

# Financial Inclusion Fund

## Donors session

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## Financial Inclusion Fund *Introduction*

**Christoph Kuhn**, Director, Mandate Management Department, EIB

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Luxembourg Ministry of Finance

# Financial Inclusion Fund

as of today

€3.6m

Donor funds committed

3 years

2020-22 initially

ACP

Initial focus

## Instruments used

The FIF supports **technical assistance** for operations including upstream studies, capacity building, social impact assessments and social inclusion analysis, innovative solutions to enhance access to microfinance, or outreach to final beneficiaries

## Expected impact

Contribute to reducing poverty and enhance job creation

Develop microfinance institutions by making them more sustainable and stronger

Provide access to finance to poor households, micro-entrepreneurs and small enterprises, including in rural areas



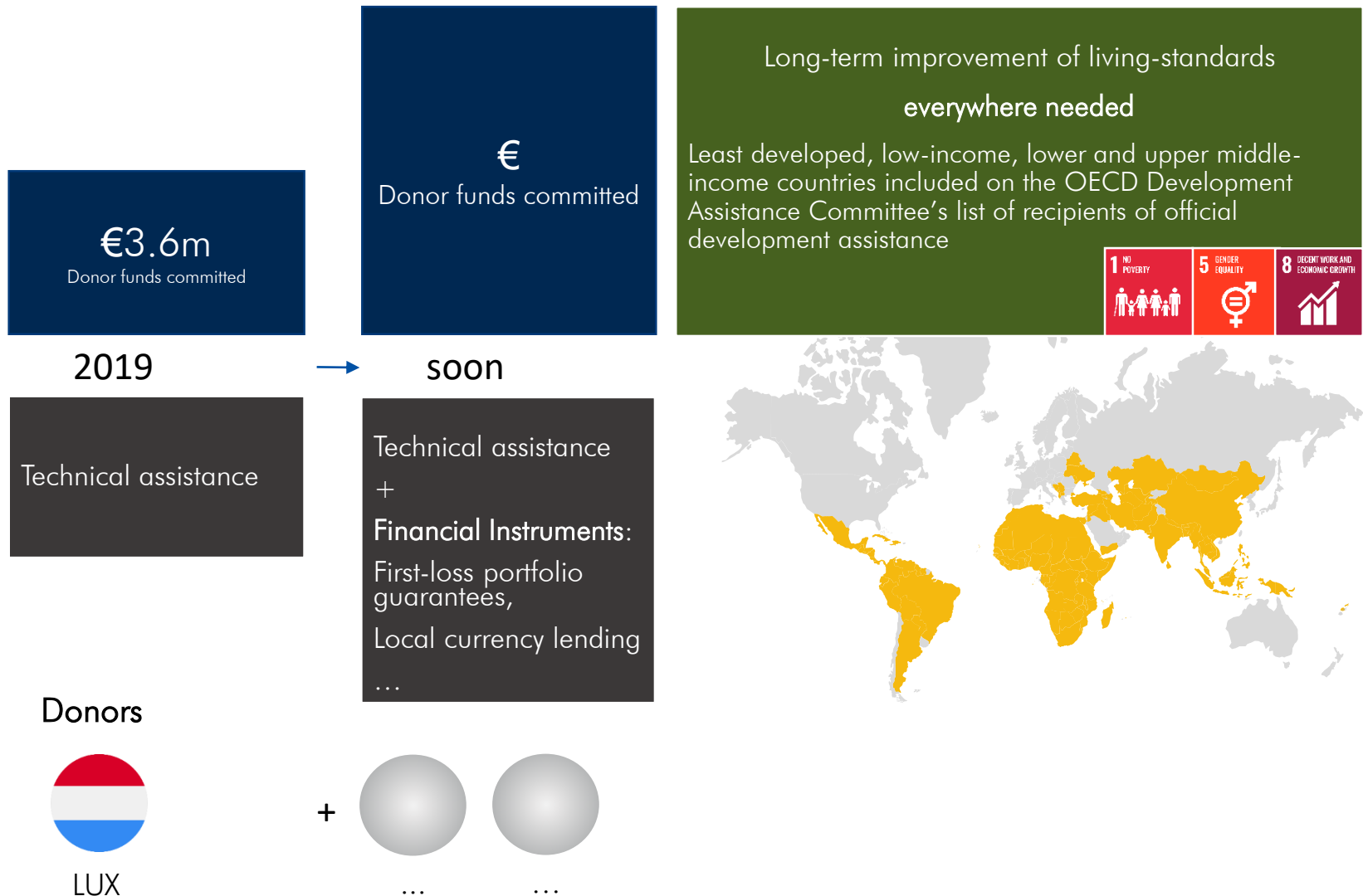
## Donors



LUX

# Financial Inclusion Fund

## Provisions for the future





## Microfinance at the EIB

**Milena Messori**, Head of Division, Operations, EIB

**Isabelle Van Grunderbeeck**, Head of Inclusive Financial Services Unit, Advisory Services, EIB

# Importance of Microfinance within the EIB

## Private sector development

Improve the quality availability and accessibility of financial and non-financial services to private enterprises

## Microfinance

Foster financial inclusion for the poor

Promote small-scale sustainable agriculture

Support households in vulnerable countries

Empower women

Strengthen economic resilience

# EIB Microfinance Unit

The EIB Microfinance Unit is focused on providing direct and indirect access to finance to self-employed, MSMEs and indirectly low income people, typically through microfinance institutions (MFIs) or funds

- A unit at EIB is dedicated to microfinance operations (predominantly outside the EU)
- Amount engaged since 1992 by EIB: **EUR 1.3 bn**
- Amount engaged since 1992 (outside the EU): **EUR 798 million**
- Number of financial intermediaries (outside the EU): **82**
- Average ticket size (outside the EU):
  - Debt instruments: **EUR 5.6 million**
  - Equity participations: **EUR 7.5 million**



# Financial instruments

## Direct Operations:

Large institutions targeted (Tier 1 MFIs)

- ▶ **Medium/long-term loans** to financial institutions
- ▶ **Direct equity investments** in financial intermediaries

