European Investment Bank

The EU bank

Inclusive Finance for Employment and Social Innovation

EIB Stakeholder Engagement Workshop
Civil Society Division

Brussels

6 June 2016

Opening Remarks

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European Investment Bank

Edvardas Bumsteinas

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Microfinance & Technical Assistance

Per-Erik Eriksson

Head of Microfinance Investment
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European Progress Microfinance Facility - EPMF (2010 – 2016)

Per-Erik Eriksson, Head of Microfinance Investments

Brussels on 6 June 2016

What is EPMF?

- EPMF, launched in 2010, increases the availability of microcredit – loans below EUR 25,000 – for setting up or developing a small business.
- Managed by EIF on behalf of the European Commission (DG EMPL)
- Implemented through micro-credit providers, e.g. banks and non-banks, supported by EIF in terms of funding & guarantees
- Particular focus on micro-borrowers who have no or limited access to conventional credit
  - Vulnerable groups (minorities, young entrepreneurs, etc.)
  - Limited track-record (start-ups)
  - Limited collateral (no real assets to pledge)

What targets had been set for EPMF?

EUROPEAN INVESTMENT FUND

- ❑ Seek geographical diversification in EU-28 (EU instrument)
- ❑ Cooperate also with smaller micro-credit providers (market building)
- ❑ Enhance access to finance for vulnerable groups
- ❑ Leverage on the EU resources committed (EUR 100 m)
- ❑ “EUR 500 m of new micro-credits to 46,000 micro-borrowers by year 2020”

Results (micro-credit provider level)

- ❑ EIF has signed 89 financial agreements in 23 EU countries
- ❑ 51 agreements for funding & 38 agreements for guarantees
- ❑ 42 agreements with banks & 47 agreements with non-banks
- ❑ Overall 66 financial intermediaries
    - ❑ Some micro-credit providers have both funding & guarantees
    - ❑ Some micro-credit providers have "repeat" agreements

Results (micro borrower level)

- ❑ EUR 420 m of new financing so far (est. June 2016) or 84% of target
- ❑ 46,500 micro-borrowers supported so far or 101% of target
- ❑ Outreach to micro-borrowers in 23 countries
- ❑ Five countries not covered
  - ❑ Czech Republic
  - ❑ Finland
  - ❑ Germany
  - ❑ Luxembourg
  - ❑ Malta

Banks vs non-banks – what differs?

- 54% of loan volume and 68% of number of loans provided under EPMF have been provided by non-banks (e.g. non-bank MFIs, foundations, NGOs, etc.)

- Average loan size for non-banks: around EUR 7,000

- 46% of loan volume and 32% number of loans provided under EPMF have been provided by banks (e.g. cooperative banks, niche banks, savings banks etc.)

- Average loan size for banks: around EUR 13,000

Guarantees vs funding – what differs?

EUROPEAN
INVESTMENT
FUND

Loan size (funded instruments) in EUR

< 5k	< 10 k	< 15 k	< 20 k	< 25 k		Average : 6,500
62.40%	16.60%	8.30%	4.30%	8.30%		

Loan size (guarantee instruments) in EUR

< 5k	< 10 k	< 15 k	< 20 k	< 25 k		Average : 11,100
21.20%	40.90%	14.60%	8.70%	14.60%		

«Micro-credit providers have on average used guarantees to cover larger loans and funding to provide smaller loans»

Which countries did benefit the most?

EUROPEAN INVESTMENT FUND

Country	Loan volume
Romania	14.7%
France	14.6%
Spain	14.3%
Netherlands	10.3%
Poland	7.1%
Italy	6.7%
Portugal	6.7%
United Kingdom	4.9%
Bulgaria	3.9%
Slovenia	3.5%
Belgium	3.2%
Latvia	1.7%
Croatia	1.5%
Ireland	1.5%
Lithuania	1.3%
Estonia	1.0%
Slovakia	0.7%
Greece	0.6%
Cyprus	0.6%
Sweden	0.5%
Austria	0.4%
Hungary	0.3%
Denmark	0.1%

Top-5 countries represent around 61%

Country	Number of loans
France	31.7%
Romania	14.3%
Poland	10.8%
Spain	8.2%
Netherlands	6.4%
Portugal	5.1%
Belgium	4.4%
Bulgaria	4.3%
Italy	3.7%
United Kingdom	3.5%
Slovenia	1.6%
Latvia	1.0%
Ireland	0.8%
Croatia	0.8%
Lithuania	0.7%
Estonia	0.6%
Greece	0.4%
Slovakia	0.4%
Sweden	0.4%
Austria	0.3%
Cyprus	0.2%
Hungary	0.1%
Denmark	0.1%

Top-5 countries represent around 72%

Mentoring and business support

- **33%** of micro-credit providers are deemed to provide **full** mentoring services
- **49%** of micro-credit providers are deemed to provide **basic** mentoring services
- **18%** of micro-credit providers do not provide **any form** of mentoring service
- Key differences
  - banks vs. non-banks in terms of focus on mentoring
  - Eastern vs. Western part of EU in terms of volunteer networks

What type of business was supported?

- Trade & commerce (+15,000 borrowers)
- Agriculture / small-scale farming (around 5,000 borrowers)
- Restaurants (around 5,000 borrowers)
- Electric, plumbing, painting, building (around 3,000 borrowers)
- Hairdressing & beauty treatment / cleaning (around 3,000 borrowers)

The above categories represent around 2/3 of all loans under EPMF

Did vulnerable groups benefit?

EUROPEAN INVESTMENT FUND

- ❑ 69% of the borrowers were start-ups
- ❑ 45% of the borrowers were unemployed
- ❑ 63% vs 37% for category male / female
- ❑ 18% of borrowers had no formal or only primary education
- ❑ 7% of borrowers under age of 25, 11% above age of 55
- ❑ 2% of borrowers belonged to a minority group
- ❑ 0.1% of borrowers in category disabled

Thank you!

Per-Erik Eriksson

Head of Microfinance Investments

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Christos Pouris

Fi-compass EaSI TA
European Investment Bank

Brussels – 6 June 2016

fi-compass EaSI TA advisory services

fi-compass - EaSI TA will offer to selected microcredit providers :

- ✓ **Institutional assessments and ratings**
- ✓ **Tailored training and consulting**

fi-compass - EaSI TA will offer to the European microfinance sector :

- ✓ **Helpdesk, workshops and thematic seminars**

fi-compass - EaSI TA in support of the European Code of Good Conduct will offer :

- ✓ **Promotion, evaluation of implementation, training support for MFIs**

fi- compass EaSI TA overall benefits

- Access to the expertise of microfinance specialists for improvement of the organizational and operational aspects of the institution

- Better understanding of the main internal weaknesses and external threats jointly with identification of the existing opportunities

- Improves the visibility of the Institution and increases the potential for access to new sources of funding

- Training and coaching by experts with extensive knowledge in European and International microfinance best practices

