EMN ANNUAL CONFERENCE 18th

14-15 October 2021 Brussels, Belgium

#emnAC2021

AN INCLUSIVE FINANCE FOR FUTURE

EUROPEAN MICROFINANCE NETWORK

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microStart

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FinDev Gateway
InvestEU, ESF: an update on the EaSI Programme successor

Update on the funding instruments

October 14th, 2021, Brussels
Presentation of the Panel

Speakers:

- **Per-Erik Eriksson** - Director of Financial Inclusion, European Investment Fund

- **Andrea Da Pozzo** - Policy officer ESF and Cohesion Policy - Social and Inclusive Entrepreneurship Unit, European Commission

- **Bernado Urrutia Garro** – Policy Officer InvestEU Social Finance Policy, European Commission

- **Laure Coussirat-Coustère** - Deputy CEO, ADIE

- **Samuel Paulus** - Senior Manager, Microlux

**Moderator:** Caroline Tsilikounas
# Structure of the workshop and speakers

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<td><strong>Per-Erik Eriksson</strong>&lt;br&gt;European Investment Fund</td>
<td><strong>Bernado Urrutia Garro</strong>&lt;br&gt;European Commission</td>
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Part 1
EaSI and ESF – Overview and Perspectives
We’re the European Investment Fund
Inclusive Finance Team
EaSI financial instruments – 2021 EMN conference in Brussels
RCM, EPPA, EPMF, EREM CBSI and EaSI

**Overview**

EaSI instruments – becoming “relevant”

- **RCM micro**
  - 2009
  - EUR 20m

- **EPPA**
  - 2010
  - EUR 4m

- **EPMF**
  - FCP & FMA
  - 2010-2014
  - EUR 180m FCP
  - EUR 20m FMA

- **EaSI GFI**
  - 2015-2021
  - EUR 431m

- **EREM CBSI**
  - 2016-2018
  - EUR 150m

- **EaSI CBI**
  - 2016-2021
  - EUR 45m

- **EaSI Funded**
  - 2019 – on going
  - EUR 200m

- **Coming next**
  - Invest EU

- **Invest EU**

- **EaSI instruments – becoming “relevant”**
EaSI guarantees – some numbers

- **Impressive interest in EaSI guarantees**: 157 approved operations since mid-2015, 73% in microfinance and 27% in social enterprise strands

![EaSI-GFI MF](image1.png)  
**EaSI-GFI MF**  
Approved Operations as at 30/06/2021  
- 62 out of which non-banks  
- 52 out of which banks

![EaSI-GFI SE](image2.png)  
**EaSI-GFI SE**  
Approved Operations as at 30/06/2021  
- 23 out of which non-banks  
- 20 out of which banks
• Many financial intermediaries per country: 5-10 in certain countries
EaSI guarantees – and some more numbers

- Non-banks reach many borrowers: 51% of total supported under EaSI

<table>
<thead>
<tr>
<th>Expected number of Final Recipient Transactions</th>
<th>EaSI-GFI MF</th>
<th>EaSI-GFI SE</th>
<th>EaSI-GFI overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>30,000</td>
<td>118</td>
<td>30,118</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>21,977</td>
<td>120</td>
<td>22,097</td>
</tr>
<tr>
<td>Albania</td>
<td>21,500</td>
<td>-</td>
<td>21,500</td>
</tr>
<tr>
<td>France</td>
<td>16,851</td>
<td>3,500</td>
<td>20,351</td>
</tr>
<tr>
<td>Greece</td>
<td>14,685</td>
<td>-</td>
<td>14,685</td>
</tr>
<tr>
<td>Sweden</td>
<td>14,680</td>
<td>-</td>
<td>14,680</td>
</tr>
<tr>
<td>Spain</td>
<td>11,460</td>
<td>2,963</td>
<td>14,423</td>
</tr>
<tr>
<td>Italy</td>
<td>9,490</td>
<td>2,824</td>
<td>12,314</td>
</tr>
<tr>
<td>Netherlands</td>
<td>11,950</td>
<td>190</td>
<td>12,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>219,652</strong></td>
<td><strong>13,315</strong></td>
<td><strong>232,967</strong></td>
</tr>
<tr>
<td>out of which non-banks</td>
<td>111,530</td>
<td>6,515</td>
<td>118,045</td>
</tr>
<tr>
<td>out of which banks</td>
<td>108,122</td>
<td>6,800</td>
<td>114,922</td>
</tr>
</tbody>
</table>
EaSI guarantees – and final numbers