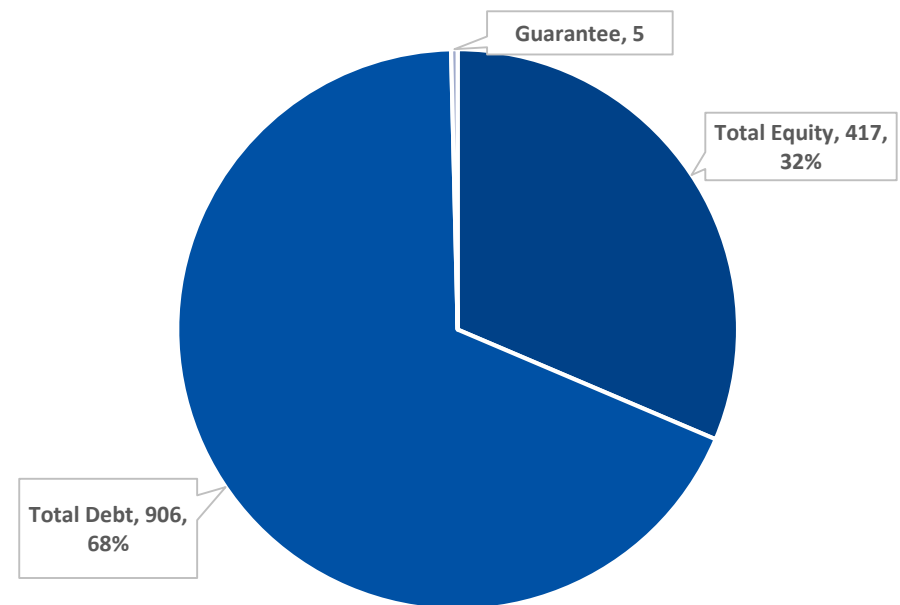
## Indirect Operations:

Smaller institutions targeted (Tier 2 and 3 MFIs) and specific themes (e.g. agriculture)

- ▶ **Equity and debt investments in Microfinance Investment Vehicles (MIVs) and Investment Funds** that in turn provide debt and/or equity to financial institutions

## Portfolio financing per instrument

Amounts (EUR m), Portfolio share (%)



# Regional split

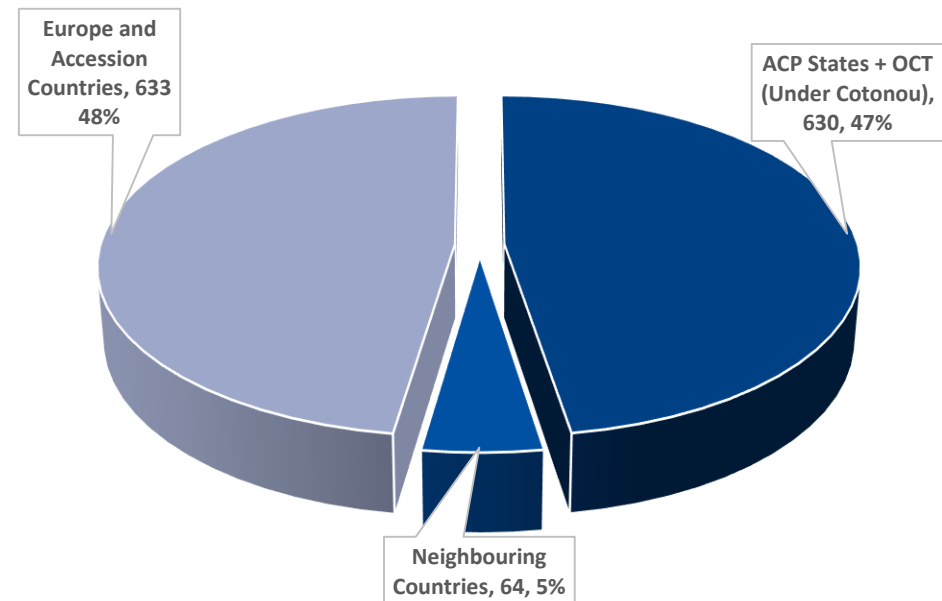
The EIB offers a unique experience gained from supporting microfinance within Europe, Africa, the Caribbean and the MENA regions

The EIB is currently active in microfinance in the following regions

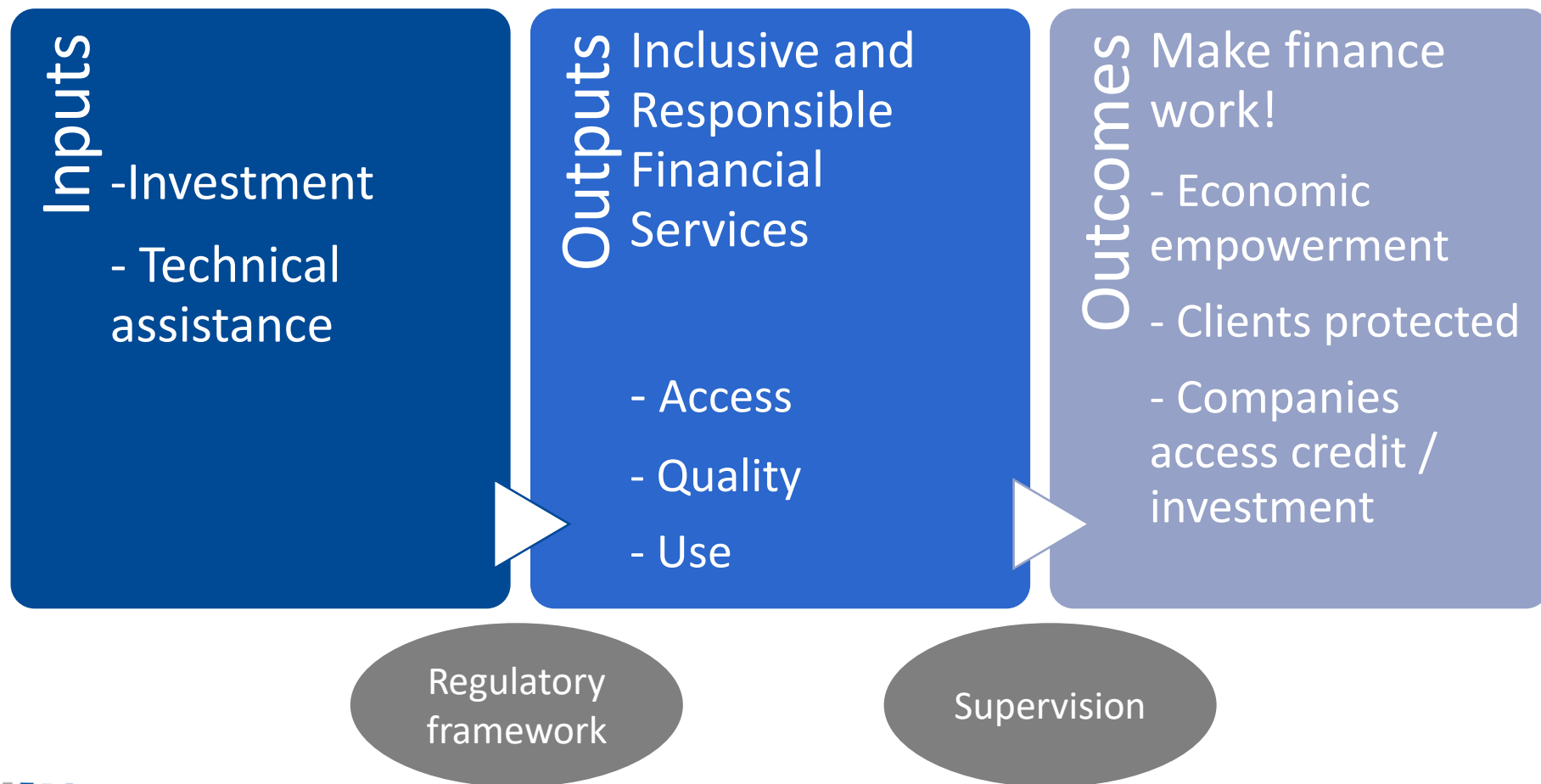
- **Sub-Saharan African, Caribbean and Pacific countries** (ACP and OCT region)
- **Neighbouring Countries in the South (MENA) and the East** (e.g. Moldova, Georgia and Ukraine)
- **Europe and Accession Countries**