Thank you

www.fi-compass.eu

Patrick Sapy

Cofounder & CEO

microStart

Promoting microcredit in Belgium

microStart
helpt mensen met meer ideeën dan geld



Vision

Each human being regardless its educational background, its income, its economic position or its geographical origin has a right to economic initiative and a right to choose its destiny in our society



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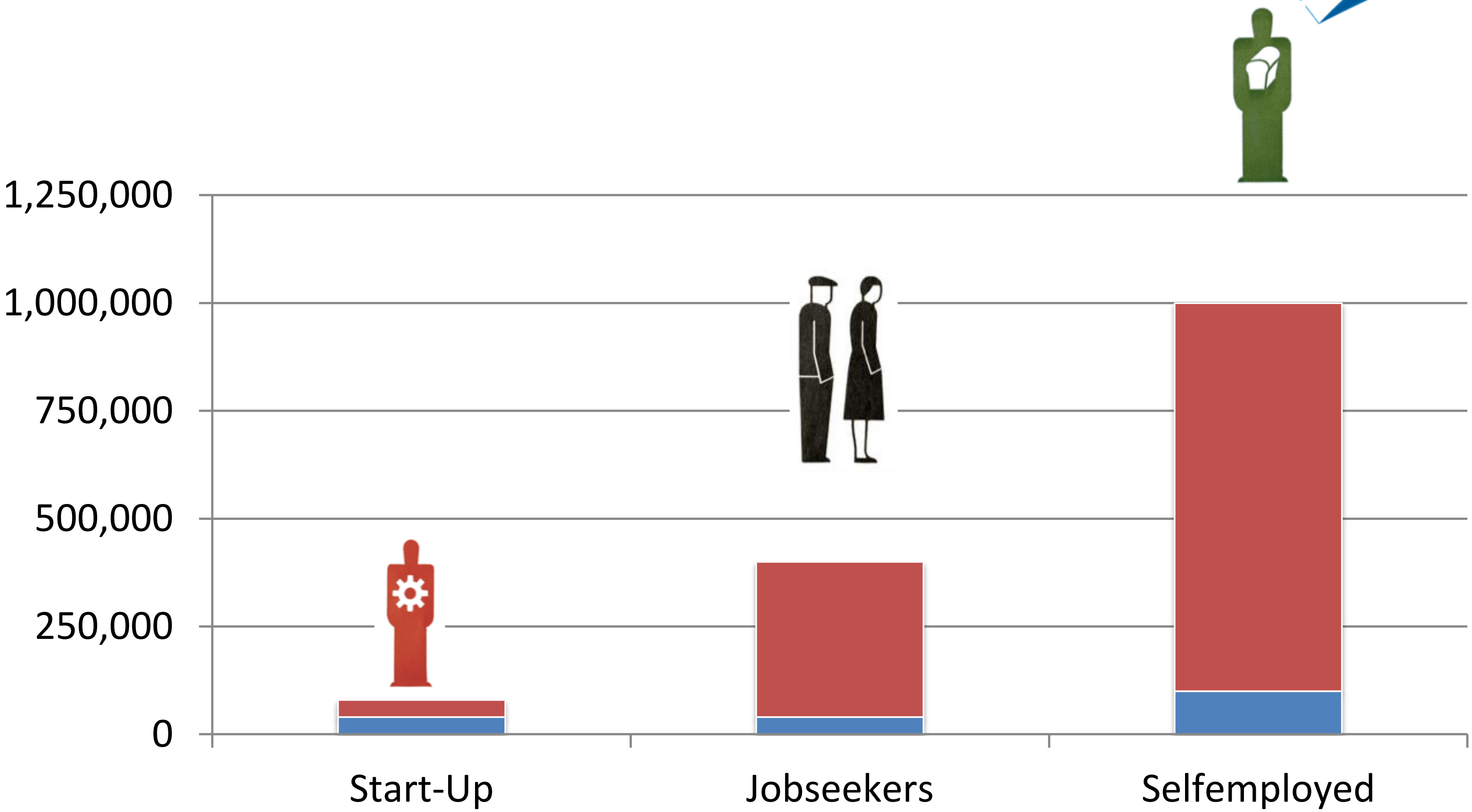
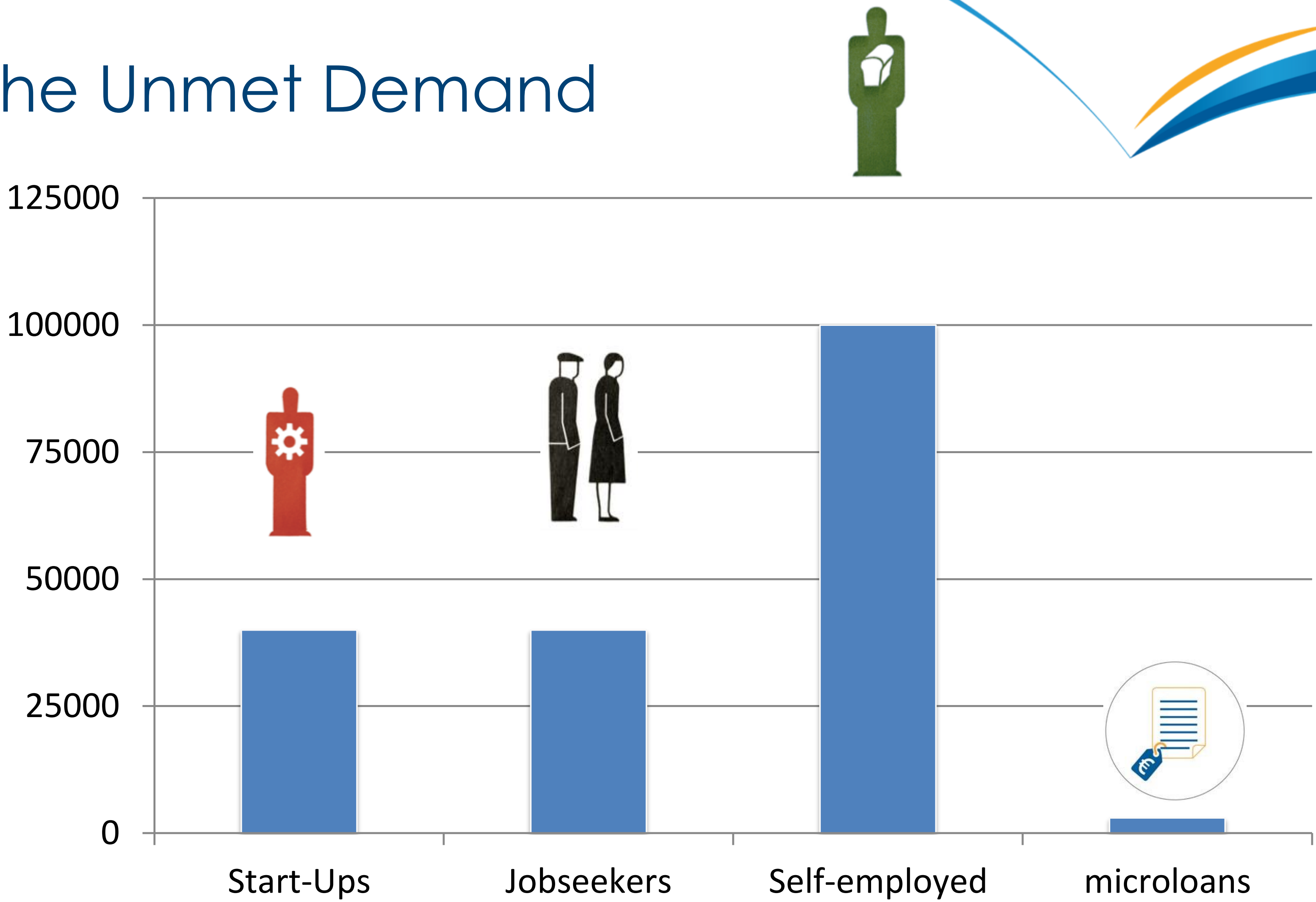
The Unmet Demand



