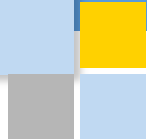




# Employment and Social Innovation Programme (EaSI)

EU Financial Instruments for  
Microfinance and Social  
Entrepreneurship



“ We pursue **EU policy objectives** and **financial sustainability** ”



## Shareholders

unique tripartite structure:

- **63.7%** European investment Bank (EIB),
- **24.3%** European Commission (EC),
- **12%** 26 public & private financial institutions (FIs)

## Assets under management

of **EUR 14bn**, mobilising over EUR 77bn with other market players

## AAA-rated

by the three major rating agencies

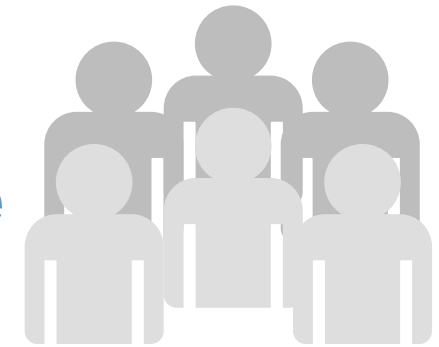
## Capital increase to EUR 4.5bn

ensuring strong capital base



# EIF – Counterparties and Stakeholders

“ We work with a wide range of counterparties to support inclusive finance ”



## Resources and Mandators

- European Investment Bank
- European Commission
- EIF own resources
- Member States/regions
- Managing Authorities



## Intermediaries and counterparties

- Microfinance Institutions
- Commercial Banks
- Development & Promotional Banks
- Guarantee Institutions
- Cooperative Banks
- Leasing Companies
- Debt Funds
- Microfinance Investment Vehicles (CoopEst, EFSE)



- Micro-enterprises
- Self-employed SMEs
- Social enterprises



# EPMF / Progress Microfinance Results (as of Dec-15)



84  
contracts  
with 64 FIs

**~40,000**  
micro-beneficiaries  
supported

**61%**  
were  
unemployed

**75%**  
start-ups

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

**~EUR 400m**  
microloans

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

in  
**23** EU  
countries

**~60,000**  
jobs  
preserved

**37%**  
were female  
micro-entrepreneurs



# EaSI Programme – EPMF's successor



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



## Microfinance

### Objective:

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

## Social Entrepreneurship

### Objective:

- Support the **development of the social investment market**
- Facilitate **access to finance** for social enterprises



# Microfinance – Definitions

- **Microfinance** is the provision of **basic financial services to poor** (low-income) people (who traditionally lack access to banking and related services).\*
- **Microcredit** is defined by the EC, as a loan or lease under **EUR 25,000** to **support the development of self-employment and microenterprises**. It has a double impact: an *economic impact* as it allows the creation of income generating activities and a *social impact* as it contributes to the *social inclusion* and therefore to the *financial inclusion* of individuals.\*\*

