

Basic information	
2009/0096(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
European Progress Microfinance Facility for employment and social inclusion Amended by 2011/0270(COD) See also 2015/2042(INI) Subject 3.45.02 Small and medium-sized enterprises (SME), craft industries 3.45.03 Financial management of undertakings, business loans, accounting 4.10.05 Social inclusion, poverty, minimum income 4.15.02 Employment: guidelines, actions, Funds	

Key players			
European Parliament	Committee responsible		Rapporteur
	<div>EMPL</div> Employment and Social Affairs		GÖNCZ Kinga (S&D)
			Shadow rapporteur UNGUREANU Traian (PPE) HARKIN Marian (ALDE) SCHROEDTER Elisabeth (Verts/ALE) HELMER Roger (ECR) HÄNDEL Thomas (GUE/NGL)
	Committee for opinion		Rapporteur for opinion
	<div>BUDG</div> Budgets		LAMASSOURE Alain (PPE)
	<div>ECON</div> Economic and Monetary Affairs		SCHMIDT Olle (ALDE)
	<div>ITRE</div> Industry, Research and Energy		The committee decided not to give an opinion.
	<div>CULT</div> Culture and Education		The committee decided not to give an opinion.

	JURI Legal Affairs	The committee decided not to give an opinion.	02/09/2009
	FEMM Women's Rights and Gender Equality	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meetings	Date
	Employment, Social Policy, Health and Consumer Affairs	3000	2010-03-08
European Commission	Commission DG	Commissioner	
	Employment, Social Affairs and Inclusion	ANDOR László	

Key events			
Date	Event	Reference	Summary
02/07/2009	Legislative proposal published	COM(2009)0333 	Summary
14/07/2009	Committee referral announced in Parliament, 1st reading		
05/11/2009	Vote in committee, 1st reading		Summary
10/11/2009	Committee report tabled for plenary, 1st reading	A7-0050/2009	
14/12/2009	Debate in Parliament		
15/12/2009	Decision by Parliament, 1st reading	T7-0106/2009	Summary
15/12/2009	Results of vote in Parliament		
08/03/2010	Act adopted by Council after Parliament's 1st reading		
25/03/2010	Final act signed		
25/03/2010	End of procedure in Parliament		
07/04/2010	Final act published in Official Journal		

Technical information	
Procedure reference	2009/0096(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Amended by 2011/0270(COD) See also 2015/2042(INI)
Legal basis	Treaty on the Functioning of the EU TFEU 175-p3

Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/7/00373

Documentation gateway










European Parliament


Document type	Committee	Reference	Date	Summary
Committee draft report		PE427.993	10/09/2009	
Amendments tabled in committee		PE429.667	09/10/2009	
Committee opinion	ECON	PE428.207	21/10/2009	
Committee opinion	BUDG	PE430.450	05/11/2009	
Committee report tabled for plenary, 1st reading/single reading		A7-0050/2009	10/11/2009	
Text adopted by Parliament, 1st reading/single reading		T7-0106/2009	15/12/2009	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00004/2010	25/03/2010	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2009)0333 	02/07/2009	Summary
Document attached to the procedure	SEC(2009)0907 	02/07/2009	Summary
Follow-up document	COM(2011)0195 	11/04/2011	Summary
Follow-up document	COM(2012)0391 	17/07/2012	Summary
Follow-up document	COM(2013)0562 	31/07/2013	Summary
Non-legislative basic document	COM(2014)0639 	20/10/2014	Summary
Follow-up document	COM(2014)0686 	30/10/2014	Summary
Follow-up document	SWD(2014)0335 	30/10/2014	Summary
Follow-up document	COM(2024)0254 	01/07/2024	

Follow-up document		SWD(2024)0146 	01/07/2024	
Other institutions and bodies				
Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1457/2009	30/09/2009	
CofR	Committee of the Regions: opinion	CDR0224/2009	07/10/2009	

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act
Decision 2010/0283 OJ L 087 07.04.2010, p. 0001 Summary

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.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 20/10/2014

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.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 30/10/2014

This report from the Commission concerns financial instruments supported by the general budget according to Article 140(8) of the Financial Regulation as at 31 December 2013.

