Experience with microfinance financial instruments under ESF/ ESF+

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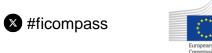






Experience with microfinance financial instruments under ESF/ ESF+

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The Selfiemploymet experience in the 2014-2020 Programming period

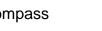
Path to the creation of a national INVEST EU compartment for the social sector within the NP GDL 2021/27







The Selfiemployment experience in the 2014-2020 Programming period







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Selfiemployment Financial instruments



The main features of the Selfiemployment Fund

- Financial instrument established in 2016 by the MLPS according to art. 38, paragraph 1, letter b) of EU Regulation no. 1303/13 and subsequent amendments (i.e. a financial instrument established at national level and managed under the responsibility of the MA) with the aim of providing loans throughout national territory to support the start-up of new small self-employment initiatives.
- The Instrument is implemented under the **"de minimis" regime** according to Reg. (EU) 1407/2013 and is aimed at NEET, INACTIVE WOMEN and LONG-TERM UNEMPLOYED PEOPLE.
- The financial budget is 52 million euros (PON SPAO and PON IOG); **investment programs of up to 50 thousand euros** are financed for tangible and intangible investments and working capital.
- These are **zero-interest loans** without guarantees for 100% of the investment program, to be paid back in up to 7 years (monthly installments) (7 years + amortisation period).





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Selfiemployment Financial instruments

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Strengths

- **Target Final recipients:** considering the main target is aimed at young NEETs, the Financial instrument is positioned in a new market where there is a limited supply of resources destined for the specific target in question.
- Financial conditions: loans at "0" interest without real and/or personal guarantees; loan paying back in up to 7 years.
- Availability of additional resources: additional resources in comparison to regional policies and rapid disbursement upon approval of the business plan
- **Type of instrument:** subsidized financing is considered a useful method to make the final recipients of the intervention responsible
- **Governance:** advantages linked to a centralized governance taking into account Invitalia's experience in the sector and the advantages deriving from a centralization of procedures
- **Related integrated measures:** <u>Tutoring Project</u> that supports final recipients in the post-submission phase of the application to the Fund (INVITALIA). <u>YES I START UP</u> Project (Ente Nazionale Microcredito) and Integrated <u>Project for Self-Entrepreneurship</u> (Ente Nazionale Microcredito) that offer training and support for the preparation of business plans respecting the various self-employment opportunities.

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Selfiemployment Financial instruments

Weaknesses



- Low awareness of the NEET target: the youngest group included in the target of final recipients (18 – 24 years) is less inclined to self-employment; to mitigate this criticality, it was decided to broaden the group of recipients to young people over 29 years of age, including non-NEETs, on the PON SPAO quota (integration).
- **High default rate:** there is a diversified rate of default, PON IOG 40% and PON SPAO 14%, due to missed paybacks of more than 4 installments but also to cessation of business activity.
- Weak Outreach Strategy: Need to strengthen the communication strategy and make the most out of synergies with other measures related to the financial instrument.
- **Limited Involvement** of Regions and Municipalities which are the closest link to the target. The communication activities of the Fund should be strengthened with the organization of widespread events on the territory.





Path to the creation of a national INVEST EU compartment for the social sector within the NP GDL 2021/27





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NP GDL 21/27. INVEST EU compartment for the social sector Premise



Priority 2 of the NP GDL aims to reduce the distance from the labor market and provides for the activation of policies to promote the employment of women, as well as other vulnerable people far from the market.

For some population groups, interventions on the employability side are not sufficient to promote entries into the labor market, but they need to be integrated with other services - conciliation, education, social, socio-health: the approach to the labor market, therefore, requires an integrated approach to increase the chances of employability.

In the context of policies to promote the employment of disadvantaged groups (Priority 2 of the NP), the possibility of coming to an agreement with the EC to open an Italian compartment for guarantees for social investments and skills (window 4 of INVEST EU) was assessed. This window includes "microfinance, social entrepreneurship financing, the social economy as well as measures to promote gender equality, skills, training and related services, social infrastructure (including health and education infrastructure, social housing and student accommodation), social innovation, health and long-term care, cultural and creative activities with social purposes, and the integration of vulnerable persons, including third-country nationals".





