



Procedure file

Basic information		
INL - Legislative initiative procedure	2008/2122(INL)	Procedure completed
European initiative for the development of micro-credit in support of growth and employment		
Subject		
2.50.04 Banks and credit		
3.45.03 Financial management of undertakings, business loans, accounting		
4 Economic, social and territorial cohesion		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		11/12/2007
		PPE-DE BECSEY Zsolt László	
	Committee for opinion	Rapporteur for opinion	Appointed
	FEMM Women's Rights and Gender Equality		13/06/2008
		PPE-DE WORTMANN-KOOL Corien	
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
	BUDG Budgets		18/06/2008
		PSE TITLEY Gary	
	IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
JURI Legal Affairs		25/06/2008	
	PSE GILL Neena		
ITRE Industry, Research and Energy			
European Commission	Commission DG Regional and Urban Policy	Commissioner HÜBNER Danuta	

Key events			
12/11/2007	Non-legislative basic document published	COM(2007)0708	Summary
22/05/2008	Committee referral announced in Parliament		
20/01/2009	Vote in committee		Summary
29/01/2009	Committee report tabled for plenary	A6-0041/2009	
24/03/2009	Results of vote in Parliament		
24/03/2009	Debate in Parliament		
24/03/2009	Decision by Parliament	T6-0166/2009	Summary
24/03/2009	End of procedure in Parliament		

Technical information	
Procedure reference	2008/2122(INL)
Procedure type	INL - Legislative initiative procedure
Procedure subtype	Request for legislative proposal
Legal basis	Rules of Procedure EP 47
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/62863

Documentation gateway					
Non-legislative basic document		COM(2007)0708	13/11/2007	EC	Summary
Committee draft report		PE414.375	16/10/2008	EP	
Amendments tabled in committee		PE415.336	19/11/2008	EP	
Committee opinion	FEMM	PE414.925	03/12/2008	EP	
Committee opinion	ITRE	PE412.339	04/12/2008	EP	
Committee opinion	BUDG	PE414.374	11/12/2008	EP	
Committee opinion	JURI	PE415.045	16/12/2008	EP	
Committee report tabled for plenary, single reading		A6-0041/2009	29/01/2009	EP	
Text adopted by Parliament, single reading		T6-0166/2009	24/03/2009	EP	Summary
Commission response to text adopted in plenary		SP(2009)3245/3	08/10/2009	EC	

European initiative for the development of micro-credit in support of growth and employment

PURPOSE: to reinforce the development of micro-credit in Europe with a view to improving access to finance for small businesses and for socially excluded people, also ethnic minorities, who want to become self-employed.

BACKGROUND: micro-credit has been used very successfully in less developed countries, and there has already been some action in this field in the EU, both at Community and at national level. In the EU, demand for this type of finance ? typically, loans averaging around EUR 7 700 ? is overwhelmingly from people setting up small companies in the service sector. All indications point to high potential demand from people who, for various reasons, are unable to obtain loans in the traditional banking sector. This initiative is intended to set out a framework to coordinate our efforts at EU level by improving the legal and institutional environment in which micro-credit providers operate, and increasing the availability of capital.

CONTENT: the present communication invites the Member States to adapt as appropriate national institutional, legal and commercial frameworks necessary to promote a more favourable environment for the development of micro-credit. The Commission is willing to help the Member States on matters of targeting and by compiling an inventory of good regulatory practices. It also recommends setting up a new European-level facility with staff to provide expertise and support for the development of non-bank micro-finance institutions in Member States. This would equip micro-financers to offer not just a loan, but a service mentoring the borrower to help develop and ensure the success of their business. This kind of accompaniment is the key to the success of micro-credit operations.

Financial support for this facility would come from the existing technical assistance budget of the Structural Funds (European Regional Development Fund - ERDF) managed by the European Commission. In view of the interest expressed by the European Investment Fund in this field, the facility could be managed within the Fund which is also responsible for the JEREMIE initiative to support access to finance to SMEs.

