We’re the European Investment Fund

We are the Inclusive Finance Team, implementing EU programs to increase access to finance for micro and social businesses

Investment Readiness Training – Part II
Implementing an EIF guarantee

Roles and responsibilities
During the application process (pre signature)

Apply to the relevant call for expression of interest
Our EU mandates have open calls. Applications are assessed on a first come first serve basis. All current open calls are published here.

Submit relevant documentation & data for assessment
Our process require complete submissions of all relevant information and data. Full check list here.

Quantify the expected transfer of benefit or improved financing conditions to eligible micro, small & mid cap business
Our role is to improve SME and mid cap access to finance. Improvements such as lower interest rates, better terms, increase in lending must be evidenced

Provide guidelines on eligibility criteria
We can help you navigate the different calls for expression of interest and help you assess which mandate is most relevant for you or your clients.

Conduct a risk mapping
We analyse your portfolio data, using a risk mapping to reach a common understanding of your risk. This will be used to determine the guarantee rate, cap rate and fee (if applicable)

Liaise with the Mandator about the transactions features

Structure the transaction
We, together with you, set-up the client/loan transaction eligibility criteria, agree on the transfer of benefits features, or any other specific lending and/or financial conditions
Roles and responsibilities

Post signature

Preparation phase (3 months)
Training & marketing, including dedicate webpage
IT set up to support reporting

Loan origination phase (2 - 5 years)
Regular contact with EIF on origination pace

Life time of the transaction (<12 years)
Quarterly/semi-annual reporting on inclusions, guarantee calls, recoveries
Communication & promotion

Monitoring and feedback
Transaction monitoring and feedback by your EIF relationship manager

Reporting assistance
Reporting monitoring and assistance by our middle/back office

Payments
Guarantee payments within 60 days of quarter end
Guarantee call submission by our middle/back office

• Monitoring visit(s) • Regular feedback
• Audit visits (if applicable)
## Conditions Precedent

<table>
<thead>
<tr>
<th><strong>EQUITY</strong></th>
<th><strong>LOAN</strong></th>
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<tbody>
<tr>
<td><strong>Term Sheet</strong>&lt;br&gt;Material Adverse Change, legal, compliance, financial, taxation and commercial due diligence, regulatory approvals, Final approval of the Investment Committee of the Investor</td>
<td><strong>Conditions precedent</strong>&lt;br&gt;Financial statements, legal opinion, corporate documents,…</td>
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<td><strong>Shareholders’ agreement</strong>&lt;br&gt;New shareholders structure, Reserved Matters (at Board &amp; Shareholders level), Right of first refusal, Drag/Tag along, Put/Call option, Non-compete,…</td>
<td><strong>Disbursement process</strong>&lt;br&gt;Provide the necessary confirmation (bank account, fees to be paid,…).</td>
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<tr>
<td><strong>Investment Agreement</strong>&lt;br&gt;or Share Purchase Agreement: terms &amp; conditions of the investment (number of shares, price per share, confidentiality,…</td>
<td><strong>Regulatory approval</strong>&lt;br&gt;Depends on country to country</td>
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Portfolio Inclusion Reports
- Every 6 months, April and October
- Reporting manual
- Eligibility checks validation

Financial Reporting
- Every 6 months, June and December
- BS and P&L, Template provided – including financial covenants calculation
- EIF Financial reporting Portal

VERY IMPORTANT!!!
RESPECT THE REPORTING DEADLINES – Failure to report and/or extensive delay in reporting is an EVENT OF DEFAULT
Waivers and Contract Amendments

- **Waiver**
  - Late inclusions
  - Financial covenant breach
  - Change of control

- **Amendment**
  - Extension of the Availability/Inclusion Period
  - Change of Financial Covenant Limit/Level
Communication requirements

1. **Website promotion**
   - Highlight EU support

2. **Explicit information to the Final Recipients**
   - Highlight EU support

3. **Case studies**
   - Video and written
Spreading the word

**Brochures**
- MMCM brochure, [here](#)

**Social media**
- #impactfinance
- #SocEnt
- #BelieveInSmall

**Case Studies**
- Video case studies, [here](#)
- Written case studies, [here](#), [here](#), [here](#), [here](#), [here](#)
Reporting and fidelisation
EaSI Guarantee Microfinance – Case Studies

Starting a new life thanks to EaSI

- Originally from Iraq, Hussein came to Luxembourg as a refugee in 2012 with his family, where he initially struggled to find a full-time job. He decided to found Lux Cars, a company that is dedicated to the purchasing, selling and renting of used vehicles.