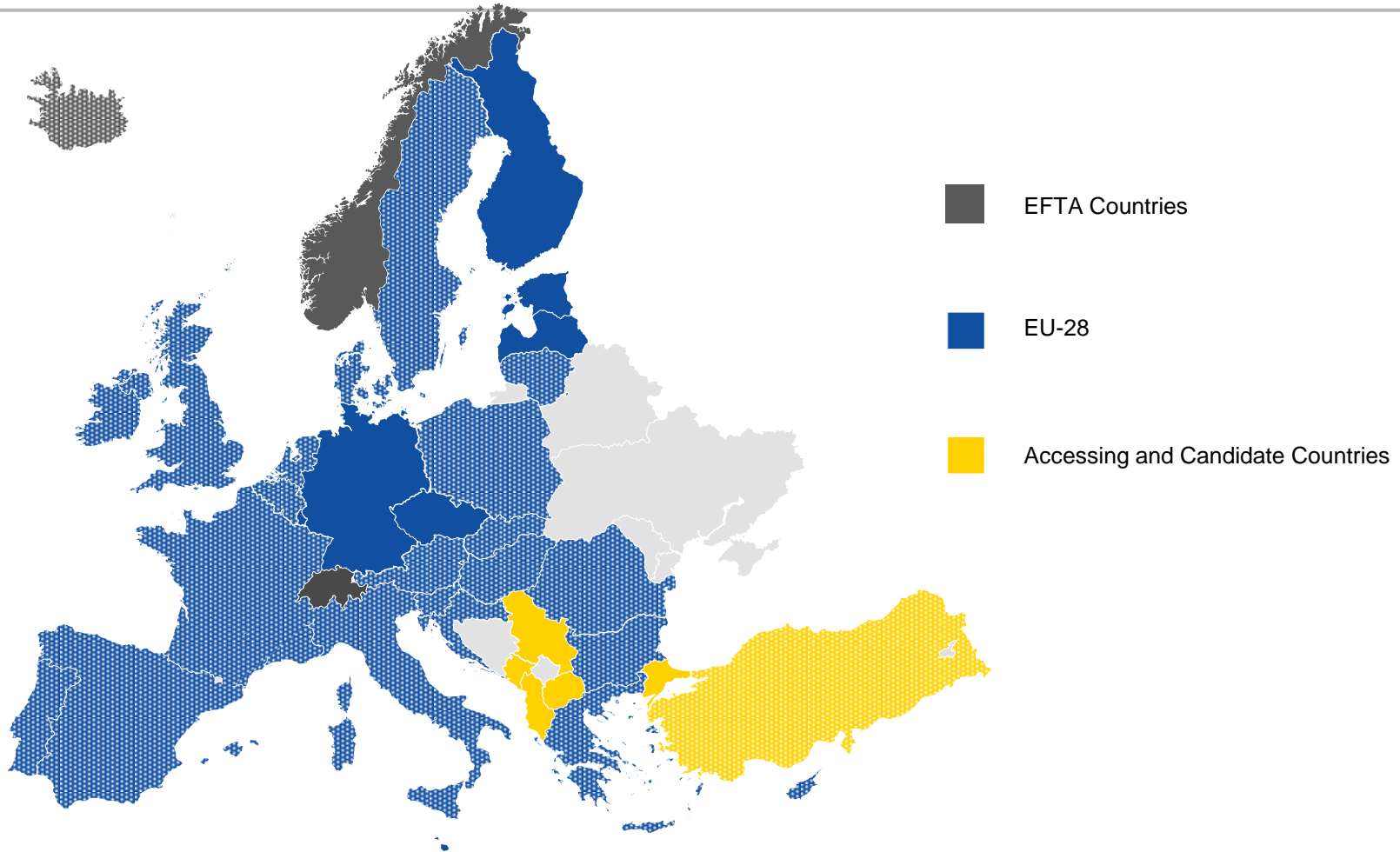
**	No. staff	Turnover	Balance Sheet
Micro	<10	≤2m	≤2m
Small	<50	≤10m	≤10m
Medium	<250	≤50m	≤43m

\* CGAP Definition

\*\* As per EC Recommendation 2003/361/EC of 6 May 2003, as amended.



# EaSI Country Coverage



# EaSI Microfinance Guarantee – New Features



## ■ 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.*

<https://webgate.ec.europa.eu/easi-micpro/Jasmine.jsp#CoGCPlace:>

- *Pre-Eligibility Criteria:*

*Non-bank microcredit providers: **Sign-up***

<http://ec.europa.eu/social/BlobServlet?docId=14210&langId=en>

*Banks: **Endorsement***

<http://ec.europa.eu/social/BlobServlet?docId=14209&langId=en>

## ■ Provision of Business Development Services

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



# EaSI Financial Instruments – exp. from HY2-2016

Overall exp. fund size: EUR 200m

## Cash product – senior/subordinated loan

Exposure limit:	max. 100% of equity
Senior funding:	non-banks
Subordinated:	banks
Deal size range:	EUR 1-10m
Maturity:	long-term, 5-10y
Currency:	EUR or local currency
Pricing:	market, fixed or floating
Security:	(typically) unsecured
Disbursement:	2-3 tranches
Interest payment:	semi-annually
Repayment:	amortizing
Loan purpose:	working capital, investment, leasing, overdraft,...

