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MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

Clients at the Center:

From Impact Measurement to Management

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Contents

- EIF and its role
- Microfinance at EIF
- Social performance measurement and management



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European Investment Fund



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What we do?

“ We provide risk financing to stimulate entrepreneurship and innovation in Europe ”



Making
finance more
accessible and
helping SMEs to
innovate and
grow

Offering
a large array of
targeted products
to support SMES
ranging from venture
capital to guarantees
and microfinance to
SMEs

Working
with financial
intermediaries
across the **EU-28**
EFTA countries,
candidate &
potential candidate
countries

Supporting
the market in a
countercyclical
way



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A few facts about us

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



Shareholders

62.1% European investment Bank (EIB),
30% European Commission (EC),
7,9% 25 public & private financial institutions (FIs)

Assets under management

of over **EUR 13bn**,
mobilising
EUR 79bn with other
market players

AAA-rated

by three major
rating agencies

Capital increase to **EUR 4.5bn**

ensuring strong
capital base



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Microfinance at EIF



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Micro-enterprises are key to European economy

“By supporting micro-enterprises we promote job creation, entrepreneurship and social inclusion,”



OPEN

Improving

the availability of finance for micro-entrepreneurs, the self-employed and vulnerable social groups who often lack access to the commercial credit market

Providing

financial (equity and guarantees) and non financial (Technical Assistance) instruments to increase microfinance institutions' funding capacity & sustainability

Committing

to the EU 2020 objectives of smart, sustainable and inclusive growth



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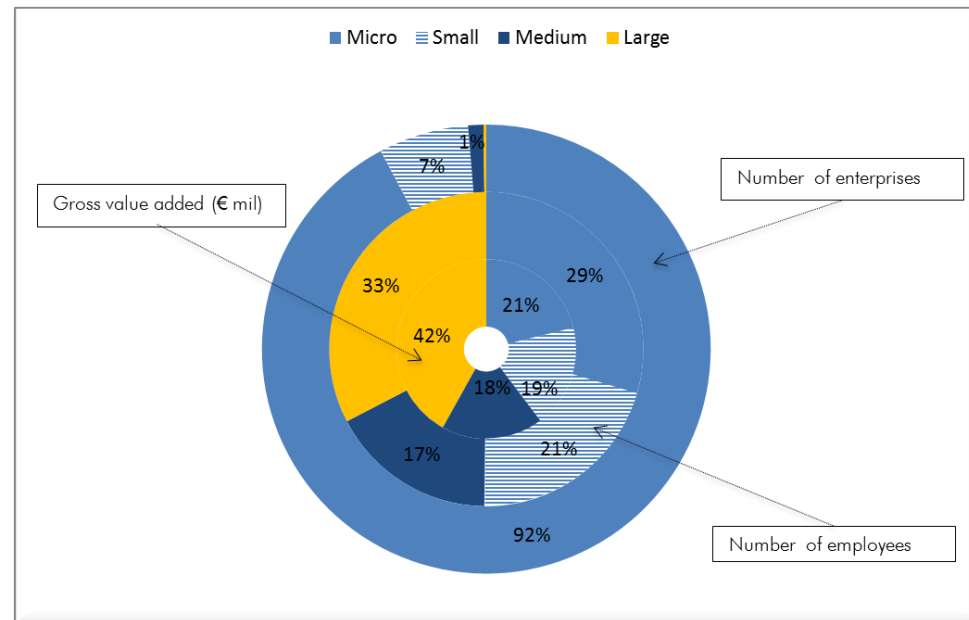
Some figures

- 92% of enterprises in the EU are micro-enterprises
- 99% of the start-ups created in the EU every year are micro-enterprises and small enterprises
- 33% of these start-ups are launched by unemployed persons

This means:

- ✓ Microfinance is an important market segment and has a social as well as financial component (“growth creating engine”)

Remember our starting point:





