



# EaSI

## Microfinance and Social Enterprises

Rome – 21<sup>st</sup> October 2015



# Contents

- Microfinance: objectives and challenges
- EIF – Microfinance activity overview
- EaSI – Facility and instruments

# Microfinance: objectives and challenges

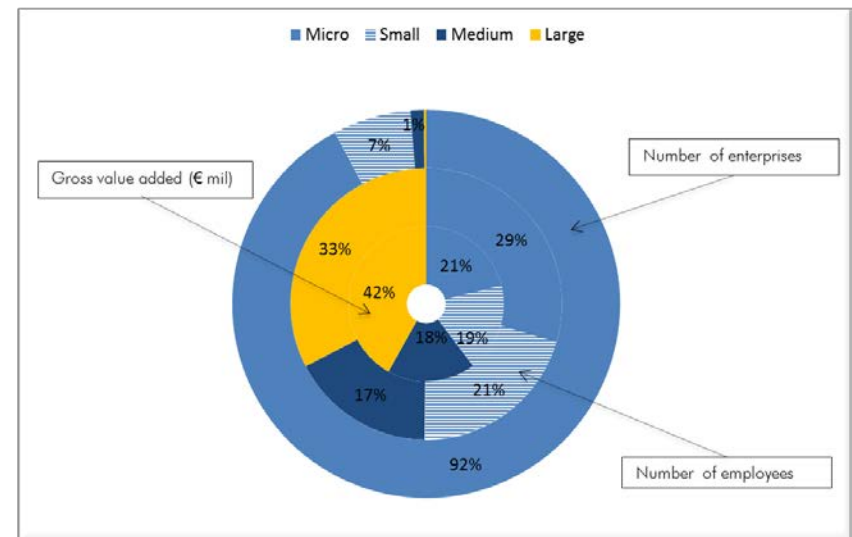
# Some figures

- 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:

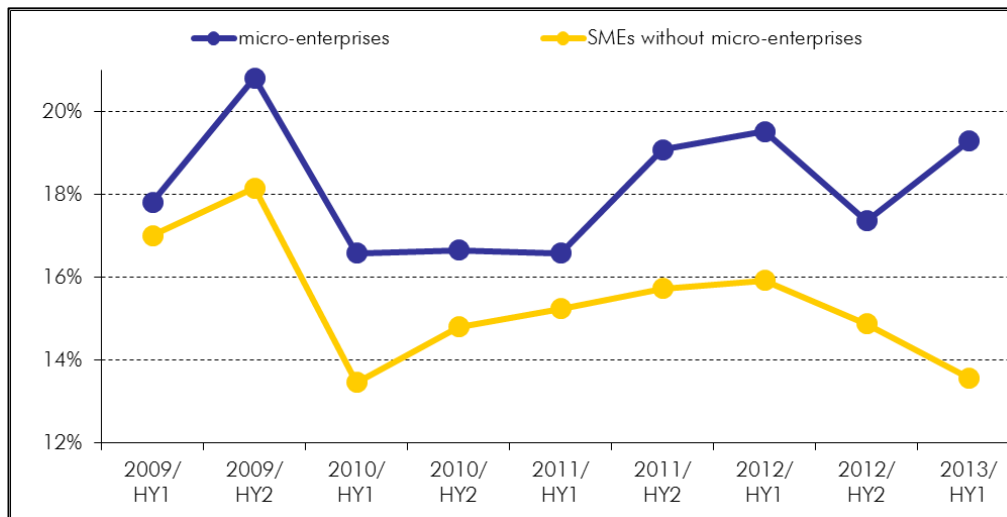
- ✓ Microfinance is an important market segment and has a social as well as financial component (“growth creating engine”)

Remember our starting point:



## ECB survey on the access to finance of SMEs in the Euro area:

- Access to finance remained a more pressing problem for Euro area SMEs than for large firms
- Share of enterprises which see access to finance as their most pressing problem is larger among micro-enterprises than among other SMEs



