

INVESTING IN CLIMATE-NEUTRALITY AND SOCIAL INCLUSION

EIF and its targeted social impact financing programmes in the context of the Green Deal



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INTERVIEW

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1. Which are, in your perspective, the key-elements leading the SMEs and entrepreneurs to a successful just transition towards climate-neutrality?

Today, we are facing two major emergencies: climate change and the COVID-19 health crisis. The response to such emergencies needs to work in harmony with existing EU agendas, including socially inclusive economic growth, youth unemployment, gender equality and education, to name just a few dimensions, that collectively strive to create a balanced society. In fact, it is not a coincidence that the European Commission's plan encompasses three pillars of priority: **build a green, digital and inclusive society**.

No matter how fast we have to move, we need to ensure **inclusiveness**. It is essential to develop instruments that allow everyone to participate in the transition and lift the barriers for existing and prospective entrepreneurs who wish to develop activities which can contribute to this threefold goal. Concretely, from our perspective, this means facilitating access to finance for both established as well as nascent entrepreneurs and businesses by developing tailored financial products and solutions that help develop self-sustainable finance ecosystems.

Ensuring a lean and easy access to such tools requires also an extensive and **targeted communication** from all stakeholders involved, to make sure that messages reach the right audience and awareness at all level is therefore created.

And finally, we need to equip intermediaries and companies with the **right skills** to adapt to the evolving market in an agile way, and in doing so connect financial and non-financial support.



2. From your perspective, what is the role of social enterprises, micro-enterprises and social entrepreneurs in the transition towards a low-carbon economy and how does the EIF support them?

The transition towards a low-carbon and resilient economy is likely to create imbalances, in particular amongst enterprises and their employees operating in stranded sectors. It will require a massive shift in job profiles which needs to be tackled in a proactive way to avoid marginalising those people within our society whose skills do not meet the requirements of the new era. We expect to see the same trend as we transition to a more digitalized economy.

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Micro and social entrepreneurs have already demonstrated the significant role they can play in driving change and hence can be at the core of this transformation process. Social entrepreneurs have proven their ability to find innovative, agile and often prevention-based solutions for societal issues, including

labour market (re-)integration, and can therefore be of strategic importance in the transition towards a green economy. Micro-enterprises will remain the backbone of the European economy and will therefore be key not only for job preservation but also to drive the transition on the ground.



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In our portfolio, we have examples of enterprises that have already embraced this mindset shift and are ahead of the curve. Therefore, our role will be to catalyse, through our market support, a mass-movement among entrepreneurs towards a more sustainable economy.

Regarding the (indirect) support we offer to micro and social entrepreneurs, the EIF has a longstanding commitment to the sector. With the support of the EC, the EIB and other partner institutions, we have increased the scale of our activity from a EUR 25m pilot some 10 years ago, to more than EUR 1.3bn of resources dedicated to social impact finance and human capital today.



Thanks to three flagship programmes, EaSI (and its predecessor EPMF), EFSI and SIA, we have entered into commitments with financial intermediaries for an amount of some **EUR 860m** to date, **leveraging close to EUR 3bn of financing downstream, supporting more than 140,000 companies.**

Our product offering entails an interesting mix. Our portfolio guarantees incentivise intermediaries' lending to micro, social enterprises and enterprises investing in skills and education by providing a partial credit risk protection. Our equity investments provide risk capital from the very early stage to late development and growth stage of the companies. We also provide senior and subordinated loans to bridge the liquidity gap faced by intermediaries. Furthermore, we are piloting capacity building-focused investments, to build up and reinforce the institutional capacity of intermediaries, as well as payment-by-results/social impact bonds investment schemes.

The anticipated second generation of financial instruments needs to take into account the scale and the diversity of the social impact ecosystem today, alongside the new challenges ahead in the green, digital and human capital fields.

Over the last 10 years, this first generation of instruments has proved successful in creating and reinforcing key elements of the market infrastructure and, in doing so, has helped build a conducive environment for micro and social entrepreneurs. The anticipated second generation of financial instruments needs to take into account the scale and the diversity of the social impact ecosystem today, alongside the new challenges

ahead in the green, digital and human capital fields. This will be crucial to the design of EU policy instruments going forward.