The Unmet Demand



BNP PARIBAS
FORTIS

adie
ASSOCIATION POUR LE DROIT À L'INITIATIVE ÉCONOMIQUE

EIF
EUROPEAN
INVESTMENT
FUND

AG
INSURANCE

microStart
aide ceux qui ont plus d'idées que d'argent
helpt mensen met meer ideeën dan geld

microStart
helpt mensen met meer ideeën dan geld

Corporate structure

microStart SCRL-FS

- Cooperative company
- Social Purpose
- Capital: 4,2 M EUR
- 23 employees

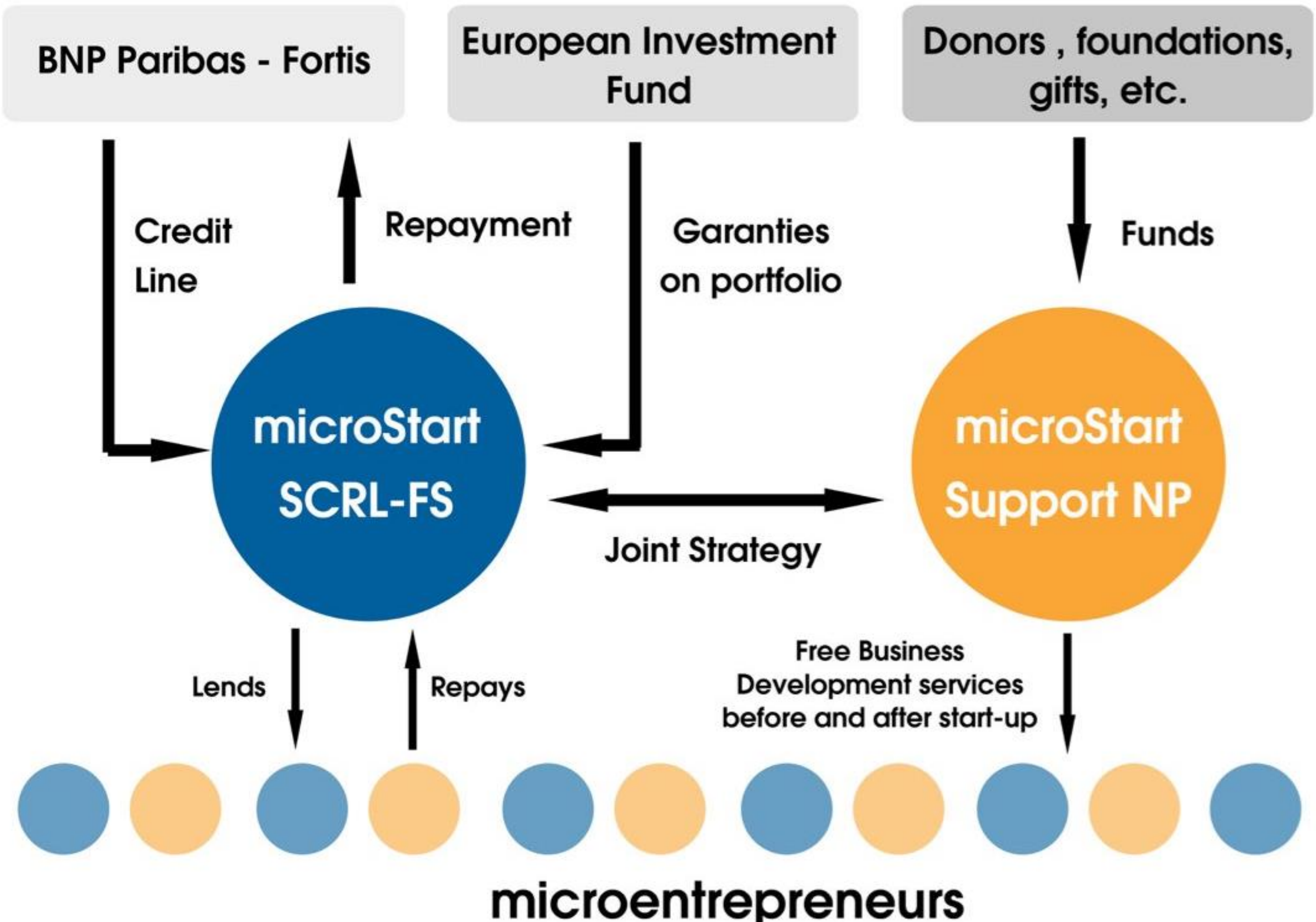
microStart Support Asbl

- Non profit
- Subsidized
- Budget: 600 k EUR
- 4 employees & 150 volunteers



microStart
helpt mensen met meer ideeën dan geld

Business model



Work Flow

+/- 10 days

Contact → **Reception** → **Instruction** → **Credit comittee** → **Disbursment** → **Follow up** → **Renewal**

- **Contact**: Through Prospection or Partner
- **Reception**: With or without appointment; Identification of client's needs; Information on microstart
- **Instruction**: Creation of the credit file with the client
- **Credit comittee**: Weekly
- **Renewal**: Min. 6 months

