European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 15/12/2009 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 516 votes to 82, with 4 abstentions, a legislative resolution amending, under the first reading of the codecision procedure, the proposal for a decision of the European Parliament and of the Council on establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility).

The main amendments can be summarised as follows:

Instrument's title: Parliament suggests that the facility should be called the European Progress Microfinance Facility for Employment and Social Inclusion.

Objective: the Facility shall provide Community resources to **increase access and availability to micro-credits** for: (a) persons who are at risk of losing their job or who have difficulties entering or re-entering the labour market and disadvantaged persons or persons who are at risk of social exclusion or who are finding it difficult to enter the conventional credit market and who want to start or further develop their own micro-enterprise, including self-employment; (b) micro-enterprises in the social economy and micro-enterprises which employ disadvantaged persons or persons who have lost their job, persons who are at risk of social exclusion or persons who are excluded from conventional credit markets.

Granting microfinancing of EUR 25 000 maximum: a recital states that for the purposes of this decision, "microfinance" shall include guarantees, micro-credit, equity and quasi-equity extended to persons and micro-enterprises covered by this Decision, micro-credit being defined as loans under EUR 25 000 and the term "micro-enterprise" defines an enterprise employing less than 10 people, including self employment, and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. "Micro-enterprise in the social economy" shall mean a micro-enterprise which produces goods and services with a clear social mission or which provides services to members of the community with a non-profit purpose.

Annual financing, independent of the Progress programme: Plenary states that the annual appropriations will be decided during the annual budgetary procedure, including if necessary through application of point 37 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the European Commission on budgetary discipline and sound financial management (the IIA), or by other means provided for in the IIA (which means that Plenary rejected the option proposed by the Commission to take the necessary amounts from the Progress programme budget). Parliament provisionally granted an envelope of EUR 100 million over a 4 year period for this instrument – as proposed by the Commission – i.a. EUR 25 million from the budgetary margins for 2010. For the additional 3 years (2011-2013), no agreement has been reached by the Council and the European Parliament as regards the source of the financing.

Beneficiaries: the Facility shall be open to **national and local** public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States. Those public and private bodies shall closely cooperate with organisations engaged in representing the interests of the final beneficiaries of micro-credit and with organisations, in particular those supported by the ESF, who provide **mentoring and training programmes** to those final beneficiaries.

A new recital stipulates that an increasing amount of micro-finance to vulnerable people who are in a disadvantaged position with regard to access to the conventional credit market in the European Union is provided by non-commercial microfinance institutions, credit unions and banks implementing Corporate Social Responsibility. In this context, Parliament suggests that the Facility could help these providers, which supplement the commercial banking market, with an increased availability of micro-finance to meet the current levels of demand.

Parliament also stipulates that:

- in many cases the providers of micro-finance in Europe are commercial banks and should become important partners in the Facility, with a view to re-establishing trust on the credit market and with a focus mainly on customers with no credit standing;

- public and private bodies providing micro-finance under this Decision should comply with principles of responsible lending and thereby **avoid, in particular, over-indebtedness** of persons and undertakings.

Particular attention paid to women: Parliament underlines that equality between women and men should be actively pursued as regards access to micro-credit facility.

Establish national contact points to facilitate the implementation of the instrument: in order for the Facility to be effective, to have a long-lasting impact, to reach the potential beneficiaries and to serve as a proactive element for both economic and local development policies, Parliament suggests that Member States can establish a national contact point which can promote, coordinate, assess and monitor all the actions taken under the Facility in their respective territories.

Management and implementation of the instrument: Parliament sets out that the Commission shall conclude agreements with international financial institutions, in particular with the European Investment Bank (EIB) and the European Investment Fund (EIF). These agreements shall contain detailed provisions for the implementation of the tasks entrusted to them, including the necessity to ensure additionality and coordination with existing European and national financial instruments, and to promote a comprehensive and balanced coverage between the Member States **Implementation report and maintaining the instrument**: no later than 12 months after the entry into force of this Decision and each year thereafter, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative annual report on the activities under this Decision in the previous year. The annual report shall be based on the implementation reports. It shall in particular contain information relating to applications adopted or rejected, contracts concluded, actions funded, the total number and type of beneficiaries and the distribution of amounts geographically and per sector. The annual report shall moreover contain information on the impact and sustainability of the Facility expressed by the total number of persons and microenterprises which are still employed or in business at the end of the period of support provided to them through the Facility. The annual report will include information on the complementarity with other Community interventions, notably the ESF.

Lastly, based on the annual report, the Commission shall make efforts to ensure that the Facility meets the objective set out in the text and is accessible across the European Union to those who are at risk of social exclusion or who are finding it difficult to enter the conventional credit market. Following the presentation of the third annual report and on the basis of a proposal by the Commission, the European Parliament and the Council may review this Decision.