NP GDL 21/27. INVEST EU compartment for the social sector



The working hypotheses

The instruments used will be the EIF Microfinance and Social Entrepreneurship and Skills and Education portfolio guarantees.

Taking into account the policy objectives of the ESF+ and the Italian context, the intervention will be mainly oriented towards social finance (social services, working capital, investments for certain social categories, purchase of machinery for disabled people, Workers Buyout) rather than microfinance, given the existence of parallel measures in this area, namely the planned nonrepayable self-employment measure (implemented under Legislative Decree 60/24) and the activity of the Central Guarantee Fund which operates in Italy with 80% coverage of the financing.

Therefore, the social entrepreneurship aspect of the EIF guarantee is considered the most consistent and flexible with respect to the objectives of the NP GDL 21/27 and aimed at an area in which the coverage of the Central Fund is not present. In this context, the final recipients could be: social enterprises, vulnerable groups, self-employed workers, falling under Priority 2.

The initial budget foreseen is approximately 70 million euros.





NP GDL 21/27. INVEST EU compartment for the social sector



Why a national INVEST EU compartment for the social sector

The Management Authority of NP GDL has identified the INVEST EU Fund as an interesting opportunity for several reasons, namely:

- supporting investments in social services, working capital, investments for certain social categories, purchase of machinery for disabled people, Workers Buyout, in order to integrate the other active policy interventions stated in the NP and carry out a synergic and more effective action in bringing disadvantaged groups closer to the labor market;
- ESF+ resources are allocated to the instrument without need for national contribution;
- Less time for market tests and product design: capitalise on existing and market-friendly products, already deployed and known;
- No residual MA responsibility on expenditure, reporting, monitoring etc all done by EC. MA included in the supervision process (governance);
- If no significant changes to the existing instruments (except geo focus), no State aid.



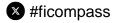




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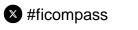






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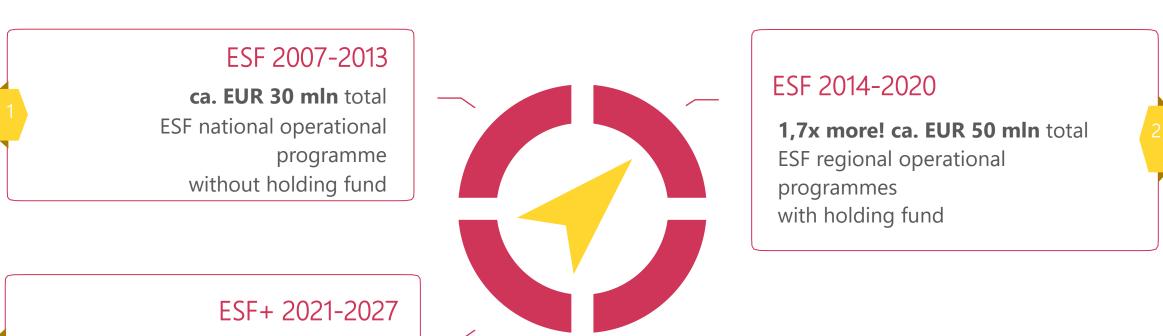
ESF/ESF+ microfinance for self-employment – Polish experience

3x more! ca. EUR 150 mln total

ESF national programme

with holding fund





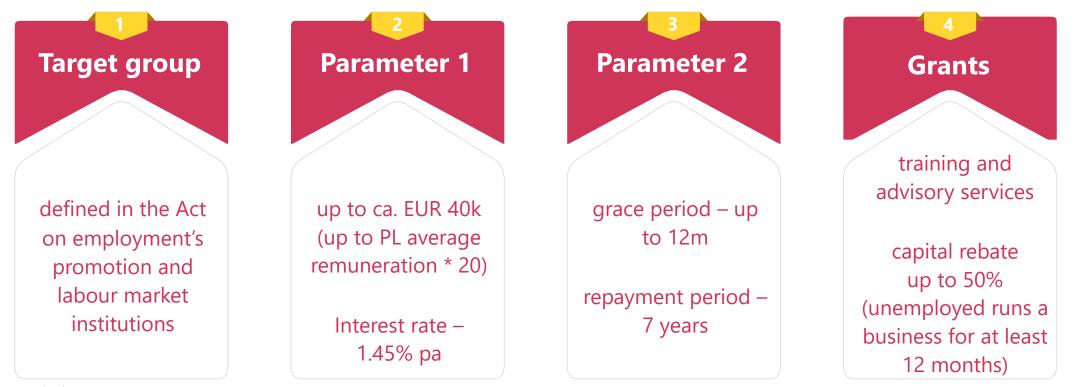
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FI microfinance for self-employment 2021-2027