## Portfolio financing per region

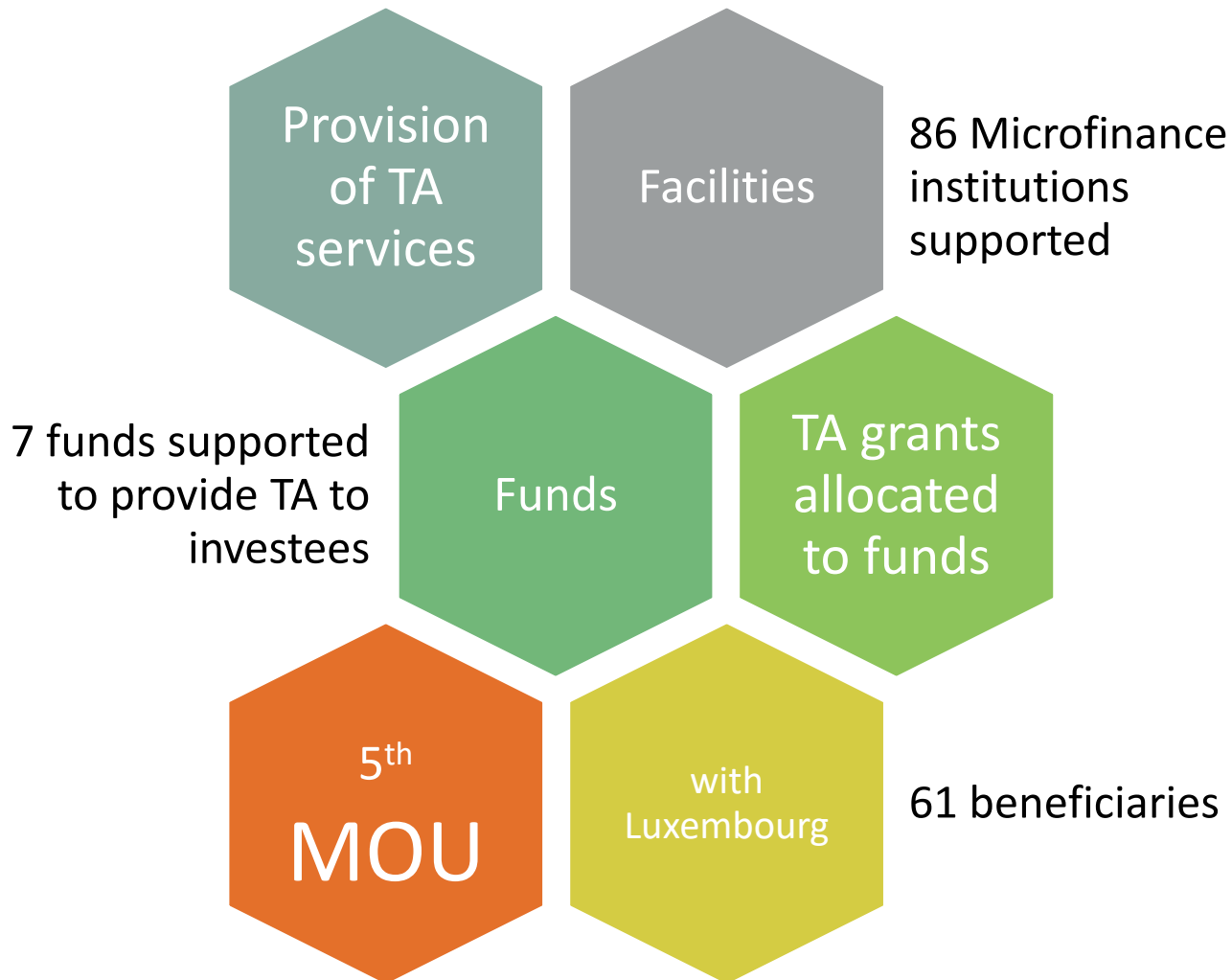
Amounts (EUR m), Portfolio share (%)