Business development Services before start-up

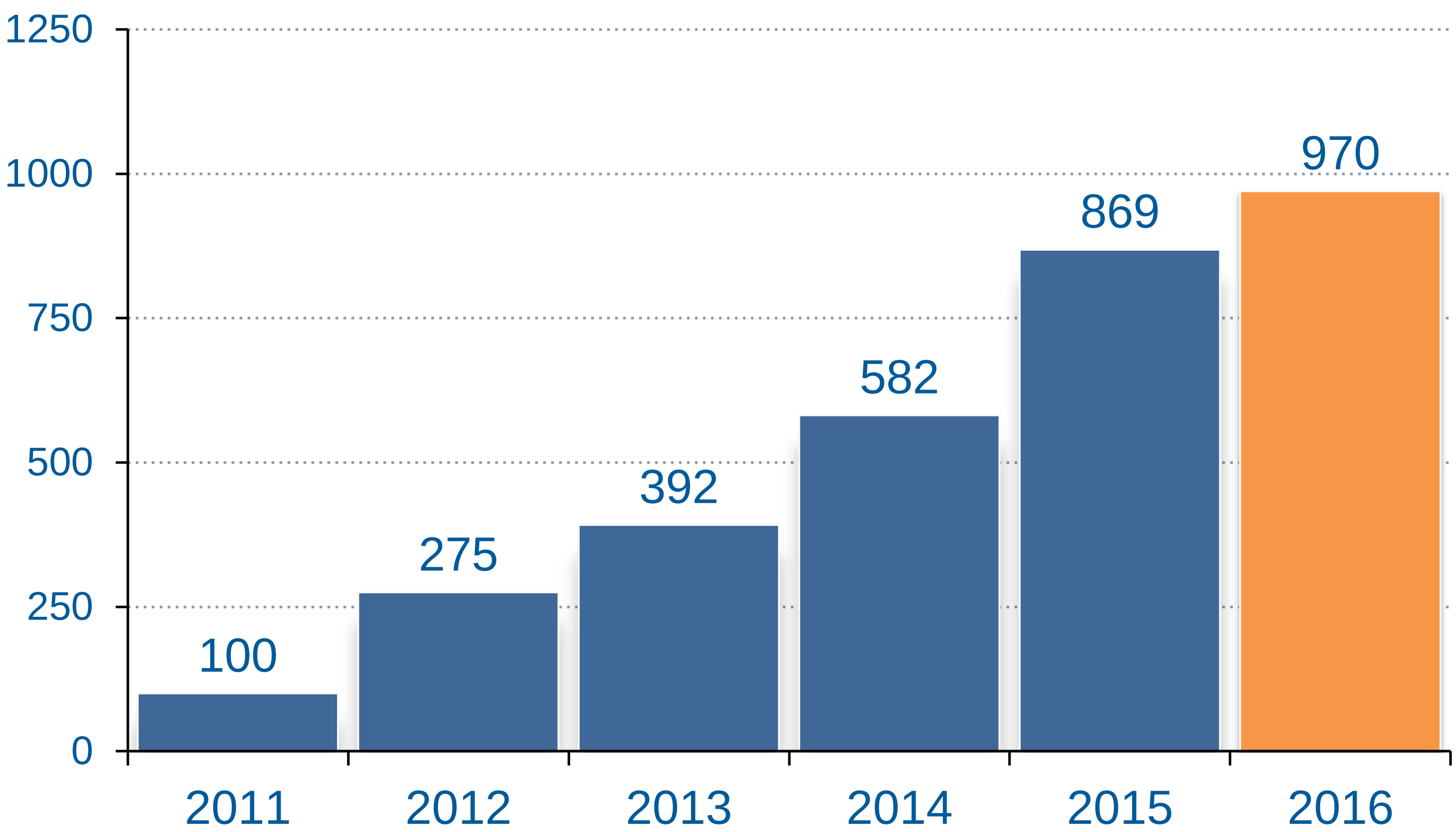
Individual	Group

Business development Services after start-up

Individual	Group

Results

loans per year



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80%

Below Poverty Line

70%

Born Abroad

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Impact study 2014

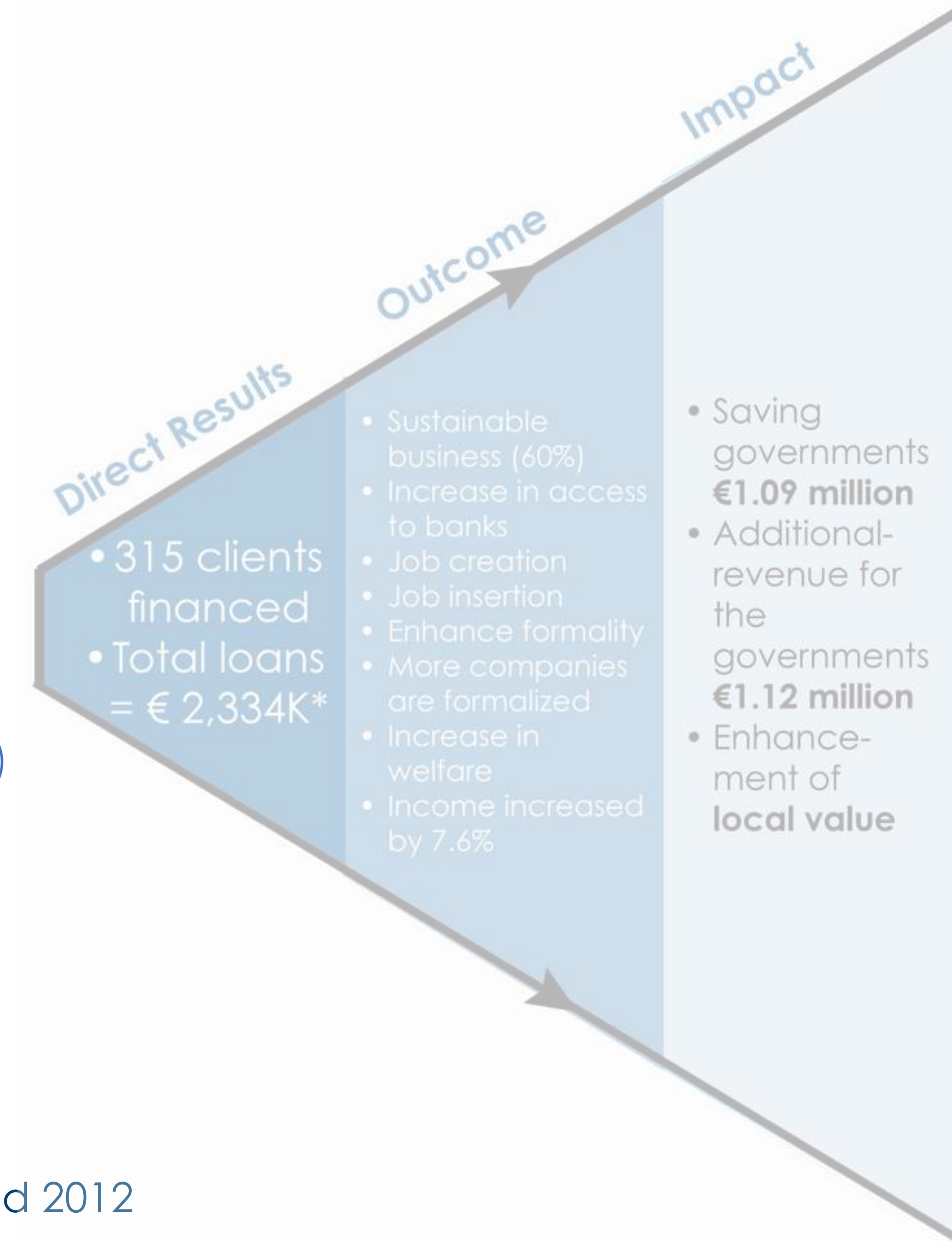
Input

MicroStart scrl-fs

- Granted loan from BNP: €1,300K*
- Capital: €1,210K**
- 5 board members and 1 to 7 employees

