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REPORT

with recommendations to the Commission on a European initiative for the development of micro-credits in support of growth and employment (2008/2122(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Zsolt László Becsey

(Initiative – Rule 39 of the Rules of Procedure)

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with recommendations to the Commission on a European initiative for the development of micro-credits in support of growth and employment (2008/2122(INI))

The European Parliament,

- having regard to the Commission Communication of 13 November 2007 on A European initiative for the development of micro-credit in support of growth and employment (COM(2007)0708),
- having regard to its resolution of 11 July 2007 on financial services policy (2005-2010) - White Paper¹, in particular paragraph 35 thereof,
- having regard to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises²,
- having regard to the Commission Communication of 20 July 2005 on Common Actions for Growth and Employment: The Community Lisbon Programme (COM(2005)0330),
- having regard to the Commission Communication of 5 July 2005 on Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013 (COM(2005)0299),
- having regard to the Commission Communication of 11 December 2007 on Member States and Regions delivering the Lisbon strategy for growth and jobs through EU cohesion policy, 2007-2013 (COM(2007)0798),
- having regard to the Commission Communication of 11 December 2007 entitled Proposal for a Community Lisbon Programme 2008-2010 (COM(2007)0804),
- having regard to Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)³,
- having regard to the Commission Communication of 25 June 2008 entitled "Think Small First" - A "Small Business Act" for Europe (COM(2008)0394),
- having regard to Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast)⁴ and the Commission proposal of 1 October 2008 for a directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2006/49/EC as regards banks affiliated to central institutions, certain own funds items, large exposures,

¹ OJ C 175 E, 10.7.2008, p. 392.

² OJ L 124, 20.5.2003, p. 36.

³ OJ L 310, 9.11.2006, p. 15.

⁴ OJ L 177, 30.6.2006, p. 1.

supervisory arrangements, and crisis management (COM(2008)0602),

- having regard to Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing¹,
 - having regard to Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid²,
 - having regard to Commission Regulation (EC) No 1535/2007 of 20 December 2007 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid in the sector of agricultural production³,
 - having regard to Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors⁴,
 - having regard to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts⁵,
 - having regard to its written declaration of 8 May 2008 on microcredit⁶,
 - having regard to Article 192, second paragraph, of the EC Treaty,
 - having regard to Rules 39 and 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on Industry, Research and Energy, the Committee on Legal Affairs and the Committee on Women's Rights and Gender Equality (A6-0041/2009),
- A. whereas the Commission's current definition of micro-credit is a loan of EUR 25 000 or less and Recommendation 2003/361/EC provides that a microenterprise is one that employs fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 000 000; whereas those definitions do not seem to be pertinent for all national markets, and do not allow a clear distinction to be drawn between micro-credits and micro-loans to microenterprises, micro-credit for non-bankable borrowers and micro-credit for bankable microenterprises,
- B. whereas difficult access to appropriate forms of finance is frequently referred to as a very important barrier to entrepreneurship, and there is a significant potential demand for micro-credit in the EU that is currently not met,

¹ OJ L 309, 25.11.2005, p. 15.

² OJ L 379, 28.12.2006, p. 5.

³ OJ L 337, 21.12.2007, p. 35.

⁴ OJ L 134, 30.4.2004, p. 1.

⁵ OJ L 134, 30.4.2004, p. 114.

⁶ Texts adopted, P6_TA(2008)0199.

- C. whereas the Commission has not taken forward the request made in Parliament's resolution of 11 July 2007 to draw up an action plan for micro-financing, to coordinate different policy measures, and to make optimal use of best practices in and outside the EU,
- D. whereas in 2008, for the second successive year, Parliament approved appropriations to fund a pilot project entitled 'Promoting a more favourable environment for micro-credit in Europe', and whereas, although that the Commission communication fails to refer to those appropriations, they might usefully be earmarked for the formation of own capital which can serve as start-up capital,
- E. whereas several features distinguish micro-credit from ordinary credit, including credit for small and medium-sized enterprises, and whereas businesses seeking ordinary credit are generally served by all different types of financial institutions, and whereas the importance of the ultimate aim of inclusion of all citizens in the formal financial system should be borne in mind,
- F. whereas micro-credit entails higher operational costs, due to the small size of the loan, the lack of (sufficient) collateral, and high handling costs,
- G. whereas the business of micro-credit has innovative and subjective elements, such as alternative or no collateral requirements and non-traditional credit worthiness evaluation, and is often granted not only for profit-making, but serves also a cohesion purpose, by trying to (re-)integrate disadvantaged people into society,
- H. whereas micro-credits are, by definition, small but the possibility of 'recycling' them (granting a further such loan after repayment) due to their generally short maturity multiplies their impact, without disregarding the objective of reintegrating the recipients into the traditional banking system,
- I. whereas a range of providers can offer micro-credit or facilitate access to finance, such as informal financial services providers (authorised P2P lending), member-owned organisations (for example credit unions), non-governmental organisations, mutual and provident societies, community development financial institutions, guarantee banks and funds and savings, cooperative and commercial banks, and whereas cooperation between those various providers could be beneficial,
- J. whereas there is a need to recognise the unique structure of financial services providers existing across the EU such as credit unions which are non-bank financial institutions mobilising members' deposits for micro-lending and these unique structures should not exclude them a priori from relevant micro-credit funding programmes,
- K. whereas the current financial crisis and its possible repercussions in the economy as a whole demonstrate the disadvantages of complex financial products and the need for considering ways of enhancing efficiency and having in place all possible channels for providing financing when businesses have reduced access to capital due to liquidity crunch, in particular in economically and socially disadvantaged regions, and, at the same time, underline the importance of institutions that focus their business on local development and that have a strong local connection and offer inclusive banking services