The proposed initiative has four different strands:

1) Improving the legal and institutional environment in the Member States: the institutional framework in the Member States appears to be often ill-suited to the development of micro-credit. Indeed, it is because micro-credit is usually not addressed specifically in the national or Community legislation that the statistics on micro-credit are underdeveloped. What is generally required is a series of actions improving what can be broadly described as the legal and institutional environment for micro-credit. The following highlights seven areas where improvement can be achieved at national level: i) create an environment allowing the development of micro-finance institutions (MFIs) and covering all segments of the clientele; ii) help micro-credit to become sustainable by relaxing interest caps for micro-credit operations; iii) allow MFIs

access to borrower databases and facilitate their evaluation of the risks; iv) reduce operating costs applying favourable tax schemes; v) adapt national regulation and supervision to the specificity of micro-finance ; vi) ensure single market rules are applied to micro-credit; vii) incorporate micro-credit into regulation and accounting standards.

2) Further changing the climate in favour of entrepreneurship: actions include: i) improving the institutional framework for self-employment and micro-enterprises; ii) designing solutions to enable unemployed people and welfare recipients to make the transition into self-employment; iii) increasing chances of success of new micro-enterprises through training, mentoring and business development services.

The Commission proposes to promote micro-credit and micro-enterprise development at national level. It invites the Member States to undertake a programme of reform aimed at improving the conditions for micro-credit according to national circumstances and priorities. In view of the focus in the Lisbon strategy improving access to finance, in general, and promoting micro-credit in particular, Member States are encouraged within the context of their National Reform Programmes under the Lisbon strategy to take on board those actions necessary to promote a more favourable environment for the development of micro-credit which fall within the national institutional, legal and commercial frameworks. The Commission could also help the Member States by indicating quantitative targets for loans and by compiling an inventory of good regulatory practices.

3) Promoting the spread of best practices, including training: dissemination of best practices is an important factor in the development of micro-credit which will continue to be fostered by existing resource centres such as the Microfinance Centre for Central and Eastern Europe, the European Microfinance Centre and the banks themselves. The Commission proposes: i) a central body with micro-financial expertise; ii) a micro-credit specific label to better involve EU citizens; iii) the need for a code of conduct for MFIs.

4) Providing additional financial capital for micro-credit institutions: the Commission intends to strengthen its contribution by setting up in the framework of EU cohesion policy a specific micro-credit facility providing funding and technical assistance to new and non-bank MFIs to enhance the supply of micro-credit. This facility would target the most promising non-bank MFIs by means of calls for proposals. Ideally, it would combine the provision of technical assistance with funding mobilised from various sources, such as EU structural funds, the EIB, the EUROFI network, banks and donors. It would aim at helping MFIs becoming self-sustaining and it would contribute improving the use of micro-credit in the EU by conducting market analysis, establishing guidelines and promoting training and learning opportunities that incorporate best practice in the field. In order to set this facility up rapidly and with a cost-effective structure, it is proposed to ask the European Investment Fund (EIF) to create and host a dedicated unit within their JEREMIE department. The funding for the staffing of the unit and the technical assistance work to MFIs would be covered through the technical assistance budget of the Structural Funds managed by the European Commission.

The proposals included in this initiative would provide a base to start concrete actions aimed at developing and implementing micro-credit in the European Union.

Lastly, appropriate communication campaigns must be undertaken in order to boost micro-credit in Europe and contribute to its development in the longer run, and evaluations carried out.

European initiative for the development of micro-credit in support of growth and employment

The Committee on Economic and Monetary Affairs adopted an own- initiative report by Zsolt László BECSEY (EPP-ED, HU) with recommendations to the Commission on a European initiative for the development of micro-credits in support of growth and employment (Initiative ? Rule 39 of the Rules of Procedure). The report follows a Commission Communication on a European initiative for the development of micro-credit in support of growth and employment.

The committee recalls that the Commission's current definition of micro-credit is a loan of EUR 25 000 or less and that Recommendation 2003/361/EC provides that a microenterprise is one that employs fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million. However, those definitions do not seem to be pertinent for all national markets, and do not allow a clear distinction to be drawn between micro-credits and micro-loans to microenterprises, micro-credit for non-bankable borrowers and micro-credit for bankable microenterprises.

MEPs note that the Commission has not taken forward the request made in Parliament's [resolution](#) of 11 July 2007 to draw up an action plan for micro-financing, to coordinate different policy measures, and to make optimal use of best practices in and outside the EU. Moreover, they recall that, in 2008, for the second successive year, Parliament approved appropriations to fund a pilot project entitled 'Promoting a more favourable environment for micro-credit in Europe?', appropriations that might usefully be earmarked for the formation of own capital which can serve as start-up capital.