MicroStart asbl

- 3 board members + 3 employees + 100 volunteers
- Donation €88K*



* Total amount during the years 2011 and 2012

** As of the end of 2011

Impact study 2014

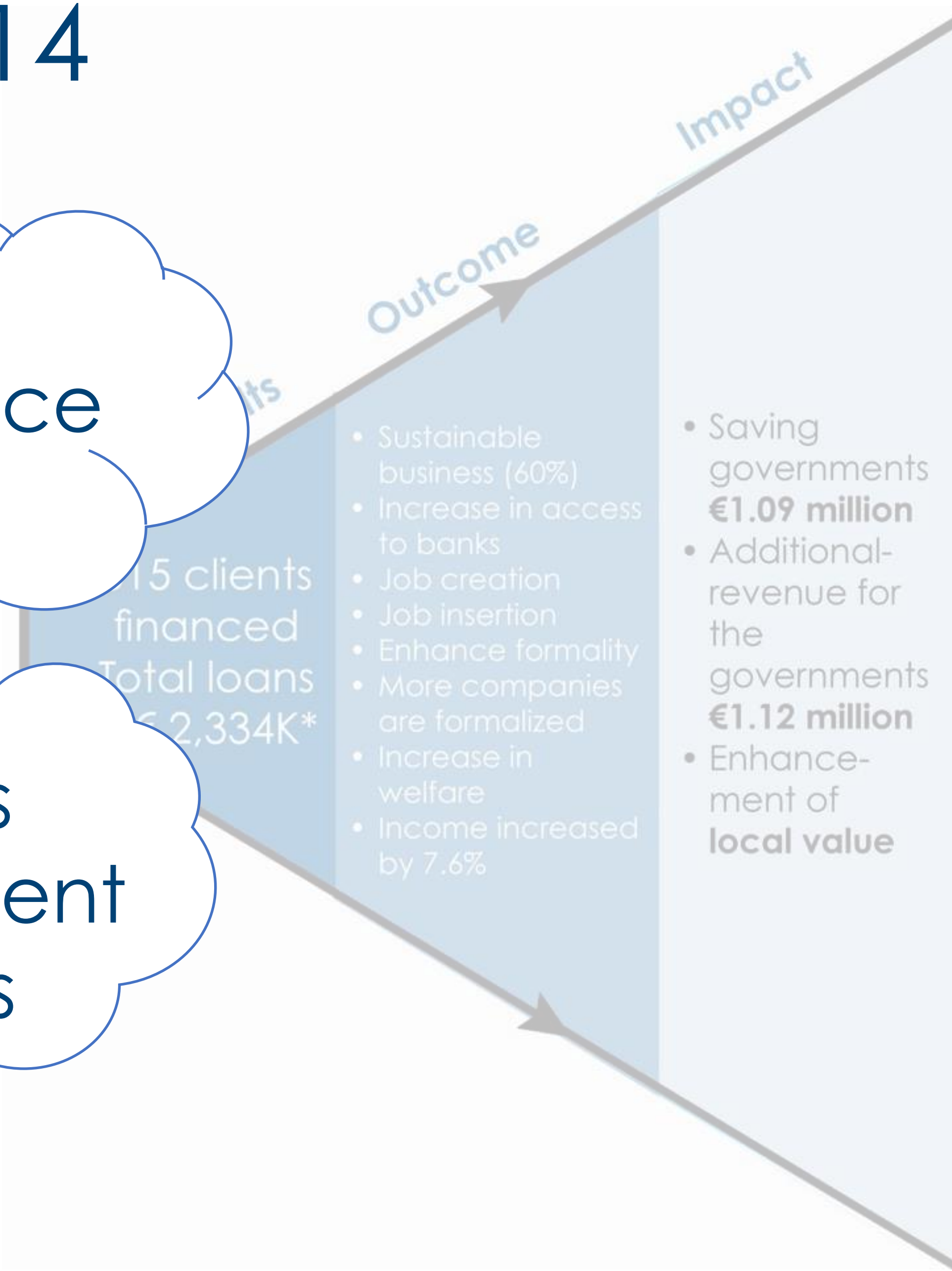
Activities

MicroStart scrl-fs
- Granted loan from BNP: €1,300K*
- Capital: €1,210K**
- 5 board members and 1 to 7 employees

Microfinance

MicroStart asbl
- 3 board members + 3 employee
  + 100 volunteers
- Donation €88K*

Business Development Services



Impact study 2014
Output

MicroStart scrl-fs
- Granted loan from BNP: €1,300K*
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MicroStart asbl
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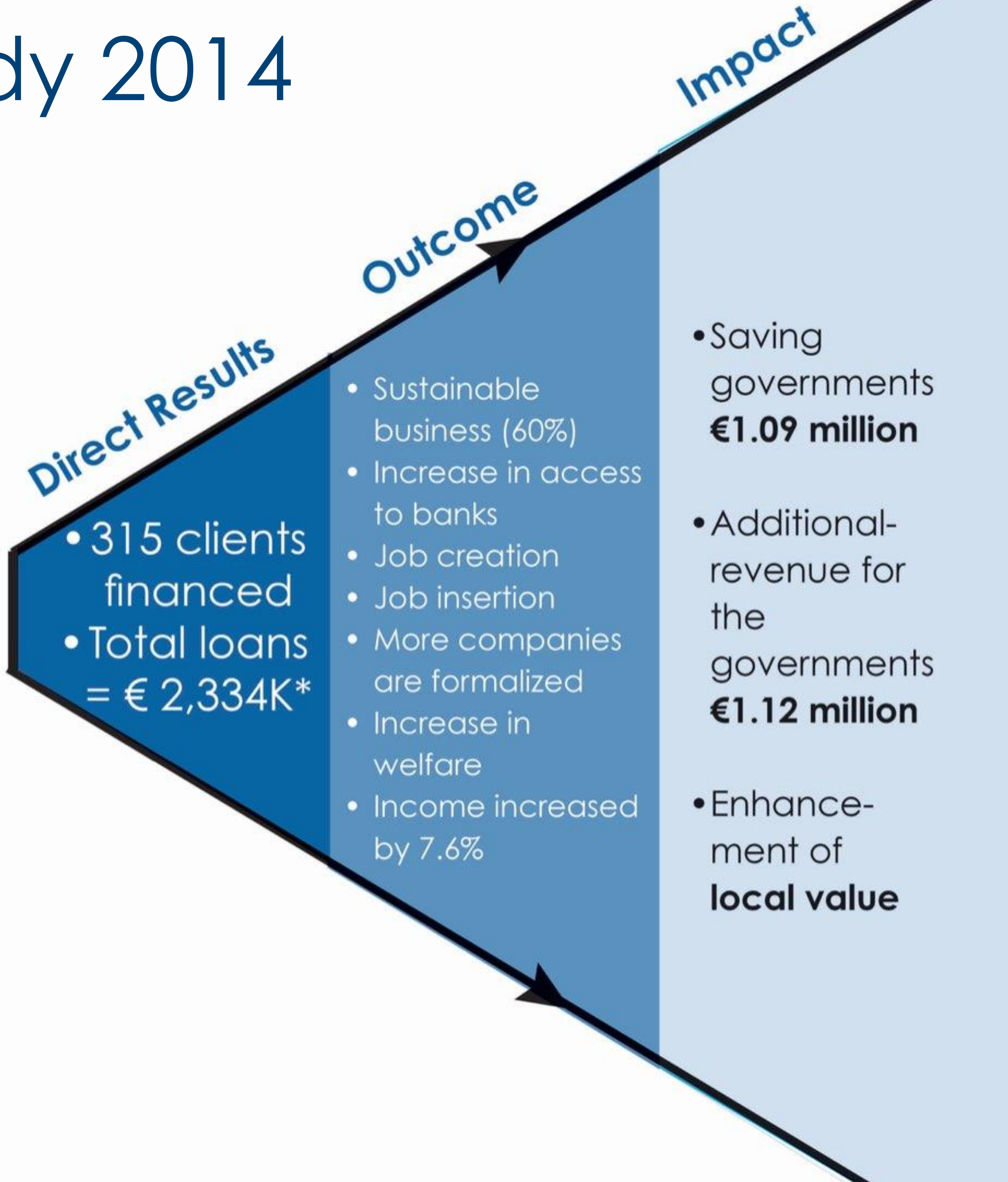