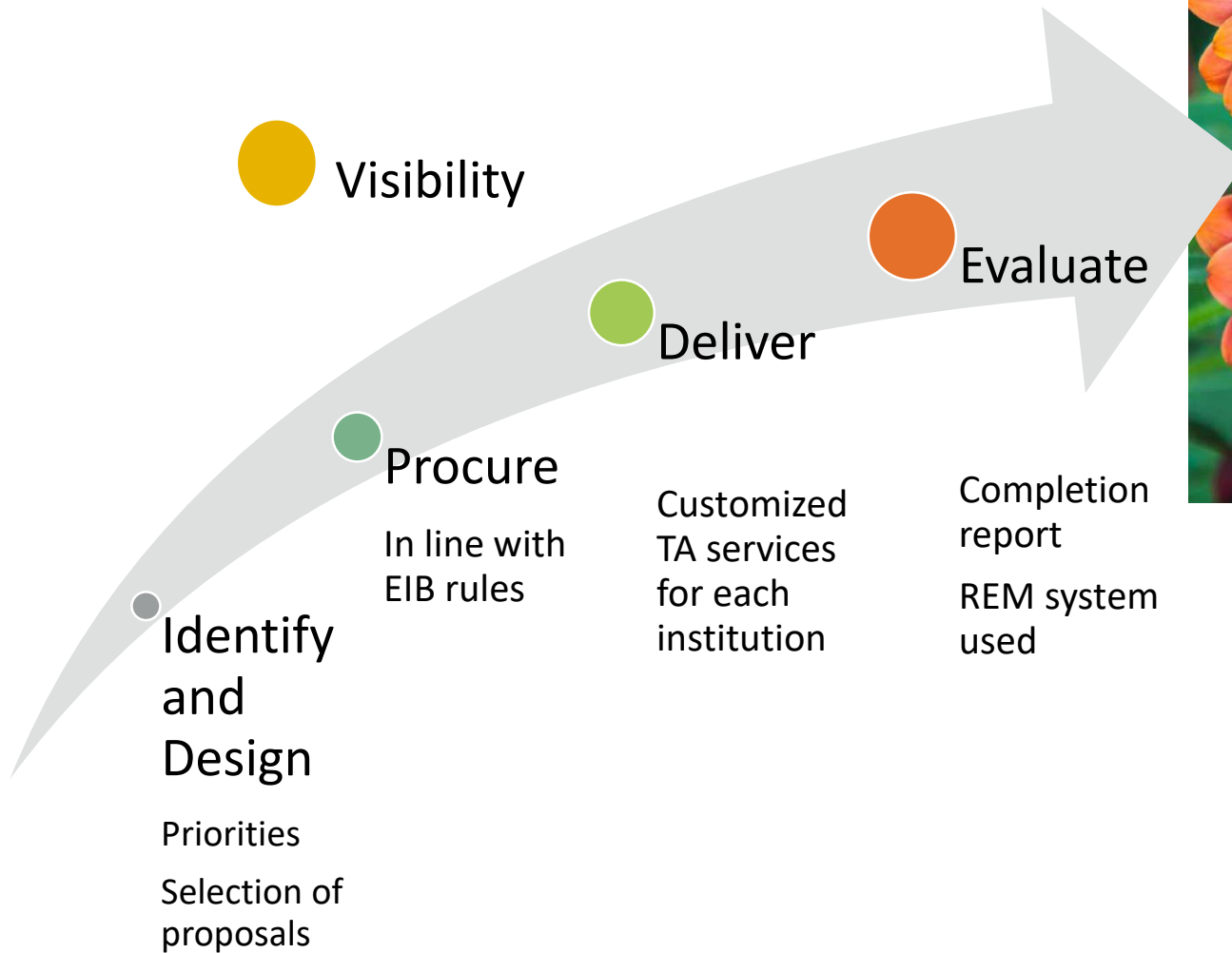
# EIB complements its investments with technical assistance to enhance results



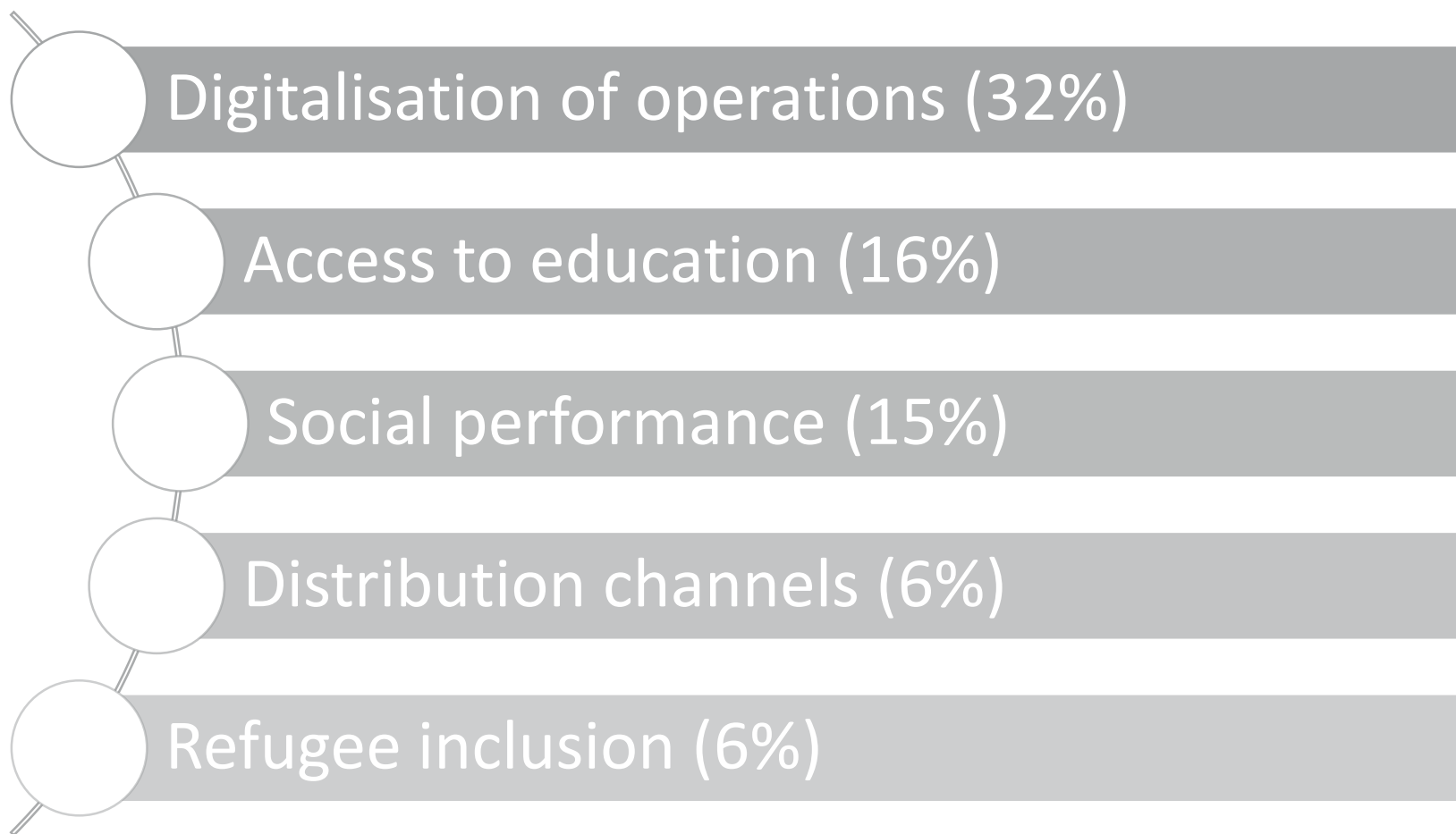
# EIB has accumulated experience across ACP and Neighbourhood



