

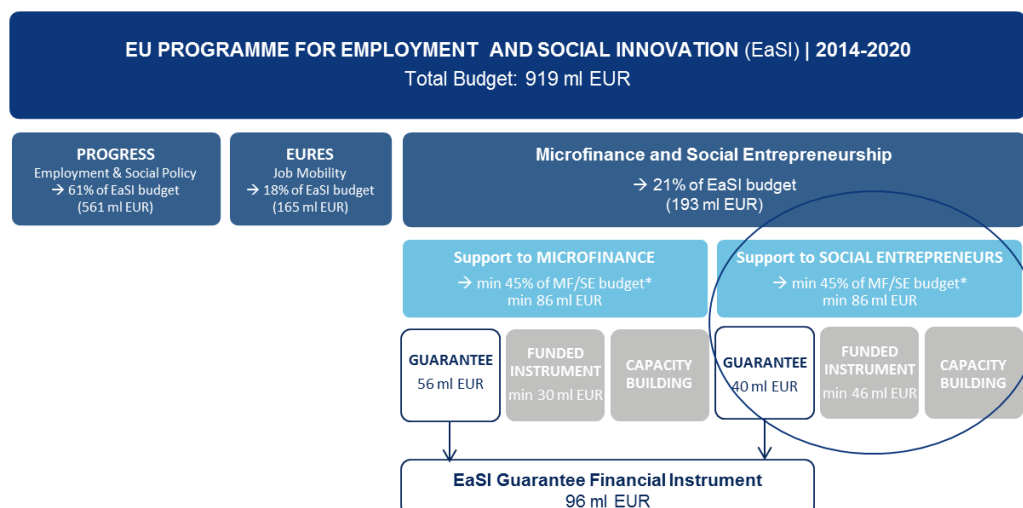
# EU INDEX CARD

## Financial Instrument to Support Social Enterprises (under EaSI)

### SBI Key Action # 3

#### What is it?

Microfinance and Social Entrepreneurship (MF/SE) is one of the 3 axes of the **European Programme for Employment and Social Innovation (EaSI, 2014–2020)** aiming at increasing the availability of microfinance for vulnerable groups and micro-enterprises, as well as supporting the development of social enterprises, in particular by facilitating their access to finance.



<sup>1</sup> MF/SE funding will be evenly spread between MF and SE, with a minimum of 45% going to each. Cross-cutting projects will account for up to 10%.

Source: COM, EIF (EVPA adaptation)

Under this Programme, 40 ml EUR are made available for social enterprises through the **EaSI Guarantee Financial Instrument**. Financed with the budget on the European Union, this Instrument is issued and managed by the **European Investment Fund (EIF)**<sup>3</sup> on behalf of the European Commission. While the EIF does not provide direct financial support social enterprises, it offers guarantees and counter-guarantees to financial intermediaries which in turn make equity, quasi-equity, loan instruments and grants available to social enterprises encountering difficulties in accessing the conventional credit market.

#### Regulatory framework



#### Key Resources

- European Commission Proposal for a Regulation of the European Parliament and of the Council on a EU Programme for Social Change and Innovation (COM(2011) 609): [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/sci/sci\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/sci/sci_proposal_en.pdf)
- Regulation No. 1296/2013 as adopted by the European Parliament and the Council on a EU Programme for Employment and Social Innovation ("EaSI"): <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:EN:PDF>
- EIF Website - EaSI Guarantee Financial Instrument: [http://www.eif.org/what\\_we\\_do/micro\\_finance/easi/index.htm](http://www.eif.org/what_we_do/micro_finance/easi/index.htm)  
*The EIF is a specialist provider of risk finance that supports Europe's micro, small and medium sized businesses (SMEs) by improving their access to finance through a wide range of selected financial intermediaries across Europe. The EIF is part of the European Investment Bank Group.*
- Open Call for Expression of Interest to select financial intermediaries under EaSI: [http://www.eif.org/what\\_we\\_do/micro\\_finance/easi/easi-call-for-expression-of-interest/easi-guarantee\\_call-for-expression-of-interest.pdf](http://www.eif.org/what_we_do/micro_finance/easi/easi-call-for-expression-of-interest/easi-guarantee_call-for-expression-of-interest.pdf)

*The Open Call for Expression of Interest was launched by the EIF in June 2015 to select eligible financial intermediaries under the EaSI Guarantee Financial Instrument. The Call related to the Social Entrepreneurship Guarantee is composed of the Applicant Identification Form and a list of Minimum Information Requirements (Annex I); and the Indicative Term Sheet outlining the terms and conditions specific for the EaSI Social Entrepreneurship Guarantee (Annex III).*

European Commission Website - EU Programme for Employment and Social Innovation (EaSI): <http://ec.europa.eu/social/main.jsp?catId=1081&langId=en>

EVPA's News "A New European Guarantee to Support Social Enterprises!" (01/07/2015): <http://evpa.eu.com/news/a-new-european-guarantee-to-support-social-enterprises/>

EVPA | EU Webinar #4 | "How can VP/SI practitioners access EU funding" | 17 June 2015: <http://evpa.eu.com/research-and-policy/policy/eu/eu-webinar-series/>