- ✓ **Goal:** 5000 persons in business activity for at least 12 months (until 2029)
- Co-financing from national Labour Fund (Act on employment's promotion and labour market institutions)
- ✓ Combination with grants



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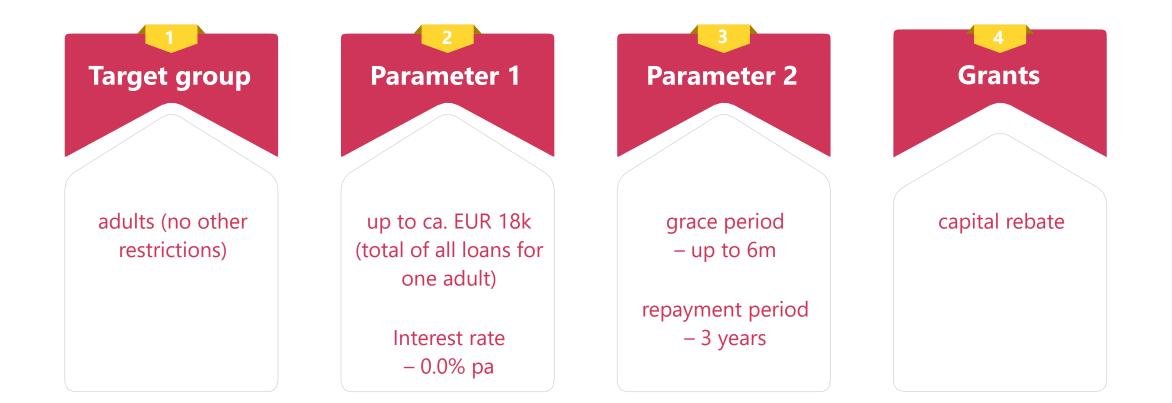
Goal	Allocation	Indicator	Qualifications
to bridge the financing gap in the area of life-long learning for adults (low level of LLL in Poland)	EUR 53 mln	8.5k persons who will acquire qualifications - until 2029	for any form of training apart from higher education studies (no longer than 3 years)





Microloan for education (lifelong learning)









Microloan for education (lifelong learning)



Combination of loan FI and capital rebate: up to 50% of the loan

when an adult meets criteria:

25% for completing the training

10% for training in green, digital or silver economy or in the area of accessibility