Source: Kraemer-Eis, Lang, Gvetadze (2013), based on data from ECB

# 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



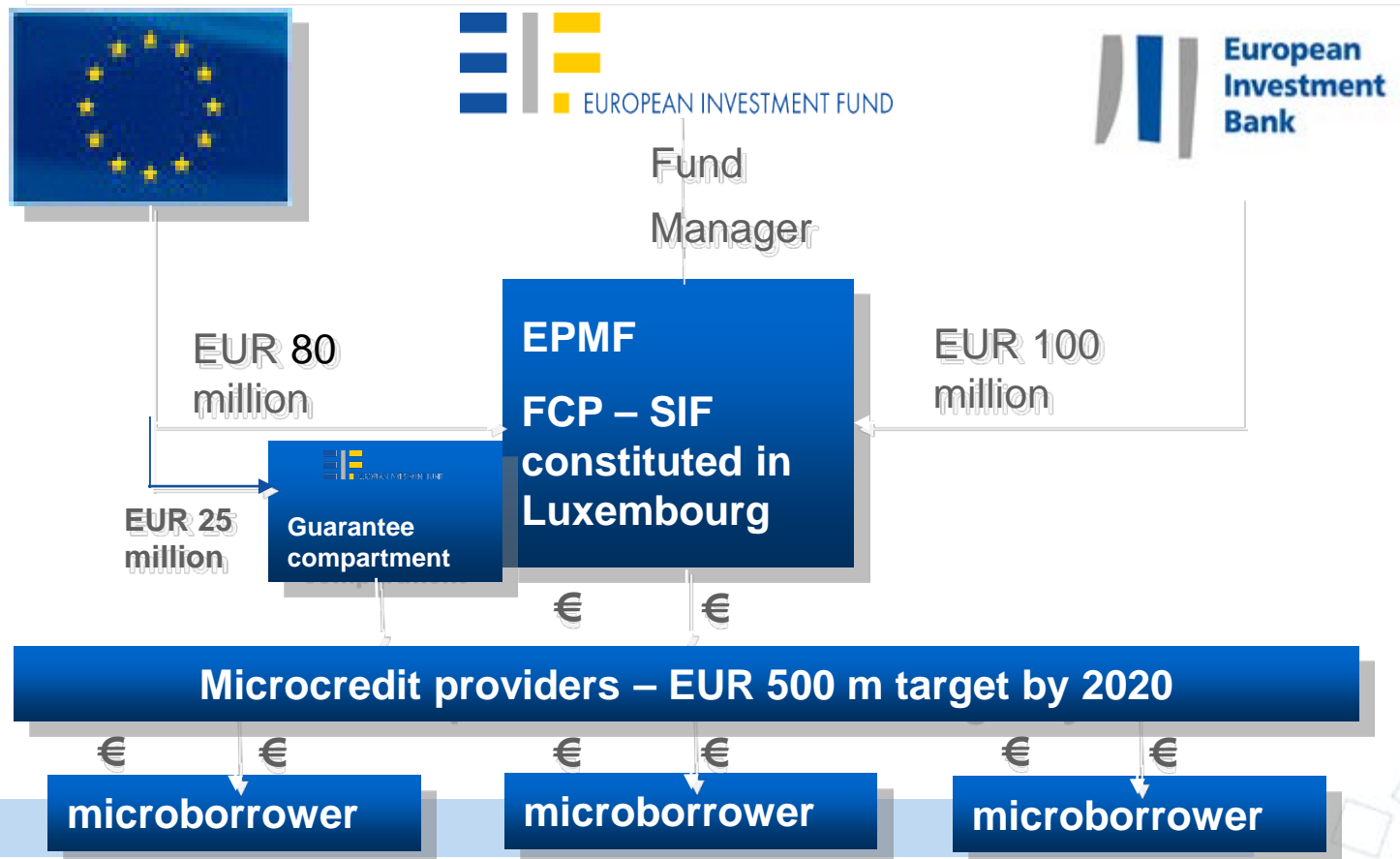


# Progress microfinance: fund management

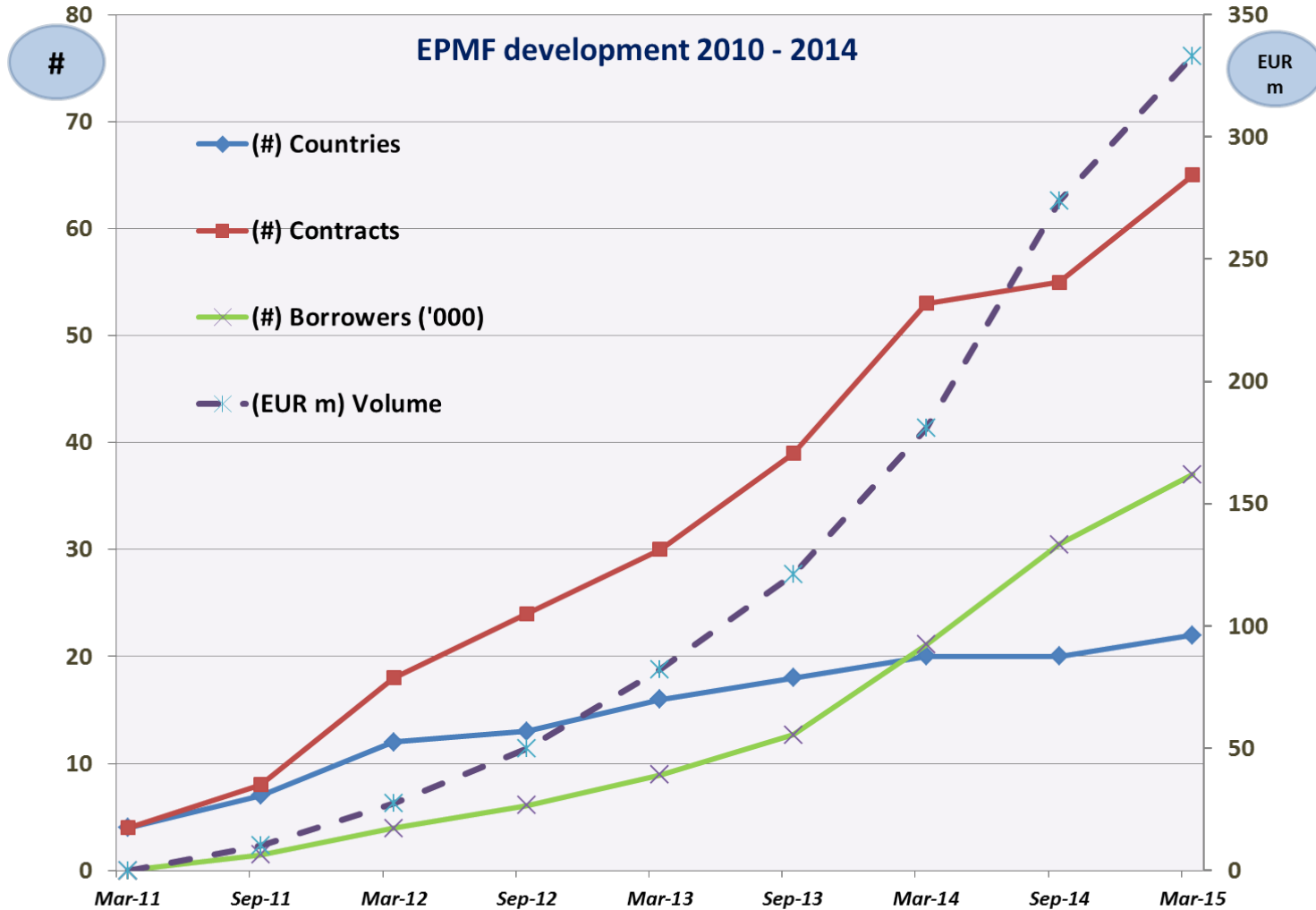
## Instruments to support the EU microfinance industry

- 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 implementation results



(Estimation)



# Progress outreach

84  
contracts  
with 64 FIs

**30 473**  
micro-beneficiaries  
supported

**61%**  
were  
unemployed

for  
**37** guarantees  
**44** senior loans  
**1** subordinated loan  
**2** risk sharing  
facility

**75%**  
start-ups

**16%**  
were in youth or  
senior age brackets

in  
**22** EU  
countries

**47,286**  
jobs  
preserved

**37%**  
were female  
micro-entrepreneurs

# EaSI

## Facility and instruments

# Microfinance – what next

“ A new programme to finance micro-  
enterprises and  
social entrepreneurship ”



## EaSI

Programme for Employment  
and Social Innovation,  
successor to Progress  
Microfinance sponsored by  
the European Commission  
through the DG  
Employment

## Up to EUR 193m

split between funded  
instruments and  
guarantees, targeting  
micro and social  
enterprises

## 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 product - Senior Loan

Exposure Limit:	max <b>100% of</b> Equity
Maturity:	long-term
Currency:	EUR or local currency
Pricing:	market rates, fixed or floating
Security:	<b>None</b>
Disbursement:	In min 2 tranches
Interest payment:	Semi-annually
Repayment:	Individually agreed upon schedule

## ■ 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](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*

## ■ Definition

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

*(i) in accordance with its Articles of Association, Statutes or any other statutory document establishing the business, has as its **primary objective** the achievement of measurable, positive **social impacts** rather than generating profit for its owners, members and shareholders, where the undertaking provides services or goods which generate a social return and/or employs a method of production of goods or services that embodies its social objective;*

