









Procedure file

Basic information		
INI - Own-initiative procedure	2015/2042(INI)	Procedure completed
Implementation of the European Progress Microfinance Facility		
See also 2009/0096(COD)		
Subject		
3.45.03 Financial management of undertakings, business loans, accounting		
4.10.05 Social inclusion, poverty, minimum income		
4.15.02 Employment: guidelines, actions, Funds		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	EMPL Employment and Social Affairs		05/01/2015
		 SCHULZE Sven	
		Shadow rapporteur	
		 LÓPEZ Javi	
		 TREBESIUS Ulrike	
		 WEBER Renate	
	 DELLI Karima		
	 BEGHIN Tiziana		
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	The committee decided not to give an opinion.	
	CONT Budgetary Control		19/05/2015
	ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
European Commission	Commission DG	Commissioner	
	Employment, Social Affairs and Inclusion	THYSSEN Marianne	

Key events			
20/10/2014	Non-legislative basic document published	COM(2014)0639	Summary
12/02/2015	Committee referral announced in Parliament		
10/11/2015	Vote in committee		
17/11/2015	Committee report tabled for plenary	A8-0331/2015	Summary

14/12/2015	Debate in Parliament		
15/12/2015	Results of vote in Parliament		
15/12/2015	Decision by Parliament	T8-0446/2015	Summary
15/12/2015	End of procedure in Parliament		

Technical information

Procedure reference	2015/2042(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Implementation
	See also 2009/0096(COD)
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/8/02185

Documentation gateway

Non-legislative basic document		COM(2014)0639	20/10/2014	EC	Summary
Committee draft report		PE554.913	22/05/2015	EP	
Amendments tabled in committee		PE567.645	16/09/2015	EP	
Committee opinion	CONT	PE564.916	20/10/2015	EP	
Amendments tabled in committee		PE569.623	09/11/2015	EP	
Committee report tabled for plenary, single reading		A8-0331/2015	17/11/2015	EP	Summary
Text adopted by Parliament, single reading		T8-0446/2015	15/12/2015	EP	Summary
Commission response to text adopted in plenary		SP(2016)190	03/05/2016	EC	

Implementation of the European Progress Microfinance Facility

PURPOSE: to present a report on the implementation of the European Progress Microfinance Facility for employment and social inclusion in 2013.

CONTENT: initiated in 2010 by the European Commission, Progress Microfinance will continue to offer its products to microcredit providers to allow for improved accessibility and availability of microfinance in the European Union until April 2016 at the latest.

Aim of the Facility: its main aim is to support microfinance via a wide range of instruments, in particular, guarantees and funded instruments.

In addition to EU funding of EUR 105 million, it also benefits from an additional EUR 100 million provided by the European Investment Bank. Progress Microfinance consists of two parts: one provides microfinance intermediaries (MFIs) with guarantees, and the other provides MFIs with funded investments, such as loans and equity. Both parts are managed by the European Investment Fund (EIF).

State of play in 2013: the report looked at activities and developments in Progress Microfinance in 2013. It presented information on the support to intermediaries and final recipients. It then looked at the social impact of Progress Microfinance and its complementarity with other EU instruments. Lastly, it presented the outlook for the future is outlined, including views on the successor financial instrument under the [Programme for Employment and Social Innovation](#) (EaSI), implementation of which will begin in the second semester of 2014.

Its main conclusions may be summarised as follows:

- support to intermediaries and final recipients: microcredit providers (i.e. public and private entities, including both banks and non-banks) play a crucial role in reaching the Progress Microfinances goal of disbursing EUR 500 million through 46 000 microloans to

final recipients. In 2013, the expectation was confirmed that, following a slow initial take up, there would be a steady rise in providing microloans to final recipients. The rise from 26 microcredit providers in 2012 to 40 providers in 2013 across 54 operations, and the increase in geographical coverage represent an important milestone towards reaching this target. The significant unmet demand for microloans throughout the EU has been addressed by extending Progress Microfinance activities into three new Member States in 2013 (Denmark, Slovakia and the UK) with two more to come in 2014 (Sweden and Croatia). At the reporting date, there were 12 690 final recipients, with some of these benefiting from more than one microloan. Sector distribution remains broadly similar to 2012, with more than half of final recipients coming from trade (which saw a 3 % increase since last year) and agriculture (down by 7%);

