



# ESF and microfinance in Europe: best practices and perspectives for stronger financial inclusion

**Jorge Ramirez Puerto**, General Manager,  
European Microfinance Network (EMN)



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# About EMN



- The [European Microfinance Network \(EMN\)](#) was launched in April 2003. Currently counts with 102 members in 26 European countries.
- Activities:
  1. Facilitation of capacity building activities
  2. Advocacy at EU and national level
- Working with Managing Authorities on exchange of information on MF projects financed by ESF since 2010



**Fact:**



Despite the high importance and growing recognition of self-employment, microbusiness and microcredit at the EU level, national ESF and ERDF bodies have only very marginally taken up these issues in their National Reform Plans and the associated operational programmes.



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## “Designing microfinance operations in the EU”



A manual on how to build and implement microfinance support programs using the ESF

Developed by the “COPIE” Network of ESF Managing Authorities from: Lithuania, Germany, Italy, Spain, Latvia, Greece, the Czech Republic and Belgium.

Available on the EMN website:

[www.european-microfinance.org/docs/microfinance\\_in\\_europe/microfinance\\_by\\_country/copie-network-manual.pdf](http://www.european-microfinance.org/docs/microfinance_in_europe/microfinance_by_country/copie-network-manual.pdf)





## Main factors for a successful microfinance project supported by ESF (I):

1. Necessary collaboration between several ministries & departments. Common strategy
2. Regulatory frameworks adapted to suit microentrepreneurs & the self-employed to ensure there are incentives to become entrepreneurs



## Main factors for a successful microfinance project supported by ESF (II):

3. Look for simplicity: Microfinance schemes can have a complex organizational set-up  
They often involve several actors, such as a public or promotional bank, other banks, a guarantee fund as well as local organisations providing the support and advice to the final beneficiaries. Ways should be found of reducing complexity so as to speed up the loan disbursement process. Count on MFIs!! (outreach & operational procedures)



## Main factors for a successful microfinance project supported by ESF (III):

4. Combining loans with BDS is crucial
5. Evaluations are of greatest importance:  
For microfinance operations, financial and social performance indicators exist and can be applied. Several countries have already developed joint performance reporting frameworks that are shared by all microcredit actors.



## Main challenge:

The microfinance programmes  
that have been set up should  
eventually become  
independent of public aid







## Nevertheless...

### **Getting access to ESF appears to be difficult, if not impossible, for the Microfinance sector in Europe**

EMN has carried out a mapping about failures on the application of ESF funding for Microfinance. The **purpose** of this exercise is to request to DGEMPL to distribute this mapping among the respective national country desks in order to obtain their feedback and own analysis on the issues identified by the sector in every country.

The mapping collected case studies in Spain, Italy, UK, Greece, The Netherlands, Hungary, Poland, Romania, Bulgaria and Germany.





The main failures detected for the implementation of Microfinance projects through ESF in Europe are (decreasing order):

1. **Awareness of ESF managing authorities** (financial and non-financial services provided, results achieved by the sector)
2. **Application Process for ESF** (too complex, too complicated, too time-consuming, lack of transparency)
3. **Availability of information** (Guidelines and funding opportunities)
4. **Long-term strategy** (Reliability and Planning on long-term commitment strategy of national policy and managing authorities)
5. **National Policy** (lack of long-term commitment; clear & transparent objectives)
6. **Complexity of the management** of the ESF programme



## Although, some Good Practices have been identified...

EMN Exchange Visit on ESF & MF. 02/11/2016, Paris

EMN members were able to exchange and share ideas with two successful business cases of collaboration between the ESF and a MF project:

- INVEGA (**Lithuania**) – Entrepreneurship Promotion Fund. 14.5 mill. EUR from ESF & ERDF (Microcredit & BDS)
- ADIE (**France**) – 5 mill. EUR ESF grant for the provision of BDS



**Poland:** almost EUR 90m of ESF funds committed to already signed funding agreements, with more to come.

**Spain:** two FIs are planned at the OP level and are advancing:

- OP Madrid. Ex-ante evaluation concluded and market test carried out in February-March 2017. Findings analysed by the Management Committee in Summer 2017. Operational setting-up of a micro financing facility together with the EIF pending.
- OP Valencia. Ex-ante evaluation ongoing



financial instruments  
 revolving capacity building  
 added value **ERDF** funding agreement  
 governance **ESF** EU guidance  
 technical support seminars leverage financial intermediaries microfinance  
 co-financing **ESIF** case studies  
 investments **fi-compass** final recipients  
 business plan **Thank you** thematic objectives  
 advisory services guarantees banks loans **EaSI** equity  
 private investors life cycle combination of support  
**EAFRD** conferences factsheets  
 fund of funds **EMFF** investment strategy **CF**  
 managing authorities manuals