Contact microStart Belgium
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microStart
helpt mensen met meer ideeën dan geld

Joan Arrias

Joany's Pedicure

Specific examples within the EIB Group

The Social Impact Accelerator

Cyril Gouiffes

Social Impact Investment Manager
European Investment Fund

Olivier de Guerre

Chairman

PhiTrust Partners

Skills and Jobs – Investing for youth

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Rien Wagenvoort

Senior Economist

European Investment Bank

The European Investment Bank's "Skills and Jobs - Investing for Youth" Programme

6 June 2016

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Outline

- 1. Europe's youth employment problem
- 2. EIB's "*Skills and Jobs – Investing for Youth*" programme
- 3. A first impact assessment: main findings from the EIB's *Youth Employment Survey*
- 4. Conclusion

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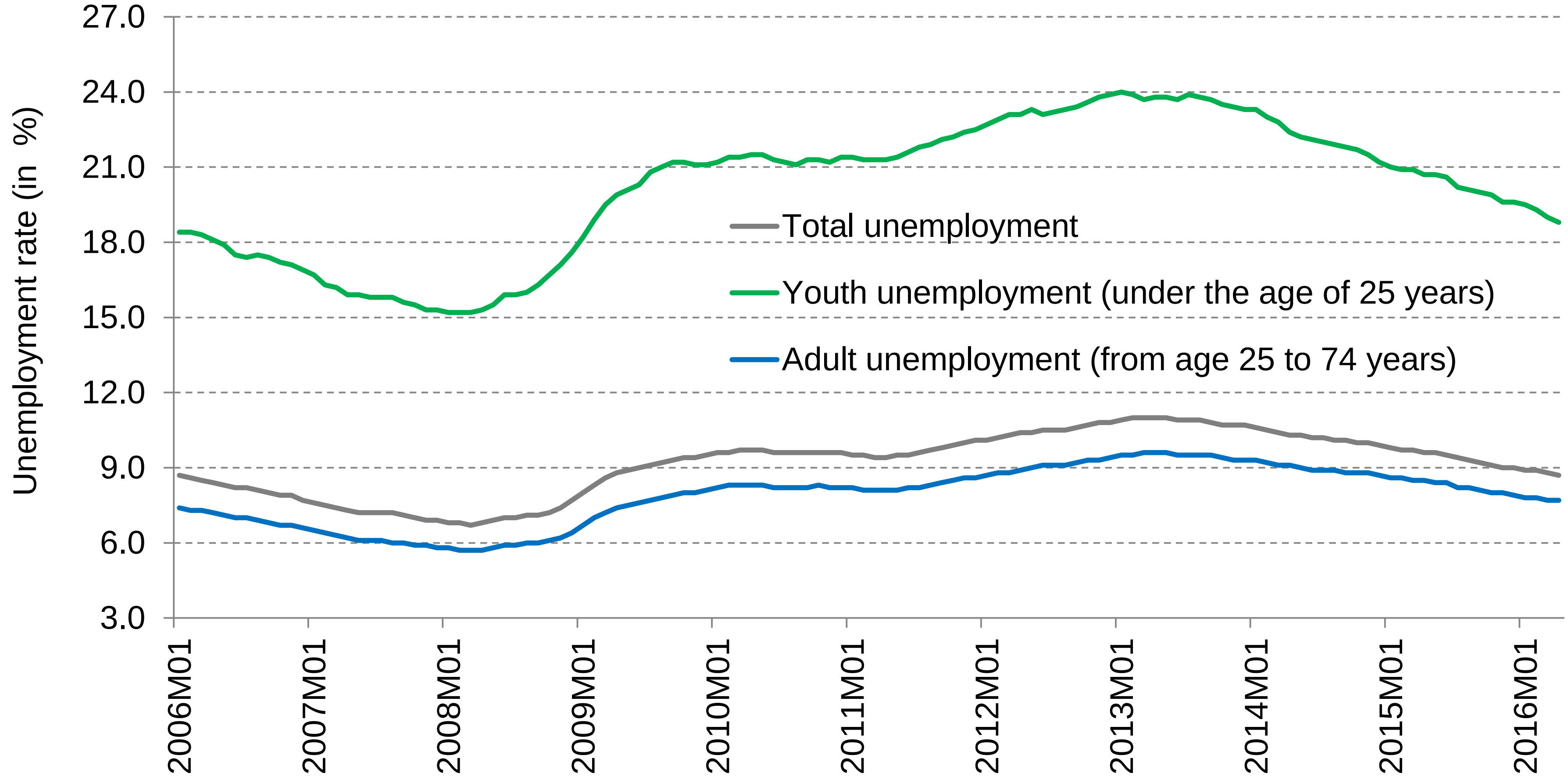
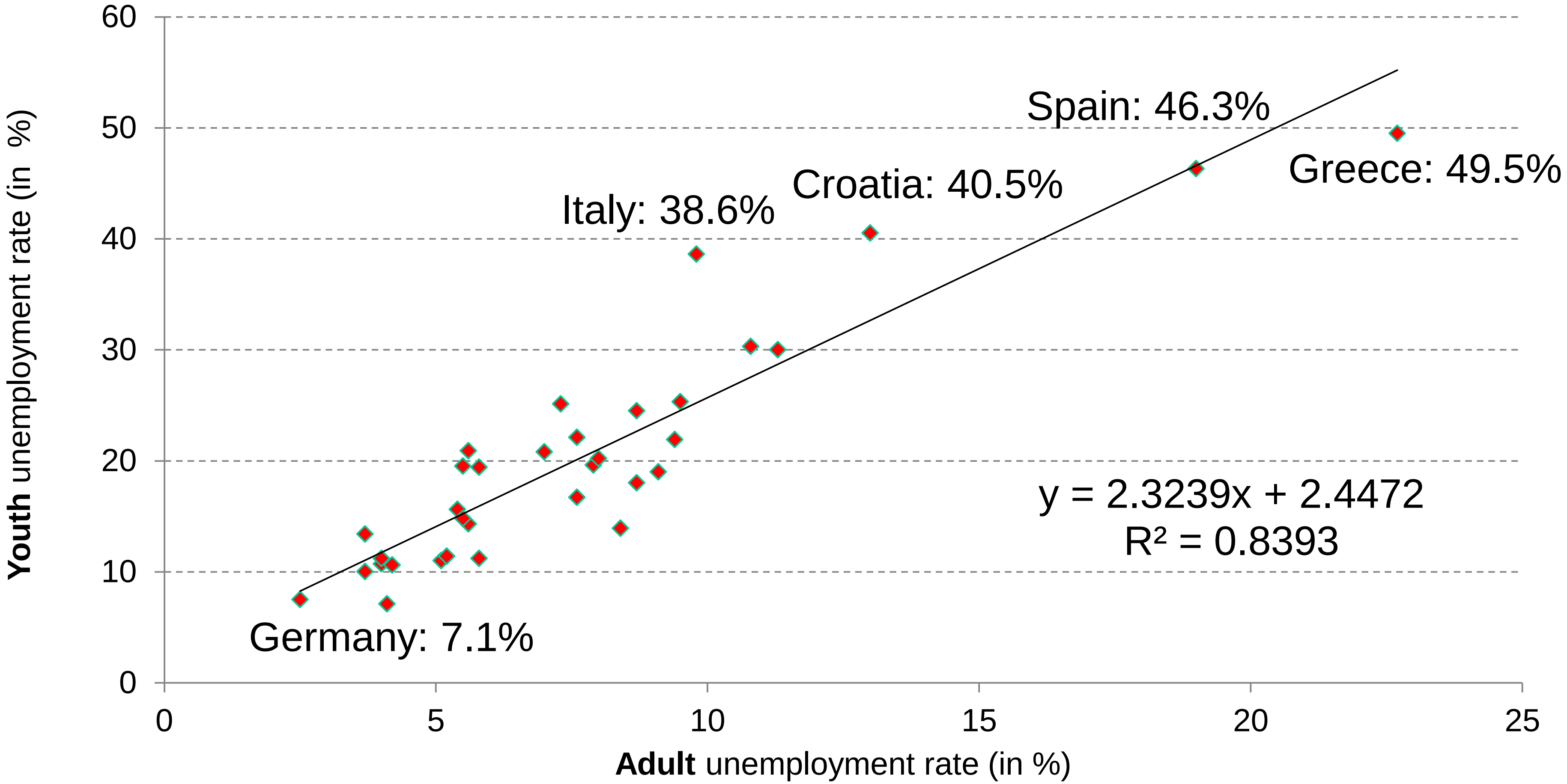
1. Europe's youth employment problem
Scars that do not heal