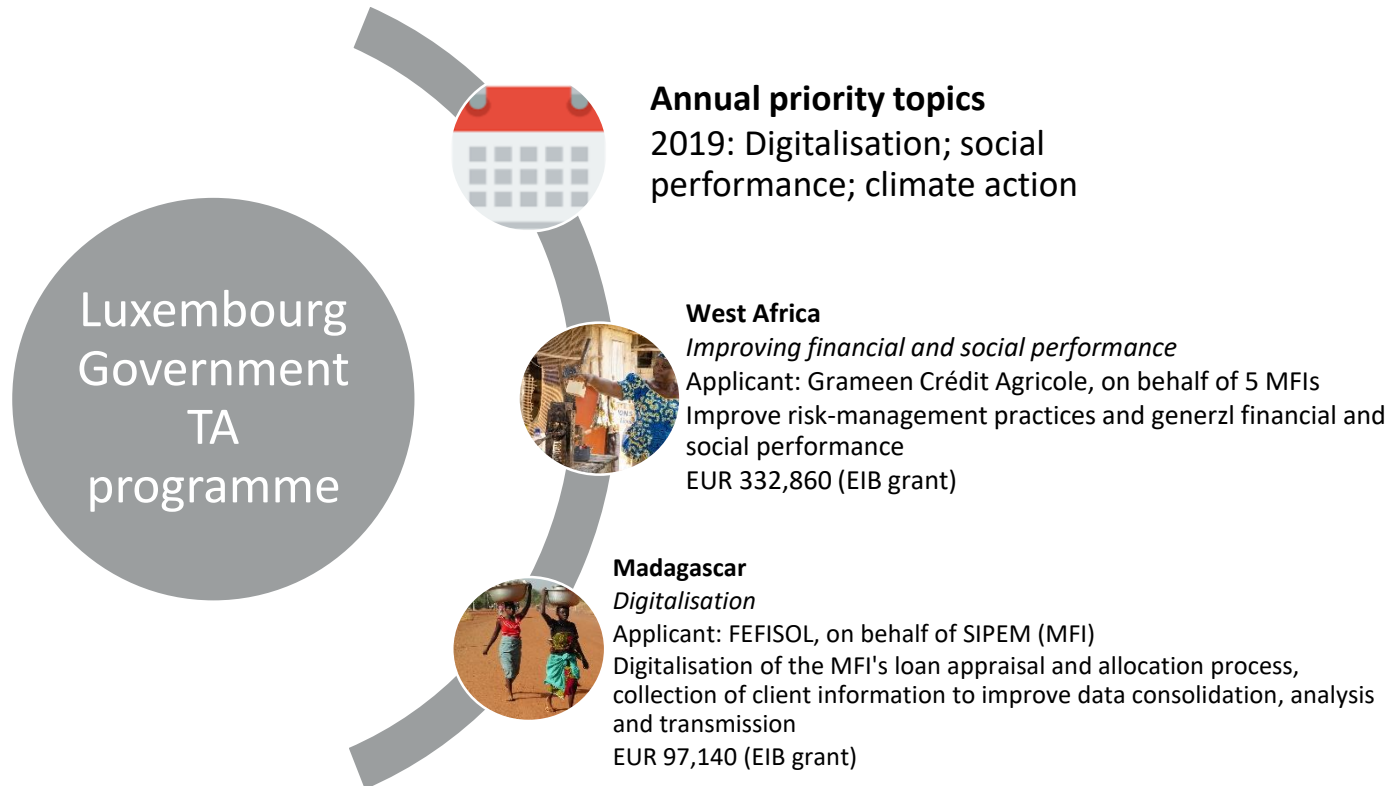
# Project processing is specific to TA



## Digitalisation of operations tops the list of projects funded under the MOU with Luxembourg in recent years



# Technical Assistance for an enhanced development impact





## Financial instruments for a long-lasting impact *Looking ahead*

**Oliver Edelman**, Head of Microfinance Unit, EIB

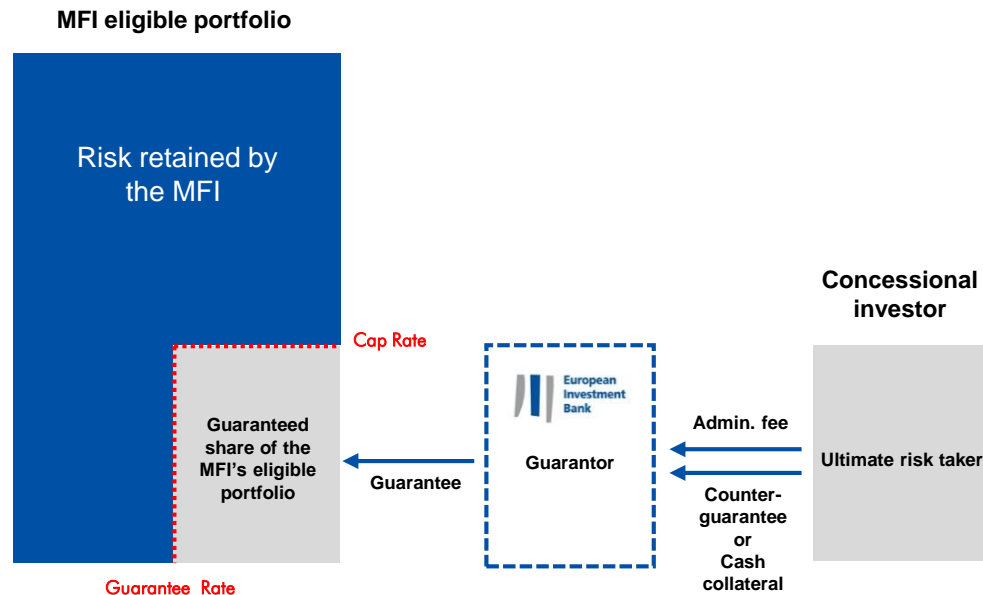
**Hanan Al Tabari**, Non-financial Services Manager, Microfund For Women