to all economic actors,

- L. whereas entrepreneurship should be fostered,
- M. whereas the utmost efforts should be made to reduce the regulatory burden on microenterprises to the strict minimum and the Commission is asked to act accordingly,
- N. whereas interest rate caps can deter lenders from providing micro-credit if such restrictions prevent them from covering their lending costs,
- O. whereas supporting micro-credit should play a prominent role in the revised Lisbon Strategy,
- P. whereas in a not-insignificant number of cases those willing to access funds under the EU's cohesion policy in order to set up small family businesses, might face difficulties in providing the required co-financing,
- Q. whereas disadvantaged people, such as the (long-term) unemployed, welfare dependants, immigrants, ethnic minorities such as the Roma, people active in the informal economy or living in deprived rural areas, and women, who want to establish a microenterprise should be the focus of an EU initiative on micro-credit,
- R. whereas although private involvement should be assured to the extent possible, public intervention in the micro-credit business is necessary,
- S. whereas several EU initiatives that entail elements of support for micro-credit exist, and a streamlined and more focused approach, by combining them to form a single system, would be beneficial,
- T. whereas access to business support (such as training, coaching and capacity building) for founders of microenterprises is essential, and training should be mandatory for micro-credit borrowers, and whereas consumer financial education and responsible lending should be an important part of the policies of all microfinance institutions (MFIs),
- U. whereas the potential beneficiaries of micro-credits should have the benefit of proper legal advice with regard to the conclusion of the credit agreement, setting up a business, debt collection, the acquisition and exploitation of intellectual and industrial property rights and so on, particularly when the micro-business concerned intends or has the potential to do business in other Member States of the European Union;
- V. whereas access to credit data of potential borrowers would facilitate the provision of micro-credit,
- W. whereas research and exchange of best practices in the field of micro-credit should be promoted, e.g. as regards innovative techniques for the granting, safeguarding and risk mitigation of micro-credits, the extent to which and with which target groups such approaches work in an EU context,
- X. whereas the role of intermediaries should be looked into with a view to preventing abuses,

as well as considering alternative ways of establishing credibility with borrowers (for example, through peer support groups),

- Y. whereas an EU framework for non-bank MFIs should be established, and the Commission should develop the mechanism for the support of micro-credit which remains neutral among these micro-credit providers,
 - Z. whereas people who have no permanent address or personal identification documents should not be excluded from obtaining micro-credit by legislation on the prevention of money laundering and terrorist financing,
 - AA. whereas EU competition rules should be adapted with a view to reducing barriers for the granting of micro-credit,
 - AB. whereas EU rules on public procurement should assist micro-credit borrowers,
1. Requests the Commission to submit to Parliament on the basis of Article 44, Article 47(2) or Article 95 of the EC Treaty, a legislative proposal or proposals covering the matters dealt with in the detailed recommendations below;
 2. Confirms that the recommendations respect the principle of subsidiarity and the fundamental rights of citizens;
 3. Considers that, where appropriate, the financial implications of the requested proposal or proposals should be covered by EU budgetary allocations;
 4. Instructs its President to forward this resolution and the accompanying detailed recommendations to the Commission, the Council and the governments and parliaments of the Member States.

