



EaSI

Microfinance and Social Enterprises

Brussels – 3rd February 2016



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Microfinance: objectives and challenges



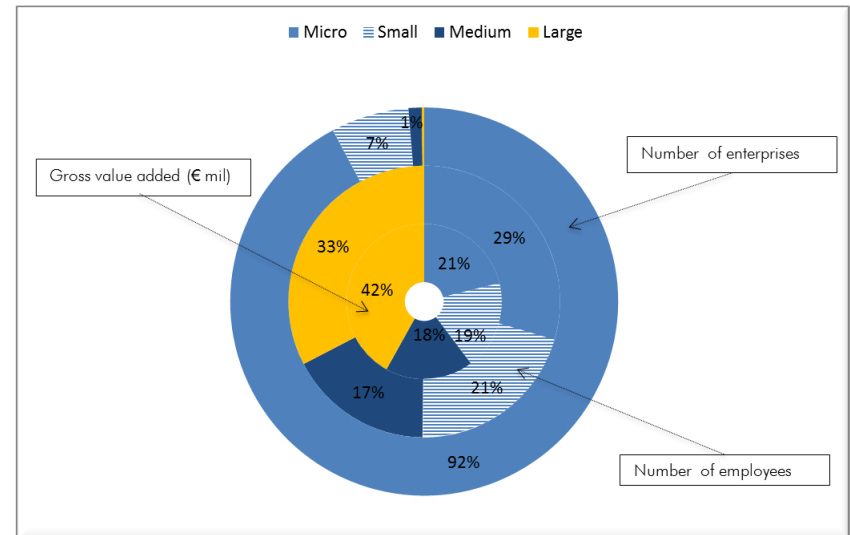
Some figures

- 92% of enterprises in the EU are micro-enterprises
- 99% of the start-ups created in the EU every year are micro-enterprises and small enterprises
- 33% of these start-ups are launched by unemployed persons

This means:

- ✓ Microfinance is an important market segment and has a social as well as financial component (“growth creating engine”)

Remember our starting point:



Challenges of the European Microfinance Market



- ✓ Market is highly heterogeneous & less developed than microfinance market outside Europe
- ✓ Broad range of microfinance institutions (e.g. small non-profit organisations or governments-owned development agencies, large commercial banks)
- ✓ Broad range of microfinance services (heavily subsidised vs. fully risk-priced)
- ✓ Country-specific features, depending on legal framework, economic realities, social inclusion programmes etc.
- ✓ Eastern vs. Western Europe microfinance market



Ensuring a maximum outreach through a flexible investment approach





EIF

Microfinance activity overview

Role of EIF as

Catalyst of the European Microfinance Market



- Dedicated Microfinance Team
- Microfinance expertise and established track record
- Financing capacity
- Diverse product offering
- Geographic outreach
- Wide outreach to broad range of financial intermediaries
- Thorough value added and social performance assessment