*(ii) **uses its profits** first and foremost **to achieve its primary objective** and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and*

*owners,*

*in order to ensure that any distribution of profits does not undermine the primary objective;*

*(iii) is **managed in an entrepreneurial, accountable and transparent way**, in particular by involving workers, customers and/or stakeholders affected by its business activities.*

## ■ Instrument

### ■ EaSI Guarantee

- Programme for Employment and Social Innovation sponsored by the European Commission through the DG Employment
- Up to EUR 50m budget



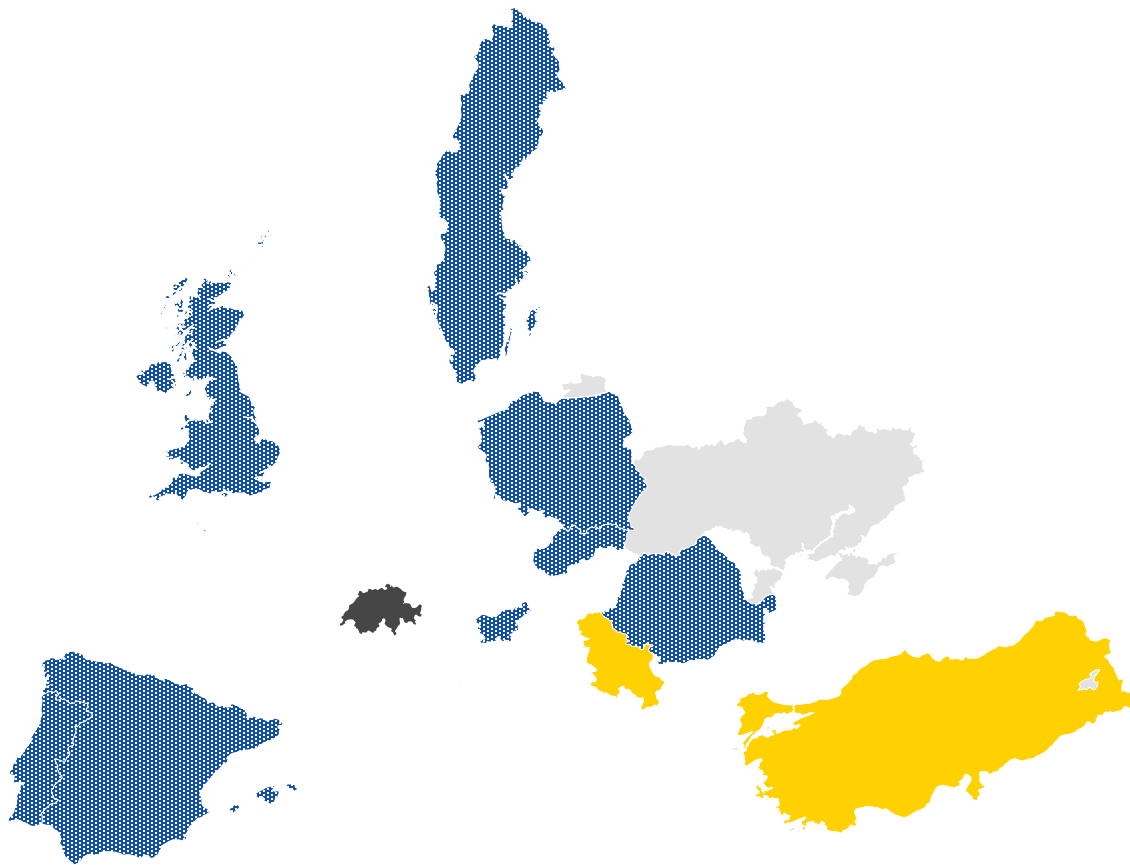
# EaSI guarantees – state of play

15 Oct 2015



- Call published in June 2015
- Strong interest from microcredit providers
- 26 application received (22 micro, 4 SE)
- 10 approved (9 micro, 1 SE)
- 6 deals signed (all micro)
  - Total Cap amount **EUR 17.5m**
  - Total Portfolio amount **EUR 232.5m**

# EaSI country coverage



# 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 will provide important resources for the expansion of the inclusive finance sector





**Riccardo Aguglia**  
Senior Investment Manager  
Guarantees, Securitisation & Microfinance

tel +352 2485 81481  
fax +352 2485 51438  
e-mail [r.aguglia@eif.org](mailto:r.aguglia@eif.org)

37B, avenue J.F. Kennedy  
L-2968 Luxembourg  
web [www.eif.org](http://www.eif.org)