# Impact through portfolio guarantees

- ▶ More and more MFIs “institutionalised” over time, possibly leading to
  - Increased MFIs leverage and volume capacity
  - Controlled risk acceptance
- ▶ Some MFIs might be more reluctant to finance the most vulnerable groups, perceived as too risky, in order to maintain their financial standing
- ▶ Portfolio guarantees, backed by concessional investors’ funds, could support the MFIs’ increased risk taking capacity with underserved vulnerable groups
- ▶ Ultimately, the guarantee should incentivise the MFIs to support the underserved client groups independently to achieve sustainability
- ▶ EIB would play an intermediation role, as portfolio guarantees imply risks going beyond its standard acceptance levels, and could complement it with funding and technical assistance

# Portfolio guarantee mechanics

- ▶ First loss portfolio guarantees provide protection against credit losses to an MFI
  - ▶ For eligible loans supporting the vulnerable groups (at a defined guarantee rate)
  - ▶ Up to a maximum aggregated cap amount
  - ▶ For a pre-defined period of time
- ▶ Concessional investors would bear the ultimate credit risk associated with the capped guarantee, in order to enhance support to the vulnerable group



# Testimony from an MFI: Microfund for Women

- Which groups could be considered as vulnerable in your country? Are you already financing them? If not, why?
- Would the guarantee be sufficient to enable an increased risk taking capacity with vulnerable groups?
- Would you need additional financial support (e.g. lending, technical assistance, etc.)?
- What are the strengths and weaknesses of the guarantee mechanics?
- How long should the guarantee last? What would be the ideal exit strategy?



## EIB Donor Partnerships

**Jesper Persson**, Head of Division - Trust Funds & Blending, EIB

# Our impact in 2018 outside EU

**1 NO POVERTY**



Cross-cutting poverty reduction impacts

**3 GOOD HEALTH AND WELL-BEING**



130 000 patients treated annually in new hospitals

**4 QUALITY EDUCATION**




6 600 new student places in higher education

**6 CLEAN WATER AND SANITATION**




17 million people benefiting from improved water supply and sanitation

**7 AFFORDABLE AND CLEAN ENERGY**




297 000 households connected to electricity networks

**8 DECENT WORK AND ECONOMIC GROWTH**



542 000 jobs sustained in supported SMEs, microenterprises and mid-cap companies

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**



EUR 88m saved in vehicle operating costs via better roads

**11 SUSTAINABLE CITIES AND COMMUNITIES**



345m journeys per year on improved public transport

# Donor Partnerships at a Glance

## Mainstreaming the Sustainable Development Goals

EUR **1.1** bn

TOTAL FUNDS RAISED

EUR **570** m

TOTAL FINANCING APPROVED

Over **230**

OPERATIONS

Over **20** bn

TOTAL INVESTMENTS SUPPORTED



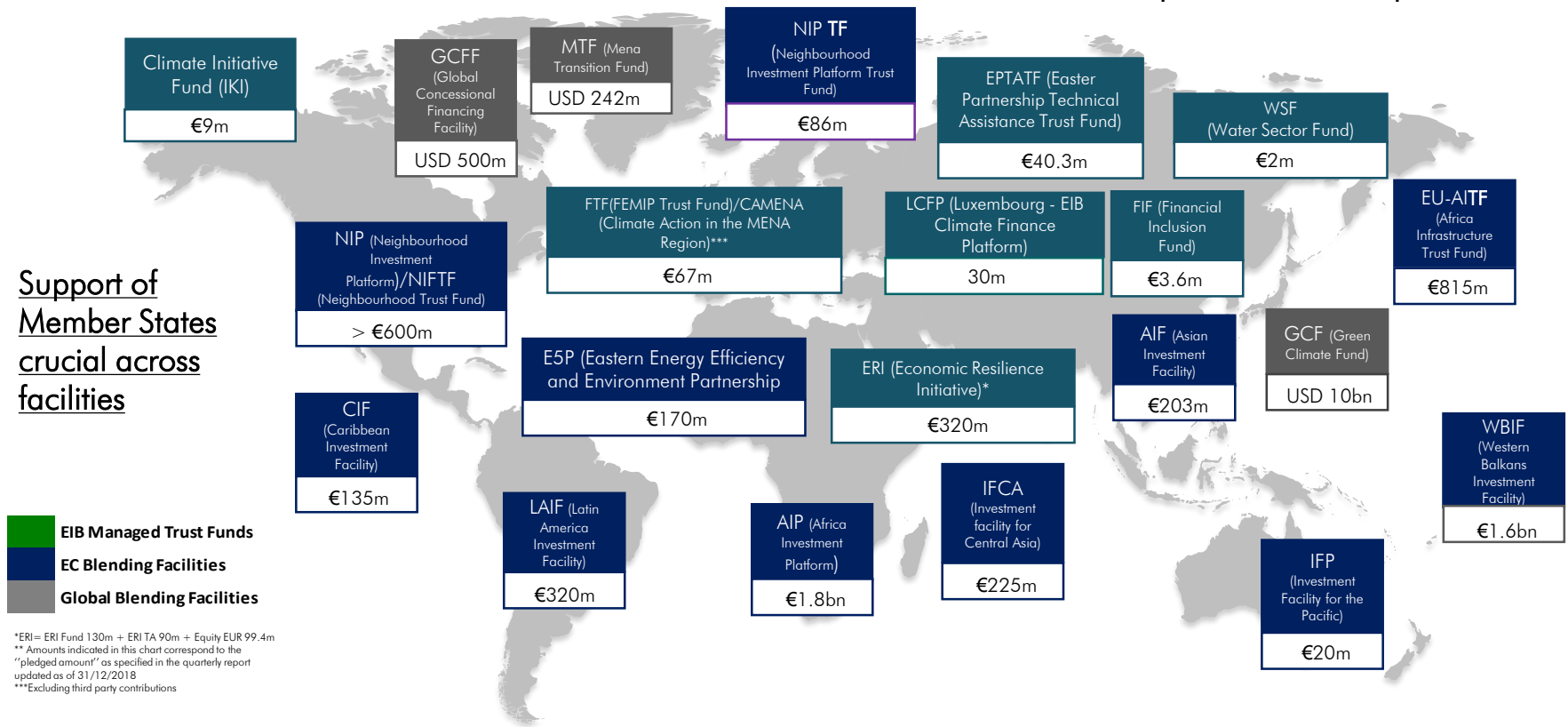
EIB's strategy in development finance is built around the concept of partnership both at policy and project level.

