European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 25/03/2010 - Final act

PURPOSE : to establish the European Progress Microfinance Facility (the Facility).

LEGISLATIVE ACT : Decision No 283/2010/EU of the European Parliament and of the Council establishing a European Progress Microfinance Facility for employment and social inclusion.

CONTEXT : the Council and the European Parliament adopted a decision establishing a EUR 100 million European microfinance facility for employment and social inclusion together with the Decision No 284 /2010/EU amending Decision No 1672/2006/EC establishing “Progress”, on the financing of the new facility (see COD/2009/0091).

The two decisions, which form part of the EU's response to the crisis, are aimed at giving the unemployed the chance of a new start and opening the way to entrepreneurship for persons who find it difficult or impossible to gain access to the conventional credit market, through microcredits of up to EUR 25 000. The facility also improves access to microfinance for micro-enterprises (those employing fewer than 10 people and with annual turnover not exceeding EUR 2 million), especially those in the social economy and those employing vulnerable or disadvantaged persons.

CONTENT : following a first-reading agreement with the European Parliament, the Council and European Parliament adopted this Decision, establishing a EUR 100 million European microfinance facility for employment and social inclusion.

Objective: the Facility will provide Union resources to increase access to, and availability of, microfinance for:

- persons who have lost or are at risk of losing their job, or who 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-enterprise, including self-employment;
- micro-enterprises, especially in the social economy, as well as micro-enterprises which employ persons referred to above.

The Facility will promote equal opportunities for women and men.

Budget: the financial contribution from the Union budget for the Facility for the period from 1 January 2010 to 31 December 2013 shall be EUR 100 million. EUR 60 million comes from reallocation of funds from the Progress Programme (see COD/2009/0091), EUR 40 million is “fresh money", using the margins in heading 1a (competitiveness for growth and employment) under the ceiling of the multiannual financial framework. The financial contribution shall cover the full cost of the Facility, including management fees for international financial institutions managing the Union contribution as well as any other eligible costs.

Eligible actions and beneficiaries: the Facility shall be implemented by using the following types of actions, as appropriate: (a) guarantees and risk-sharing instruments; (b) equity instruments; (c) debt instruments; (d) 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. However, the **total budget for support measures must not exceed 1% of the budget of the Facility**. The Facility shall be open to public and private bodies established on national, regional and local levels in the Member States which provide microfinance to persons and micro-enterprises in the Member States. In order to reach the final beneficiaries and to create competitive and viable micro-enterprises, public and private shall cooperate closely with organisations engaged in representing the interests of the final beneficiaries of microcredit and with organisations, in particular those supported by the ESF, who provide mentoring and training programmes to those final beneficiaries.

Management: the Commission will manage the Facility. In order to implement the Facility, with the exception of the support measures, the Commission shall conclude agreements with international financial institutions, in particular with the EIB and the EIF, in accordance with Regulation No 1605/2002 and Commission Regulation No 2342/2002. Those agreements shall contain detailed provisions for the implementation of the tasks entrusted to those financial institutions, including provisions specifying the need to ensure additionality and coordination with existing European and national financial instruments, and to promote a comprehensive and balanced coverage between the Member States.

The agreements shall, furthermore, include an obligation on the part of the international financial institutions to re-invest the resources and proceeds, including dividends and reimbursements, for a period of six years after the starting date of the Facility. Upon closure of the Facility, the remaining balance due to the European Union shall be repaid to the general budget of the EU. The international financial institutions shall conclude written agreements with the public and private providers of microfinance laying down their obligations to use the resources made available from the Facility in accordance with the objectives set out above and to provide information for the establishment of the annual reports. The budget for support measures shall be managed by the Commission.

Annual report: the international financial institutions shall transmit to the Commission annual implementation reports setting out the supported activities in terms of financial implementation, distribution and accessibility of funding with regard to sectors and type of beneficiaries, applications accepted or rejected, contracts concluded, actions funded and results. No later than 8 April 2011 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 undertaken under the Decision in the previous year. The annual report shall be based on the implementation reports and 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 contain information on the impact and sustainability of the Facility expressed by the total number of persons and micro-enterprises which are still employed or in business at the end of the period of support provided to them through the Facility. Lastly, it will include information on complementarity with other Union interventions, notably the ESF.

Based on the annual report, the Commission shall make efforts to ensure that the Facility meets the objective set out and is accessible across the EU to those who are at risk of social exclusion or who are finding it difficult to access the conventional credit market.

Evaluation: the Commission shall carry out interim and final evaluations at its own initiative and in close cooperation with the international financial institutions. The interim evaluation shall be completed four years after the start of the Facility and the final evaluation at the latest one year after the end of the mandate(s) given to the international financial institutions. The final evaluation shall, in particular, examine the extent to which the Facility as a whole has achieved its objectives.

ENTRY INTO FORCE : 08/04/2010.