



# ESF Factsheet on Microfinance

Presented by **Alessandro Valenza (t33)**



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## Structure of the Factsheet

**Section 1:** Why microfinance instruments?

**Section 2:** The microfinance ecosystem

**Section 3:** Financial intermediaries in microfinance

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# ESF policy framework


**Thematic Objective 8**



Promoting employment and supporting labour mobility

- Economic returns in addition to social value especially when initiatives are tailored to creating microenterprises.
- Tailored support to reduce unemployment through creating microenterprises with direct and tangible spill-overs in the local economic context.
- When microfinance is tailored to business creation, with financial returns, there may be more co-investment.
- Microfinance can cover the gap between entrepreneurs in the social economy and unemployed people in those countries where there is insufficient institutional support from the government.


**Thematic Objective 9**



Promoting social inclusion and combating poverty

- Microfinance can help local financial intermediaries to address the needs of social inclusion.
- Microfinance can integrate institutional support for social inclusion which is low in most Member States.
- Microfinance is an important instrument for combating poverty in times of financial and economic crisis.
- Providing microfinance to disadvantaged groups reduces public spending for social services.
- Added value in terms of making the borrowers more responsible.

**Thematic Objective 10**

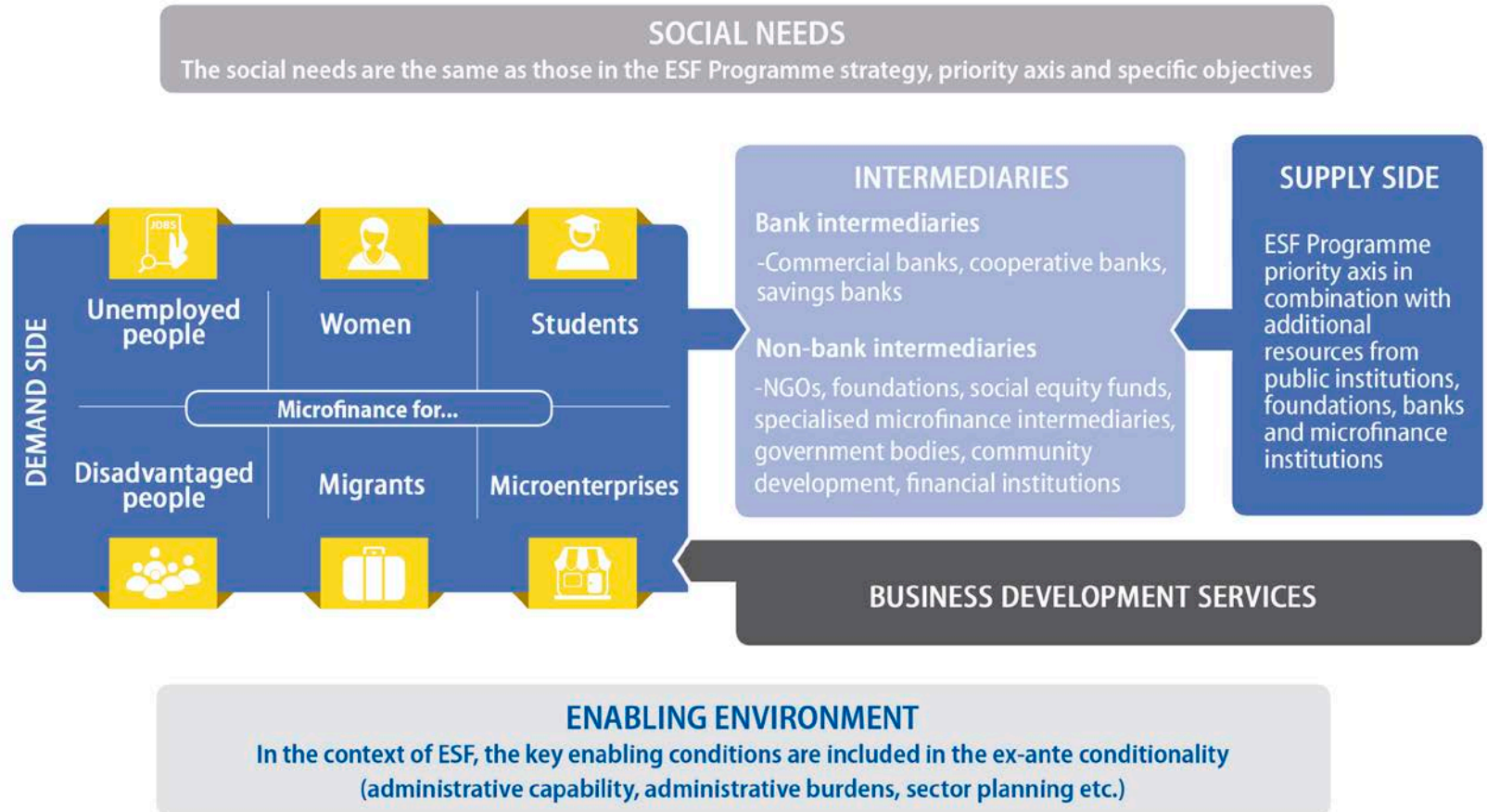


Investing in education, skills and lifelong learning

- Increased amounts available for students with a reduced cost of financing education.
- Since returns on investing in education affects qualifications, microfinance may encourage people – especially from socio-economically disadvantaged backgrounds – to keep on studying.
- Investing in education and lifelong training raises the potential for finding better jobs.