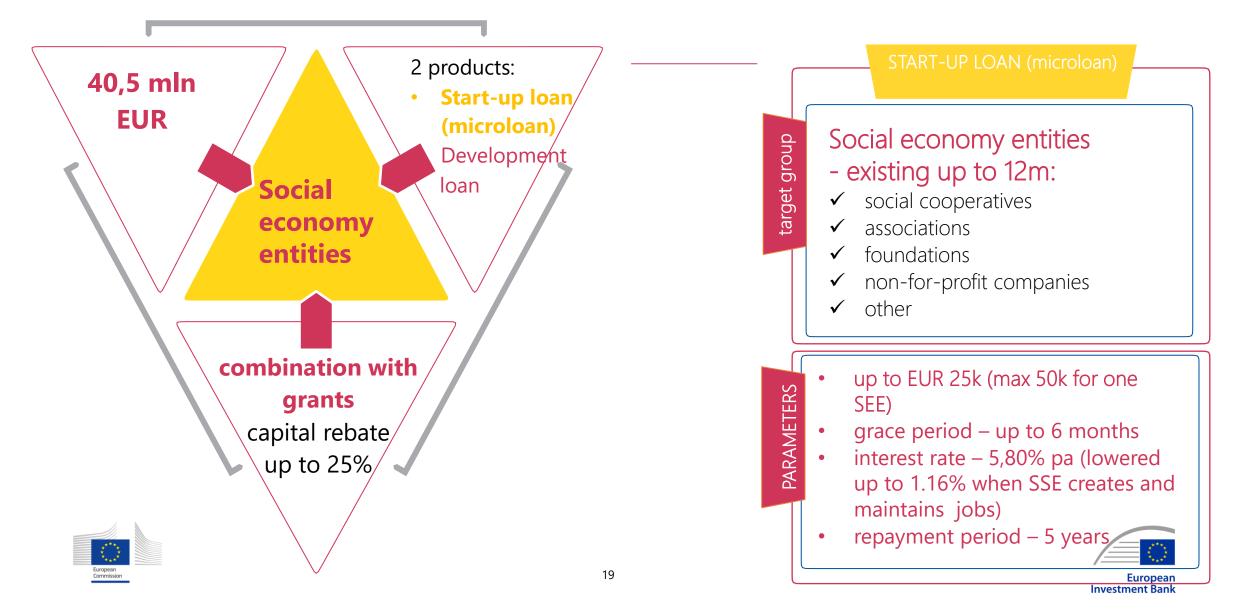
15% in case of difficult material situation





FI for social economy entities (SEE) 2021-2027







1) Creation of jobs for people with moderate and significant disabilities or people with mental disorders 2) Implementation of projects involving services provided in the local community (health services or social services)

3) Implementation of projects involving the offering of services or products ensuring accessibility 4) Implementation of projects in the area of green economy







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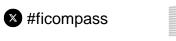






ESF Support through Microcredit The Bulgarian Experience

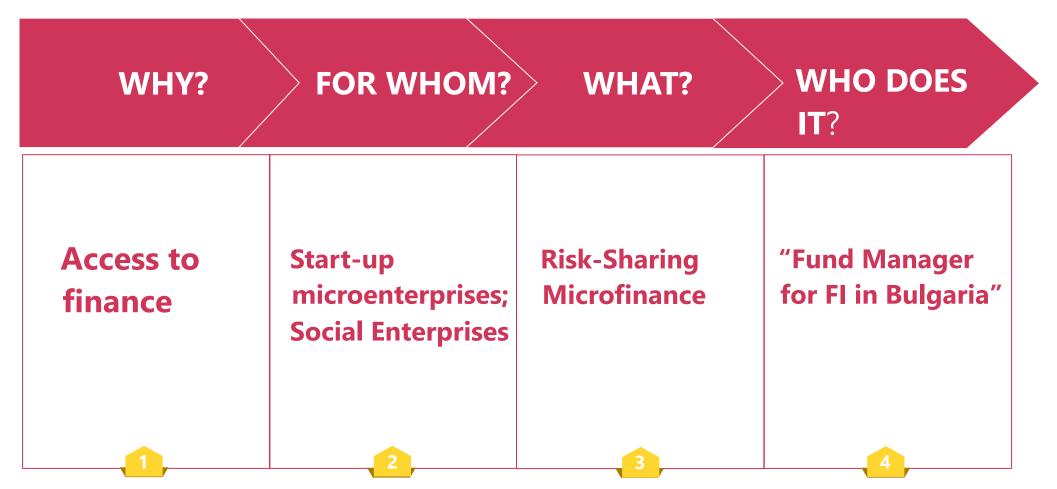
Tzvetan Spassov, Head of Managing Autority of ESF+ HR Development Operational Programme, Director General, Ministry of Labour and Social Policy, Bulgaria





HDR OP 2014-2020 Financial Instruments The first implemented ESF-funded FI in Bulgaria









