



INAUGURAL STAKEHOLDER MEETING

Peter Quinn

Chairman

BACKGROUND

- ❑ 2004 Report – *In the Common Interest* (& Prior Work)
 - i) Difficulty in Obtaining Loans from Financial Institutions
 - ii) Economic and Social Returns



- ❑ Need for Funding Was Great
- ❑ Budget 2006 and Government Approval July 2006 - Sponsored by Department of Finance (Brian Cowen) and IBF



WHAT FORM HAS IT TAKEN ?

- Foundation – Not-for-Profit Charitable Company – Independent of Government**
- Limited by guarantee – no share capital**
- Initial Seed Funding of €25m provided by Banks – Non-repayable**
- Not to compete with existing social lenders**



TIMELINE

- | | |
|-----------------|--|
| Jul 2006 | Government Approval |
| Jan 2007 | Incorporation, Board Appointed,
Public Launch |
| Mar 2007 | €25m from Banks |
| Jul 2007 | Granted First Loan |
| Apr 2009 | Loan Agreement for €72m over 12 years with Banks |
| Oct 2009 | €17m Approved Loans - €9m Drawn Down |



HOW IT WORKS

**The
Banking
Industry**



**Social
Finance
Foundation**



**Social
Lending
Organisations
(SLOs)**

- Sharing of Bad Debts**
- Zero/Low Rate of Interest**
- Funds on JIT Basis**



**Communities
and
Individuals**



SOCIAL LENDING – RISK SPECTRUM

Bankable

- Low to Medium Risk
- Core banking
- Little recognition

Social Lenders

- Higher risk
- Higher/acceptable bad debts
- Sector expertise

Too Risky

- Unlikely to be repaid
- Not helping sponsors
- Assistance

Economic Conditions Change the Dividing Lines



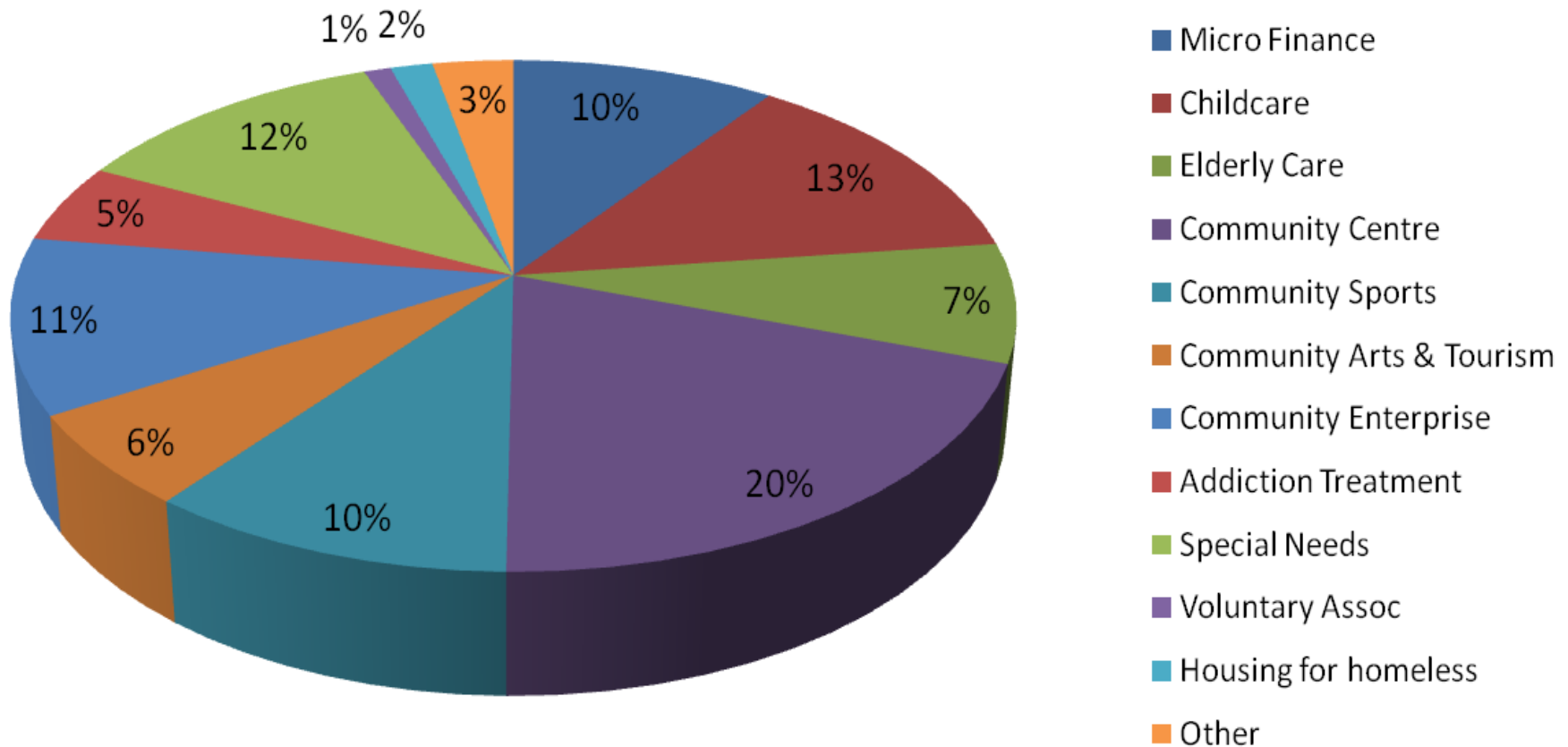
STAKEHOLDERS

- ❑ **SLOs – Distribution Arm**
- ❑ **Dept. of Finance – Sponsor of Initiative**
- ❑ **Irish Banking Federation – Co-ordination with Banks**
- ❑ **Irish Banks – Gift and Loan Funding**
- ❑ **Dept. of An Taoiseach –Towards 2016 Agreement**
- ❑ **C+V Sector – Insight and Knowledge**



Foundation/SLO Lending

