European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 20/10/2014 - Follow-up document

The Commission presented a report on the implementation of the European Progress Microfinance Facility - 2013 for employment and social inclusion.

The report presented information on the support to intermediaries and final recipients. It then looks at the social impact of Progress Microfinance and its complementarity with other EU instruments. Lastly, it presented the outlook for the future is outlined, including views on the successor financial instrument under the Programme for Employment and Social Innovation (EaSI), implementation of which will begin in the second semester of 2014.

Support to intermediaries and final recipients: microcredit providers (i.e. public and private entities, including both banks and non-banks) play a crucial role in reaching the Progress Microfinance's goal of disbursing EUR 500 million through 46 000 microloans to final recipients.

In 2013, the expectation was confirmed that, following a slow initial take up, there would be a **steady rise in providing microloans** to final recipients.

The rise from 26 microcredit providers in 2012 to 40 providers in 2013 across 54 operations, and the increase in geographical coverage represent an important milestone towards reaching this target.

The significant unmet demand for microloans throughout the EU has been addressed by **extending Progress Microfinance activities into three new Member States in 2013** (Denmark, Slovakia and the UK) with two more to come in 2014 (Sweden and Croatia).

At the reporting date, there were **12 690 final recipients**, with some of these benefiting from more than one microloan. Sector distribution remains broadly similar to 2012, with more than half of final recipients coming from trade (which saw a 3 % increase since last year) and agriculture (down by 7%).

Guarantees: the number of intermediaries supported by a guarantee increased from 12 in 2012 to 27 at the end of 2013. Guarantees have proved to be an extremely successful instrument for microfinance support, with their **budget expected to be fully used by the end of 2014**. The total commitment to microcredit providers amounts to **EUR 134.7 million** (including guarantees, where the total cap amount is EUR 20.7 million), and the total disbursement of funded instruments is EUR 60.17 million. The net amount of called guarantees is relatively low, at EUR 1.34 million, with FM Bank and Qredits having called almost 90% of this amount. The net amount of called guarantees is expected to increase significantly over time. As of the end of March 2014, this had increased to EUR 2.11 million.

When issuing new financial instruments under EaSI 2014-20, the **provision of guarantees to microfinance intermediaries will be prioritised**.

Social and employment impact: social reporting confirms that Progress Microfinance has increased its outreach activity with regard to disadvantaged groups, and has had a **strong impact** on job creation by facilitating access to finance for the unemployed and for economically inactive people.

Although the majority of loan takers are in the main age group of 25-54 year-olds (84.4%), the data collected show that Progress Microfinance continues to work with a significant group of final recipients aged under 25, with 5.9% of recipients in this age group (compared to 5.2% last year).

Complementarity with other EU instruments: to better reach out to final recipients and further develop the microfinance market in the EU, Progress Microfinance aims to create **added value** by ensuring efficient coordination and smart complementarity with other EU instruments.

All microcredit providers are required to work with entities providing training and mentoring services, particularly those supported by the European Social Fund (ESF). According to the interim evaluation's preliminary results, around 50% of microcredit providers have done this.

It is recalled that in 2014, activity in the third axis of EaSI will begin. Lessons learned from Progress Microfinance have fed into the design of the financial instruments in this axis of the programme and in deciding to give increased attention to capacity-building for microcredit providers. **More technical assistance** will also be offered under the first axis of EaSI.

Progress Microfinance will continue to **offer its products until 2016**, as planned, to keep addressing the financing gap on the EU microfinance market. After Progress Microfinance ends, the balance due to the EU will be used for microfinance and social enterprise support under EaSI.