All our mandates, transactions and projects only work with our partners. It is our EU DNA...

# Our track record - Global Blending Resources: > 17bn

Access to a diversified pool of blending resources has become the key value Proposition in development finance.

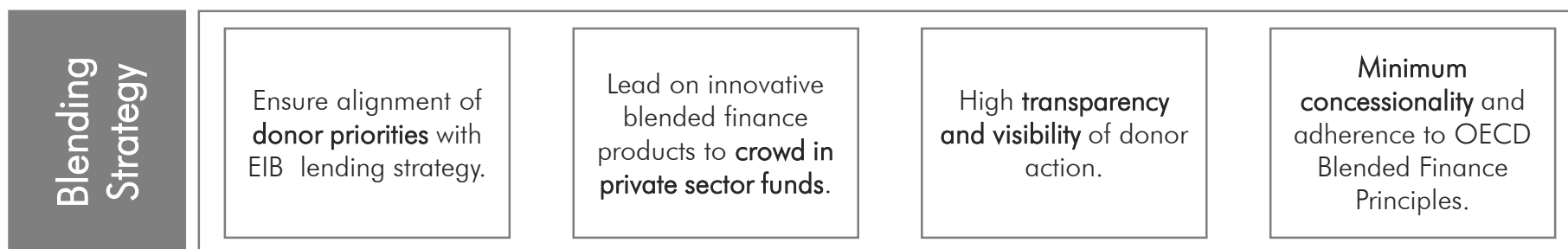
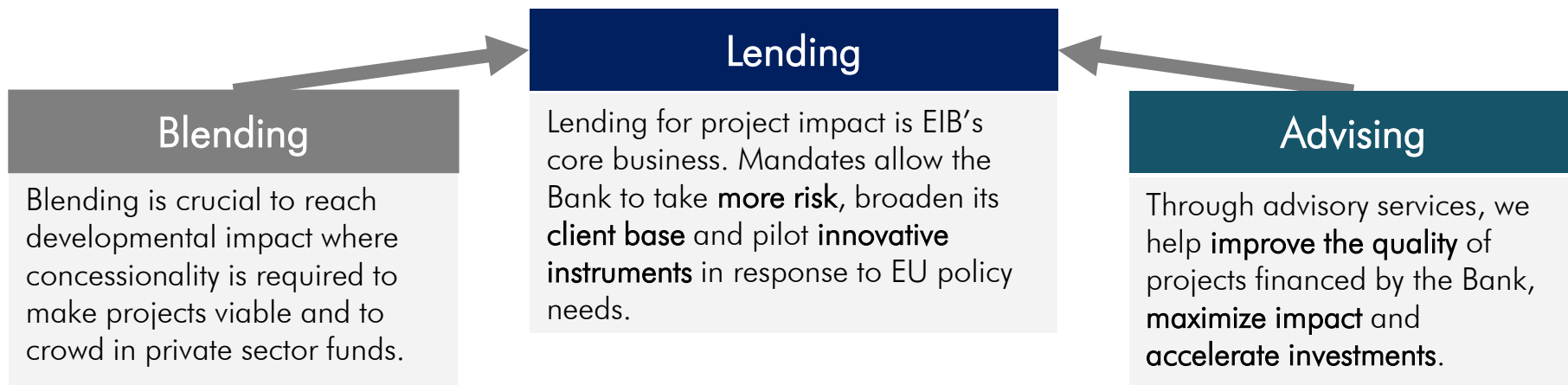
Support of Member States crucial across facilities



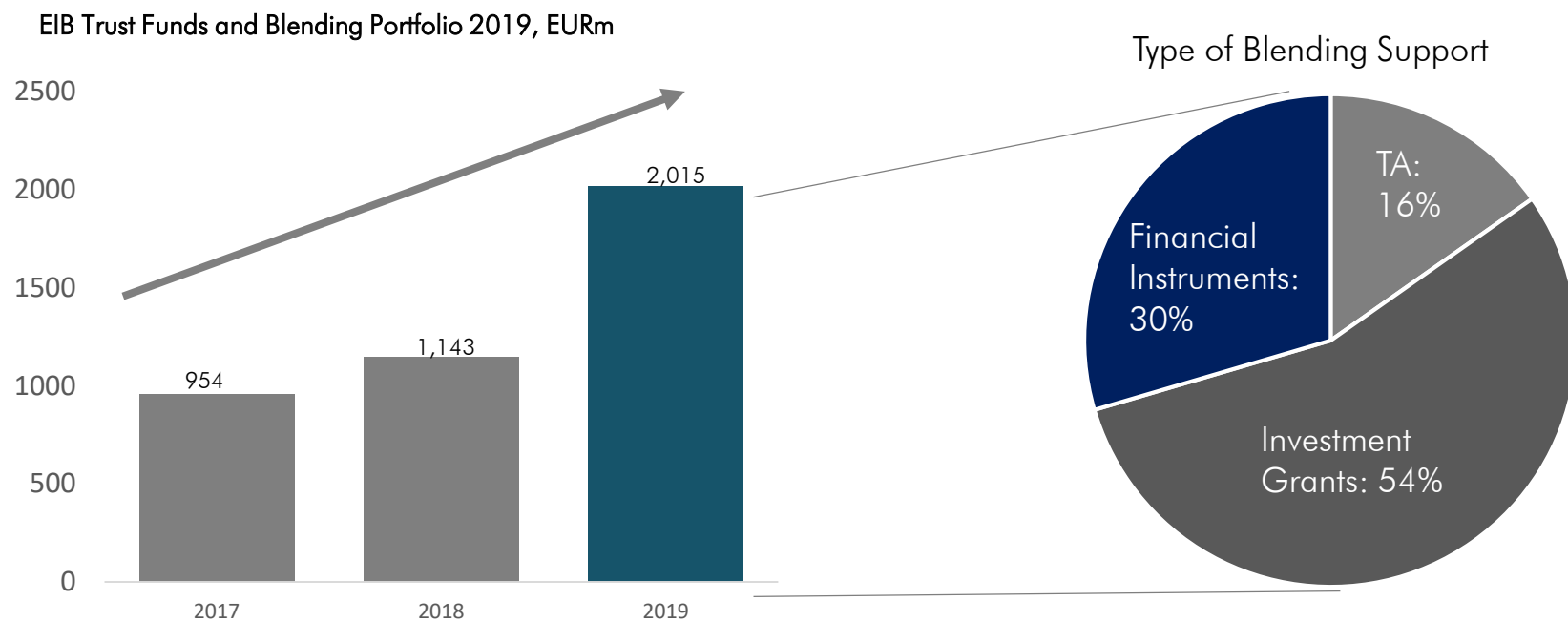
- EIB Managed Trust Funds
- EC Blending Facilities
- Global Blending Facilities