- guarantees: the number of intermediaries supported by a guarantee increased from 12 in 2012 to 27 at the end of 2013. As more guarantee contracts are currently in the pipeline, it is likely that the overall guarantee budget provided by the EU will be fully used by the end of 2014. The total commitment to microcredit providers amounts to EUR 134.7 million (including guarantees, where the total cap amount is EUR 20.7 million), and the total disbursement of funded instruments is EUR 60.17 million. The net amount of called guarantees is relatively low, at EUR 1.34 million, with FM Bank and Qredits having called almost 90% of this amount. The net amount of called guarantees is expected to increase significantly over time. As of the end of March 2014, this had increased to EUR 2.11 million. When issuing new financial instruments under EaSI 2014-20, the provision of guarantees to microfinance intermediaries will be prioritised;
- social and employment impact: the social reports confirm that, with sufficient funding, entrepreneurship can flourish and can help disadvantaged groups find a way out of unemployment. Although the majority of loan takers are in the main age group of 25-54 year-olds (84.4 %), the data collected show that Progress Microfinance continues to work with a significant group of final recipients aged under 25, with 5.9 % of recipients in this age group (compared to 5.2 % last year);
- synergies with other European Union instruments: to better reach out to final recipients and further develop the microfinance market in the EU, Progress Microfinance aims to create added value by ensuring efficient coordination and smart complementarity with other EU instruments. All microcredit providers are required to work with entities providing training and mentoring services, particularly those supported by the European Social Fund (ESF). According to the interim evaluations preliminary results, around 50 % of microcredit providers have done this.

EaSI: the report recalled that in 2014, activity in the third axis of EaSI will begin. Lessons learned from Progress Microfinance have fed into the design of the financial instruments in this axis of the programme and in deciding to give increased attention to capacity-building for microcredit providers. More technical assistance will also be offered under the first axis of EaSI.

Perspectives: the report stated that Progress Microfinance will continue to offer its products until 2016, as planned, to keep addressing the financing gap on the EU microfinance market. After Progress Microfinance ends, the balance due to the EU will be used for microfinance and social enterprise support under EaSI.

Implementation of the European Progress Microfinance Facility

The Committee on Employment and Social Affairs adopted a report by Sven SCHULZE (EPP, DE) in response to the report on the implementation of the European Progress Microfinance Facility (EPMF).

Members stressed the importance of a financial instrument such as the Facility in times of financial crisis in creating new undertakings, promoting new employment and ensuring that unemployed, disadvantaged people and microenterprises have access to financing, while mitigating the risk for microfinance intermediaries (MFIs).

Members recommended the following:

Increasing access to microfinance: the report noted that the impact on employment creation was less than initially expected, in spite of the fact that many recipients would have been completely excluded from the credit market were it not for microcredit. It regretted the high number of rejected applications for microfinance (almost 2 000 applications were rejected, partly on grounds of over-indebtedness of persons and undertakings) and the still significant microfinance market gap, despite the increase in the number of micro-borrowers.

Members stressed the need to:

- provide greater publicity and information concerning the Facility and the means of access to it; contact points may be created to this effect;
- enlarge the geographical scope of the Facility, in order to reach every Member State and to widen the sectorial scope of the Facility beyond the agriculture and trade sectors.

The report called for the Facility to take account of the added value of projects in regions with severe and permanent natural or demographic handicaps, such as sparsely populated regions and regions undergoing depopulation, since this will not only stimulate job creation there but also help maintain population levels. It urged the Commission and the EIF to make the Microfinance and Social Entrepreneurship axis of the [European Union Programme for Employment and Social Innovation](#) (EaSI) operational as soon as possible so as to secure access to money for the beneficiaries.

The Commission and the Member States are encouraged to gather and assess data on the characteristics of microenterprises, their needs and their survival rates, and to propose adjustments to the EaSI Regulation, if necessary, during the mid-term review.