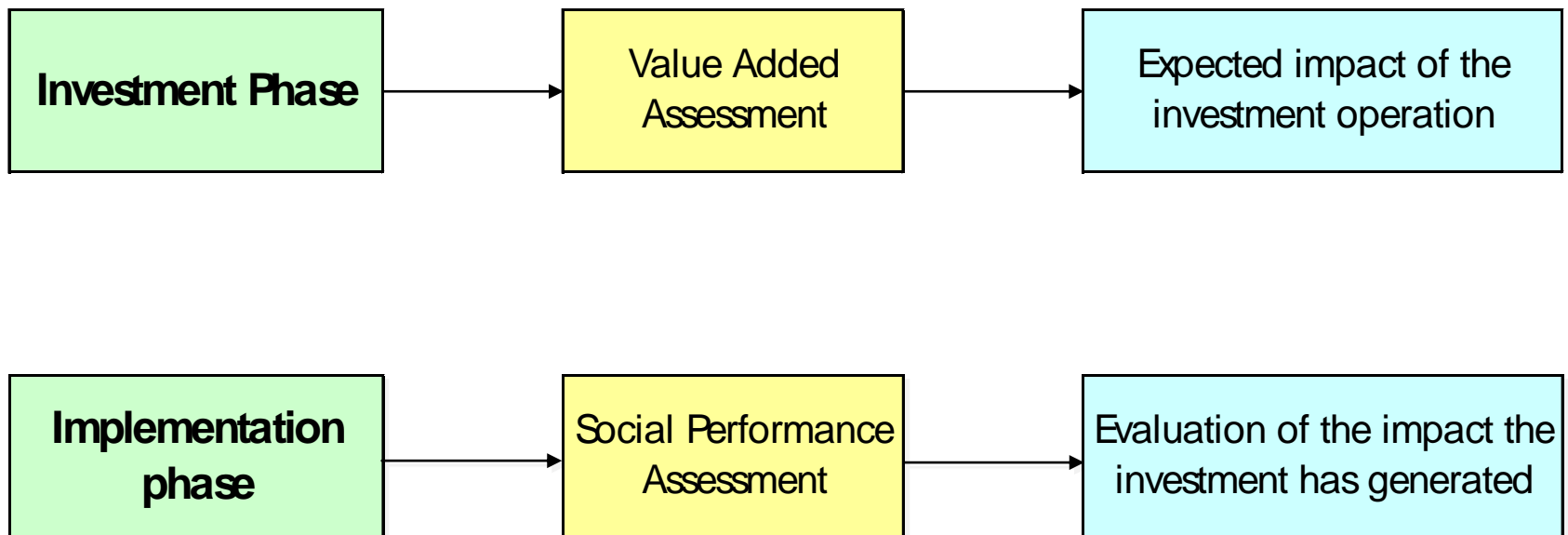
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Social performance measurement and management



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Social performance of Microfinance Investments at EIF





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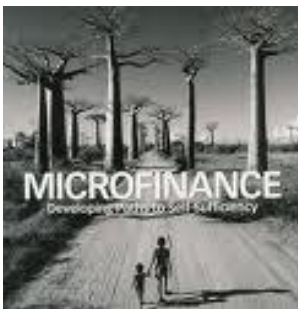
Value Added Assessment at EIF

At Market Level



- Impact on the local market
 - ✓ High unemployment rate
 - ✓ High % of people at risk of poverty
- Impact on access to finance
 - ✓ Lack of alternative sources of finance
 - ✓ High microloans rejection rates

At MFI Level



- Capacity building
 - ✓ Opportunity for reaching self-sustainability
 - ✓ Opportunity for improving lending process
- Educational effect
 - ✓ Opportunity for best practices
 - ✓ Enhancing data collection on disadvantaged groups
- Signalling role
 - ✓ Increasing awareness of MFIs' role
 - ✓ Attracting new investments in the sector



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Social Performance Assessment at EIF



■ Evaluation

- At borrower level
- At MFI level
- At Market level



■ Methodology

- Setting social objectives
- Monitoring and assessing progress
- Using information to improve performance



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SPTF Universal Standards for SOCIAL PERFORMANCE

- Governance and Staff Commitment to Social Goals
- Client Protection
- Products and Services that Meet Client Needs
- Social Responsibility to Staff
- Client Monitoring
- Responsible Financial Performance

Each Agreement under EIF Microfinance has the following clause

27.8 Client Protection Principles

In originating the Micro-Transactions, the Financial Intermediary shall comply with its credit policies and the principle of responsible lending and in particular the Client Protection Principles and thereby avoid, in particular, over-indebtedness of any Final Beneficiary.

Client Protection Principles means the principles adopted by the Consultative Group to Assist the Poor (CGAP), as amended from time to time

Meet Client Needs

Agreements under EIF Microfinance support

- Micro-loans up to EUR 25k
- Micro-leases up to EUR 25k

Each Agreement under EIF Microfinance requires

- The offer of training/mentoring services
- Fair market pricing



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Client Monitoring

EPMF – European Progress Microfinance Facility

Self-employed Ex-ante	Micro –enterprise Ex-ante
Gender	Total Employees
Employment status	Total Male
Educational background	Total Female
Age	Total <25
Specific Group	Total 25-54
Country	Total ≥55
Region	Total Minority
	Total Disabled

Evidence of effective outreach

- 37% female micro-borrowers;
- 52% unemployed or inactive;
- 15% in youth or senior age bracket
- 58% start-ups
- close to 20% minorities among top-3 intermediaries



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Client Monitoring

EaSI* – Programme for Employment and Social Innovation

Self-employed		Micro -enterprise	
Ex-ante	Ex-post	Ex-ante	Ex-post
Gender	-	n. of female employees	n. of female employees
Age	-	n. of male employees	n. of male employees
Employment status	Employment status	employment status of the funder/business owner	-
Educational background	-	Educational background of the funder/business owner	-
Specific Group	-	Training/mentoring offered	-
Length of job searching	-	n. of loans requested in the last 12m	-
Length of unemployment	-	n. of loans rejected in the last 12m	-
Training/mentoring offered	-	Company turnover	Company turnover
n. of loans requested in the last 12m	-		
n. of loans rejected in the last 12m	-		
Main source of income	Main source of income		
Annual net salary	Annual net salary		

* These indicators are indicatively only



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Conclusions

- Microfinance is crucial for the development of a cohesive and inclusive Europe
- The Focus has to be on the Clients
- Social performance measurement and management can (and should) always be improved