ANNEX TO THE MOTION FOR A RESOLUTION: DETAILED RECOMMENDATIONS ON THE CONTENT OF THE PROPOSAL REQUESTED

1. Recommendation 1: on awareness-raising as regards micro-credit

The European Parliament considers that the legislative act to be adopted should aim to regulate the following:

- (a) The Commission should provide for the introduction of the concept of micro-credit in relevant statistics and legislation on financial institutions. Statistics on micro-credit should take into account the GDP per capita figures in the Member States and distinguish between the self-employed or family-based enterprises and those with employees from outside the family in order to enable positive discrimination in favour of the former.
- (b) The Commission should invite the Member States to standardise the statistical presentation of micro-credits, including the collection and analysis of data broken down according to gender, age and ethnic origin;
- (c) The Commission should elaborate a communication strategy with a view to promoting self-employment as an alternative to wage earning and, in particular, as a way to escape unemployment for disadvantaged target groups.
- (d) The Commission should invite Member States to implement tax incentives for private involvement in the micro-credit business.
- (e) The Commission should invite Member States to restrict the application of interest-rate caps to consumer loans; however Member States should be able to apply a mechanism by which extraordinary high interest rates can be excluded.
- (f) The Commission should analyse - in the light of the last sub-prime crisis - the advantages and disadvantages of direct micro-credit formats as against securitised credit facilities.
- (g) The Commission should require Member States to specifically analyse and report on their efforts and results as regards micro-credit in their annual reports on their national reform programmes in connection with the integrated guidelines for growth and jobs of the revised Lisbon Strategy. The Commission should explicitly address micro-credit in its Annual Progress Report.

2. Recommendation 2: on EU funding

The European Parliament considers that the legislative act to be adopted should aim to regulate:

- (a) The (co-)financing of the following projects subject to such financing being specifically targeted at promoting the availability of micro-credit for all persons and enterprises without direct access to credit, which are usually defined by Member States, within their jurisdiction, as disadvantaged target groups (such as the Roma society, immigrants, people living in deprived rural areas, people with precarious work situations, and women):
 - (i) the provision by national or EU funds of guarantees for providers of micro-credit;
 - (ii) the provision of business support services as additional services for micro-credit borrowers, either by the providers of micro-credit or by third parties, which is to include mandatory targeted training with regular assessments for micro-credit borrowers. That training can be financed under the Structural Funds;
 - (iii) research and the exchange of best practices in the operational field, e.g. as regards alternative collateral requirements, non-traditional credit worthiness evaluation methods, scoring systems and the role of intermediaries;
 - (iv) the creation of a website where potential recipients of micro-credits can present their projects to those willing to lend money to support them; and
 - (v) the creation of an EU-wide database comprising positive and negative credit data on micro-credit borrowers.
- (b) To avoid duplication, the Commission should:
 - (i) appoint a single coordination entity where all EU financing activities concerning micro-credit are pooled; and
 - (ii) (co-)finance projects only where they can be combined with the retention of social security entitlements, such as unemployment benefit and income support, on the basis of the analysis of the business services provider, who should take into account the achievements of the business and the national minimum living standard.

3. Recommendation 3: on a harmonised EU framework for bank and non-bank MFIs

The European Parliament considers that the legislative act to be adopted should aim to regulate the following:

The Commission should propose legislation to provide an EU-wide framework for bank and nonbank MFIs. The non-bank MFIs framework should include:

- (a) a clear definition of micro-credit providers, providing that they do not take deposits, and therefore do not constitute financial institutions under the CRD;

- (b) the ability to conduct credit-only activities;
- (c) the ability to on-lend; and
- (d) harmonised, risk-based rules as regards authorisation, registration, reporting and prudential supervision.

4. Recommendation 4: on Directive 2005/60/EC

The European Parliament considers that the legislative act to be adopted should aim to regulate the following:

The Commission should, while reviewing Directive 2005/60/EC, ensure that the provisions laid down in that Directive do not constitute obstacles preventing people who have no permanent address or personal identification documents from accessing micro-credit, by allowing for a special exemption in the provisions regarding customer due diligence.

5. Recommendation 5: on competition rules

The European Parliament considers that the legislative act to be adopted should aim to regulate the following:

- (a) The Commission should, while reviewing the *de minimis* rules, provide for:
 - (i) the differentiation of the *de minimis* limits between Member States when it comes to financial support for micro-credit providers;
 - (ii) the abolition of the discrimination of *de minimis* aid granted to an undertaking in the agricultural sector if the aid is granted in connection with micro-credit; and
 - (iii) a reduction of the administrative burden if the aid is granted in connection with micro-credit.
- (b) The Commission should specify in legislation that the role of micro-credit providers and, if applicable, the public support that such institutions receive are in line with the EU competition rules.
- (c) The Commission should implement rules that allow for a preferential treatment of goods and services provided by micro-credit borrowers in public procurement procedures.

EXPLANATORY STATEMENT

Background

The provision of microcredit has its roots in South Asia and Latin America, where first microcredit initiatives were launched in the mid-1970s. The most famous microcredit project is Grameen Bank in Bangladesh, which was founded in 1976 by Prof. Muhammad Yunus. The business model of Grameen Bank, which is today the largest micro-finance institution (MFI) with more than 6 million borrowers, has been copied by many other MFIs. In 2006, Prof. Yunus and the Grameen Bank were awarded the Nobel Peace Prize.