• Banks provide volume: 59% of total mobilized under EaSI

<table>
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<tr>
<th>Maximum amount of financing in mEUR</th>
<th>EaSI-GFI MF</th>
<th>EaSI-GFI SE</th>
<th>EaSI-GFI Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>166</td>
<td>331</td>
<td>497</td>
</tr>
<tr>
<td>Spain</td>
<td>209</td>
<td>231</td>
<td>440</td>
</tr>
<tr>
<td>Romania</td>
<td>430</td>
<td>5</td>
<td>434</td>
</tr>
<tr>
<td>France</td>
<td>147</td>
<td>283</td>
<td>430</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>266</td>
<td>9</td>
<td>275</td>
</tr>
<tr>
<td>Portugal</td>
<td>10</td>
<td>220</td>
<td>230</td>
</tr>
<tr>
<td>Sweden</td>
<td>198</td>
<td>-</td>
<td>198</td>
</tr>
<tr>
<td>Netherlands</td>
<td>178</td>
<td>5</td>
<td>183</td>
</tr>
<tr>
<td>Greece</td>
<td>173</td>
<td>-</td>
<td>173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,528</strong></td>
<td><strong>1,387</strong></td>
<td><strong>3,915</strong></td>
</tr>
<tr>
<td>out of which non-banks</td>
<td>1,097</td>
<td>490</td>
<td>1,587</td>
</tr>
<tr>
<td>out of which banks</td>
<td>1,431</td>
<td>897</td>
<td>2,328</td>
</tr>
</tbody>
</table>
European funding instruments

Adie’s experience
1st Easi guarantee contract
signed in septembre 2015 to include loans originated from april 2015 to septembre 2017: **total production 55 M€ – 6418 final beneficiaries – 4.4 M€ guarantee received**

Second Easi guarantee contract
signed in december 2017 to include loans originated from october 2017 to february 2021: **total production 65 M€ – 7061 final beneficiaries – 2.2 M€ guarantee received**
Lessons learnt

• **High volumes** – key to Adie’s development toward vulnerable beneficiaries
• **Security and visibility** to pursue the MFI’s strategy
• First contract is an **investment**: “costly” (time and energy)
• **Track record on the risk** is essential – or the ability to negotiate an addendum
7 year programs

Example of operational priorities at the regional level: « promote social inclusion and fight poverty » or « promote employment and workforce mobility »

=> subsidies for delivering BDS to final unemployed beneficiaries who start new ventures
Lessons learnt

- ESF Subsidies are crucial to cover the costs of delivering BDS
- MFI needs to find co-funders (ESF covers max 50% of eligible costs in France)
- Time consuming: to apply, to manage, to control
- Eligible final beneficiary: restrictive scope
- Funds are granted for year Y and disbursed in year Y+2 or 3
EaSI guarantee - Feedbacks and experiences

- Creation of microlux:
  - EIF participated in the initial discussions with the shareholders for the creation of microlux
  - The EaSI guarantee was an essential argument for the initial shareholders to invest in microlux
  - A good tool to lower the risk for financial intermediaries to finance business creations

- The application process:
  - July 2016: Application sent to EIF
  - September 2016: Due Diligence
  - November 2016: First loans disbursed
  - April 2017: Agreement signature (6 months retroactivity in order to cover all the disbursed loans)

- 3 essential guarantee parameters: Guarantee amount, guarantee rate and cap rate

- Guarantee Management: learning by doing
  - Create a guarantee monitoring tool
  - Define rules for guarantee calls

- EaSI Technical Assistance
Part 2
InvestEU – Perspectives for microfinance
InvestEU 2021-2027 & Microfinance

EMN Annual Conference 2021
Workshop Funding instruments

Bernardo Urrutia – DG EMPL
15 October 2021
Continuity with the EaSI toolbox (2014-2020)

Financial instruments
- EaSI Funded - Debt
- EaSI Guarantee
- EaSI Capacity Building
- EFSI Equity Social Impact