Purpose of Loans



€17m

FINANCIAL STRATEGY

- Retain Original €25m as Capital**
- Use the New €72m Bank Loans to Fund the SLOs**
- Earn Interest on the Capital – Sufficient to Defray Expenditure**
- Bad Debts Will Deplete Capital – Slowly !!**
- Foundation on a Sound Financial Footing with Support from Banking Industry**



FINANCIALS – JUNE 2009

Profit & Loss

Income	€978k
Expenditure	€457k
Bad Debt Prov (net)	<u>€511k</u>
Surplus	<u>€10k</u>

Balance Sheet

Loans to SLOs	€ 5.2m
Short Term Deposits	€19.7m
Other	<u>€ 0.2m</u>
	<u>€25.1m</u>
Reserves	<u>€25.1m</u>

Conservative Approach to Bad Debts

Accounts Audited by PWC



CORPORATE GOVERNANCE

- Eighteen Board Meetings since Feb 2007**
- Credit and Audit Committees in Place**
- Assessment of Foundation's Governance against Code of Practice for the Governance of State Bodies**
- Legislative Risk Review to Ensure Compliance**
- Discretionary Expenditure Reviewed Bi-annually, by Chairman**
- Annual Report and Strategy Report to Minister for Finance**



STRATEGIC CHALLENGES – 2008/9

Banks' Donation of €25m - First Funds into Foundation

Would Last Another Two Years Only



Further Affordable Funding Needed

Foundation Needed Financial Sustainability



BANK LENDING

- ❑ Banks Have Social Commitments - in Legislation
- ❑ Loan of €72m (€6m p.a.) Agreed with Banking Sector
- ❑ Very Low Rate of Interest — Passed on to SLOs
- ❑ Drew Down First €6m in Aug 2009
- ❑ Retain €25m as Capital and Earn Income on It

Funds Available for Creditworthy Social Projects



Social Finance Foundation



BANK LENDING



National Irish Bank



ACC BANK

postbank^e

Ulster Bank

BANK OF SCOTLAND
Ireland

Bank of Ireland



IRISH NATIONWIDE

permanent tsb



FUTURE OF THE FOUNDATION

Established and Functioning Well

- What Direction(s) Now?
- What Priorities?
- What Gaps?
- What Impacts Will Recession Have?