- In the process of developing his own business, Hussein received support from Microlux, a microfinance institution backed by EIF under EaSI.

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- **Company:** Lux Cars
- **Type of business:** Car rental & trade
- **Intermediary:** Microlux (Luxembourg)
- **Instrument:** EaSI, EFSI
EaSI Guarantee Microfinance – Case Studies

Migrants contributing to the development of sustainable economy in the EU

Ariela, an Argentinian national living in Spain had already worked in dermo-cosmetics in her home country. She immediately saw the opportunity to develop her idea: cosmetics deriving from local products. Reina Margarita offers a full range of cosmetics and beauty products rooted firmly in sustainable development and based on local products.

In setting up the business, Ariela needed financing to equip her laboratory and meet regulatory requirements. Her business plan eventually appealed to Laboral Kutxa, who offered her a loan guaranteed by EIF through EaSI.

- **Company**: Reina Margarita
- **Type of business**: Cosmetics
- **Intermediary**: Laboral Kutxa (Spain)
- **Instrument**: EaSI
Follow our stories and work on social media

Cristina Dumitrescu
Senior Investment Manager, Inclusive Finance
c.dumitrescu@eif.org

To find out more please visit us at: www.eif.org

European Investment Fund
37B avenue J.F. Kennedy

L-2968 Luxembourg
Phone: +352 2485-81545
LOANS AND GUARANTEES

From a microfinance institution perspective
FED invest at a glance

**79,741 MEMBERS**
FED invest members are our most important assets and all 79,741 of them are part of our big family.

**61 BRANCHES**
FED invest services its members through its 61 branches all around the country.

**281 STAFF**
current FED invest staff is 281 people located in all regions of Albania.

**6.8B ASSETS**
with a growth of 9% for the current reporting year, FED invest has a total of 6.8 billion lek in assets.

**4.65B & 4.69B DEPOSITS & LOANS**
FED invest has an almost equal position on deposits and loans of 4.65 and 4.69 billion lek.

**2500 VILLAGES**
2500 villages have access to digital services (financial and non-financial) all over the country.

**89.9% STAFF SATISFACTION**
Up to 89.9% of FED invest staff express satisfaction within their position at our institution.

**21.2% Capital Adequacy Ratio**

**35% WOMEN IN FED**
Women of FED invest make up 35% of total members, 53% of staff, and 57% of senior level management.
INVESTORS

Public vs. Private for Sub-debt

1. FED Invest Experience
   - Hellenos Fund (Private)
     - Flexible and fast during DD process,
     - Limited with sub-debt loan size
     - More reporting burden after disbursement
     - Covenants imposed more restricted
   - EIF (Public)
     - Competitive product
     - Flexibility in timing of disbursements
     - Access to bigger sub-debt loan size
     - Long approval process
     - Matching requirement for the investment

2. Lessons Learned
   - Familiarity with the process including pre-approval from the local regulator
   - Importance of the visibility aspect for EIF in all materials and publications
   - Established relationship with such institutions for sub-debt is a very important milestone for us especially in hard times

Great collaboration from both institutions during the time of facility.
PRODUCTS – Guarantee Instrument

1. PRODUCT
   1. Helpful for both, outreach of membership base and capital adequacy;
   2. Aligned with our social finance mission, for increasing financial inclusion for vulnerable segments of micro and small entrepreneurs;
   3. Adaptable to unusual circumstances such as the pandemic period;
   4. Increase of the guarantee amount with less bureaucratic process than the initial one.

2. PROCESS
   1. There was time needed to understand and implement the reporting for all requirements;
   2. There has been flexibility to improve and correct the applicability of the agreement as we understood and realized better the requirements;
   3. Core loan / data system needs to be adjusted to cope effectively with all requirements.

3. MONITORING
   1. Continuous assistance and collaboration;
   2. Clear transfer of benefits to final recipients;
   3. Visibility of EaSI/EIF to all stakeholders and final recipients of benefits.
Thank you!