Financial intermediaries
- Microfinance $< 25k$
- Social enterprises $< 500k$

Advisory
- Technical assistance for financial intermediaries

Grants
- Actions to boost supply & demand of social finance markets
- Transaction cost support grant for financial intermediaries
- Operating grants for EU-wide networks

InvestEU
EaSI strand of ESF+
Overview of InvestEU (2021-2027)

InvestEU Fund:

- Single fund bringing together the many different EU-level financial instruments
- EUR 26.2 bn EU budgetary guarantee (EU compartment)
- Mobilise EUR 370 billion in additional investment across Europe, of which 30% to contribute to climate objectives
- Strategic EU investment under four thematic policy windows
- 75% implemented by the EIB Group, 25% by other Implementing Partners at the level of the programme
Social investment and skills window (SISW)

Three main policy priority areas...

- Microfinance and Social Enterprises, Social Impact and Innovation
- Education, Training and Skills
- Social Infrastructure and Services*

With a budget of EUR 2.78 bn

Delivered through

- inclusive education and training infrastructure and services
- affordable social housing
- health and long-term care
- network of modernised prevention and healthcare infrastructure
- enabling social services

* Includes education infrastructure and health

EU guarantee

- Debt products
- Equity and quasi equity products
- Guarantees from implementing partners
Microfinance under the SISW

**InvestEU Investment Guidelines**

- General objective: to support job creation and income-generating activities, in particular for persons in vulnerable situations who wish to start up or develop a micro-enterprise.

- Regarding financial intermediaries:
  - Portfolio of microloans up to EUR 50 000 (vs 25 000 under the EaSI guarantee)
  - Provision of business development services (mentoring, coaching and training)
  - Cost of borrowing and collateral requirements must reflect the benefit derived from the InvestEU support
Microfinance under the SISW

InvestEU Investment Guidelines

• As a pre-condition for InvestEU Fund support, intermediaries providing microfinance must sign up to (in the case of non-banks) or endorse (in the case of banks) the ‘European code of good conduct for microcredit provision’ to ensure high ethical lending standards in terms of, among others, governance, management and customer protection.
What happens next?

- **Agreement on InvestEU regulation**: 07/12/2020
- **Adoption of Regulation**: March 2021
- **Investment Guidelines adoption**: April 2021
- **Call for expression of interest (Advisory and Guarantee)**: June/October 2021
- **End call for expression of interest (Advisory and Guarantee)**
- **On-going Guarantee and advisory agreements with EIB & EIF**

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European Commission
InvestEU: Expectations

• Guarantee:
  - Envelopes that take better account of the disparities in application by country
  - The size of the envelopes must cover 3 years otherwise it is too cumbersome for the implementation
  - A system as close as possible to EaSI to facilitate the renewal

• ESF:
  - extended eligibility criteria for beneficiaries
  - The justification of costs is complex (time sheets, etc.). It would be much simpler to have a flat rate system of X euro per beneficiary.
Invest EU - Expectations

- Continuity of the guarantee agreement (retroactivity?)
- Raise max loan amount to 50K€
- Get new guarantee parameters more in line with microlux’ risk ratios
Do you have any questions?

InvestEU, ESF : an update on the EaSI Programme successor

Per-Erik Eriksson - EIF
Andrea Da Pozzo - European Commission
Bernado Urrutia Garro – European Commission
Laure Coussirat-Coustère - ADIE
Samuel Paulus - Microlux
Caroline Tsilikounas – EMN
Join us at our next events:

**Green Microfinance Workshops (online):**

- **26/10**: Green Inclusive Finance. What it is and why is it relevant
- **2/11**: Assessing Environmental performance of Financial institutions
- **9/11**: Gap Analysis and Planning Green Activities
- **16/11**: Green Products

**Study Visit at Adie Headquarters**
Paris, 24-25 November

**Investment Readiness Trainings (online) - November**
EaSI* Technical Assistance

For more information about:

Technical Assistance, contact: easi.ta@fs.de

Ratings and Evaluations, contact: easi.ta@mf-rating.com

*EU Programme for Employment and Social Innovation

The author of this presentation takes full responsibility for its contents. The opinions expressed do not necessarily reflect the view of the European Commission.