Inclusive Finance Activity at European Investment Fund

Innovative Ways to Finance Integration in Cities

Brussels, 4 December 2018
What is Microfinance?

⇒ Provision of **basic financial services to poor** (low income) people, who traditionally lack access to banking and related services

⇒ **Double bottom-line result:**

  ⇒ **Economic** – income generation

  ⇒ **Social** – (re-)insertion of vulnerable/disadvantaged groups back into society/community

⇒ An essential tool to facilitate **necessity-driven business creation**
Necessity-Driven entrepreneurial rates

Necessity-driven entrepreneurial rates

- Necessity-driven entrepreneurial activity (lhs)
- Opportunity-driven entrepreneurial activity (lhs)
- Ratio of opportunity to necessity entrepreneurship activity (rhs)
What EIF has done up to now

"We have developed schemes to assist non-bankable entrepreneurs and implement EU 2020 objectives"

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**EPPA**
EUR 4m envelope under which EIF has made for risk capital investments and loans

**Progress Microfinance**
EUR 203m flagship initiative funded by EC (DG-Employment) and EIB, and managed by EIF

**Jasmine**
Tech assistance funded by EC (DG-Regio) through which EIF has arranged ratings, institutional assessments and trainings for 70 NBFIs

**Trustee**
for the EC (DG-Enlargement) Investment in EFSE

**Direct Investment**
Equity and Bond Investor in CoopEst; Helenos (with EaSI CBI support)

**EaSI**
- Guarantee instrument
- Capacity Building
Inclusive Finance Activity – Impact as of today*

Mobilizing funds available for Final Recipients:

≈ EUR 2.7 Bn

- ≈ 200 transactions
- 32 countries
  - 27 – EU members
  - 5 – candidate countries
- ≈ 70% start-ups
- >40% were unemployed
- ≈ 37% female micro-entrepreneurs

Targeting

- ≈ 160,000 Micro, social SMEs and SMEs
- ≈ 270,000 Jobs created/preserved

*Aggregate for EPPA, EPMF, EaSI and EREM CBSI** as of June 2018
**EREM CBSI was an EIB Group instrument aimed at financing SMEs in general
**EIF Inclusive Finance Mandates**

**EaSI**

**EU-wide program to support microenterprises and social entrepreneurship**

**OBJECTIVE FOR MICROFINANCE**
- Increase access to microfinance for vulnerable persons, microenterprises, in both start-up and development phase
- Build-up the institutional capacity of micro-credit providers

**OBJECTIVE FOR SOCIAL ENTREPRENEURSHIP**
- Support the development of the social investment market
- Facilitate access to finance for social enterprises
EaSI Guarantee Instrument
Launched in June 2015

- Guarantee rate up to 80% of the loan, on a loan by loan basis
- Cap rate up to 30% based on the Expected Loss of the portfolio
- Maximum Loan Amount: up to (i) EUR 25k micro, up to (i) 500k social
- Up to 5 years availability period for building up the portfolio
- Potential 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, subject to local regulatory requirements
- Intermediaries have to transfer the benefit of the free of charge guarantee to Final Recipients
EaSI Capacity Building Instrument
Launched in December 2016

- **Objective:** building up the institutional capacity of a Financial (Sub-) Intermediary

- **Could be:**
  - **Direct** -> in any type of provider that serves the EaSI Target Groups
  - **Indirect** -> in funds/vehicles that invest in intermediaries that serve the EaSI Target Groups

- **Exposure:** *minority position*, max. 30% of the FI’s total capital

- **Ex-ante identified Exit Strategy** (on a case by case basis; after +/- 8 years)
Value Added

EIF is looking for:
- Increase the availability of financing for vulnerable groups
- Provide risk coverage to financial intermediaries
- Improve the bankability and self-sustainability of NBFIs
- Catalyse the creation of new products

Financial Intermediary is looking for:
- Opening financing doors
- Receiving a stamp of quality
- Attaining increased visibility

EFFECTS:
⇒ EIF helped Intermediaries to kick-start operations
⇒ EIF helped Intermediaries to target new client segments with traditional financial products
⇒ EIF lent credibility to the Financial Intermediaries it supported
Microfinance

⇒ A **support tool** for necessity-driven business creation

⇒ A **policy instrument** for empowering people to get out from poverty

⇒ A **tool for job creation**

⇒ An **opportunity**/a chance for people to follow their entrepreneurial dream/project

⇒ A **mechanism** for obtaining financial and social inclusion
Thank you
Annexes / Additional info
 EaSI Guarantee Instrument – Impact as of today*

Mobilized funding available for Final Recipients:

≈ EUR 2.0bn (about 25% SE)

92 agreements
with 70 FIs
(45 – banks
25 – non-banks)

≈ 42,000
Micro and social SMEs supported

≈ 75,000
Jobs preserved

in
29 countries
(24 EU-member countries
5 – non-EU countries)

* As of November 2018
How to be informed about the EIF products / programs dedicated to Inclusive Finance

• **EIF Website** – [www.eif.org](http://www.eif.org)
  - List of existing Intermediaries
  - Press releases on all our transactions, jointly issued by EIF and the Intermediary
  - Case Studies, illustrating the benefits of the programs/instruments
  - Working Papers

  - Legal base
  - Case Studies
  - Implementation reports

  - List of registered MFI’s
  - Code of Good Conduct

• **EMN & MFC Websites**
  - [www.european-microfinance.org](http://www.european-microfinance.org)
  - [www.mfc.org.pl](http://www.mfc.org.pl)

• **EIF – Inclusive Finance Team**
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