The Challenges of the Beginning A whole new system to be developed



Managing Authorities

 Secure professional support; Collaborate

Fund of Funds

Institutional Set-up

Investment Strategy

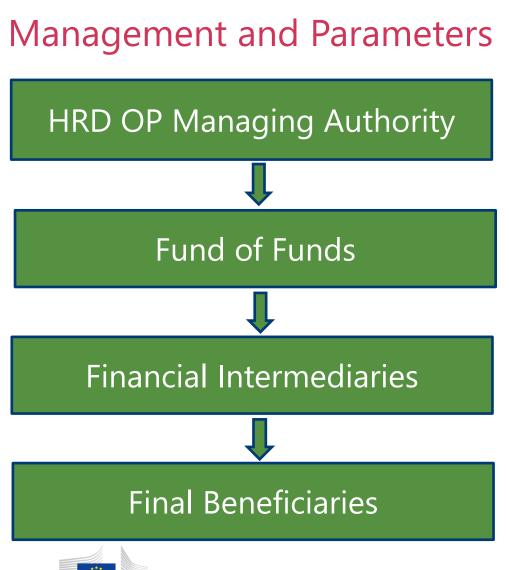
 Be flexible and ready to adaptation

Financial Intermediaries

The right ones to be selected







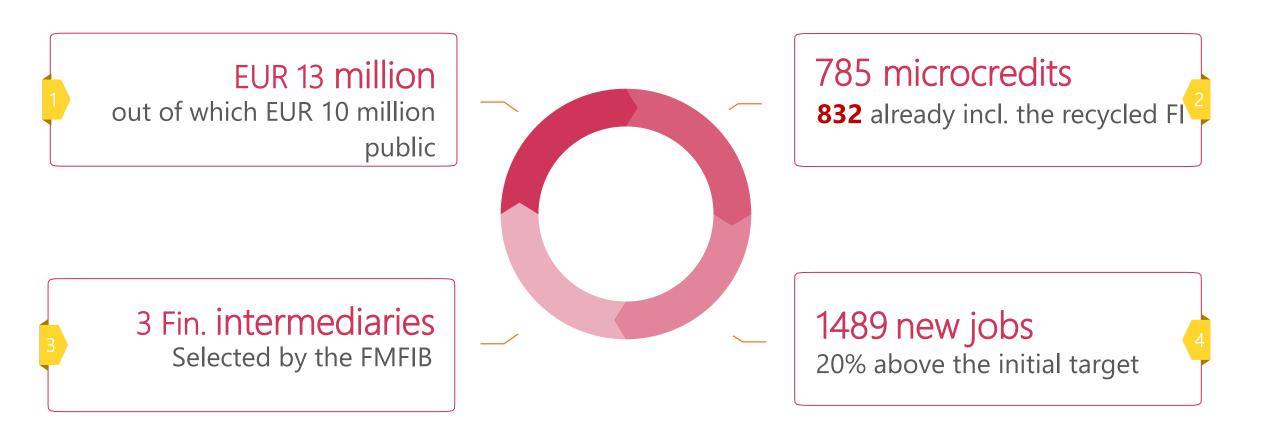
- For investment and working capital loans
- ✤ Up to EUR 25 000;
- ✤ 75 to 90 % HRD OP funding/loan
- ✤ Maturity: up to 10 years;
- ✤ Grace period: up to 2/3 years
- Low interest rate: 0% on program funding





HDR OP 2014-2020 Microcredit - Results Implementation 2017-2023

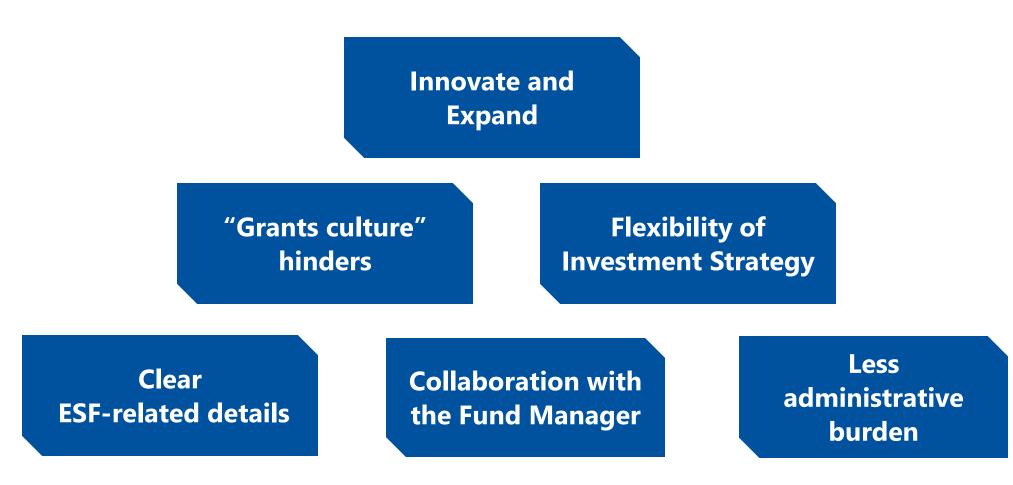








What does it take to have a good financial instrument? Our lessons learned and recommendations







Why do we continue with FI?