The report focuses on all centrally-managed Financial Instruments for internal and external Union policies supported by the general budget according to Article 140(8) of the [Financial Regulation](#) as of 31 December 2013.

To recall, financial instruments, including loans or guarantees with greater risk capacity, represent a smart way to finance the real economy, and boost growth and employment. They can achieve financial leverage (multiplying scarce budgetary resources by attracting private and public funds to support EU policy objectives), policy leverage (incentivising entrusted entities and financial intermediaries to pursue EU policy objectives through alignment of interest), and institutional leverage (benefiting from the expertise of the actors involved in the implementation chain).

This report is the **first to be prepared under the new requirements of the Financial Regulation**. It is intended to **provide an informative overview of how the taxpayer's money has been used** and of the progress made in the implementation of the Financial Instruments as of 31 December 2013.

The report is complemented by a Commission Staff Working Document which provides specific information on individual financial instruments, their progress made in implementation and their environment in which they operate.

The report highlights that **important outcomes have been achieved through the use of Financial Instruments in the years 2007-2013**, and they will play an even more significant role in the 2014-2020 Multi-annual Financial Framework (MFF). The budgetary authorities have expressed their **political commitment and increased the necessary resources**. Furthermore, the Financial Regulation has been extended with a dedicated chapter, setting up the appropriate regulatory framework for Financial Instruments' design, management and reporting.

The main conclusions of the report are:

(1) **The implementation of the 2007-2013** centrally-managed financial instruments has been instrumental in helping to **alleviate financial market failures and leverage the positive effects of EU-wide actions**. For example, in the 2007-2013 period, the main EU-level financial instruments dedicated to SME support (CIP-GIF, CIP-SMEG 07 and RSI) and micro-SME support (EPMF) with an overall contribution (EU commitments) of more than EUR 1.6 billion, mobilised lending of nearly EUR 17.9 billion and also supported equity investments of about EUR 2.8 billion, thus enhancing access to finance for more than 336 000 SMEs.

(2) **The achieved leverage** is equal to 5 for Equity Instruments, and ranges from 4.8 to 31 for Guarantee instruments, from 10 to 259 for Risk-sharing instruments, from 1.54 to 158 for Dedicated Investment Vehicles, from 5 to 7 for Financial Instruments in the Enlargement Countries, from 5 to 27.6 for Financial Instruments in Neighbourhood Countries and Countries covered by the Development Cooperation Instrument.

With the experience gained in the course of implementation during the 2007-2013 period, and in the context of programme evaluations and audits, several lessons have been learned on how to further improve the design and management of financial instruments:

- best practices have been capitalised on the design and the management of the new generation of financial instruments;
- further, Financial Instruments will now cover **all main types of final recipients over the full funding cycle** and will include offer of both pro- and counter-cyclical instruments to respond flexibly to market needs, based on demand-driven implementation;
- effectiveness and efficiency have been enhanced through fewer instruments with larger volumes, ensuring critical mass in full consistency with State aid rules;
- alignment of interest with entrusted entities and financial intermediaries will be further achieved through fees and incentives, and risk sharing.

Since 2013 is the last year of commitment for the 2007-2013 programming period for a number of instruments, a final evaluation assessing the extent to which objectives have been achieved has not been finalised. More qualitative and in-depth feedback on the attainment of objectives will be available within one year and will be duly reported upon.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 30/10/2014

This Staff Working Document (SWD) constitutes an Annex to the report of the Commission to the European Parliament and the Council on financial instruments supported by the general budget according to Article 140(8) of the [Financial Regulation](#) as at 31 December 2013. It provides specific information on individual financial instruments, their progress made in implementation and their environment in which they operate.

Financial instruments are a proven way to achieve EU policy objectives. They use EU funds to support economically viable projects and attract very significant volumes of public and private financing. By injecting money into the real economy, financial instruments contribute to the achievement of the EU policy objectives enshrined in the Europe 2020 Strategy, notably in terms of employment, innovation, climate change and energy sustainability, education and social inclusion.