ECONOMIC CONDITIONS – LENDING

- ❑ Demand from Micro-Enterprise Sector Increasing
- ❑ Less State Support for Community Projects – More Loan Capital Needed
- ❑ Project Economics More Challenging



- ❑ Need to Be More Rigorous on Credit Quality Whilst Maintaining Main Focus on Social Impact
- ❑ Need to Be Flexible and Responsive e.g. First Step Microfinance



DEMAND FOR SOCIAL FINANCE

- Current Economic Environment – Restricted Lending**
- (Ironically) Foundation Is Well Funded**
- Need to Promote Availability of Social Finance**
- Never Was Need Greater: Unemployment, Cutbacks in Public Spending**
- Working with / Supporting SLOs to Promote Concept**



SCOPE OF SOCIAL FINANCE

Community
Finance

- Clann Credo
- UCIT

Micro-enterprise
Finance

- First Step
- LEDP
- Cavan CEF

Other ??

- Personal
Microfinance
- Other ?



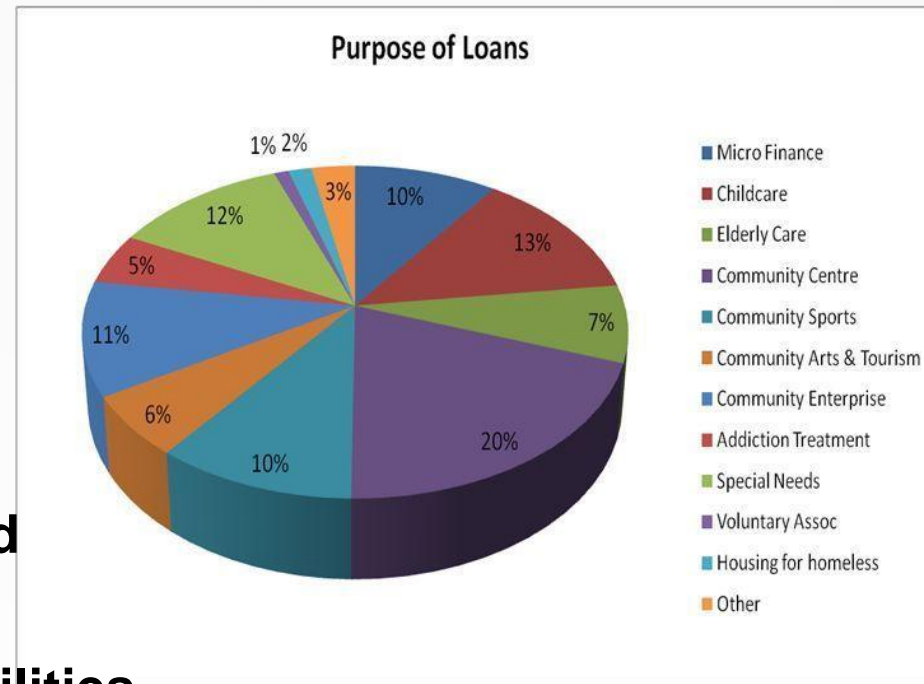
MEASUREMENT OF SOCIAL IMPACT

❑ Focused on Capturing Quantitative Data

❑ At Project Inception and After

❑ Metrics Would Include :-

- No. of jobs created/saved
- No. of childcare places created
- No. of people housed
- No. of people using sports facilities
- No. of people availing of specialised services



FINALLY

- Have Made a Reasonable Start...**
- Important Roles for the Banks, Foundation and SLO's in Enhancing Ireland's Social Infrastructure**
- Board and Management Committed to Success of Social Finance in Ireland**
- All inputs Welcome**





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Chairman

