European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 31/07/2013 - Follow-up document

This report looks at the implementation of Progress Microfinance after more than two years of operation.

The 2012 Commission report on the implementation of the European Progress Microfinance Facility is presented as follows:

- the first part includes detailed information on concluded contracts;
- the middle section reports on data collected as a part of the Facility's social impact assessment;
- an other section describes complementarity and coordination of Progress Microfinance with other programmes and;
- the last part identifies possible future implications and trends.

Budget and financing granted in the framework of the EPMF: the report recalls that public and private entities, both banks and non-banks, can apply for support from Progress Microfinance in the form of a guarantee or a funded instrument (debt, risk-sharing instruments and equity).

EUR 25 million out of the overall budget has been allocated for guarantees, funded by the European Commission. The remaining budget, for funded instruments, is composed of EUR 75 m from the Commission and EUR 100 m from the European Investment Bank (EIB), which agreed to match the Commission's contribution and has already fostered the anticipated leverage effect of Progress Microfinance.

To the initial budget of EUR 75 million, an additional EUR 3 million have been added in 2010 from a **European Parliamentary Preparatory Action** and EUR 2 million in 2013 from the previous year Global transfer procedure.

In total, **EUR 205 million** is the budget available for Progress Microfinance for both guarantees and funded instruments

Operation: the European Investment Fund (EIF) issues the guarantees and manages the funded instruments on behalf of the Commission and the EIB. Entities selected for participation become financial intermediaries, providing microloans of up to EUR 25 000, although most have opted for smaller ceilings. Beneficiaries of all supported microloans are individuals and microenterprises who would, under market conditions, be considered as disadvantaged and unlikely to be granted a loan.

Results and efficiency of the EPMF in 2012: overall, the report states that the progress microfinance satisfies a strong demand from both bank and non-bank microfinance providers. EUR 101 million out of EUR 203 million had been committed to intermediaries as of March 2013 (investments are still possible until 2016). Based on the agreed microloan volumes to be generated by providers, the **current leverage effect of 5.5 is above the target**.

Main beneficiaries and sectoral distribution of financing: the geographical coverage of Progress Microfinance has been extended to 15 Member States. Close on EUR 50 million has already reached the final beneficiaries, who include members of disadvantaged groups, especially women, young people, minorities and low-skilled workers. Progress Microfinance has significantly contributed to job creation, helping a high percentage of people who were previously unemployed or inactive into employment.

Agriculture and Trade remain the two most predominant sectors, accounting for more than a half of all supported enterprises. Unsurprisingly, the support for agriculture comes almost exclusively from the funded instruments, as these predominate in the countries with a high involvement in rural areas (see map below) — Romania and Bulgaria. In Trade, this support comes from both more or less evenly.

Improvements: the documents states that room for improvement has been identified for accompanying mentoring and training for microentrepreneurs. The Commission will continue to insist on the EIF ensuring that this contractual obligation is fulfilled. The issue of providers' institutional capacity, acknowledged to be a bottleneck which slows down the disbursement of loans, will be addressed via the successor instrument under the Programme for Social Change and Innovation 2014-20 (PSCI). In addition to portfolio funding and risk-sharing, like under Progress Microfinance, this new instrument will offer funding for capacity building and technical assistance to microcredit providers under a single umbrella.