The success of the microcredit business in relieving poverty in developing countries has up to now not been translated into the EU context. Although there are several initiatives, both public and private, that try to promote this business also in Europe, a holistic approach is still missing, and a market gap in this sector exists: all indications point to a high potential demand for microcredit from people who are unable to obtain loans in the traditional banking sector.

A success of a European initiative on microcredit could contribute substantially to the achievement of the objectives of the Revised Lisbon Strategy for growth and jobs and the creation of an innovative, creative and dynamic European economy. Small enterprises are an essential source of growth, employment, entrepreneurial skills, innovation and cohesion in the EU. Microcredit can in particular support one of the four priorities of the Lisbon strategy, namely the unlocking of business potential, by helping socially and economically (re-) integrate people through self-employment. In fact only if the level of employment is significantly raised can the Lisbon strategy be regarded as successful.

(The term 'microfinance' encompasses also other small scale financial services such as microinsurance, basic current accounts and savings accounts. These concepts will not be addressed in the report on micro-credit.)

The Commission communication

The Commission defines a microcredit as a loan of 25,000 EUR or less, made to a micro-enterprise (i.e. an enterprise with fewer than 10 employees whose annual turnover and/or annual balance sheet total does not exceed 2 m EUR).

The Commission communication 'A European initiative for the development of microcredit in support of growth and employment', published in November 2007, invites the Member States to adapt as appropriate national institutional, legal and commercial frameworks necessary to promote a more favourable environment for the development of micro-credit. In addition, JASMINE was launched, a new European-level facility which aims at supporting the development of non-bank MFIs in Member States. Even though the elements of this initiative are promising, their drawback is that they leave the issue largely in the hands of Member States instead of establishing a truly European framework.

Target groups

In the opinion of the rapporteur, the outcome of a European initiative in the field of microcredit should be innovative, focussing on target groups that are up to now not paid sufficient attention. As there are plenty of initiatives targeting SMEs that fall in the category of 'small' and 'medium sized' enterprises, and these target groups are in general served by traditional banks, the focus of a European initiative for the development of microcredit should rather be disadvantaged persons who want to start a micro enterprise, such as the (long-term) unemployed, welfare dependents, immigrants, ethnic minorities, people active in the informal economy or living in deprived rural areas and women. Thereby, it has to be taken into account that the target groups in the Member States differ widely and are very diverse respectively.

The question needs to be considered who should intermediate between credit taker and credit supplier. It is necessary to consider that an intermediary may be selected from the target group itself. Such a solution may be efficient on the one hand, as the target group members may trust such an inside intermediary more than an outsider. On the other hand, an inside credit system may not be ideal for certain groups, as it may foster the reign of an already existing upper class in the group.

Specific features of microcredit

The established banking sector considers lending to the microcredit target groups as defined above as risky and cost intensive. Commercial banks argue that they are confronted with unacceptably high risks of default and low margins. As a result, these banks are not interested in certain client segments which end up being 'non-bankable'.

This means that the business of microcredit is different from traditional banking business. It includes innovative and subjective elements such as alternative or no collateral requirements and non-traditional credit worthiness evaluation. In many cases, microcredit is granted not only for economic reasons and not only to make profit, but serves also a cohesion purpose, by trying to (re-)integrate disadvantaged people into the society.

The granting of microcredit entails higher operational costs, due to the small loan size, the lack of (sufficient) collateral and high handling costs, as clients are often difficult to reach physically and the need for intense business support services and advice - these characteristics generally necessitate a broad and expensive network of people who are close to the target group.

But even if the provision of microcredit is not profitable, it makes economic sense to support it, as in general the financial support for self-employment is lower than the cost of unemployment benefits, at least in the medium and long term.

Possible elements of a European initiative on microcredit

Giving microcredit visibility

In order to give the concept of microcredit the visibility that is needed at the EU level to favour its development, its introduction as a separate category in statistics and banking

regulation is needed. In this regard, it is questionable whether the undifferentiated definition of microcredit applying to all EU Member States used by the Commission is appropriate. As GDP per capita differ widely between Member States, a loan of the same nominal amount is regarded differently in different regions.

Microcredit should also be promoted by tax incentives and the abolition of interest rate caps. The reason behind interest rate caps is the protection of borrowers against excessively high costs of borrowing. However interest rate caps can prevent lenders from covering their costs of lending and force people to borrow from loan sharks that charge even higher interest rates. Many practitioners engaged in the microcredit business argue that the bottleneck with regard to microcredit on the borrower's side is not costs but access. As microcredits are small amounts with short maturity, repayment instalments are minor in spite of interest rates that seem to be prohibitively high at first glance. Therefore, interest rate caps should be applied only when it comes to consumer loans.