The report gives detailed information on each financial instrument.

The European Progress Microfinance FCF-FIS for employment and social inclusion

EU Microfinance Platform is structured as a Luxembourg "fonds commun de placement – fonds d'investissement specialise" (FCP - FIS) governed by the law of 13 February 2007 relating to specialised investment funds and launched on 22 November 2010.

It is established as an **umbrella fund**, which may have several sub-funds. At 31 December 2013, the Fund has had a single sub-fund - the European Progress Microfinance Fund - created with a limited duration ending on 30 April 2020.

The Fund does not have legal personality. The Fund is therefore managed in the exclusive interests of the Unit-holders (the European Union, represented by the Commission, and the EIB) by the Management Company (EIF) in accordance with Luxembourg laws and the Management Regulations.

In 2013, which was the last year of the Union budgetary commitments, the Commission committed EUR 22 million to be deployed by the investment vehicle. No further budgetary commitments have been made by the Commission since the end of the commitment period on 31/12/2013.

The payments made in 2013 amount to a total of EUR 12.43 million for the FCP-FIS. As of 31/12/2013, from the start, the Commission had already paid some EUR 63.43 million for this funded instrument. For 2014, the forecasted budgetary payments amount to EUR 16.6 million.

As of 30/09/2013, EIF had signed 20 loan agreements in 10 Member States including a Commission contribution of EUR 42 million. 6236 micro-enterprises and vulnerable persons had been supported under the Facility and they had created 11 487 jobs.

The financial contribution from the Union budget to the EPMF Fonds Commun de Placement – Fonds d'Investissement Spécialisé (EPMF FCP-FIS) for the period from 1 January 2010 to 31 December 2013 amounts to EUR 80 million.

Sub-fund - the European Progress Microfinance Guarantee Fund (EPMF-G)

The EPMF Guarantee Facility is implemented by the European Investment Fund in accordance with the Fiduciary and Management Agreement entered into on 1 July 2010 between the European Union, represented by the Commission and EIF. Under the Agreement, the Commission mandated EIF to provide direct guarantees and counter guarantees on micro credit loans in its own name, but on account and risk of the European Union.

The aim of the instrument is to increase access to and availability of microfinance.

As of 30/09/2013, EIF has signed 19 guarantee agreements in 12 Member States for a total amount of EUR 14.08 million. During the implementation of the Facility, 6748 micro-enterprises and vulnerable persons have been supported and 8684 jobs have been created.

Currently the market demand exceeds the original budgetary allocation of EUR 23.8 million. An increase of this budget in the envisaged **EaSI microfinance guarantee facility**, the successor of the EPMF-G, will be most likely fully utilised.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 02/07/2009 - Document attached to the procedure

This Commission Staff Working Document presents an ex-ante evaluation of the European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility).

Given the currently reduced level of lending and the dramatic fall in outstanding loans, ongoing **Community and national efforts need to be strengthened to increase the supply of microcredits** to a sufficient scale and within a reasonable time-frame so as to address the high demand of those who need it most in this period of crisis. Using Community resources is appropriate and responds to the [Resolution](#) of the European Parliament of 24 March 2009. Further, a single facility will concentrate leverage from international financial institutions. A pan-EU facility will avoid a dispersed approach thus increasing micro-finance supply in all Member States.

This report considers that taking into account the limitations of the currently running initiatives and the strong Community interest in meeting the objectives for this initiative in a term as short as possible, the setting up of a microfinance facility through the adoption of a **new legal base and the reallocation of EUR 100 million from the Progress programme** seems to be the most appropriate solution.

The reallocation of funds from the Progress Decision will require an adjustment of the activities developed under the different strands of activities. Moreover, from a political point of view it is generally accepted that the current economic crisis requires a **redployment of resources** to actions that can benefit more directly those groups of European citizens that are affected by the crisis.

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.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 02/07/2009 - Legislative proposal

PURPOSE: to establish a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility).