Reaching target groups and social impact reporting: Members deplored the fact that, owing to the lack of well-defined social reporting, the social impact of the Facility has not been measured more accurately in terms of job creation, business sustainability and minority group outreach. They called on the Commission, therefore, to adhere to standards for social performance measurements in an empirical way so as to ensure the highest social impact, also with regard to the Europe 2020 targets and to assess whether the definition of target groups, including people with disabilities, needs to be clarified further.

Furthermore, the Commission is called upon to:

- focus its efforts to improve access to microfinance for potentially excluded clients, such as migrants, refugees, long-term unemployed, young people, low-income persons, low-skilled workers and people with disabilities, who are currently not benefiting enough from the Facility;
- view refugees and asylum seekers as a target group;

- multiply the initiatives and funding available for granting microcredit to innovative start-ups run by young people;
- take into account the benefits of microfinance for women, including the creation of sustainable jobs;
- improve methods of evaluating the viability, and the impact within their community, of businesses after repayment of the microcredit.

Supporting the social economy: Members regretted that the Facility has not funded a significant number of social enterprises. They welcomed the fact, therefore, that a specific percentage of the EaSI budget is dedicated to the funding of social enterprises and encouraged the Commission to closely monitor this new feature and to assess, and if necessary review, the cap stipulated for loans to social enterprises under EaSI.

Mentoring and training services and complementarity with other instruments: the report welcomed the possibility under EaSI of funding capacity-building of MFIs and technical assistance for MFIs to improve their professionalisation, service delivery, and gathering and processing of data to allow better feedback about the Facility. It proposed, therefore, the establishment of: (i) a website where projects can be presented and information about them found, and; (ii) a Community database which includes credit information and perhaps the possibility of drawing attention to any obstacles.

Members noted that 44% of all entrepreneurs supported by the Facility existed for less than one year, while 56% were still in existence the year after. They called on the Commission to:

- further evaluate the viability of the micro-businesses financed through the Facility;
- encourage the development of employment sustainability through adequate guidance and training, financed under EaSI;
- investigate future financing avenues with appropriate new instruments in partnership with national or Union funds.

The European Social Funds (ESFs) should provide key financing for creating enterprises, viable microfinance and social entrepreneurship, together with mentoring and training programmes. They also called on the Commission and the Member States to ensure that [EFSI](#) is available to finance microenterprises.

Microfinance intermediaries: the report encouraged the Commission to coordinate ESF and EaSI support in order to improve complementarity between the two programmes, with regard to Microfinance Facilities, focusing among other things on cooperation between MFIs and business support centres co-financed by the ESF. Members recommended that the procedure for access to the instrument be simplified and that agreements between MFIs and the EIF be more flexible and easier to understand, allowing smaller MFIs to make full use of the funding instruments and the EIFs facilities quickly.

The Commission is called upon to strengthen its dialogue with microfinance actors, as well as with stakeholders currently not included, regarding the accessibility, use and design of the products to be offered under Union-funded programmes.

Implementation of the European Progress Microfinance Facility

The European Parliament adopted by 607 votes to 68 with 16 abstentions, a legislative resolution in response to the Commission report on the implementation of the European Progress Microfinance Facility (EPMF).

To recall, the objective of the EPMF is to increase access to microfinance for persons who have lost or are at risk of losing their job, or have difficulties entering or re-entering the labour market, as well as persons who are facing the threat of social exclusion or vulnerable persons who are in a disadvantaged position with regard to access to the conventional credit market and who want to start or further develop their own micro-enterprises, including self-employment.

Parliament stressed the importance of a financial instrument such as the Facility in times of financial crisis in creating new undertakings, promoting new employment and ensuring that unemployed, disadvantaged people and microenterprises have access to financing, while mitigating the risk for microfinance intermediaries (MFIs).