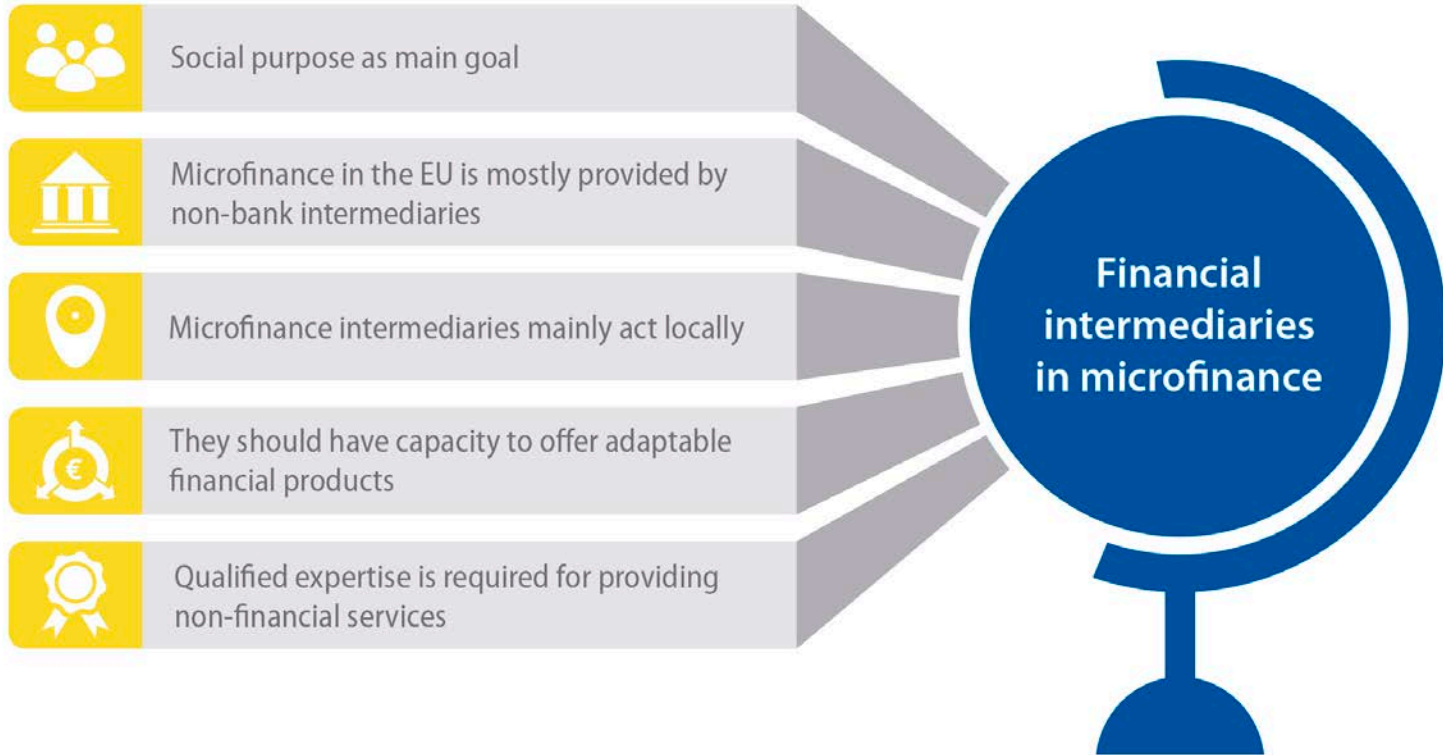


# The microfinance ecosystem





## Financial intermediaries





## Financial products

### Loans

provide borrowers with upfront funding in exchange for repayment of this funding (known as "principal") along with interest, based on pre-determined time frames and interest rate terms.

### Guarantees

protect investors from a borrower's failure to repay as a result of pre-specified events. A guarantee can be a minimum guarantee that protects a portion of the investment through its lifetime, or a back-end guarantee that covers the entire investment after a pre-specified timeframe.



# Business development services







# Business development services





financial instruments  
 revolving ESF capacity building  
 added value ERDF funding agreement EU guidance  
 governance ex-ante assessment  
 technical support seminars leverage ESIF financial intermediaries microfinance  
 co-financing case studies  
 investments ESIF 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