EU funding

With the exception of JASMINE, the EU initiatives that should foster microcredit have a wider application range than microcredit, which interferes with the objective of specifically focussing on the support of disadvantaged people by granting them microcredit. Moreover, the plurality of initiatives and their administrative complexity make it difficult for small projects to benefit from them. A streamlining of the EU initiatives and a more accurate differentiation between the specific target groups could be useful.

To foster the provision of microcredit to disadvantaged target groups, EU funding should be granted under the condition that people belonging to these target groups are supported, in the following fields:

- Indirect support by the provision of guarantees, as this provides incentives for additional private support.
- The covering of costs for the provision of business support services, if carried out by the MFI itself or other organisations. Access to business support services (such as mentoring, training, advice, financial education, hotlines, micro-entrepreneur circles) for founders of micro-enterprises belonging to a disadvantaged target group is essential.
- Research and exchange of best practices, e.g. as regards innovative techniques for the granting, safeguarding and risk mitigation of microcredit (such as alternative collateral requirements, non-traditional credit worthiness evaluation methods or scoring systems). It should be assessed to what extent such approaches work in an EU context and with which target group. An extensive exchange of best practices and experiences (of countries and regions in and outside Europe) should be promoted.

Regulation of microcredit providers

As regards the provision of microcredit by licensed financial institutions, the Capital Requirements Directive (CRD) does not seem to pose direct obstacles. However by definition traditional banks are not willing to serve 'non-bankable' people and non-bank MFIs seem therefore better positioned to cover this target group. Nevertheless a more favourable treatment under the CRD for microcredits which historical record indicate as less risky (experience of many microcredit providers has shown that repayment rates are in general

remarkably high) should be foreseen. An introduction of the term 'microcredit' in the CRD would also contribute to its wider recognition.

Furthermore, some aspects of the CRD and the fact that this Directive is based on the minimum harmonisation principle, pose obstacles indirectly. First of all, according to the CRD, only financial institutions are allowed to take deposits or other repayable funds from the public. The administrative burden for financial institutions is high, which compels non-banking providers of micro-credit to weigh up the advantages of having a banking licence (and thereby access to relatively cheap deposit funding) against the disadvantages of being a regulated entity. Even more relevant is that some Member States upgraded the CRD provisions in their national laws by restricting almost all lending activities to licensed banks. The direct on-lending of funds borrowed from banks to microcredit borrowers is also restricted in several Member States. Such requirements pose an obstacle to the provision of microcredit by non-bank MFIs.

To foster the formation of non-bank MFIs, the rapporteur supports a comprehensive harmonised EU framework for non-bank MFIs. However a harmonised framework for non-bank MFIs should not force existing microcredit providers to give up their individuality. The sector has generated different models in the Member States which are adapted to the respective legal, economic and social environment. Moreover, it must be ensured that no unfair competition with licensed banks will be created.

Anti-money laundering and anti-terrorism legislation

The provisions of Directive 2005/60/EC may exclude people who have no permanent address or identification documents from accessing loans. However these groups of people should not be excluded from obtaining a microcredit. Given the low amount of a microcredit, the objectives of the Directive will not be undermined by specific exemptions.

State aid / de minimis Regulation

State aid is an important factor in the support of microcredit. The EU *de minimis* Regulation on notification obligations can pose problems as regards the financial support for microcredit, as, according to the Regulation, state financial support of less than 200,000 EUR over a period of 3 financial years in favour of a given company does not constitute state aid. This rule applies to all Member States without any differentiation, although the conditions, in particular as regards small enterprises and self-employed people, differ widely. Therefore, a differentiation of the *de minimis* limit between Member States should be considered.

For undertakings active in the agricultural sector, the total *de minimis* aid granted to one undertaking shall not exceed 7,500 EUR over three years. However this sector makes up a good share of the potential market for microcredit and should not be discriminated. Furthermore, many farmers who run small-scale businesses in the agricultural sector have no access to subsidies as usually a minimum size (of acreage etc.) is necessary to benefit from them. This discrimination of the agricultural sector in *de minimis* regulation should be reviewed.

Finally, there is evidence that the procedure regarding the admission by the Commission of a methodology in order to benefit from the exemption for guarantee schemes is lengthy and complex. It should be analysed if there is room for simplification as regards the acceptance of aid being 'transparent' when provided under a guarantee scheme.

