

European Progress Microfinance Facility for employment and social inclusion

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In accordance with Decision No 283/2010/EU, the Commission presents a report on the European Progress Microfinance Facility (Progress Microfinance), covering the year 2011. It notes that 2011 was the Progress Microfinance Facility's first full year of operation. This report examines:

- the implementation at the level of microcredit providers, including contracts concluded with the EIF, geographical distribution, actions funded and applications accepted and rejected;
- the impact at micro-borrower level, including the types of beneficiaries and distribution per sector, based on the data available at this stage;
- complementarity between Progress Microfinance and other instruments and the outlook with regard to future developments.

Microcredit providers: in terms of contracts concluded, the report notes that Progress Microfinance is open to a wide range of intermediaries at national, regional or local level, including banks and non-bank institutions as well as private and public institutions. The sector has shown considerable interest in the instruments the Facility offers. By March 2012, the EIF had signed 18 contracts with 16 microcredit providers. These 18 agreements signed demonstrate that Progress Microfinance serves the needs of a great variety of microcredit providers across the EU. It is expected that until the end of 2012, further agreements will be signed with microcredit providers in Austria, Belgium, Germany, Ireland, Italy, Sweden and the UK.

As of 31 March 2012, the EIF has made commitments to microcredit providers of **EUR 73.87 m in total**.

Under the **guarantee window, commitments amount to EUR 4.87m (out of the total EUR 25m available for the guarantees)**. This is considerably below the EUR 8m expected for the end of 2011. However, the EIF has confirmed that there is a rising demand for guarantees. This should materialise in a number of additional contracts in 2012 including for larger volumes. The rise in demand is also due to the extension of the term of the guarantees from three to six years.

Under the **funded instruments window, the EUR 69m of commitments to microcredit providers exceeds the expected EUR 44m**. This is due to strong demand from the sector and the EIF's sustained deal origination efforts.

Impact at micro borrower level: the report discusses the impact of Progress Microfinance on job and business creation. It states that, given the small sample size, it is too early to draw conclusions about the social and employment impact of Progress Microfinance. However, the target groups indicated by the microcredit providers and first indications regarding the real impact **suggest that Progress Microfinance helps create jobs and serves disadvantaged groups**, in line with the policy objective of promoting financial inclusion.

The job creation effects of Progress Microfinance can be measured by the number of **unemployed and inactive people** who started a business with the help of a microloan. Based on the information given by microStart (BE) and Mikrofond (BG), this was the case for **27.46% of clients**. In addition, anecdotal

evidence suggests that some of those who had previously been employed had only been working part-time. For some of the micro-enterprises already operational at the time the microloan was provided, the information given shows that almost 60% of the enterprises supported are less than one year old. They therefore belong to the group of micro-borrowers considered 'risky'. More than a third of enterprises supported are less than six months old. In terms of disadvantaged groups, data on the **educational background of their clients** show, that more than three quarters of the micro-borrowers financed had either completed secondary education (71%) or primary education (5%) only. This shows that the intermediaries also serve people who are in a more fragile position in the labour market.

The **figures vary a lot in terms of gender**. While Mikrofond, active above all in the rural areas of Bulgaria, has only 28% of female clients (which is below the national average of 31% of female entrepreneurs¹²), most of Brussels-based microStart's clients are women (54%). This figure is far above the national average of 29% of female entrepreneurs. Based on the information given by four microcredit providers, around **1% of the employees of micro-enterprises financed are disabled, while 8% belong to a minority group**. The Commission will explore with EIF how the social impact reporting framework can be improved.

Outlook: for the next financial period 2014–20, the Commission has proposed to continue supporting microfinance development throughout the EU under the [Programme for Social Change and Innovation](#). This would build on the successful intermediary model by offering a similarly wide range of products, disseminating best practice and pioneering financial inclusion by strengthening underserved market segments. One of the criticisms made about the current financial period is that EU microfinance support is scattered among several separate, though complementary, programmes. The proposed PSCI attempts to create a one-stop-shop for microfinance support. It will also make funding available for the capacity building of microcredit providers based on experience gained from the EPPA initiative and allow the financing of technical assistance for microcredit providers. The financing of microfinance schemes, capacity-building actions and entrepreneurship support services will still be possible across the EU under the structural funds (the ERDF and the ESF), operated through shared management between the Commission and Member State authorities.