

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

2008/2122(INL) - 20/01/2009

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.