Source: Eurostat

Youth unemployment against *adult* unemployment
December 2015

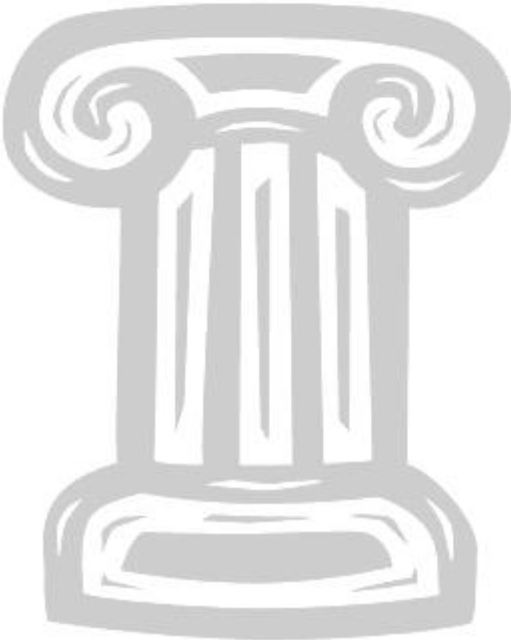


Source: Eurostat

2. EIB's Youth employment programme

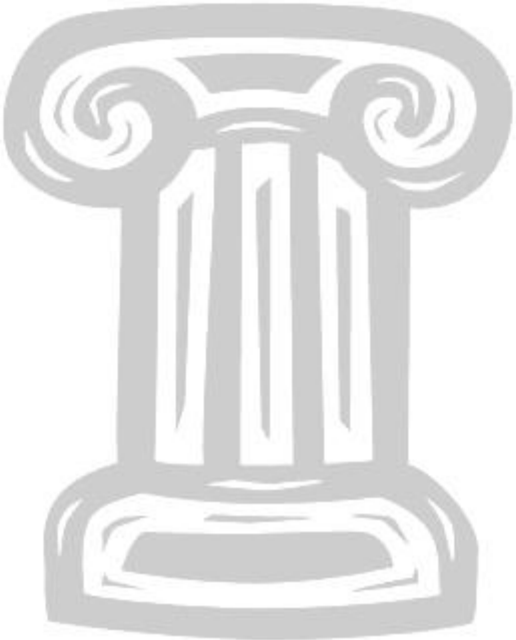
Initial commitment: **EUR 6 bn** per year