11.12.2008

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Economic and Monetary Affairs

on a European initiative for the development of micro-credit in support of growth and employment
(2008/2122(INI))

Rapporteur: Gary Titley

(Initiative - Rule 39 of the Rules of Procedure)

SUGGESTIONS

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the provision of micro-credit to people otherwise excluded from the financial system can achieve valuable social goals,
- B. whereas the goal of allocations from the EU budget is that they should only be mobilised where capital markets and the European Investment Bank cannot fund projects due to low profitability and/or high risk, but where there is also a clear social benefit,
- C. whereas it is important to ensure that anti-money laundering and anti-terrorism legislation does not inhibit the provision of micro-credit,
- D. whereas Parliament has adopted a preparatory action on promoting a more favourable environment for micro-credit in Europe,
 1. Calls on the Commission to investigate whether the social benefits resulting from micro-credit justify an increased role for EU instruments which blend both loan and grant aid;
 2. Emphasises that any EU initiative on micro-credit using public funds should be designed also to encourage private financing for microfinance institutions (MFIs);
 3. Calls on the Commission to consider whether an EU framework for non-bank MFIs is desirable and/or achievable and to examine its potential impact on the EU budget, considering potential social and economic benefits;

4. Welcomes the Commission's Joint Action to Support Microfinance Institutions in Europe (JASMINE) initiative and calls for Parliament and the Commission to conduct an ongoing evaluation of JASMINE's effectiveness and added value;
5. Calls on the Commission to ensure that micro-credit is equally available to areas not benefiting from structural funds given that pockets of deprivation and disadvantage exist even in the richest areas;
6. Calls on the Commission to examine whether interest rate caps are an obstacle to the provision of micro-credit and, if they are, asks the Commission to examine whether it is possible to provide exemptions to interest rate caps for MFIs and non-bank MFIs;
7. Calls on the Commission to undertake research in to innovative techniques for the granting, safeguarding and risk mitigation of micro-credits;
8. Recognises the value of regionally based systems given that conditions for the provision of and the demand for, micro-credit differ greatly across the EU;
9. Welcomes the Commission's ongoing efforts to facilitate the exchange of best practice to promote and enhance policy measures in the field micro-credit in Europe.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	11.12.2008
Result of final vote	+: 15 -: 0 0: 0
Members present for the final vote	Richard James Ashworth, Reimer Böge, Simon Busuttil, Valdis Dombrovskis, Brigitte Douay, Vicente Miguel Garcés Ramón, Catherine Guy-Quint, Jutta Haug, Vladimír Maňka, Jan Mulder, Margaritis Schinas, László Surján, Kyösti Virrankoski, Ralf Walter
Substitute(s) present for the final vote	Peter Šťastný

4.12.2008

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Committee on Economic and Monetary Affairs

on a European initiative for the development of micro-credit in support of growth and employment
(2008/2122(INI))

Rapporteur: Miloslav Ransdorf

(Initiative - Rule 39 of the Rules of Procedure)

SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the Commission's Communication, which aims to reinforce the development of micro-credit in the EU by improving the legal environment, enhancing entrepreneurship, exchanging best practice and providing financial capital, particularly for non-bankable people;
2. Notes that the concept of micro-credit, developed by the Nobel prize winner Mr Muhammad Yunus, is extremely successful in creating economic and social advancements in developing countries; believes that a micro-credit initiative could also be of considerable use in the EU in order to increase social inclusion and to promote job-creation and self-employment, especially among women, young people, unemployed people and minorities; envisages therefore, an important role for micro-credit in the fulfilment of the goals of the Lisbon Strategy for Growth and Jobs;
3. However, emphasises that micro-credit should be complementary to, and not a replacement for, existing public social safety nets, and micro-credit programmes should not be used as an excuse to cut public social welfare programmes;
4. Notes that to a large extent micro credit users are women making for loyal and reliable customers with high pay-back rates;

5. Points out that 91.5% of EU enterprises are micro-enterprises (enterprises with less than ten employees) and that the greatest barrier to more innovation for those enterprises results from restricted access to credit, especially small loans (under EUR 25.000); believes therefore, that the Commission's proposal for a micro-credit initiative will prove to be a useful tool to enhance employment in micro-enterprises, to enable those excluded from the conventional credit system to start up new activities, and to boost innovation in the EU;
6. Takes the view that, in the context of the Commission's proposed definition of micro-loans as loans of less than EUR 25 000, due consideration should be given to other variables, in particular, the fact that the same nominal amount does not have the same value in all Member States;
7. Calls on the Commission, in view of the fact that potential micro-credit customers are normally unable to provide security and banks are generally unwilling to lend them money, to establish a 'European guarantee' for micro-loans, making available the necessary means to provide the banks with the security they require, with the 'European guarantee' being provided only if appropriate social criteria and equal opportunities principles are satisfied;
8. Calls on the Commission and the Member States to encourage the development of permanent local microfinance institutions, such as credit unions, particularly in poor and marginal neighbourhoods, and in rural areas; calls on the Commission and Member States to focus efforts on the training of personnel in these areas in microfinance skills;
9. Calls on the Commission, with a view to disseminating micro-credit as a means of generating economic activity, to look into the possibility of supporting this by means of innovative solutions such as mobile banking; calls, similarly, for it to promote forms of economic and social assistance such as loans to solidarity groups or solidarity credit cards;
10. Applauds the proposal to set up a dedicated support structure for micro-credit within the European Investment Fund; urges however, the Commission and the European Investment Bank to increase the funds available for this support structure to the benefit of more market players and to further strengthen its visibility;
11. Believes that the current turmoil in the financial markets and its possible repercussions for the economy as a whole, amplify the need for micro-credit in the EU, in particular in economically and socially disadvantaged regions;
12. Urges Member States to make better use of financial assistance through the Structural Funds, such as the European Regional Development Fund and the European Social Fund, in order to improve the access of specific target groups to micro-credit schemes;
13. Greatly welcomes the recent launching of the 'Joint Action to Support Micro-finance Institutions in Europe' (JASMINE) aiming at the provision of operational technical assistance as well as quality labelling to acknowledge the reliability of Micro-finance institutions (MFIs); emphasises that a flexible approach is essential to enable MFIs in each Member State to meet their individual challenges and requirements;