Difficult access to appropriate forms of finance is frequently referred to as a very important barrier to entrepreneurship, and there is a significant potential demand for micro-credit in the EU that is currently not met.

MEPs consider that the current financial crisis and its possible repercussions in the economy as a whole demonstrate the need for considering ways of enhancing efficiency and having in place all possible channels for providing financing when businesses have reduced access to capital due to liquidity crunch, in particular in economically and socially disadvantaged regions.

In the light of these observations, the Commission is called upon to submit to Parliament a legislative proposal or proposals covering the matters dealt with in the detailed recommendations below:

Recommendation 1: on awareness-raising as regards micro-credit:

- the introduction of the concept of micro-credit in relevant statistics and legislation on financial institutions;
- invite the Member States to standardise the statistical presentation of micro-credits (including the collection and analysis of data broken down according to gender, age and ethnic origin);
- develop a communication strategy with a view to promoting self-employment as an alternative to wage earning and, in particular, as a way to escape unemployment for disadvantaged target groups;
- invite Member States to implement tax incentives for private involvement in the micro-credit business;
- invite Member States to restrict the application of interest-rate caps to consumer loans;
- analyse - in the light of the last sub-prime crisis - the advantages and disadvantages of direct micro-credit formats as against securitised credit facilities.

Recommendation 2: on EU funding:

- the (co-)financing of projects targeted at promoting the availability of micro-credit for all persons and enterprises without direct access to credit, such as disadvantaged target groups (for example, the Roma society, immigrants, people living in deprived rural areas, people with precarious work situations, and women);
- the provision by national or EU funds of guarantees for providers of micro-credit;
- the provision of business support services, to include mandatory targeted training for micro-credit borrowers, which can be financed under the Structural Funds;
- research and the exchange of best practices in the operational field;
- the creation of a website where potential recipients of micro-credits can present their projects and of an EU-wide database comprising positive and negative credit data on micro-credit borrowers;
- the appointment of a single coordination entity where all EU financing activities concerning micro-credit are pooled and the (co-)financing of projects only where they can be combined with the retention of social security entitlements, such as unemployment benefit and income support.

Recommendation 3: on a harmonised EU framework for bank and non-bank microfinance institutions (MFIs): the non-bank MFIs framework should include: a clear definition of micro-credit providers; the ability to conduct credit-only activities and to on-lend; harmonised, risk-based rules as regards authorisation, registration, reporting and prudential supervision.

Recommendation 4: on Directive 2005/60/EC: the Commission should, while reviewing this Directive, ensure that the provisions laid down do not constitute obstacles preventing people who have no permanent address or personal identification documents from accessing micro-credit.

Recommendation 5: on competition rules:

- provide for, inter alia, while reviewing the de minimis rules, a reduction of the administrative burden if the aid is granted in connection with micro-credit;
- specify that the role of micro-credit providers and, if applicable, the public support that such institutions receive are in line with the EU competition rules;
- implement rules that allow for a preferential treatment of goods and services provided by micro-credit borrowers in public procurement procedures.

European initiative for the development of micro-credit in support of growth and employment

The European Parliament adopted by 574 votes to 23, with 12 abstentions, a resolution with recommendations to the Commission on a European initiative for the development of micro-credits in support of growth and employment.

The resolution is in response to a Commission Communication on a European initiative for the development of micro-credit in support of growth and employment.

The Parliament recalls that difficult access to appropriate forms of finance is frequently referred to as a very important barrier to entrepreneurship, and that there is a significant potential demand for micro-credit in the EU that is currently not met.

The Commission's current definition of micro-credit is a loan of EUR 25 000 or less and that a microenterprise is one that employs fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million. However, those definitions do not seem to be pertinent for all national markets, and do not allow a clear distinction to be drawn between micro-credits and micro-loans to microenterprises, micro-credit for non-bankable borrowers and micro-credit for bankable microenterprises.

MEPs note that the Commission has not taken forward the request made in Parliament's [resolution](#) of 11 July 2007 to draw up an action plan for micro-financing. They consider that the current financial crisis and its possible repercussions in the economy as a whole demonstrate the disadvantages of complex financial products and the need for considering ways of enhancing efficiency and having in place all possible channels for providing financing when businesses have reduced access to capital due to liquidity crunch, in particular in economically and socially disadvantaged regions.

In the light of these observations, the Commission is called upon to submit to Parliament a legislative proposal or proposals covering the matters dealt with in the detailed recommendations below:

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