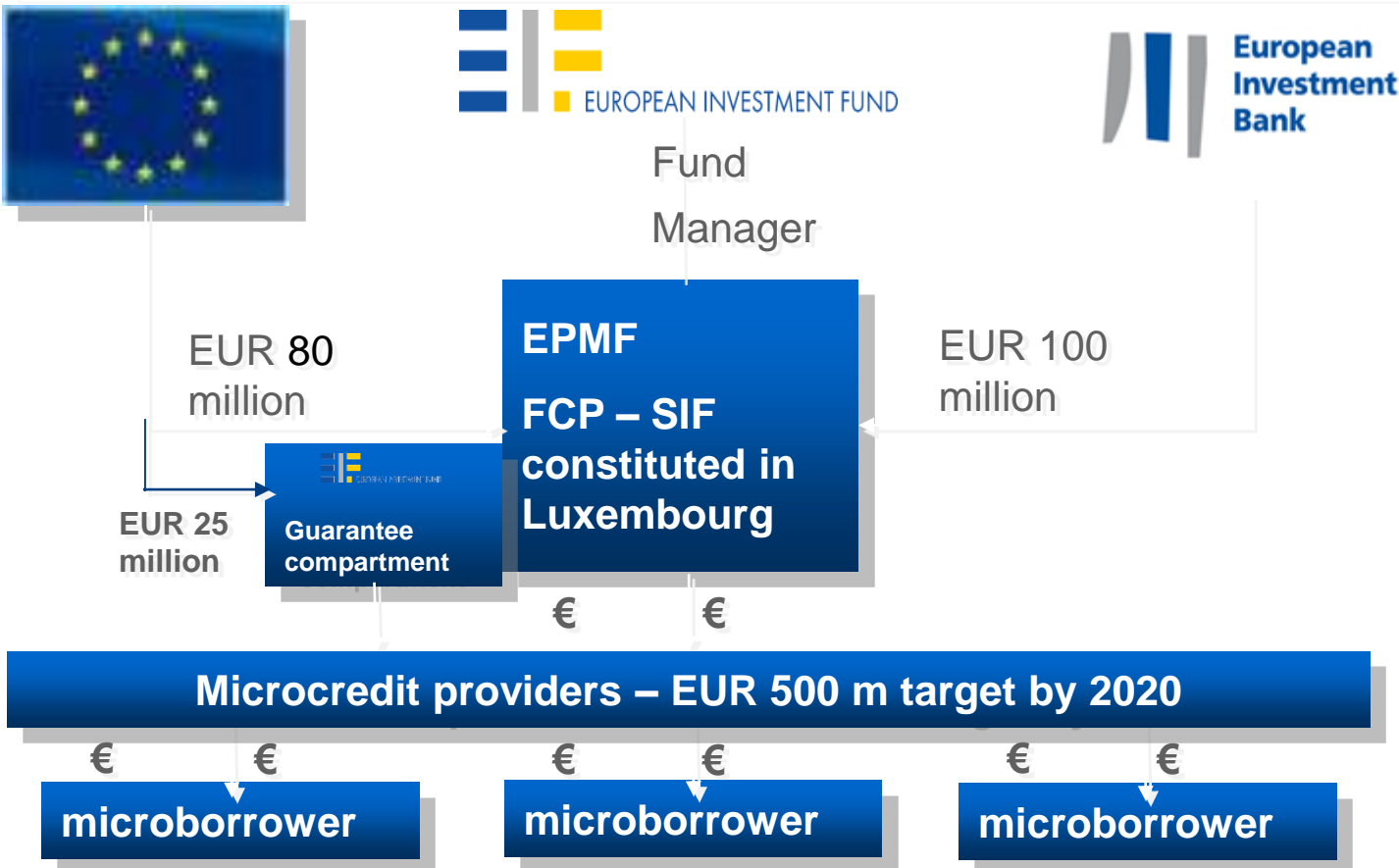




Instruments to support the EU microfinance industry

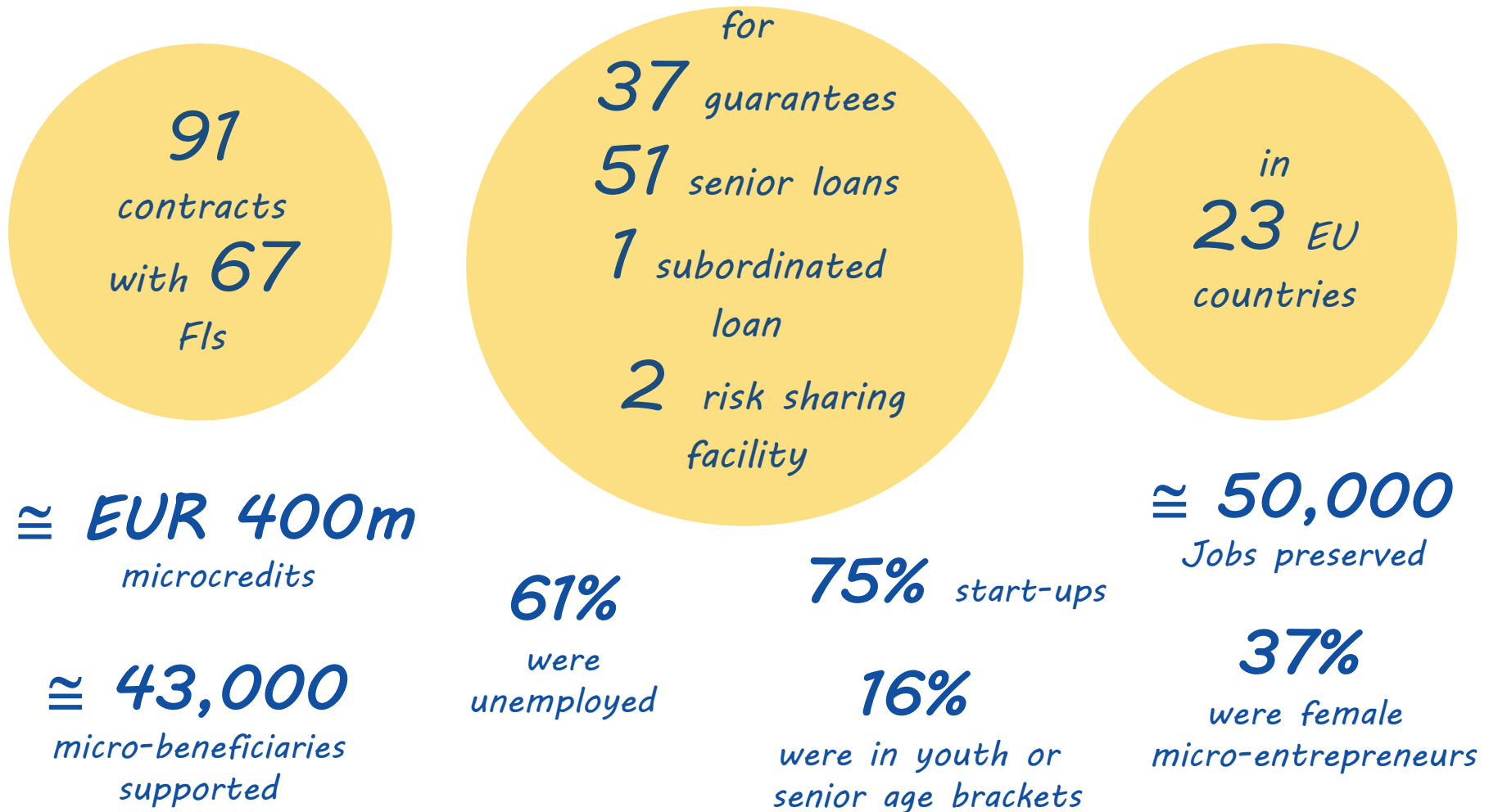
- EPMF is a EUR 180 m investment fund + a EUR 25 m guarantee compartment
- It is implemented by financing, guaranteeing and investing in institutions that have the capacity to distribute and originate microloans