The resolution recommended the following:

Increasing access to microfinance: the report noted that the impact on employment creation was less than initially expected, in spite of the fact that many recipients would have been completely excluded from the credit market were it not for microcredit. It regretted the high number of rejected applications for microfinance (almost 2 000 applications were rejected, partly on grounds of over-indebtedness of persons and undertakings) and the still significant microfinance market gap, despite the increase in the number of micro-borrowers.

Members stressed the need to:

- provide greater publicity and information concerning the Facility and the means of access to it; contact points may be created to this effect;
- enlarge the geographical scope of the Facility, in order to reach every Member State and to widen the sectorial scope of the Facility beyond the agriculture and trade sectors.

Parliament called for the Facility to take account of the added value of projects in regions with severe and permanent natural or demographic handicaps, such as sparsely populated regions and regions undergoing depopulation, since this will not only stimulate job creation there but also help maintain population levels. Members also emphasised that given the current migration and asylum crisis in particular, micro-financing can act as a fundamental support for refugees and migrants entering the EU labour market.

Parliament welcomed the fact that Commission and the EIF have made the Microfinance and Social Entrepreneurship (MF/SE) axis of the [European Union Programme for Employment and Social Innovation](#) (EaSI) operational so as to secure access to money for the beneficiaries.

The Commission and the Member States are encouraged to gather and assess data on the characteristics of microenterprises, their needs and their survival rates, and to propose adjustments to the EaSI Regulation, if necessary, during the mid-term review.

Reaching target groups and social impact reporting: Parliament deplored the fact that, owing to the lack of well-defined social reporting, the social impact of the Facility has not been measured more accurately in terms of job creation, business sustainability and minority group

outreach. It called on the Commission, therefore, to adhere to standards for social performance measurements in an empirical way so as to ensure the highest social impact, also with regard to the Europe 2020 targets and to assess whether the definition of target groups, including people with disabilities, needs to be clarified further.

Furthermore, the Commission was called upon to:

- focus its efforts to improve access to microfinance for potentially excluded clients, such as migrants, refugees, long-term unemployed, young people, low-income persons, low-skilled workers and people with disabilities, who are currently not benefiting enough from the Facility;
- view refugees and asylum seekers as a target group;
- multiply the initiatives and funding available for granting microcredit to innovative start-ups run by young people;
- take into account the benefits of microfinance for women, including the creation of sustainable jobs;
- improve methods of evaluating the viability, and the impact within their community, of businesses after repayment of the microcredit.

Supporting the social economy: Members regretted that the Facility has not funded a significant number of social enterprises. They welcomed the fact, therefore, that a specific percentage of the EaSI budget is dedicated to the funding of social enterprises and encouraged the Commission to closely monitor this new feature and to assess, and if necessary review, the cap stipulated for loans to social enterprises under EaSI.

Mentoring and training services and complementarity with other instruments: Parliament welcomed the possibility under EaSI of funding capacity-building of MFIs and technical assistance for MFIs to improve their professionalisation, service delivery, and gathering and processing of data to allow better feedback about the Facility.

Members considered that the European Social Funds (ESFs) should provide key financing for creating enterprises, viable microfinance and social entrepreneurship, together with mentoring and training programmes. They recommended that the Commission and Member States develop their strategic cooperation with local and regional organisations and institutions regarding EaSI, ESF and other possible national programmes, promoting their cooperation with MFIs and final recipients.

They also called on the Commission and the Member States to ensure that the [European Fund for Strategic Investments \(EFSI\)](#) is available to finance microenterprises.

Microfinance intermediaries: Parliament encouraged the Commission to coordinate ESF and EaSI support in order to improve complementarity between the two programmes, with regard to Microfinance Facilities, focusing among other things on cooperation between MFIs and business support centres co-financed by the ESF. Members recommended that the procedure for access to the instrument be simplified and that agreements between MFIs and the EIF be more flexible and easier to understand, allowing smaller MFIs to make full use of the funding instruments and the EIFs facilities quickly.

The Commission is called upon to strengthen its dialogue with microfinance actors, as well as with stakeholders currently not included, regarding the accessibility, use and design of the products to be offered under Union-funded programmes. Facilitating exchange of best practices among MFIs from different Member States was also encouraged.