



*“It is always EaSler said than done”*

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Technical workshop on the new EaSI guarantee  
Brussels on 21 April 2015

# Old EPMF G:tee – Basic product features

- Cover of debt financing to micro-borrowers (EU definition)
- Guarantee (Counter-...) of a portfolio of micro-loans (Delegation principle)
- Free of charge (but application of commitment fees)
- Availability Period (so far 2 – 3 years)
- Guarantee Rate (so far up to 75%)
- Guarantee Cap Rate (so far up to 20%)
- Ex-ante Recovery Rate
- Target Volume vs Actual Volume
- Loss cover = Defaulted Amount  $\times$  (1 – Ex-ante Recovery Rate)  $\times$  Guarantee Rate
- Max loss cover = Target Volume  $\times$  Guarantee Rate  $\times$  Guarantee Cap Rate



# New EaSI G:tee – What features are new?

- ❑ Increased Guarantee Rate (from maximum 75% to 80%)
- ❑ Increased Cap Rate (from maximum 20% to 30%)
- ❑  $1 / (\text{Guarantee Rate} \times \text{Cap Rate})$  subject to minimum leverage of 5.5
- ❑ Borderline combinations for GR x CP (60.6% x 30.0% or 80% x 22.7%)
- ❑ Extended Availability Period (from 24/36 months to up to 60 months)
- ❑ Retroactive guarantee coverage (6 months)
- ❑ Guarantee coverage also for overdraft line of credits (revolving facilities)
- ❑ Regulatory capital relief (unconditional guarantee)
- ❑ Microloans up to 25 k (rather than below 25 k as under EPMF)
- ❑ More clarity as to state aid status of EaSI Guarantee (compared to EPMF)



# EaSI Guarantee – What features are new ...?

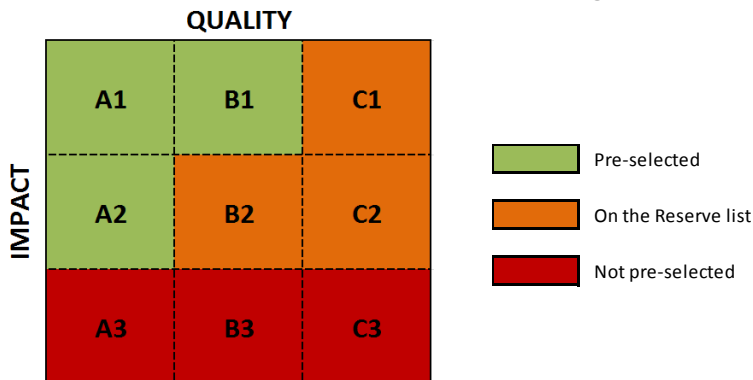


- European Code of Good Conduct for Microcredit Provision
  - Potentially penalty fee after grace period
  - Indicatively EUR 10,000 for a notional cap amount of EUR 1 m
  - As comparison, maximum commitment fee would be around 30,000 for a notional cap amount of EUR 1 m
  
- Mentoring services
  - Directly or indirectly offer basic forms of mentoring
  
- Impact reporting (replaces social reporting)
  - Ex-ante (individual data also for enterprises, additional fields)
  - Ex-post (additional fields and follow-up in 2016, 2018, 2020 and 2023)



# EaSI Guarantee – Open Call

- Published on EIF’s website
- Unless terminated earlier, open until September 2023
- Description of selection process will be outlined in the Call documentation
- Assessment of applications (English language) on a “first-come, first-assessed basis”
- EIF will perform desk due diligence and on-site due diligence



# EaSI Guarantee – Quality score criteria

- Financial standing
- Operational capability (e.g. assess and manage risks)
- Ability to provide data on track-record
- Origination capability (can agreed portfolio volume be reached?)
- Ability to comply with the Code once signed up (e.g. based upon self-assessment)
- Ability to provide or sub-contract mentoring services
- Ability to enhance access to finance



# EaSI Guarantee – Impact score criteria

- Outreach to at-risk groups (unemployed, minority groups, etc.)
- Expected enhanced access to finance (new financing volumes, improved loan terms, etc.)
- Expected impact on the promotion of equality between women and men
- Expected impact on the promotion of a high level of quality and sustainable employment, fight against unemployment and against poverty, social exclusion and discrimination



# EaSI Guarantee – Application requirements?

- Description of Financial Intermediary
  - General background information
  - State aid compliance
  - Loan products
  - Area of operations
  - Distribution channels
  - Mentoring
  
- Financial standing
  - Annual reports (last 3 years)
  - Asset-Liability structure
  - Reliance on grants
  
- Operating principles
  - Credit policy
  - Monitoring and recovery procedures
  - Risk management





# EaSI Guarantee – Application requirements..?



- Loan volumes
  - Outstanding loan book (# and volume)
  - Annual trend in loan volumes (# and volume)
  
- Loan pricing
  - Pricing policy
  - Pricing elements (cost of funding, operational costs, risk margin, etc.)
  
- IT system architecture
  - Ability to comply with reporting requirements



# EaSI Guarantee – Application requirements..?



- Credit Risk Track-record (3 – 5 years)
  - Cumulative defaults
  - Cumulative net losses
  - Vintage analysis (or dynamic data)
  - Estimated credit risk profile for EaSI portfolio (with a margin)
  
- Proposed product to be covered by EaSI guarantee
  - New or existing
  - Additionality (loan pricing, collateral, maturities, target borrowers)
  - Volumes (and #) over assumed Availability Period
  - Strategy for marketing and promotion of EU support



# EaSI Guarantee – Next steps

- Mandate signature
  - End May?
  
- Launch of Call for Expression of Interest
  - End May?
  
- Pre-selections
  - July onwards
  
- Transaction approvals
  - July onwards
  - Chief Executive (< EUR 3 m Cap) or Board approval
  
- Signatures
  - September onwards
  - +EUR 20 m of signatures in 2015...



# Thank you!



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