14. Calls on the Commission to clarify the multidimensional indicators it intends to use to assess the socio-economic impact of the pilot projects set up to identify best practices and appropriate methods for micro-loans, and also to clarify the economic and social performance indicators to evaluate the development of micro-credit and its new technical assistance project, JASMINE;
15. Strongly believes that, as a result of the interrelation of financial, employment and social welfare systems, the micro-credit initiative at EU level has to be complemented by policies at a national level, such as training, coaching and capacity building; calls on the Commission and the Member States to pursue further research on innovative techniques for safeguarding and risk mitigation of micro-credits; believes that an extensive exchange of best practices is required;
16. Calls on the Commission and the Member States to help develop businesses that make use of micro-credit, by promoting external support and advice networks;
17. Expresses concern at the proposal to lift interest rate caps on micro-credit, as excessively high interest rates have the potential to trap microfinance users in a vicious cycle of debt, thus defeating the purpose of micro-credit; urges the Commission and Member States to exercise extreme caution in interest rate policy;
18. Points out the importance of training and capacity building in non-banking micro-finance institutions, in particular to enhance knowledge of the different forms of raising and providing capital, such as equity investment, donation, issuance of bonds, debt financing, contribution to risk funds and start-up grants; believes that exchange of best practices could also play a valuable role in that field; in that respect, urges the Commission to make full use of existing networks, such as the European Microfinance Network, the Microfinance Centre and the European Microfinance Platform;
19. Calls on the Commission and the Member States to promote micro-credit among cooperatives and workers without job security and on non-standard contracts.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.12.2008
Result of final vote	+: 38 -: 0 0: 0
Members present for the final vote	Šarūnas Birutis, Jan Březina, Jerzy Buzek, Jorgo Chatzimarkakis, Giles Chichester, Dragoș Florin David, Den Dover, Nicole Fontaine, Adam Gierek, Norbert Glante, David Hammerstein, Erna Hennicot-Schoepges, Mary Honeyball, Ján Hudacký, Werner Langen, Anne Laperrouze, Pia Elda Locatelli, Eluned Morgan, Antonio Mussa, Angelika Niebler, Reino Paasilinna, Aldo Patriciello, Miloslav Ransdorf, Vladimír Remek, Teresa Riera Madurell, Mechtild Rothe, Paul Rübig, Britta Thomsen, Patrizia Toia, Claude Turmes, Nikolaos Vakalis, Adina-Ioana Vălean
Substitute(s) present for the final vote	Gabriele Albertini, Alexander Alvaro, Pierre Pribetich, John Purvis, Silvia-Adriana Țicău, Vladimir Urutchev

16.12.2008

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on a European initiative for the development of micro-credit in support of growth and employment

(2008/2122(INI))

Rapporteur: Neena Gill

(Initiative – Rule 39 of the Rules of Procedure)

SUGGESTIONS

The Committee on Legal Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Observes that the potential beneficiaries of micro-credits should have the benefit of proper legal advice with regard to the conclusion of the credit agreement, setting up a business, debt collection, the acquisition and exploitation of intellectual and industrial property rights and so on, particularly when the micro-business concerned intends or has the potential to do business in other Member States of the European Union;
2. To that end, calls for efforts to be made at European level to set up a network of lawyers prepared to give advice initially on a *pro bono* basis to micro-business start-ups;
3. Welcomes the proposal to encourage Member States to focus funds on developing non-bank micro-credit institutions; identifies the following institutions – credit unions, mutual and provident societies, community development financial institutions and guarantee banks – as possible sources of funding and self-help for micro-businesses, and asks that these avenues be thoroughly explored when proposals are drafted for legislation in this area;
4. Calls for the utmost efforts to be made to reduce the regulatory burden on micro-businesses to the strict minimum and asks the Commission to act accordingly;
5. Calls on the Commission to ensure that efforts are made to render micro-finance institutions accessible to communities.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	15.12.2008
Result of final vote	+: 13 -: 0 0: 0
Members present for the final vote	Bert Doorn, Monica Frassoni, Giuseppe Gargani, Othmar Karas, Klaus-Heiner Lehne, Manuel Medina Ortega, Francesco Enrico Speroni, Diana Wallis
Substitute(s) present for the final vote	Costas Botopoulos, Jean-Paul Gauzès, Eva Lichtenberger, Georgios Papastamkos, Ieke van den Burg