## Capacity building instrument – equity investment

Exposure limit:	minority stakes, up to 25%
Single investment:	up to EUR 1m
Total budget:	EUR 8m
Split direct/indirect:	50/50 (indicatively)
Term:	exit before 2033
Currency:	EUR or local currency
Exit:	e.g. trade sale (direct), fund liquidation (indirect)
Purpose:	to finance <b>investments</b> in and <b>operating</b> <b>expenses</b> of capacity building measurements (details next slide)

# EaSI Capacity Building Instrument – Purpose/detailed

## The purpose of the facility is to finance

### investments in:

- Network, delivery systems and infrastructure
  - e.g. branch expansion, mobile banking etc.
- Human resources
  - e.g. recruitment of staff, training, mentorship programs etc.
- Technology development and information systems;

### operating expenses

- and other type of projects aiming at contributing to the sustainability of the start-up financial intermediaries.
- For avoidance of doubts, any direct financing to Final Recipients shall be excluded.



# EaSI Microfinance Guarantee Instrument



- Guarantee rate **up to 80%** of the loan granted to a micro-enterprise
- Cap rate **up to 30%** based on E(Losses) of the portfolio
- **Free of charge** (no guarantee fee applies)
- **Up to EUR 25,000** (max. amount of a single covered underlying loan)
- **Up to 5 years availability period** (the period to build up the portfolio)
  - MF guarantee covers defaults occurred within 6 years from date of entering into
  - Minimum contractual maturity of the Final Recipient Transaction: 3 months
- Potentially **no capital charge** (0% RWA) for counterparty-risk on the covered part of the underlying loans, given **EIF's status as Multilateral Development Bank**, subject to local regulatory requirements



# EaSI MF Guarantee – Practical Example



Agreed Volume:	EUR 5,000,000 => <i>loan portfolio</i>
Guarantee Rate 80%:	EUR 4,000,000 => <i>g'tee amount</i>
Cap Rate 15%:	EUR 600,000 => <i>cap amount</i>
Leverage:	8.33* -> <i>a budgetary allocation of EUR 0.6m catalyzes EUR 5m</i>

\* *Minimum leverage: 5.5*

*The Cap Rate is determined based on estimated PDs for the last 3-5 annual vintages of an existing or similar portfolio.*

*In case vintage data cannot be provided for a similar portfolio, the business plan and/or available market studies are taken as basis for any estimated PDs and losses.*



# Defining a Social Enterprise – cont'd

## Social Enterprise

- means an undertaking, **regardless of its legal form**, which:
  - (a) in accordance with its Articles of Association, Statutes or with any other legal document by which it is established, has as its primary objective the achievement of measurable, **positive social impacts rather than generating profit** for its owners, members and shareholders, and which:
    - (i) provides services or goods which **generate a social return and/or**
    - (ii) employs a method of production of goods or services that embodies its **social objective**;
  - (b) **uses its profits first and foremost to achieve its primary objective** and has predefined procedures and rules covering any distribution of profits to shareholders and owners that ensure that such distribution does not undermine the primary objective; and
  - (c) is **managed in an entrepreneurial, accountable and transparent way**, in particular by involving workers, customers and stakeholders affected by its business activities.

(Max. annual turnover EUR 30m, no max. number of employees, no group concept)