## In practice

### Who is eligible?

The **Open Call for Expression of Interest<sup>4</sup>** ([Annex III](#)) explains in detail the requirements for financial intermediaries to apply for the EaSI Guarantee Financial Instrument (for the support of social enterprises, also called “*final recipients*”):

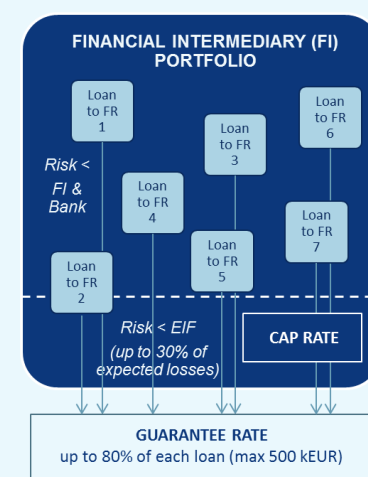
<b>Financial Intermediary (FI)</b> p.10	<ul style="list-style-type: none"> <li>Financial institutions, guarantee institutions, foundations, family offices, social investment funds or any other institutions duly authorised to provide loans/ guarantees or risk-sharing structures</li> <li>Established and operating in one or more participating country(ies) (EU 28, EFTA Countries, Accessing and Candidate Countries)</li> </ul>
<b>Final Recipient Transaction</b> p.11	<ul style="list-style-type: none"> <li>Loan up to 500 000 EUR</li> <li>Financial support for the purpose of setting up or developing a social enterprise</li> <li>Minimum contractual maturity of three months</li> </ul>
<b>Final Recipient (FR)</b> p.12	<ul style="list-style-type: none"> <li>Social enterprises, with either:           <ul style="list-style-type: none"> <li>– an annual turnover not exceeding 30 ml EUR, or</li> <li>– an annual balance sheet total not exceeding 30 ml EUR</li> </ul> </li> <li>Which are not themselves a collective investment undertaking</li> <li>Established and operating in one or more participating country(ies)</li> </ul>

### How does it work?

The EaSI Guarantee Financial Instrument investing cycle comprises the following steps:

<b>1. Application Process</b>	<ul style="list-style-type: none"> <li>Application (in EN) to be submitted by email to the EIF (EaSI@eif.org)</li> <li>Deadline: 30/09/2023</li> <li>2 parts: Applicant Identification Form + Minimum Information Requirements</li> </ul>
<b>2. Pre-Selection</b>	<ul style="list-style-type: none"> <li>Applications will be assessed by the EIF on a “<i>first come, first served</i>” basis.</li> <li>The EIF shall assess:           <ul style="list-style-type: none"> <li>– the application <u>compliance</u> with all formal criteria;</li> <li>– the quality of the application content (<u>quality</u> score);</li> <li>– the expected impact of the application (<u>impact</u> score)</li> </ul> </li> <li>The quality and impact scores combined will determine the “<i>pre-selected</i>” applicants that will be advanced to the due diligence phase</li> </ul>
<b>3. Due Diligence</b>	<ul style="list-style-type: none"> <li>One or two days visit to the applicant's Head Office</li> <li>Mainly to check the origination potential and to assess the feasibility of the business plan and/or investment strategy</li> <li>Intended to determine the cap rate through the analysis of the vintage tables</li> </ul>
<b>4. Final Selection</b>	<ul style="list-style-type: none"> <li>A satisfactory score of the due diligence will determine the “<i>selected</i>” applicants</li> <li>The EIF is the authorised body for final approval (COM can veto)</li> <li>Each year the EIF shall publish a list of FIs and FRs supported by the EaSI Guarantee Financial Instrument on its website</li> </ul>
<b>5. Contract Signing</b>	<ul style="list-style-type: none"> <li>The selected Financial Intermediaries enter into an EaSI Guarantee Agreement with the EIF</li> </ul>
<b>6. Monitoring and Follow-up</b>	<ul style="list-style-type: none"> <li>Visibility requirements</li> <li>Semi-annual portfolio reporting (including social aspects) and quarterly financial reporting (incl. compliance with financial covenants)</li> <li>Potential monitoring visits by EIF, COM, ECA</li> </ul>

The EaSI Guarantee Financial Instrument is a **partial first loss portfolio capped guarantee** providing credit risk coverage on a loan by loan basis, for the creation of a portfolio of new loans to Final Recipients (FRs) by a Financial Intermediary (FI). It can also be structured as a counter-guarantee.



#### ➤ Guarantee rate up to 80%

For each defaulting loan of the FI's portfolio, up to 80 % of the loss can be covered by the EIF.

#### ➤ Cap rate up to 30%, based on expected losses and provided that a 5.5 leverage is reached

The cap rate shall be determined by the EIF during the due diligence phase and shall reflect EIF's estimation of the expected losses of the entire portfolio to be covered.

#### ➤ Free of charge

No guarantee premium is to be applied to the FI and all benefits are to be transferred to the FR (e.g. reduced interest rates or collateral requirements).

## Contact

Should you have any question about EaSI and the Guarantee Financial Instrument, please contact **Elinor de Pret** ([edepret@evpa.eu.com](mailto:edepret@evpa.eu.com)) or **Lisa Hehenberger** ([lhehenberger@evpa.eu.com](mailto:lhehenberger@evpa.eu.com)) at EVPA