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: in the light of the unprecedented crisis that the European Union is currently facing, it is the citizens who risk paying the highest price in terms of unemployment. In order to prevent high levels of unemployment, boost job creation and pave the way for economic renewal, sustainable recovery and growth, the European Union decided to react by proposing a vast economic recovery plan.

As part of this recovery plan, the Commission presented a Communication in which it proposed the creation of a new EU microfinance facility for employment (Progress Microfinance Facility) in order to give the unemployed the chance of a new start and to open the way to entrepreneurship for some of Europe's most disadvantaged groups, including the young.

That is the purpose of this proposal.

IMPACT ASSESSMENT: the Commission did not carry out a real impact assessment for this initiative but rather an ex-ante evaluation in which it notes that Community and national efforts have to be strengthened so as to increase the supply of micro-credits for those who need it most, i.e. unemployed or vulnerable people who want to go into self-employment but do not have access to bank credits.

CONTENT: the proposed Facility shall provide Community resources with a view to facilitating access to microcredit for the following target groups:

- persons who have lost or are at risk of losing their job and want to start their own micro-enterprise, including self-employment;
- disadvantaged persons, including the young, who want to start or further develop their own micro-enterprise, including self-employment;
- micro-enterprises in the social economy which employ persons who have lost their job or which employ disadvantaged persons, including the young.

Eligible actions: the Facility shall be implemented by using the following types of actions, as appropriate:

- guarantees and risk-sharing instruments;
- equity instruments;
- debt instruments;
- 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 (the total budget for these support measures shall not exceed 1% of the budget of the Facility).

Beneficiaries: the Facility shall be open to public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States.

Implementation: the Decision contains provisions on the management of the Facility. The Commission shall manage the Facility in accordance with the Financial Regulation. It shall conclude agreements with international financial institutions (EIB and EIF), which shall themselves conclude written agreements with the public and private providers of microfinance (whether banks or not) throughout the EU in order to finance initiatives that fall under the framework of the Facility.

Evaluation, monitoring and reporting: the Facility is subject to traditional evaluation and anti-fraud provisions. From 2011, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative annual report on the activities under this Decision.

BUDGETARY IMPLICATIONS: in line with the Inter-institutional Agreement of 17 May 2006 on budgetary discipline and sound financial management, the Facility is to be established by a reallocation of the existing budget. Under the terms of that agreement, the Parliament added an additional EUR 114 million to the budget for the Progress programme thus increasing the budget to EUR 743 250 000. This additional financing was to have been applied progressively in the later years of the programme i.e. from 2009.

After examining all possible options, the funding would come from a reallocation of EUR 100 million (over 4 years) from the Progress Programme to the new European Microfinance Facility for Employment and Social Inclusion (the Progress Microfinance Facility). This EUR 100 million from the existing budget could leverage more than EUR 500 million, in a joint initiative with international financial institutions, in particular the EIB Group.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 11/04/2011 - Follow-up document

In accordance with Decision No 283/2010/EU establishing a European Progress Microfinance Facility which entered into force on 8 April 2010, the Commission presents its first annual report taking stock of implementation of Progress Microfinance. . The report is based on the implementation reports submitted by the European Investment Fund (EIF). Since Progress Microfinance was established only recently, the report focuses on the key features of the instrument, the design of the products and the first stages of implementation. It also describes communication work undertaken by the Commission and the EIF, how Progress Microfinance complements other EU instruments and the outlook for further development.

Before the crisis, potential demand for micro-credit in the EU in the short term was estimated at over 700 000 new loans worth approximately EUR 6 296 million. Most microcredit in the EU is provided by non-commercial microfinance institutions (NGOs, foundations, government bodies, Member States' promotional banks and non-bank financial institutions), but these providers do not currently have the capacity or resources to meet this heavy demand. The European Parliament recognised the problem and asked the Commission to step up its efforts to develop microcredit in the EU. This resulted in the adoption of the Decision establishing Progress Microfinance Facility. The financial contribution from the EU budget adds up to EUR 100 million for the period 1 January 2010 to 31 December 2013. Of that sum, EUR 60 million comes from the PROGRESS programme (Decision No 1672 /2006/EC) and EUR 40 million from the margins of the budget. The possibility of the budgetary authority deciding a 'payback' of up to EUR 20 million to the PROGRESS programme via the draft annual budget over the period 2011 to 2013 was part of the agreement between Parliament and Council on the adoption of the Decision.