“...EIF is specialized in developing financial solutions for the development of the European Microfinance sector...”



Progress outreach

as of Sep '15





EaSI

Facility and instruments

EaSI products



EUR 193m EC + potential additional funding from EIB group

EU28, Iceland, Turkey, FYROM, Montenegro, Serbia, Albania (+ potentially others)

Guarantee

- Guarantee rate **up to 80% of** the microloan – Cap rate **up to 30%** based on E(Losses) of the portfolio
- Guarantee premium does not apply
- **Maximum Loan Amount:** up to EUR 25,000 for MC and EUR 500,000 for SE
- **Up to 5 years availability period** for building up the portfolio
- **No capital charge** (0% RWA) for counterparty risk on the covered part of the micro-loan, given the **EIF's status as Multilateral Development Bank**

Cash products*

Senior Loan

Exposure Limit:	max 100% of Equity
Maturity:	long-term
Currency:	EUR or local currency
Pricing:	market rates, fixed or floating
Security:	None

Sub Loan / Quasi-equity

Type of FI	green field / start up
Purpose	capacity building
Structure	direct / indirect investments

* Available from mid-2016



Microfinance – what's new

■ 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*
- http://ec.europa.eu/regional_policy/thefunds/instruments/jasmine_cgc_en.cfm#7
- *Eligibility Criteria:*
 - *Non-bank microcredit providers: **Sign-up***
 - *Banks: **Endorsement***

■ Provision of Business Development Services

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



Social Entrepreneurship

■ Definition

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

- has as its *primary objective* the achievement of measurable, positive *social impacts* rather than generating profit
- uses its *profits* first and foremost to achieve its *primary objective*
- is *managed* in an *entrepreneurial, accountable and transparent way*

■ Impact measurement

Social Enterprises supported under EaSi will provide:

- *explanation of outcomes and impact being targeted, for whom, and how they will be achieved (e.g. “theory of change”)*
- *proposal for the measurement of the achievement of those outcomes*

EaSI guarantees



state of play as of 31 Dec 2015

- Call published in June 2015
- Strong interest from microcredit providers
- 37 application received (28 micro, 9 SE)
- 12 approved (11 micro, 1 SE)
- 11 deals signed (10 micro, 1 SE)
 - Countries: FR, NL, IR, IT, RO, ES, PL, UK
 - Total Cap amount **EUR 27.3 m**
 - Total Portfolio amount **EUR 343.2 m**





Conclusions

- Microfinance is crucial for the development of a cohesive and inclusive Europe
- EPMF Financial Instruments have shown to be appropriate for the EU diversified microfinance market
- The new Microfinance Facilities EaSI provides important resources for the expansion of the **inclusive finance** sector



EUROPEAN INVESTMENT FUND

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