European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 02/07/2009 - Legislative proposal

PURPOSE: to establish a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility).

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: in the light of the unprecedented crisis that the European Union is currently facing, it is the citizens who risk paying the highest price in terms of unemployment. In order to prevent high levels of unemployment, boost job creation and pave the way for economic renewal, sustainable recovery and growth, the European Union decided to react by proposing a vast economic recovery plan.

As part of this recovery plan, the Commission presented a Communication in which it proposed the creation of a new EU microfinance facility for employment (Progress Microfinance Facility) in order to give the unemployed the chance of a new start and to open the way to entrepreneurship for some of Europe's most disadvantaged groups, including the young.

That is the purpose of this proposal.

IMPACT ASSESSMENT: the Commission did not carry out a real impact assessment for this initiative but rather an ex-ante evaluation in which it notes that Community and national efforts have to be strengthened so as to increase the supply of micro-credits for those who need it most, i.e. unemployed or vulnerable people who want to go into self-employment but do not have access to bank credits.

CONTENT: the proposed Facility shall provide Community resources with a view to facilitating access to microcredit for the following target groups:

- persons who have lost or are at risk of losing their job and want to start their own micro-enterprise, including self-employment;
- disadvantaged persons, including the young, who want to start or further develop their own micro-enterprise, including self-employment;
- micro-enterprises in the social economy which employ persons who have lost their job or which employ disadvantaged persons, including the young.

Eligible actions: the Facility shall be implemented by using the following types of actions, as appropriate:

- guarantees and risk-sharing instruments;
- equity instruments;
- debt instruments;
- support measures, such as communication activities, monitoring, control, audit and evaluation which are directly necessary for the effective and efficient implementation of this Decision and for the achievement of its objectives (the total budget for these support measures shall not exceed 1% of the budget of the Facility).

Beneficiaries: the Facility shall be open to public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States.

Implementation: the Decision contains provisions on the management of the Facility. The Commission shall manage the Facility in accordance with the Financial Regulation. It shall conclude agreements with international financial institutions (EIB and EIF), which shall themselves conclude written agreements with the public and private providers of microfinance (whether banks or not) throughout the EU in order to finance initiatives that fall under the framework of the Facility.

Evaluation, monitoring and reporting: the Facility is subject to traditional evaluation and anti-fraud provisions. From 2011, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative annual report on the activities under this Decision.

BUDGETARY IMPLICATIONS: in line with the Inter-institutional Agreement of 17 May 2006 on budgetary discipline and sound financial management, the Facility is to be established by a reallocation of the existing budget. Under the terms of that agreement, the Parliament added an additional EUR 114 million to the budget for the Progress programme thus increasing the budget to EUR 743 250 000. This additional financing was to have been applied progressively in the later years of the programme i.e. from 2009.

After examining all possible options, the funding would come from a reallocation of EUR 100 million (over 4 years) from the Progress Programme to the new European Microfinance Facility for Employment and Social Inclusion (the Progress Microfinance Facility). This EUR 100 million from the existing budget could leverage more than EUR 500 million, in a joint initiative with international financial institutions, in particular the EIB Group.