The Commission estimates that the Union's contribution of EUR 100 million will leverage microloans of more than EUR 500 million over eight years thanks to the following:

- **additional funding from other investors:** it is assumed that the EU's investment can attract funding from third parties. The European Investment Bank (EIB) is already committed to matching the EU contribution and making EUR 100 million available for the 'funded instruments' part. A further EUR 47 million is expected from other investors;
- **the revolving nature of the funds:** the funds can be used more than once during the lifetime of the Progress Microfinance Facility. The Decision provides for the last (re-)investment to be made in 2016;
- **leverage generated by the products:** estimates suggest that every euro committed in guarantees could generate at least six euros in microcredit, while the funded instruments are expected to have a leverage effect of between one and three.

The report goes on to describe the setting-up and key features of the guarantees window and of the funded instruments respectively and who benefits from them. It notes that the guarantees window has essentially been modelled on the SMEGguarantees window of the Competitiveness and Innovation Programme (Decision No 1639/2006/EC). The agreements signed and the transactions forecasts suggest that the various instruments on offer are attractive to a wide range of intermediaries. Approximately one third of transactions under preparation are expected to be with banks and two thirds with non-banks. As regards funded instruments only, 53 % of the contracts, in terms of volume, are likely to be signed with smaller banks and 47 % with non-bank microfinance institutions. This means that the first transactions will be well balanced in terms of the types of intermediary targeted, which will also help reach the broad range of micro-borrowers targeted by Progress Microfinance.

So far, the transactions forecasts point to greater interest in funded instruments than in guarantees, which means that the way the EU resources have been apportioned between the two sections of Progress Microfinance (75 % versus 25 %) has been right. Of the range of products offered under the FCP, senior loans have, as expected, been the most in demand (63 %). Nevertheless, all available financial instruments, i.e. senior loans, subordinated loans, risk-sharing loans and direct and indirect equity, are included in the forecast for transactions, which demonstrates that the wide product range reflects actual demand across targeted intermediaries and helps optimise EU-wide outreach.

The Commission and the EIF also expect satisfactory fund absorption. Over the period 2010-13, EUR 25 million will be made available each year to the Microfinance Facility. In 2010 EUR 10 million was committed for guarantees and EUR 18 million for funded instruments. Another EUR 24 million contributed by the EIB takes the aggregate amount made available to the FCP up to EUR 42 million. For 2011 the Commission has committed close to EUR 5 million for guarantees⁴ and EUR 20 million for funded instruments.

As regards guarantees, a further EUR 8 million are expected to be absorbed in 2011, while the forecast for transactions involving funded instruments suggests that EUR 44 million will be absorbed up to the end of the year.

The next annual report, to be presented in June 2012 based on the 2011 implementation reports provided by the EIF, will assess in greater detail the accessibility of funding to individual sectors and types of beneficiary, together with the geographical and sectoral distribution. It will also provide initial indications of the impact and sustainability of Progress Microfinance.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 15/12/2009 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 516 votes to 82, with 4 abstentions, a legislative resolution amending, under the first reading of the codecision procedure, the proposal for a decision of the European Parliament and of the Council on establishing a European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility).

The main amendments can be summarised as follows:

Instrument's title: Parliament suggests that the facility should be called the European Progress Microfinance Facility for Employment and Social Inclusion.

Objective: the Facility shall provide Community resources to **increase access and availability to micro-credits** for: (a) persons who are at risk of losing their job or who have difficulties entering or re-entering the labour market and disadvantaged persons or persons who are at risk of social exclusion or who are finding it difficult to enter the conventional credit market and who want to start or further develop their own micro-enterprise, including self-employment; (b) micro-enterprises in the social economy and micro-enterprises which employ disadvantaged persons or persons who have lost their job, persons who are at risk of social exclusion or persons who are excluded from conventional credit markets.