3.12.2008

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY

for the Committee on Economic and Monetary Affairs

on a European initiative for the development of micro-credit in support of growth and employment
(2008/2122(INI))

Rapporteur: Corien Wortmann-Kool

(Initiative - Rule 39 of the Rules of Procedure)

SUGGESTIONS

The Committee on Women's Rights and Gender Equality calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas self-employment through micro, small, individual or family businesses gives women the opportunity to improve their status in economic and social terms and the possibility to combine professional and family life,
- B. whereas an insufficient supply of micro-loans is a major obstacle to women starting their own businesses,
- C. whereas the provision of micro-credits is an important tool to improve the status of women, especially those excluded from the formal economy, giving women a start-up possibility, encouraging female entrepreneurship, access to, active participation in and continuing presence on the labour market, helping them to become economically independent and is therefore not only an issue of entrepreneurship and economic growth but also of personal fulfilment, social inclusion and a measure against poverty,
- D. whereas micro-credits offer women a chance for social development, thus changing gender relationships,
- E. whereas one of the direct consequences of granting micro-credits to poor women is

investment in their children's education, thus giving the future generations the opportunity to live a better life,

1. Calls on the Commission and the Member States to consider women as a target group and to give women a specific and appropriate position in programmes and initiatives related to micro-credits, for example JASMINE;
2. Calls on the Commission and the Member States to pay special attention to women in the current financial and economic crisis, since they are a vulnerable group and therefore sensitive to the loss of employment and income;
3. Calls on the Member States to provide helpdesks with particular emphasis on promoting female entrepreneurship; underlines the fact that advisory assistance programmes enhance self-employment as an alternative to being unemployed or being a wage-earner;
4. Calls on the Commission and the Member States to link micro-credit schemes with schemes to improve competitiveness, particularly for undertakings run by women and young people, placing the emphasis on their equipment and the use of new information and communication technologies;
5. Calls on the Commission to raise awareness of the potential of micro-credits through publicity and awareness raising programmes targeted, among others, at young women, those afflicted by social and economic exclusion, without discrimination on grounds of origin, particularly underlining the importance of programmes at schools and vocational training centres;
6. Stresses, in particular, the importance of publicising the possibilities of micro-credits through the education process and their use by non-governmental women's organisations and other bodies that work to link up graduates and school-leavers at all levels with the labour market;
7. Calls on the Commission and the Member States to standardise the statistical presentation of micro-credits, including the collection and analysis of data broken down according to gender, age and ethnic origin;
8. Calls for programmes offering guarantees in cases where the collateral provided by the borrower is not considered sufficient, in particular where the beneficiary is a woman affected by or at risk of social exclusion or poverty;
9. Calls on the Commission and Member States to support former successful women beneficiaries of micro-credit in setting up financial cooperatives in order to offer micro-credits to other women.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.12.2008
Result of final vote	+: 15 -: 0 0: 0
Members present for the final vote	Edit Bauer, Ilda Figueiredo, Věra Flasarová, Lissy Gröner, Urszula Krupa, Astrid Lulling, Siiri Oviir, Zita Pleštinská, Anni Podimata, Teresa Riera Madurell, Raúl Romeva i Rueda, Anne Van Lancker, Corien Wortmann-Kool, Anna Záborská
Substitute(s) present for the final vote	Donata Gottardi

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	20.1.2009
Result of final vote	+: 40 -: 0 0: 1
Members present for the final vote	Mariela Velichkova Baeva, Paolo Bartolozzi, Zsolt László Becsey, Pervenche Berès, Slavi Binev, Sebastian Valentin Bodu, Sharon Bowles, Udo Bullmann, Manuel António dos Santos, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Louis Grech, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Wolf Klinz, Christoph Konrad, Kurt Joachim Lauk, Astrid Lulling, Sirpa Pietikäinen, John Purvis, Bernhard Rapkay, Heide Rühle, Antolín Sánchez Presedo, Salvador Domingo Sanz Palacio, Peter Skinner, Margarita Starkevičiūtė, Ieke van den Burg, Cornelis Visser, Sahra Wagenknecht
Substitute(s) present for the final vote	Daniel Dăianu, Mia De Vits, Valdis Dombrovskis, Harald Ettl, Werner Langen, Klaus-Heiner Lehne, Bilyana Ilieva Raeva, Margaritis Schinas, Theodor Dumitru Stolojan