\*ERI= ERI Fund 130m + ERI TA 90m + Equity EUR 99.4m  
 \*\* Amounts indicated in this chart correspond to the "pledged amount" as specified in the quarterly report updated as of 31/12/2018  
 \*\*\*Excluding third party contributions

# Key pillars of EIB Blending Strategy



# Blending Track Record



Trust Funds and Blending at EIB is a growing business. The **overall blending portfolio of over EUR 1bn makes EIB one of the largest blending institutions in the world.** In 2019 the Bank expects some additional EUR 1bn of new concessional funds to be contracted.

# Working together to achieve impact

Donor support enables us to do more and better

1 Blending with donor resources allows the Bank to operate in challenging environments

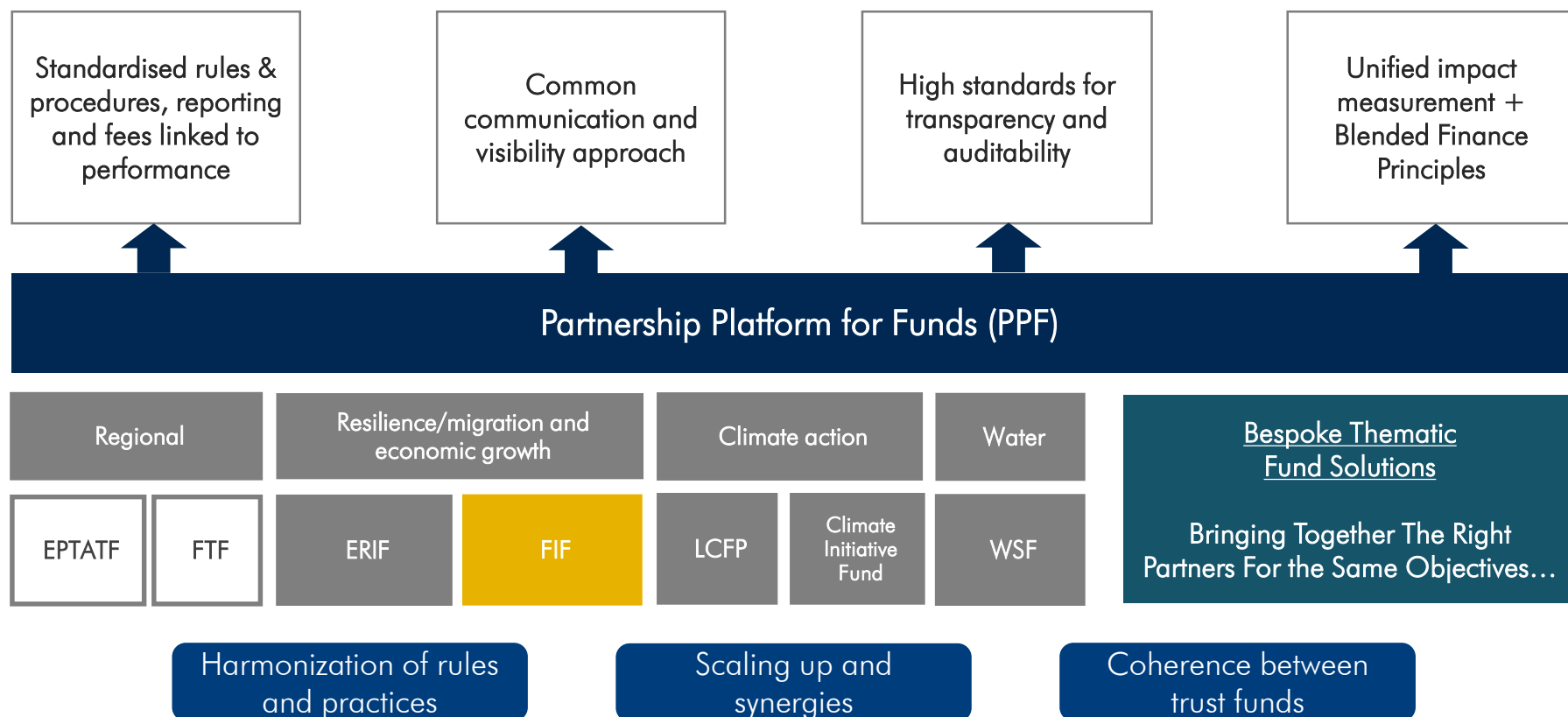
2 The SDGs will only be achievable if we, the financial community, scale up resources and multiply impact through a combination of grant financing and private sector investment

3 Donor grants support investments hindered by market failures, like climate or gender inclusion, and help raise the awareness of promoters

4 Countries will be assisted to develop their own strategies for sustainable development, for economic resilience, inclusiveness and low-carbon growth and to prepare the projects

5 Donor-supported mandates make a significant value contribution in terms of financial innovation, with a clear focus on crowding in of the private sector

# Fund management: EIB Partnership Platform for Funds



# Ongoing Fund Raising Activities

## ECONOMIC RESILIENCE INITIATIVE FUND

Immediate Funding needs:  
EUR 150m, in particular  
Microfinance

## GAZA CENTRAL DESALINATION PLANT

Immediate Funding needs:  
EUR 380m

## EPTATF

Immediate Funding needs:  
EUR 40m

## CONTROL MALARIA FUND

Immediate Funding needs:  
EUR 240m

## CLIMATE INITIATIVE FUND

Immediate Funding needs:  
EUR 50m

## LUXEMBOURG CLIMATE FINANCE INITIATIVE

Immediate Funding needs:  
EUR 30m

We are contacting Member States and Donors already and in the near future to discuss these initiatives...



## EIB Donor Partnerships Q&A

**Jesper Persson**, Head of Division - Trust Funds & Blending, EIB

# Thank You!

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