Granting microfinancing of EUR 25 000 maximum: a recital states that for the purposes of this decision, "microfinance" shall include guarantees, micro-credit, equity and quasi-equity extended to persons and micro-enterprises covered by this Decision, micro-credit being defined as loans under EUR 25 000 and the term "micro-enterprise" defines an enterprise employing less than 10 people, including self employment, and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. "Micro-enterprise in the social economy" shall mean a micro-enterprise which produces goods and services with a clear social mission or which provides services to members of the community with a non-profit purpose.

Annual financing, independent of the Progress programme: Plenary states that the annual appropriations will be decided during the annual budgetary procedure, including if necessary through application of point 37 of the [Interinstitutional Agreement](#) of 17 May 2006 between the European Parliament, the Council and the European Commission on budgetary discipline and sound financial management (the IIA), or by other means provided for in the IIA (which means that Plenary rejected the option proposed by the Commission to take the necessary amounts from the Progress programme budget). Parliament provisionally granted an envelope of EUR 100 million over a 4 year period for this instrument – as proposed by the Commission – i.a. EUR 25 million from the budgetary margins for 2010. For the additional 3 years (2011-2013), no agreement has been reached by the Council and the European Parliament as regards the source of the financing.

Beneficiaries: the Facility shall be open to **national and local** public and private bodies established in the Member States which provide microfinance to persons and micro-enterprises in the Member States. Those public and private bodies shall closely cooperate with organisations engaged in representing the interests of the final beneficiaries of micro-credit and with organisations, in particular those supported by the ESF, who provide **mentoring and training programmes** to those final beneficiaries.

A new recital stipulates that an increasing amount of micro-finance to vulnerable people who are in a disadvantaged position with regard to access to the conventional credit market in the European Union is provided by non-commercial microfinance institutions, credit unions and banks implementing Corporate Social Responsibility. In this context, Parliament suggests that the Facility could help these providers, which supplement the commercial banking market, with an increased availability of micro-finance to meet the current levels of demand.

Parliament also stipulates that:

- in many cases the providers of micro-finance in Europe are commercial banks and should become important partners in the Facility, with a view to re-establishing trust on the credit market and with a focus mainly on customers with no credit standing;
- public and private bodies providing micro-finance under this Decision should comply with principles of responsible lending and thereby **avoid, in particular, over-indebtedness** of persons and undertakings.

Particular attention paid to women: Parliament underlines that equality between women and men should be actively pursued as regards access to micro-credit facility.

Establish national contact points to facilitate the implementation of the instrument: in order for the Facility to be effective, to have a long-lasting impact, to reach the potential beneficiaries and to serve as a proactive element for both economic and local development policies, Parliament suggests that Member States can establish a national contact point which can promote, coordinate, assess and monitor all the actions taken under the Facility in their respective territories.

Management and implementation of the instrument: Parliament sets out that the Commission shall conclude agreements with international financial institutions, in particular with the European Investment Bank (EIB) and the European Investment Fund (EIF). These agreements shall contain detailed provisions for the implementation of the tasks entrusted to them, including the necessity to ensure additionality and coordination with existing European and national financial instruments, and to promote a comprehensive and balanced coverage between the Member States **Implementation report and maintaining the instrument:** no later than 12 months after the entry into force of this Decision 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 under this Decision in the previous year. The annual report shall be based on the implementation reports. It 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 moreover contain information on the impact and sustainability of the Facility expressed by the total number of persons and

microenterprises which are still employed or in business at the end of the period of support provided to them through the Facility. The annual report will include information on the complementarity with other Community interventions, notably the ESF.

Lastly, based on the annual report, the Commission shall make efforts to ensure that the Facility meets the objective set out in the text and is accessible across the European Union to those who are at risk of social exclusion or who are finding it difficult to enter the conventional credit market. Following the presentation of the third annual report and on the basis of a proposal by the Commission, the European Parliament and the Council may review this Decision.

European Progress Microfinance Facility for employment and social inclusion

2009/0096(COD) - 17/07/2012 - Follow-up document

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.