There is still need Hard access to funding



We will improve FI + Grants

We can do more

Expand final beneficiaries

New investments

Introduce equity FI







Bulgaria's ESF Microcredit FI







For support to social entrepreneurship and entrepreneurship of vulnerable















Micro-loans for growth and employment Croatian ESF+ microfinance instrument

Ivana Sesar, Head of Department, Ministry of Labour, Pension System, Family and Social Policy, Croatia

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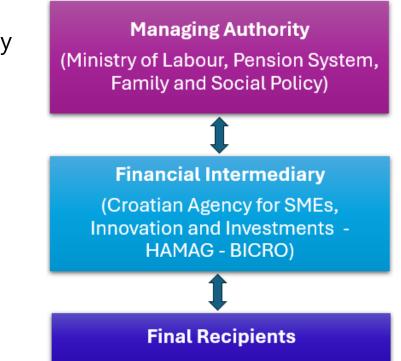






• Why FIs in the ESF+ programme:

- Simplicity and the revolving nature of the instrument
- Ex-ante analysis = lack of access to microfinancing, especially for newly established businesses
- Good experience with ERDF microfinance and with active labour market measures (micro-loans as a complement to the selfemployment measure)
- Financial intermediary = HAMAG-BICRO due to its extensive experience in implementing financial instruments financed through EU funds
- The whole design process (ex-ante analysis, selection of FInt, funding agreement) lasted for almost two years
- Micro-loans launched on 31st March 2025









ESF+ micro loans for growth and employment				
Eligible final recipients	Newly established companies (up to three years in existence) (including natural persons with the intention of establishing a business entity)	 Companies whose owners are members of following vulnerable groups: persons with disabilities persons over 55 years of age persons aged 18 to 29 years persons without completed high school education 		
Amount	1.000,00 to 25.000,00 EUR			
Minimum repayment term	1 year			
Maximum repayment term	5 years			





Key features of the financial instrument (2)



ESF+ micro loans for growth and employment		
Grace period	Up to 1 year	
Deadline for the usage (spending) of the loan	6 months	
Purpose of the loan	Investments in tangible and intangible assetsWorking capital up to a maximum of 30% of the total loan amount	
Interest rate	Base rate for Croatia calculated in accordance with the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ EU, C 14, dated 19.1.2008) reduced by 2.5 percentage points (not less than 0.5 percentage points), fixed for the entire loan repayment period (currently = 0.5%).	







ESF+ micro loans for growth and employment				
	Amount of write-off	 Up to 30% of the loan amount It is not possible to write off the loan amount that has already been repaid 		
Capital rebate (Fl/grant combination)	Write-off conditions	 Additional employment of a person who is a member of a vulnerable group (full-time contract, write-off can be claimed after a minimum of 1 year of employment of the vulnerable person) Eligible categories of vulnerable groups: persons with disabilities persons over 55 years of age long-term unemployed (persons up to 25 years old - 6 months unemployed, 25 years and older - 12 months unemployed) young people up to 29 years of age without work experience Proper repayment of the loan in question 		
State Aid	De minimis			

Lessons learned & recommendations



- Main lesson learned (for now) = being very careful to strike a good balance between policy issues you try to solve and conditions/rules put in place for the financial instrument
- <u>Recommendations for MAs:</u>
- Capacity-building is crucial, especially for non-experienced MAs
- A thorough market analysis is key for designing a successful financial instrument
- Choosing an experienced financial intermediary (if possible)
- Asking help from other MAs that already have experience in implementing FIs
- Being very careful not to forget policy issues you wish to tackle through FIs











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