EUR 3 bn



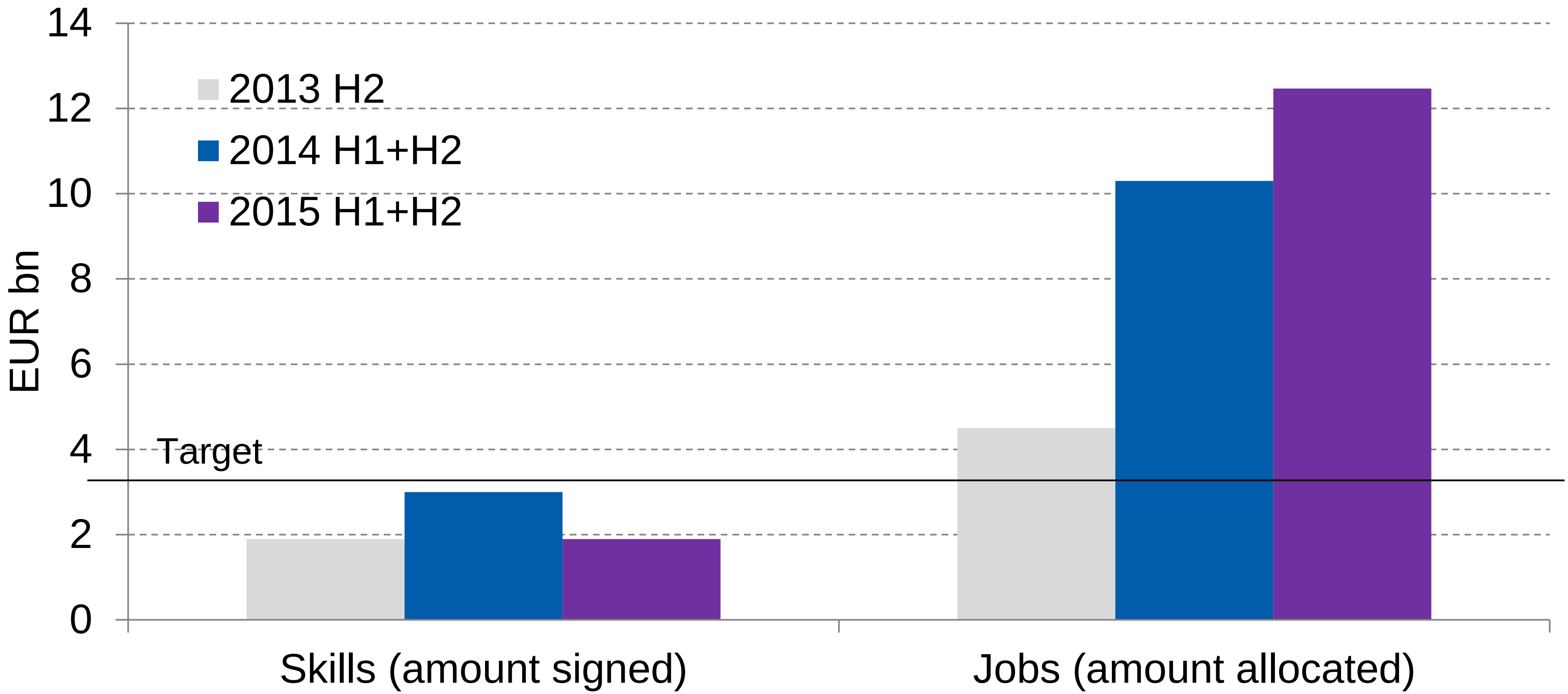
Jobs for Youth

EUR 3 bn



Investing in Skills

Lending under EIB's youth employment programme up to the end of 2015



"Jobs for Youth - Phase II":

EUR 300m allocated in 2014 plus **EUR 469m** allocated in 2015

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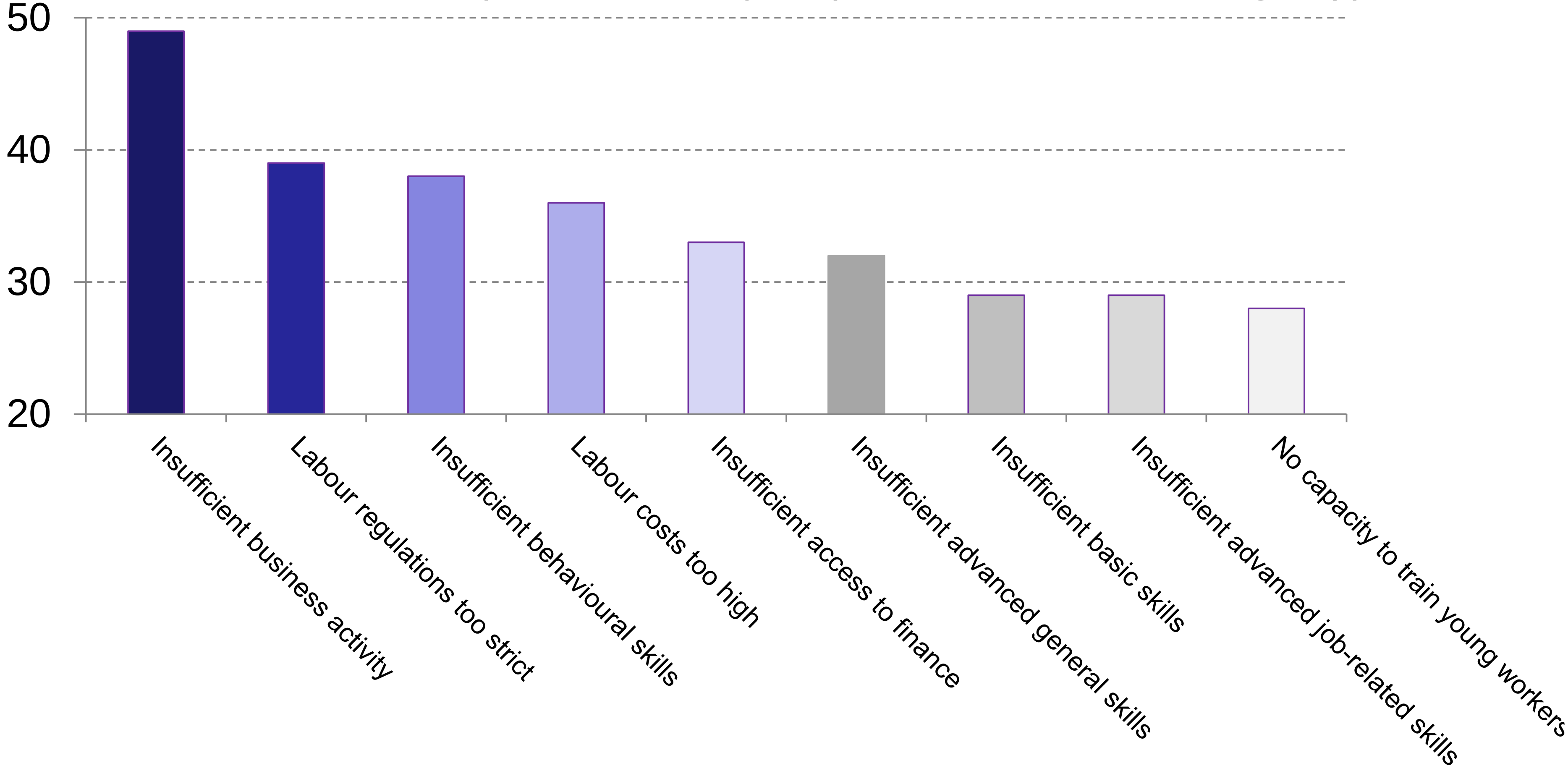
3. Main outcomes of the Jobs for Youth pillar so far

Based on the EIB Youth Employment Survey results

- Everything else equal, treatment firms were *25% more likely* than control firms to report a direct effect of the loan on the *expansion of the workforce*
- Between July 2013 and the end of 2014, the JfY programme *created* about *26,000* Jobs for Youth that would not have been created without EIB
- JfY did not have an impact on job *retention*; support for *working capital* loans did not have a significant impact on job retention or creation
- Relative to firm size, *micro* firms tend to employ more young workers **but** *large* firms reported more frequently than small firms that the loan was used for expansion of the workforce

SMEs and Mid-caps' views on the youth labour market

Factors that are a major or absolute constraint to recruit *young* workers (share of survey respondents in the control group)



4. Conclusion

- The Jobs for Youth programme has been effective in supporting and creating jobs for youth

- The programme could be improved by focusing on certain types of firms and/or investment expenditures, especially by reaching out to firms that, without EIB support, would not receive financing

- To this end, a third phase of the JfY programme is being developed that includes risk sharing with the Financial Intermediaries supported by guarantees from the Commission and/or Member States

Thank you for your attention!

Pawel Narkiewicz

Deputy Director – Finance Department

EFL S.A.

Closing remarks

Hakan Lucius

Head of Stakeholder Engagement, Transparency and Civil Society Division

European Investment Bank