The Action Plan for Social Economy and the Social Investment & Skills Window under InvestEU represent an unprecedented opportunity to step up our collective efforts in this space and magnify the impact both at ecosystem level, as well as at entrepreneurial level.



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3. Which are the current financial instruments managed by the EIF for supporting SMEs and entrepreneurs, and for promoting green investment?



The EIB Group has ambitious targets to grow its support for climate action and environmental sustainability and the EIF, as part of the EIB Group, is here to offer financial support aimed at micro entrepreneurs and SMEs. Since inception, we have supported more than 1.5 million small companies, translating into more than 6.8 million jobs. We use financial instruments to address gaps, foster sustainability, share risks, multiply resources and in doing so, improve access to finance. Our approach consists of tailoring the products to the different needs of financial intermediaries, final recipients and market segments, and offering a full-spectrum of support across all stages of company development. This way, we can contribute pro-actively to the development of a European-wide ecosystem across different market segments.

Leveraging on our existing skills, infrastructure and network of partners, **we aim to implement a “green toolbox” under the upcoming InvestEU programme:** guarantees, to de-risk the transition to the green economy, with interventions ranging from the shift towards green energy, to clean, safe and smart mobility, to energy efficiency, to innovation in clean technologies; **investments in climate and environmental solutions through venture capital and private equity funds**, such as environmental-impact funds, funds focussing on clean technology, blue economy, agritech-foodtech, etc.

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Furthermore, we also aim to extend our support **beyond SMEs and invest in projects via clean infrastructure through climate and infrastructure funds**, focusing on clean energy transition, environment and resources, sustainable transport and social infrastructure.

Additionally, in the framework of the EIB Group climate objectives, which entail, among others, unlocking EUR 1 trillion by the end of 2030 in climate action and environmental sustainability, the **EIF aims to increase investments into SMEs that are planning to enhance their environmental and climate footprint.**

Building on the market infrastructure created to date, and taking into account the interests of our mandators to increase available resources towards climate action, **I expect the EIF to play a pivotal role in contributing to the EU Green Deal.**



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4. What are the main challenges/opportunities that you expect in the implementation of financial instruments aimed at supporting the EU green strategy and just transition under the Green Deal framework?

Personally speaking, I believe we will be successful in the implementation of financial instruments if we will apply **the 5 Ps**:

Programme: establish dedicated programmes that bring the right visibility to the topic and ensure the availability of sufficient capital to develop the demand side;

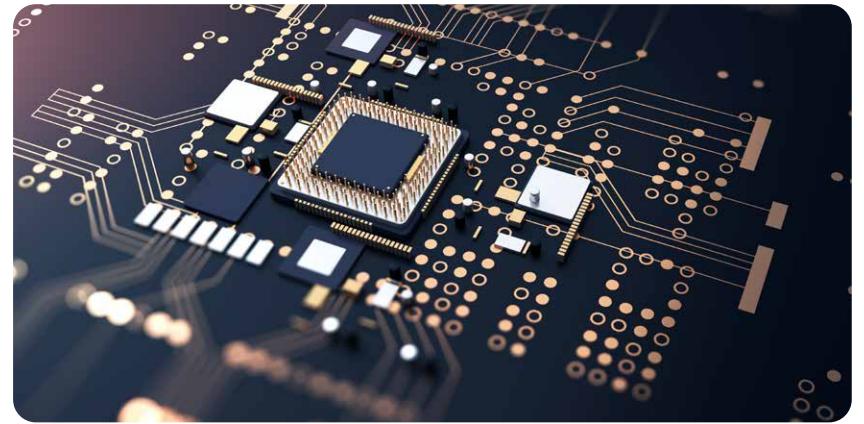
Product: a one-size-fits-all approach won't work. The product offering should be flexible, agile and adapted to the market context in order to equip intermediaries with the capital, skills and competences needed to support their portfolio companies and develop their business models. Cumbersome red tape won't be helpful...

People: specific expertise is key, and in this respect integrating capacity building activities alongside the financial components of the investments will be of utmost importance to enable the transition;

Perception: stakeholders' perception is often biased by lack of awareness. As I mentioned in my first answer, communication will be crucial to achieve the systemic change we are all striving for.

Passion: And...Passion, of course! Without that, all of the above will not deliver the expected results.

Learn more about our activities in the social impact space here:
<http://engage.eif.org/positive-social-impact/cover/>



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