

Innovative European Platform for Microfinance and Social Enterprises

1 – Framework

- ✓ Everywhere in Europe, **unresolved social issues are becoming crucial**: employment, migration crisis, housing, mobility, environment, etc. Increasing poverty is a problem in itself with almost 20% of the European population at risk of falling into precarity.
- ✓ For almost 30 years, **microfinance has developed in our continent**. Inspired by the experience of Grameen Bank and its many replications in Africa, Asia and South-America, it became a major tool for financial inclusion in line with several European and national public policies.
- ✓ According to the latest sector survey conducted by the two European networks, EMN and MFC¹, **close to 1 million borrowers, mainly people in highly precarious situations, have benefited from the support of the 159 European Microfinance Institutions (MFIs) that have been surveyed**. This figure is in constant growth and the corresponding portfolio is now close to € 3 bn.
- ✓ A number of investors, public and private, have contributed to this development, but the unserved needs remain many, notably from the smaller actors in the field, who are usually not prepared to face the requirements of traditional investors (complexity of due-diligences, reporting detail, etc.). **The need of small individual amounts is often an obstacle to accessing finance**, while taken together, these small amounts add up to very important volumes and lead to very strong social impact.

2 – The ImpaktEU Concept

- ✓ **ImpaktEU intends to be a European Platform** to bridge the gap between the needs of public and private investors interested in the microfinance and social enterprise sector and the ones of field practitioners in need of financial and non-financial support to serve the demand of final beneficiaries.
- ✓ **ImpaktEU wishes to innovate with a new form of access to public and private finance** as a delegated manager (implementing partner) for funds of the EU budget for the microfinance and social enterprise sector (from the € 4 bn. foreseen for the social sector within the EU Investment programme 2021-2027) and **leveraging other public and private resources**: Investment funds, banks, impact investors...
- ✓ **A diversified financial and non-financial offer will be best adapted to the needs of Financial Social Enterprises (FSEs) and MFIs** thanks to a professional team responsible for

¹ European Microfinance Network (www.european-microfinance.org) and the Microfinance Center (www.mfc.org.pl)



dealing with requests, completing investment proposals and accompanying developments, all with simple and adapted processes.

- ✓ **ImpaktEU will prioritise a maximum social impact on the ground and foster a strong complementarity** between public and private investors on the basis of public guarantees (and first tranche loss) to limit the risks of other public and private investors.

3 – The ImpaktEU scope

- ✓ **FSEs and MFIs** active in the European Union and candidate countries.
- ✓ **Focus on smaller organisations with high potential**, including social start-ups with little capacity to deliver on the usual requirements of institutional investors. Target size of portfolios would average between € 2 and 15 M and of staff between 5 and 20.
- ✓ **Attention will be paid to the social performance of these organisations as well as on measuring the social impact in the field.** The objectives of the project remain job creation and financial inclusion.
- ✓ **A diversified financial offer:** own funds or capital, quasi-own funds, « titres participatifs », convertible debt, subordinated and senior debt, portfolio guarantee, subsidies and grants (all available in a one stop-shop).
- ✓ **Business development services and technical assistance will be a pillar of ImpaktEU services** thanks to a dedicated team with knowledge and experience of the sector.

State of play on 25 October 2018

- ✓ **The ImpaktEU project is promoted by the European Microfinance Network (EMN)** whose members are the main microfinance practitioners in Europe.
- ✓ **The European Commission has shown its clear interest for the project** (DG EMPL et DG ECFIN). In the framework of the preparation of the next multiannual financial perspective and its Investment plan for the EU, the support to the sector will follow up on the success of previous programmes (Progress (2010-2013) and EaSI(2014-2020)). **The EIB Group (EIB and EIF)** will also be associated to the project.
- ✓ **A prerequisite to the start of ImpaktEU is its eligibility as « Implementing Partner »** of the Commission in the framework of InvestEU, the Investment programme of the EU post-2020. ImpaktEU would rely on the expertise and experience of existing fund management companies active in the microfinance and social enterprises sector. Such a fund, Helenos, may be considered as a pilot in this area.
- ✓ **The following steps are identified as follows:**
 - ➔ **Concept validation** (November 2018 - February 2019) by beneficiaries, the Commission, EIB Group and other potential investors.
 - ➔ **Business-Model, legal aspects and compliance** (February 2019 - May 2019)
 - ➔ **Feasibility study completed** (with business plan and legal aspects) June 2019.



- ➔ **Contractual negotiations with the Commission** (June 2019 - June 2020) of which « Six Pillars Assessment » to become Implementing Partner.
- ➔ **Contacts with potential other public and private investors** (June 2019 - June 2020) and identification of their interest and the size of funds to raise.
- ➔ Establishment of the legal entity and its governance contracts (end 2020)
- ➔ **Recruitment of the team and operational start planned for 1st January 2021.**

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