinance and entrepreneurship

What is microfinance?

- Provision of **basic financial services to low income** people, who traditionally lack access to banking and other financial services
- An essential tool to facilitate **necessity-driven business creation**: People at risk of poverty and unemployed people are a potentially important group of business creators, since a decision to start a business often arises out of necessity, especially in low-income countries
- Microfinance needs **an integrated approach** - financial and non-financial services together for the benefit of the micro-entrepreneur

source: Global Entrepreneurship Monitor (GEM) 2019
Financial exclusion hinders entrepreneurship

Why microenterprises do not access bank loans?

- Borrowers with limited track in both business and credit history
- Lack of appropriate collaterals or guarantees
- Inefficiencies of lending small amounts with relatively short maturities
- Relatively high interest rates – reputational risk considerations

Reasons for bank loans being not relevant (by enterprise size class), HY2/2019

Micro and Social Portfolio Guarantee Product

Enables financing for microenterprises and social enterprises to contribute to a caring and compassionate European social ecosystem.

Includes:

- Microfinance: to provide sustainable employment and social inclusion - in particular for vulnerable groups

- Social enterprises: to support active labour market participation & job creation in this still nascent market for a more inclusive EU
EaSI** - EU - outcomes & impact

Dedicated to increasing access to finance for vulnerable groups and social entrepreneurs

- **€4.2bn**
  - 191 agreements
  - 125 FIs
  - 31 countries
  - 60 banks
  - 65 non-banks

- 137,700 Micro and social SMEs supported
- 388,000 jobs preserved

- 71% self-employed entrepreneurs
- 30% female entrepreneurs
- 24% migrant entrepreneurs
- 79% unbanked/no prior loans

** Portfolio guarantee - fully deployed
Funded Instrument - available until 30.09.2023
Capacity building Instrument – fully deployed

*Source: EIF internal data as of 30 Sept 2021*
EaSI GFI

Agriculture, forestry and fishing share in the portfolio

By Nb of FRs

- Wholesale and retail trade, repair of motor vehicles and motorcycles
- Agriculture, forestry and fishing: 24.78%
- Construction: 14.76%
- Accommodation and food service activities: 9.92%
- Transporting and storage: 8.99%
- Manufacturing: 8.04%
- Professional, scientific and technical activities: 6.32%
- Other services activities: 5.92%
- Administrative and support service activities: 3.37%

By Portfolio Volume

- Wholesale and retail trade, repair of motor vehicles and motorcycles: 26.4%
- Agriculture, forestry and fishing: 12.0%
- Construction: 9.6%
- Accommodation and food service activities: 9.6%
- Transporting and storage: 8.4%
- Manufacturing: 8.4%
- Professional, scientific and technical activities: 8.4%
- Other services activities: 9.6%
- Administrative and support service activities: 9.6%
Microfinance and Social Portfolio Guarantee Product

The successor of EaSI GFI, aims at enhancing access to finance for microfinance and social enterprises.
InvestEU - Microfinance and Social Entrepreneurship

**Microfinance**
- Max FRT Amount: EUR 50,000
- Financial Intermediaries:
  - Comply with the EU Code for Good Conduct
  - Offer BDS services
  - Banks, Non-banks, Credit Cooperatives, Ethical Banks, other lending providers (NGOs)

**Social Entrepreneurship**
- Max FRT Amount: EUR 2,000,000
- Final Recipients:
  - Microenterprises
  - Natural Persons
  - Self-employed
  - Social Enterprises
  - that experience difficulties accessing credit for the purpose of professional and revenue-generating activities.
  - Achievement of measurable, positive social impacts,
  - Provision of services/goods that generate a social return
  - Predefined procedures and rules for profit distribution
  - Managed in an entrepreneurial, participatory, accountable and transparent manner