Implementation of the European Progress Microfinance Facility

2015/2042(INI) - 17/11/2015 - Committee report tabled for plenary, single reading

The Committee on Employment and Social Affairs adopted a report by Sven SCHULZE (EPP, DE) in response to the report on the implementation of the European Progress Microfinance Facility (EPMF).

Members stressed the **importance of a financial instrument** such as the Facility in **times of financial crisis** in creating new undertakings, promoting new employment and ensuring that unemployed, disadvantaged people and microenterprises have access to financing, while mitigating the risk for microfinance intermediaries (MFIs).

Members recommended the following:

Increasing access to microfinance: the report noted that the impact on employment creation was less than initially expected, in spite of the fact that many recipients would have been completely excluded from the credit market were it not for microcredit. It regretted the high number of rejected applications for microfinance (almost 2 000 applications were rejected, partly on grounds of over-indebtedness of persons and undertakings) and the still significant microfinance market gap, despite the increase in the number of micro-borrowers.

Members stressed the need to:

- provide **greater publicity and information** concerning the Facility and the means of access to it; contact points may be created to this effect;
- enlarge the geographical scope of the Facility, in order to reach every Member State and to widen the sectorial scope of the Facility beyond the agriculture and trade sectors.

The report called for the Facility to take account of the **added value of projects in regions with severe and permanent natural or demographic handicaps**, such as sparsely populated regions and regions undergoing depopulation, since this will not only stimulate job creation there but also help maintain population levels. It urged the Commission and the EIF to make the Microfinance and Social Entrepreneurship axis of the <u>European Union Programme for Employment and Social Innovation</u> (EaSI) operational as soon as possible so as to secure access to money for the beneficiaries.

The Commission and the Member States are encouraged to gather and assess data on the characteristics of microenterprises, their needs and their survival rates, and to **propose adjustments to the EaSI Regulation**, if necessary, during the mid-term review.

Reaching target groups and social impact reporting: Members deplored the fact that, owing to the lack of well-defined social reporting, the social impact of the Facility has not been measured more accurately in terms of job creation, business sustainability and minority group outreach. They called on the Commission, therefore, to adhere to standards for social performance measurements in an empirical way so as to **ensure the highest social impact**, also with regard to the Europe 2020 targets and to assess whether the definition of target groups, including people with disabilities, needs to be clarified further.

Furthermore, the Commission is called upon to:

- focus its efforts to improve access to microfinance for **potentially excluded clients**, such as migrants, refugees, long-term unemployed, young people, low-income persons, low-skilled workers and people with disabilities, who are currently not benefiting enough from the Facility;
- view **refugees and asylum seekers** as a target group;
- multiply the initiatives and funding available for granting microcredit to **innovative start-ups run by young people**;
- take into account the benefits of microfinance for **women**, including the creation of sustainable jobs;
- improve methods of evaluating the viability, and the impact within their community, of businesses after repayment of the microcredit.

Supporting the social economy: Members regretted that the Facility has not funded a significant number of social enterprises. They welcomed the fact, therefore, that a specific percentage of the EaSI budget is dedicated to the funding of social enterprises and encouraged the Commission to closely monitor this new feature and to assess, and if necessary review, the cap stipulated for loans to social enterprises under **EaSI**.

Mentoring and training services and complementarity with other instruments: the report welcomed the possibility under EaSI of funding capacity-building of MFIs and technical assistance for MFIs to improve their professionalisation, service delivery, and gathering and processing of data to allow better feedback about the Facility. It proposed, therefore, the establishment of: (i) a website where projects can be presented and information about them found, and; (ii) a Community database which includes credit information and perhaps the possibility of drawing attention to any obstacles.

Members noted that 44% of all entrepreneurs supported by the Facility existed for less than one year, while 56% were still in existence the year after. They called on the Commission to:

- further evaluate the viability of the micro-businesses financed through the Facility;
- encourage the development of employment sustainability through adequate **guidance and training**, financed under EaSI:
- investigate future financing avenues with appropriate new instruments in partnership with national or Union funds.

The European Social Funds (ESFs) should provide key financing for creating enterprises, viable microfinance and social entrepreneurship, together with mentoring and training programmes. They also called on the Commission and the Member States to ensure that **EFSI** is available to finance microenterprises.

Microfinance intermediaries: the report encouraged the Commission to coordinate ESF and EaSI support in order to improve complementarity between the two programmes, with regard to Microfinance Facilities, focusing among other things on **cooperation** between MFIs and business support centres cofinanced by the ESF. Members recommended that the procedure for access to the instrument be **simplified** and that agreements between MFIs and the EIF be more flexible and easier to understand, allowing smaller MFIs to make full use of the funding instruments and the EIFs facilities quickly.

The Commission is called upon to **strengthen its dialogue with microfinance actors**, as well as with stakeholders currently not included, regarding the accessibility, use and design of the products to be offered under Union-funded programmes.