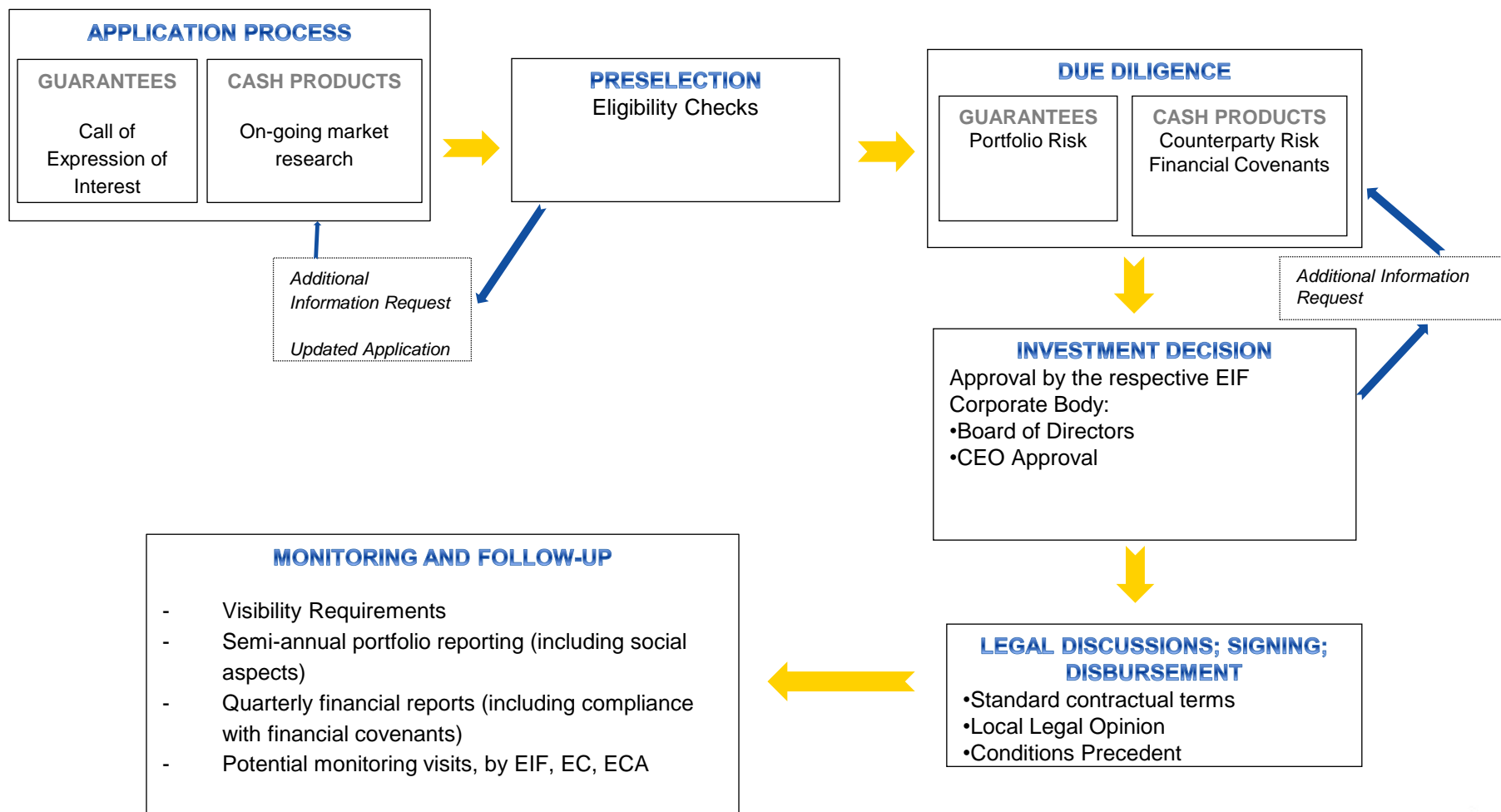
# Defining a Social Enterprise – cont'd

## Examples of activities of SEs

- Assistance to enable disadvantaged workers to enter labour market
- Activities to improve the quality of the environment
- Improving solidarity with developing countries
- Delivering social assistance and care services
- Delivering healthcare and medical services
- Providing social housing
- Providing workspace for other businesses and/or social enterprises
- Producing and/or distributing healthy and/or affordable food
- Facilitating access to and delivery of education/lifelong learning or training
- Nurturing the culture and arts
- Providing inclusive and sustainable services and facilities for tourism, sport, recreation and well-being
- Providing public and/or community services
- Organising and/or financing community development
- Strengthening democracy, civil rights and/or gender equality
- Enabling participation in the digital society
- ...



# Investment cycle



# Available and Upcoming Programmes

		EPMF*	EaSI	EREM-CBSI**
	Focus	micro	micro/social	SME/SMC
	Max. loan size (EUR)	<25k	≤25/≤500k	>25 and ≤500k
Funded instruments	Product/s	senior/sub/risk-sharing	senior/sub/eq. for capacity	senior (unsecured)
	Max. maturity	up to Apr 2020	up to 10y	up to 10y amor.
	Max. ticket-size (EUR)	9m	10m	12.5m
	Status	available	exp. Q3-16	available
Unfunded instruments	Product/s	direct/counter-guarantees	direct/counter-guarantees	n/a
	Coverage	6 years	6/10 years	n/a
	Guarantee rate	up to 75%	up to 80%	n/a
	Cap rate	up to 20%	up to 30%	n/a

\* EPMF expired in Apr-2016 and was replaced by EaSI.

\*\* The EIB Risk Enhancement Mandate for Cooperative Banks and Small Financial Intermediaries





Many thanks!  
Q&A...

